

Wednesday, 6th March, 1940

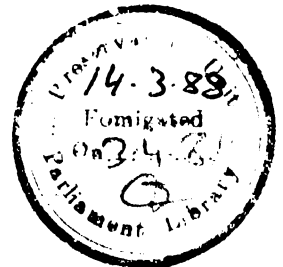
# THE COUNCIL OF STATE DEBATES

VOLUME I, 1940

*(16th February to 10th April, 1940)*

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## SEVENTH SESSION OF THE FOURTH COUNCIL OF STATE, 1940



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# COUNCIL OF STATE.

*Wednesday, 6th March, 1940.*

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

## QUESTIONS AND ANSWERS.

### COMMUNAL REPRESENTATION IN CERTAIN SERVICES.

38. THE HONOURABLE MR. HOSSAIN IMAM; Will Government state whether there is reservation for communal representation in the following services? If there are no reservations, what are the reasons, and when was the fact that there was no reservation notified?

(a) *Services*.—Indian Medical Service, Indian Police Service, Indian Audit and Accounts Service,

(b) *Services under the following Departments*—Imperial Council of Agricultural Research, Indian Stores and Telegraph Engineering.

THE HONOURABLE MR. E. CONRAN-SMITH: The Resolution of the 4th July, 1934 regarding communal representation in the Services applies to all the services mentioned other than the Indian Medical Service and the Indian Police. A few miscellaneous posts requiring high technical or special qualifications have been excluded from the scope of the reservations under paragraph 6 of the Resolution. The Indian Medical Service being a Military Service is exempt from the provisions of that Resolution. No specific proportions have been prescribed for communal representation in the Indian Police, as recruitment to this Service is made on a provincial basis. In order that minority communities may secure adequate representation in the Service, Provincial Governments propose, when necessary, the reservation of a suitable number of vacancies for members of those communities. Provincial Governments are also required to submit yearly a statement showing the figures of communal representation in the Service.

### COMMUNAL PROPORTIONS IN DIRECT RECRUITMENT AND PROMOTIONS TO CERTAIN SERVICES.

39. THE HONOURABLE MR. HOSSAIN IMAM: Will Government lay on the table a statement showing the appointments made in services mentioned in the preceding question between August, 1934 and December, 1939, giving communal proportions in respect of direct appointments and by promotion and the numbers in each category?

THE HONOURABLE MR. E. CONRAN-SMITH: The information is being collected and will be laid on the table of the House in due course.

**ANNUAL RECRUITMENT OF APPRENTICES BY THE E. I. R. FOR THE RAILWAY  
- TECHNICAL SCHOOL, JAMALPUR.**

**40. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** (a) Is any proportion of the annual recruitment of apprentices for the E. I. R. Technical School, Jamalpur, reserved for inhabitants of any province or members of any community ? If so, will Government give full information on the subject ?

(b) Are any vacancies reserved for the residents of the United Provinces ? What is the number of such men selected as apprentices during the last five years ?

(c) What steps do Government propose to take for the selection of candidates in an adequate proportion from the United Provinces, a very large part of which is served by the E.I.R. ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** (a) Yes. In view of the fact that the Bihar Government gave a grant in 1923 towards the capital cost of the Jamalpur Technical School and have continued since then to give an annual grant each year, a certain proportion of the vacancies at the Jamalpur Technical School have been reserved for Biharis. For the five years, 1934 to 1939, one-third of the vacancies for Indians each year has been given to Biharis. This reservation for Biharis will continue for the next five years subject to the Bihar Government having funds available to make their annual grant. No other province makes a contribution towards the annual cost of the School. Reservation is also made under the rules regarding communal representation as applied to Railways. The percentage reservations are :—

Anglo-Indians	55
Muslims	19
Other minorities	1.5

Bihari Muslims count against the 19 per cent. reservation for Muslims.

(b) The answer to the first part is in the negative. As regards the latter part, Government have no information as staff statistics are not maintained on a provincial basis.

(c) Government do not accept the policy of recruitment into railway services on a provincial basis.

**THE HONOURABLE MR. HOSSAIN IMAM :** Why was the reservation fixed at 19 per cent. for Muslims in place of the 25 per cent. as fixed in the Government Notification ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** The total reservation throughout India is 25 per cent. but it is impossible to give 25 per cent. for each railway because, take the S. I. R. where there are very few Muslims, we could not have got the Muslims. Therefore, each railway was given a separate reservation to bring the whole up to 25 per cent.

**THE HONOURABLE MR. HOSSAIN IMAM :** This is an All-India service and not only for the E.I.R.?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** For the whole of India. The reason for fixing the percentage at 19 per cent. for the E. I. R. is because that is the correct proportion on a population basis. On the N. W. R. it is 60 per cent.

**THE HONOURABLE MR. HOSSAIN IMAM :** Does this School take apprentices only for the E. I. R. or for all Indian Railways ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** Jamalpur takes apprentices for the E.I.R. only.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Is the Honourable Member aware that qualified candidates from the United Provinces have very seldom been able to obtain any vacancies worth speaking of in the Jamalpur school ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** I was not aware of that.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Does the Honourable Member remember that I drew his attention to it the year before last ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** It is quite impossible to make recruitment on a provincial basis. We have already got Muslims, Hindus, Anglo-Indians and other minority communities. The E.I.R. runs through three provinces and a combination of all these circumstances would make recruitment absolutely impossible.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Sir, it is not my desire that Jamalpur should give preference to the United Provinces candidate nor do I desire to ask that recruitment should be made on a provincial basis, but is it not desirable that recruitment should be made in such a way that no province may find itself practically excluded year after year ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** Sir, I should think it is probable that the majority of the vacancies not reserved go to the United Provinces because the Works are there or near them. Jamalpur is actually in Bihar but Lucknow is in the United Provinces.

**FOREMEN, ASSISTANT FOREMEN AND CHARGEMEN IN THE RAILWAY WORKSHOPS, LUCKNOW, E. I. R.**

**41. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** (a) How many supervisory subordinate posts of foremen, assistant foremen and chargemen in the Lucknow Workshops of the E.I.R. are held by the residents of the United Provinces and how many by non-United Provinces men ?

(b) How many candidates from the United Provinces were selected by Government during the last three years for training in the Jamalpur Technical School and ultimately posted to these shops ?

(c) Do Government contemplate the employment of United Provinces men in these shops to a much larger extent ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** (a) Government have no information as staff statistics are not prepared by provinces.

(b) & (c). I would refer the Honourable Member to my reply to parts (b) and (c) of his question No. 40.



**FOREMEN, ASSISTANT FOREMEN AND CHARGEMEN IN RAILWAY WORKSHOPS OF THE E. I. R. IN POSSESSION OF MECHANICAL ENGINEERING QUALIFICATIONS.**

**42. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** (a) How many foremen, assistant foremen and chargemen in the various E.I.R. workshops possess recognised Mechanical Engineering qualifications over and above the usual technical school training ?

(b) What special encouragement is given to these men to acquire these extra qualifications and how are these qualifications appreciated by the authorities ?

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

**STARTING SALARY OF CHARGEMEN IN RAILWAY WORKSHOPS OF THE E.I.R.**

**43. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** (a) Is the initial starting salary given to chargemen in the E.I.R. workshops Rs. 100 or Rs. 120 per mensem at the discretion of the appointing authority ?

(b) If so, what are the principles on which a higher start is given to some ?

(c) Is the higher start mostly given to Anglo-Indians and does the higher salary make them senior to those who are appointed on a salary of Rs. 100 per mensem ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** (a) The starting pay is Rs. 100, 110 or 120 in the scale of pay of technically trained chargemen.

(b) The abilities of an apprentice in both technical and practical work as well as his reports during the five years training.

(c) No. During the last three years 13 ex-apprentices were appointed on the completion of their training on a pay higher than Rs. 100, of whom nine were Indians and four Anglo-Indians. Seniority is normally based on the date of completion of apprenticeship.

**THE HONOURABLE MR. HOSSAIN IMAM :** Are the chargemen taken as apprentices ? Is the appointment made from apprentices ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** The idea in training these apprentices is to fit them for posts of chargemen.

**NUMBER OF QUARTERS RESERVED FOR SUBORDINATE SUPERVISORY STAFF OF THE RAILWAY WORKSHOPS, LILLOOAH.**

**44. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** (a) How many residential quarters in the E. I. R. colony at Lillooah are reserved for the subordinate supervisory staff working in the workshop there ?

(b) How many of them are in the occupation of Anglo-Indians and how many in the occupation of Indians ?

(c) On what principles are these quarters allotted to the staff ?

(d) Are Government aware of the difficulties experienced by the lower paid Indian supervisory staff of the Lillooah workshops in getting suitable houses ? Do Government propose either to allot them quarters or grant

them suitable relief in the way of a house rent allowance or afford them facilities for building their own houses ?

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

TRANSFER OF THE TRAIN LIGHTING SHOPS, LILLOOAH AND LUCKNOW, TO THE CONTROL OF THE CHIEF MECHANICAL ENGINEER.

45. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : (a) Do Government propose to transfer the train lighting section of the Lillooah workshops from the control of the Mechanical department to that of the Electrical department ?

(b) If so, will the proposal involve the transfer to the cadre of the Electrical department of a number of men trained in the mechanical line who have had no training in and experience of power house work ? Will not such a position affect adversely their future prospects ?

(c) Do Government propose to consider the advisability of retaining such men in the mechanical line instead of transferring them to a different line ?

THE HONOURABLE SIR GUTHRIE RUSSELL : (a) A proposal is under consideration to transfer the staff of the train lighting shops at Lillooah and Lucknow from the control of the Deputy Chief Mechanical Engineer, Lillooah, and the Works Manager, Carriage and Wagon Shops, Lucknow, respectively, to the control of the Chief Electrical Engineer.

(b) The staff have been trained in electrical train lighting and there will be no change in their duties nor in their legitimate avenue of promotion in the train lighting group.

(c) Does not arise.

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#### STATEMENTS, ETC., LAID ON THE TABLE.

THE HONOURABLE MR. C. E. JONES (Finance Secretary) : Sir, I lay on the table a copy of the Central Government Appropriation Accounts (Posts and Telegraphs), 1938-39 and the Audit Report, 1939.

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#### GENERAL DISCUSSION OF THE GENERAL BUDGET FOR 1940-41.

THE HONOURABLE THE PRESIDENT : The debate on the Budget, Part II, will now proceed. As usual I shall not fix any time limit but I will leave that question to the good sense and sound judgment of Honourable Members. I would only request that some of the Honourable Members will not repeat their arguments as it will lead to a great saving of time, if they will only say what they have to say and not continually go back to their arguments as they have sometimes done in the past. I shall call upon the Honourable Sir Jeremy Raisman to reply to the debate any time between 4 and 4-30 P.M., if not earlier.

THE HONOURABLE MR. C. E. JONES (Finance Secretary) : With your permission, Sir, I would like to tender to the House the apology of the Honourable the Finance Member for his inability to attend this discussion from its

[Mr. C. E. Jones.]

beginning. He is engaged in the Legislative Assembly at the present time and intends to come to this House as soon as his duties there permit.

THE HONOURABLE SIR A. P. PATRO (Nominated Non-Official): Sir, I offer my sincere congratulations to the Finance Member and the Finance Secretary for the able and clear financial statement of the Budget and for the lucid explanation of the defence expenditure, taking the public into confidence in regard to many important matters relating to defence expenditure, the circumstances for the modification of the Chatfield scheme and the financial adjustment of war expenditure between India and Great Britain. These are new features for which we should be very grateful to the Finance Department.

Sir, this is a war time budget. The war has placed a great strain on the finances of India. Otherwise, we would have had a very prosperous budget. We must be prepared for a greater strain yet as warned by the Finance Member. Rs. 376 lakhs is the burden which this year we have to bear, and next year the Indian revenue is called upon to bear Rs. 839 lakhs as a result of the settlement between Great Britain and India in regard to war expenditure. The total estimate of revenue is Rs. 85·43 crores over an expenditure of Rs. 92·59 crores, thus leaving a deficit of Rs. 7·16 crores. So far as we could see, the Budget has been very carefully prepared. It is understood that the railway contribution will be allotted wholly to central revenues. This is as it should be. The provincial share of income-tax, which was raised from Rs. 178 lakhs to Rs. 238 lakhs in 1939-40 is raised to Rs. 300 lakhs for the next budget year. Thus, provinces are dealt with liberally though there is the modification of the Neimeyer award which no doubt deprives them of a certain percentage of the revenue. But that could not be helped as the entire revenue from the balances from the railway finances goes to the general funds and it is only from income-tax that the provinces have to share. But this is not to be regretted because, in the provinces, during the last two and a half years, we have had the burden of several new taxes imposed which is not for the benefit of agriculture or industry or for the promotion of the economic interests of the people. It is with a view to feed the fetish of a political stunt that the whole amount of burden has been placed on the people. Sir, while we cry aloud that agriculture and industry have been treated with scant courtesy during the regime of popular Governments, still no adequate provision has been made for the improvement of agriculture or to help industry. Sir, it was expected that the deficit of Rs. 7·16 crores would be covered by the proceeds of the railway balance and excess profits tax, the principle of which has been accepted by all. But it was pointed out very shrewdly by the Finance Member that our calculations cannot be certain. The Finance Member seemed to have more certain data for arriving at the figure which he has arrived at. Therefore, the plan to tide over financial difficulties was carefully prepared and clearly executed without offending much the struggling industries and dislocating the economic condition of trade and commerce. Consideration no doubt has after all been paid to the great industries which are now under great difficulties. There is no doubt whatever that as a result of the war, the export trade of the country was largely encouraged. According to a report which appeared recently in the *Times of India*, Indian exports to foreign countries were Rs. 350 lakhs over and above what they were in the last year. The exports to the Dominions have been very much encouraged. For instance, to Canada and New Zealand the exports were about 100 per cent. more than what they were in the previous year, and to South Africa and the African Colonies there was an increase of about 70 per cent. in exports. Thus we see that the Empire countries have

been receiving exports from India though we have lost the export trade to Germany and much to Italy. The depression that there was last year and the year before last with regard to large industries has now happily gradually disappeared and prosperity has just begun to rise. The war no doubt benefited some industries and a few have made large profits. But most of them have yet to make up the losses which they have sustained during the last two years. The war benefited some industries no doubt. But other industries are not in a position to lay by anything for their lean years. The compensation to labour for rise in prices is a great disturbing factor to be taken note of.

Sir, I need hardly mention to this House that it is a very conservative estimate of revenue which the Finance Department has made in connection with the revenue from the excess profits tax. While in 1919, almost for one year the profits realised were about Rs. 9 crores, it is a very conservative estimate to say that the Finance Department expects only Rs. 3 crores. It has been explained elsewhere by the Honourable the Finance Member that he has got more certain data and greater certainty as to facts for arriving at the estimate which he has arrived at. He thinks that we, who challenge his decision, are not right. Similarly, in connection with the customs revenue, from the revised estimate of Rs. 50 crores there is a reduction to Rs. 46 crores, thereby showing a reduction of Rs. 4 crores in the estimate of customs revenue. The reason for this is said to be that shipping facilities are not great and owing to this imports next year may be affected and therefore it is desirable that there should be a conservative estimate of the customs revenue. On the other hand I would draw the attention of the Honourable Finance Member to the repeated assurances given by the British Ministers, down to the other day, in the House of Commons and in broadcast speeches, that their first care will be to see that exports from and imports into Great Britain should continue and will be safeguarded and protected from enemy attacks. In view of that, the explanation that this estimate has been made because of the fear of loss of imports is not at all sound. On the contrary we find from the figures of imports for the month of January that they are much greater than for the previous year. Bombay leads in having imports for January valued at Rs. 710 lakhs against Rs. 544 lakhs in January of last year. Bengal follows with Rs. 551 lakhs against Rs. 486 lakhs last year. Madras imports during January were valued at Rs. 238 lakhs compared with Rs. 200 lakhs last year, and Sind imports were Rs. 140 lakhs compared with Rs. 167 lakhs in January last year. Thus, we find from these figures that the import trade has been carried on systematically to a greater extent than in the previous year. Therefore it seems to me that the estimate of Rs. 46 crores instead of Rs. 50 crores is not at all a correct one. It is therefore necessary that this item should be revised. There seems to be no reasonable apprehension for under-valuing and under-estimating income under this head. But, Sir, the Honourable Finance Member has explained both in the case of the excess profits tax and in the case of customs revenue that they have got more reliable data available to them and hence their estimate. I referred to the economic position of agriculture and industry. Some industries are not yet able to make up the ground lost in the depression. The sources of revenue must recover strength and power to bear further taxation. It will be necessary to consider the question of loans to meet the deficits. The point is this. If agriculture and industry are not in a condition to bear any additional burden of taxation, and if these sources of revenue are to be dried up in this way, then is it sound financial policy that the whole burden should be placed on this generation. Expenditure on this war is an insurance. It is a capital investment. Why then should this generation alone undertake the burden? Especially when it is unable to do so. The burden should be shared

[Sir A. P. Patro.]

by the future also. That aspect should be considered. I know that the Honourable Finance Member, in referring to this question of covering the deficit in part from loans, expressed his opposition to the idea. Of course that is the orthodox view, that this generation should bear the expenses of the war and not leave it to the future. The idea is that we should leave a sound legacy to the future. I do not dispute that as far as possible the taxpayer of the day should bear the burden and pay for peace and freedom from war. But this war for freedom is going to benefit the future also. The expense is a sort of capital investment. A line must be drawn beyond which the revenue account should not be subjected to bearing the burden. Suppose again there is an emergency arising tomorrow. Are agriculture and industry to bear the whole burden? What is happening in British and other finances. Even today it is announced that they are going in for another loan of £500 millions to meet war expenditure. That is a question that requires very serious consideration. It cannot be that the revenue account should bear the entire burden. The future must also share in it. Industry and agriculture are not now able to compete with imports in spite of being protected in some cases. Where then is the stimulus for improvement if you dry up the sources, especially those which affect agriculture. The question has also to be considered whether there is enough staying power at present in agriculture to bear a heavier liability and whether it is feasible under present economic conditions. Taxation is not the only method of raising revenue. It is a matter for serious consideration whether a loan should not be raised.

The other point is the extent to which India is involved in her external defence. That requires careful scrutiny. The Chatfield scheme had the merit of at least stabilising the defence expenditure, which was estimated at Rs. 45 crores. A doubt arises in my mind as to whether the Chatfield scheme has been altered by the present arrangement. If it is altered, is it for the benefit of India that the scheme has been so altered? In the first place we had to criticise the Chatfield scheme itself, and now the modifications seem to be worse. The doubt therefore arises whether the present scheme is for the benefit of India. India's liability for external defence was fixed at the normal expenditure of one-tenth of the army. Should Indian troops be called upon to any greater extent, observed the Finance Secretary in September last, His Majesty's Government will pay. Whenever any portion or the whole of India's external defence forces outside Indian limits are engaged in the discharge of India's responsibility for her external defence it is said that India should accept some share of the cost. This is the result of the arrangement now come to that an item of one crore of rupees has been provided for in the Budget for the year. Sir, I strongly oppose the tendency to water down the Chatfield recommendations and I also oppose the suggestion that India should bear any extra burden on account of these external forces. The tendency to water down has been known for some time but this modification was not expected. I hold that India shall not pay for what the Imperial Government is liable. When those forces are sent out of India India will have incurred great additional expenditure for defence purposes apart from internal defence. This additional expenditure would be part of the joint liability. I therefore hope that the Government of India would not easily submit to any further liability in this matter. The extra cost of the external defence has to be borne by Imperial finances. Those whose political faith is centred in the four pillars of Swaraj may not trouble themselves to examine the advantages of this scheme. The total amount of the net annual defence expenditure incurred in India during the war will exceed the aggregate of items 1 to 3 stated in the Finance Member's speech.

It will be recovered, if it exceeds items 1 to 3, from His Majesty's Government. Therefore the whole aim is to limit India's financial liability in connection with the war to such measures as are within her financial capacity. That is the statement of the Honourable the Finance Member. The members of the suicide club or moonstruck people and those under their influence may denounce Imperialism where there is none and also win the war by non-violence, but the external defence is a reality vital for the protection of India's millions from totalitarian forces.

There is one other point, Sir, which requires to be placed before the House and which I am glad the Honourable Finance Member has already spoken to elsewhere. In the absence of the right of voting on the Defence Budget, I agree it is very desirable that the Government may appoint a special Accounts Committee on the lines of the Estimates Committee for purposes of controlling expenditure during war time and to ensure that the funds allotted for defence expenditure are properly spent and the division of expenditure between India and the United Kingdom is equitably made.

THE HONOURABLE MR. HOSSAIN IMAM : Committee of the Lower House or of both Houses ?

THE HONOURABLE MR. P. N. SAPRU : I hope of the Lower House.

THE HONOURABLE SIR A. P. PATRO : Various counsels prevail and therefore it is difficult to answer any question. The Committee should be left to the discretion of the Government—either it may be on the lines of the old Standing Finance Committee or it may be an *ad hoc* Committee. But the difficulty of an *ad hoc* Committee is that some of the financial problems cannot be disclosed until a very late stage. Hence a Committee of the Legislature would be more useful and perhaps would be preferable to an *ad hoc* Committee.

THE HONOURABLE MR. HOSSAIN IMAM : Of the two Houses ?

THE HONOURABLE SIR A. P. PATRO : Yes. I submit therefore it will be more useful and effective in the matter of watching the expenditure and controlling as far as possible the expenditure especially during this war and later on the adjustment of the differences between England and India. But the Honourable the Finance Member has stated yesterday elsewhere that he was going to take the question into consideration and consult the Members of the Legislature. I hope he would not confine it only to the Members of the Assembly but also include representatives from this House.

Once more I congratulate the Finance Department and its Secretary, but at the same time I wish that some of the points raised by me in connection with war expenditure and in connection with defence expenditure are looked into, so that agriculture and industry in the present economic stage of the country should not be wholly burdened but the problem of the loan policy should be seriously considered.

THE HONOURABLE MR. SHANTIDAS ASKURAN (Bombay : Non-Muhammadan) : Sir, let me, in the first place, congratulate the Finance Member on the ability with which he has attempted to carry out his rather unenviable task. None can withhold sympathy for the Honourable the Finance Member in the unexpected circumstances he finds himself at the threshold of his new career. But he has displayed rare courage and determination in discharging his onerous duties. While I admire his financial

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acumen, I am afraid I cannot fully share his views and methods. He is entitled to our co-operation and assistance ; but we are entitled to an effective voice in the shaping of the budget proposals. He is not only a creature of circumstances but a part of the system within which he functions. My comments therefore apply more to the system, and it is my considered view that even within the system it should have been possible for him to take a more popular view of the problems before him.

The Budget is no doubt dominated by the war. While I agree with the contention that even neutral countries find their budgetary position disturbed because of the war and therefore some adverse effects were inevitable on India's finances, I cannot agree as to the extent to which India is being asked to bear the burden. To some extent, the Finance Member appears to have ignored both geography and politics. The war is not being fought on the geographical frontiers of India, nor yet even on the military frontiers as recently defined. The safety of India cannot be said to be in actual peril in spite of the black-outs and other A. R. P. measures undertaken in Bombay and other port towns.

Apart from the geographical factor, was it right of the Finance Member to have ignored the serious political results that will inevitably arise from the budget proposals involving crores of additional taxation ? The declaration of India as a belligerent country without consulting the people has already led to a sharp protest from the best organised political party, and the sincerest efforts of His Excellency the Viceroy to rope that party in the common task of fighting the enemy have not met with any degree of success. This therefore was the time for the Honourable the Finance Member of the Government of India to be most circumspect and to avoid giving any handle for a country-wide agitation. I still hope that the situation is not irretrievably lost, and am confident that if the Honourable the Finance Member could modify his proposals of taxation and if His Excellency the Viceroy on his part would make another bold effort to bridge the gulf, India might be saved of a war within war and our common enemy would be crushed.

Sir, before I refer to the details of the budget proposals, I shall deal with the new theory of joint responsibility regarding the external defence of India. This theory, if it is to fructify and be enduring, must be based on mutual confidence and trust. The Finance Member has alluded to the contribution made by His Majesty's Government on the lines of the Chatfield Committee's recommendations. But I ask, Sir, where was mutual trust and confidence in composing the personnel of that Committee ? There was not a single Indian who could be trusted to know the policy underlying those recommendations. Further, the Report of the Committee is a document shrouded in secrecy, if not mystery. In the circumstances, I hope my comments will not be considered unjust. So far as I can see the theory of joint responsibility of the external defence of India as arising from the Chatfield Report has been laid bare, for the first time by the Finance Member. But, may I ask whether it has not been the fact that India has shared this joint responsibility of defending the Empire in the past ? And is it not true that what India is now called upon to do is more for the sake of defending the Empire than for the sake of defending her own frontiers ? If this is true, the contribution made by His Majesty's Government for the modernising of the Indian Army should not be treated as a contribution to the defence of India but to the defence of the Empire. Viewed in its correct perspective, this new departure in Imperial policy, though it may be regarded as welcome on its own merits, cannot

be taken as an act of special grace done by the ruling country to us. On the other hand, this arrangement makes patent the hitherto concealed fact that the Indian Army has always been a part of the Imperial Army required to serve at any time for Imperial defence. In other words, if the defence expenditure of this country were strictly limited to her own defence, it would be on a far different scale.

Sir, with this background let us consider the figures presented by the Honourable the Finance Member. The additional expenditure on account of the war during the current financial year and the coming year is Rs. 12 crores. We budgeted for Rs. 45.18 crores as our defence expenditure for 1939-40, and if we take that as the basis, we find that there is a net addition of Rs. 376 lakhs in 1939-40, and of Rs. 824 lakhs in 1940-41, or in other words, an addition of Rs. 12 crores. This does not take account of the increase noticed in Civil estimates due to the war. Moreover, there is the ominous warning that there are many uncertain factors which cannot be calculated beforehand, and, therefore, we may find that the expenditure has gone beyond the estimates at the end of the year.

I have so far discussed the desirability of the additional expenditure and estimated the extent of the expenditure in which we are involved. I now propose to refer to the various measures by which the Finance Member proposes to find these resources. He has taken credit for more than Rs. 5 crores of improvement in revenue during 1939-40 a part of which has been credited to 1940-41. The remaining Rs. 7 crores is proposed to be realised by additional taxation. The additional taxation takes the form of surcharges on railway rates, increased duty on petrol, an addition to the excise duty on sugar with a corresponding increase in the import duty on sugar, and the excess profits duty. The increase in railway rates and in the duty on petrol will affect the large masses of the people and make their communications dear. I am not speaking on behalf of those who use motor cars and who will be called upon to pay more; but on behalf of those large numbers of people in rural areas who are now making increasing use of bus services, which are so valuable in linking up the rural areas with the railways. This work needs to be encouraged by all possible means and any step which is calculated to discourage the movement of men and goods in rural areas is contrary to the general interests of the country. But so far as one can see from the speech of the Honourable the Finance Member, the justification for the increased duty on petrol is in the interests of railways, lest the motor traffic adversely affect the railways, their fares having been increased. In my opinion, other steps could have been taken to put railway finance on a sounder footing instead of creating a situation by which both railway rates and fares will be definitely increased.

In connection with the increased duty on sugar, the Finance Member asks us to believe that this will fall on the comparatively well-to-do classes of society, because in his opinion, white sugar is not consumed by the masses. One may sympathise with the difficulty of the Finance Member in appreciating the elementary facts of life as lived in the remote areas of this vast country, but one must protest against its consequence, *viz.*, the burden of taxation which will affect large numbers of people in the country. The sugar industry has been one of recent growth and it still requires careful nursing before it can withstand foreign competition effectively for all time. It is an irony of fate that an industry of such importance which has received protection should, at the same time, be subject to excise duty on production. When the excise duty on sugar was first imposed some years ago, it was vehemently opposed by all classes of people. And if the sugar industry has in more recent



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years not shown that marked advance which it was expected to do, it was in some degree, attributable to the excise duty. And now that duty is being increased further with the result, we can easily foresee, of a reduction in its consumption, lower rates of sugarcane to agriculturists and its further corollary corresponding adverse effect on the industry itself. I cannot envy those in charge of sugar factories in the country who will be called upon to pay this duty in addition to the excess profits duty to which they will be subject at the same time. The Finance Member is hardly justified in taking a step of this nature in the case of a protected industry without proper inquiry. If this duty cannot be dispensed with then the industry is entitled to ask from the Finance Member a categorical assurance at this stage that, in case there is dumping of foreign sugar, necessary steps will be taken by executive action to protect the Indian sugar industry.

Regarding the excess profits duty you, Sir, are aware of the general wave of indignation among the business community in the country. I shall not go into the details of this controversial measure at this stage, because there will be provided an opportunity to discuss the Excess Profits Duty Bill. It is not so much to the principle of this duty as to the method of its imposition that the greatest objection lies, because, in his zeal to tax the excess profits the Finance Member has overlooked several relevant factors and there is also a deliberate under estimation of revenue under this head.

The only feature in the Budget for which the Finance Member deserves our warmest appreciation is his reference to the steps taken or contemplated for the repatriation of sterling debt. This step has been suggested by various parties on different occasions. From all points of view the conversion of the sterling debt into rupee debt will mean the lessening of the economic burdens on the country in the future and all reasonable opportunities should be availed of to convert the sterling debt into rupee debt as speedily as possible. I do hope that the Finance Member will receive encouragement from all quarters for this belated effort in the right direction, and I also hope that no obstacles will be laid in the way of his carrying out this measure to its logical conclusion by those who control our financial destiny from Whitehall.

Before I conclude, I must revert to the plea of mutual trust and confidence which is necessary in order to create better understanding between India and Britain. I feel, I must request the Finance Member and his colleagues to reorientate their policy. Sir, in this House, the non-official side has asked for information, but has been practically denied by the Government on the ground of public interests. If the whole House cannot be taken into confidence, is it too much to ask for the appointment of a small committee which could be trusted to share the secrets of the Government on defence matters by being enabled to scrutinise at least the defence expenditure? Sir, I hope I am not appealing in vain for I know that when His Excellency the Viceroy comes to hear of our joint request, he will be the first person to respond to it.

THE HONOURABLE SARDAR BUTA SINGH (Punjab : Sikh) : Sir, I have no desire to pass the Budget of the Finance Member under a critical survey. We enjoy sheltered security as a result of the sacrifices in men and money which England is making without stint. All our calculations of expenditure depend on the turn that the war takes during the next few months. I hope God in his goodness will restore peace.

There are however certain statements in the Budget which need elucidation. I find little satisfaction in the categorical statement that India has suddenly become prosperous. The Honourable the Finance Member has spent long years in India, and knows, that so far as agricultural prosperity is concerned, it is determined by yields and prices of crops. Since the war began there has been no phenomenal increase in either. It seems there is no ground for assuming that a wave of prosperity is sweeping over India.

The Finance Member has also dwelt with some satisfaction on the accumulation of sterling reserves in England, and on the sales of gold and silver by the Reserve Bank. This policy again needs a definition. How are these transactions inherently in the interests of India? The debasing of the small coin and the rupee is a departure from traditional policy and has yet to justify itself in the eyes of the people.

I am not prepared to demur at the defence expenditure. I would feel extremely obliged if the Honourable the Finance Member would explain how the departure from the Chatfield recommendations which provided for a grant of Rs. 43·79 crores from His Majesty's Exchequer and a maintenance grant of £500,000, as compared with the new arrangement described at page 8 of his speech, is more advantageous to India? I am sure he will agree with me that if all the money England is pouring out into other countries, came to India to mobilise our material resources and our manpower, India and England could be in a position which no other country of the world would lightly challenge. In this connection I have heard with some satisfaction that the Indian Territorial and Auxiliary Forces have been mobilised and troops that have gone abroad have to be replaced by fresh formations. Could he or the Army Member enlighten me as to what is to be the share of India in the officer ranks in the units of Regular Army, Territorial and Auxiliary Forces? Could he give some assurance that steps will be taken to equip India to produce all the modern weapons for war, such as aeroplanes, anti-aircraft guns and other such materials. It is possible that a large body of trained officers may be required for officering the new units of the Regular and other services. Is there any reason why all the Auxiliary Services should not be entirely officered by Indians? In a time like the one we are passing through now, Indianization of the Army should be accelerated.

Coming to the new tax proposals, I do not wish to say much on the excess profits tax, except this, that it aims at drying up the source which, if developed, could provide an ever increasing revenue. The Finance Member seems to have fastened his eyes more on the convenience of collection than on the equitable distribution of the burden. He had selected sugar which is already subject to a heavy excise duty. An increase of 50 per cent. on a single item does not seem justifiable. He knows that distribution of indirect taxes on the widest possible field is the only just way of raising revenue. Why could not he place an export duty on gold and an additional duty on luxury goods imported into India, increase tax on salt, kerosene, tobacco, cigarettes and foreign liquor, etc.? I pray that peace may come and in its coming India may attain Dominion status, and start on the road of co-operation and prosperity.

**THE HONOURABLE MAHARAJADHIRAJA SRI KAMESHWAR SINGH OF DARBHANGA** (Bihar : Non-Muhammadan): Mr. President, in presenting his Budget to the other House the Honourable the Finance Member began his

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speech by saying that he was conscious of the fact that he would not be regarded as a prophet in this country because he had adopted it as his own. That is quite true. We have known his work and worth for quite a long time. We have, if I may be permitted to say so, also known the unusual qualities of the prophets who have disappeared after adorning this House for brief periods and telling us what was good for this country. We do not regret their exit because we heard the one and the same sermon from every one in that place, whether he was a prophet or not, and that was "Nothing is certain but death and taxes". Indeed, we do not need a prophet to tell us this. Perhaps it is taken in a better spirit from a fellow you know than the one in which you have to accept it from an unknown saint who is expected to do miracles. Further, when we see to the results afterwards, we find that very often prophecies are false.

It is rather unfortunate that the first budget which my old and distinguished friend has presented before us was prepared at a time of great stress and uncertainty. He could not help it. We appreciate his difficulties and assure him at once that we do not grudge the sacrifice demanded from us for the victory of the cause that has been taken up by Great Britain and her Ally.

I must congratulate him on coming to an early settlement with His Majesty's Government on matters relating to the division of defence expenditure. It will obviate future complications and India will know clearly where she stands. It is, however, not clear from the statement of the Honourable the Finance Member whether item (4) of the settlement, *viz.*, lump sum payment of one crore of rupees towards the extra cost of maintaining India's external defence troops overseas will be made only during the current financial year or such lump sum payments for the same purpose shall, in accordance with the settlement, have to be paid in future years as well. I hope that he will throw further light on this subject.

This is not the time when I should take into consideration the normal

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peace budget of defence expenditure. We have to take things as they were at the outbreak of war. Our immediate objective is to win it and help in the establishment of world peace. On the whole, the extent to which the war has affected India's defence budget does not seem to be abnormal when we compare it with other countries of the world. The additional burden of Rs. 376 lakhs in the current year and of Rs. 839 lakhs in the coming year should not evoke much adverse comment when it is recognised that these represent the price of our safety. But, Sir, I cannot help referring to the statement that was laid on the table of this House the other day regarding the officers' emoluments in the Supply Department. I find that in most cases the officers who were transferred to that department from other posts are given much larger emoluments. There seems to be no justification for it. If the general taxpayers are asked to make sacrifices for war purposes there is no reason why persons in the service of the Government should not be asked to serve on the pay they were getting before. After all, the burden of war must fall evenly on every section of His Majesty's subjects and every one should contribute towards success in whatever manner he can. I would urge upon the Government to exercise the strictest possible economy in incurring expenses of defence. I wholeheartedly commend to the Government the suggestion made by the Committee of the Federation of Indian Chambers of Commerce and Industry that for the duration of war the entire defence expenditure should be made subject to the close scrutiny of the special Account Committee of Members of the Central Legislature. I think that some such

machinery is necessary to reassure taxpayers that they are asked to contribute the barest minimum required for the prosecution of war. This is a time when no section of the people should be allowed to profiteer and enrich itself with what we may call "blood money".

The entire Budget presented to us this year is, in fact, a war budget. Even in the civil estimates for the coming year we find that by reason of war special expenditure to the extent of Rs. 37 lakhs shall have to be incurred as compared with Rs. 16 lakhs this year. Further, the provision of additional Rs. 25 lakhs for the expansion of civil aviation has been made chiefly because it is closely bound up with the problem of defence. The grant to All-India Radio is again a war item. If we exclude these as well as the increases of an automatic nature we will find that the Honourable Finance Member has in 1940-41 studiously excluded all avoidable new proposals unconnected with war. Still we find that at the end of the year 1940-41 the Government will be faced with a deficit of Rs. 716 lakhs. The revenue has been estimated to be Rs. 85.43 lakhs and the expenditure Rs. 92.59 lakhs, which includes Rs. 53.52 lakhs of defence expenditure.

As I have already indicated I do not propose to touch the estimates for expenditure. But, my apprehension is that the revenue has been underestimated. My suspicion is deepened when I look at the figures of the financial years 1938-39 and 1939-40. In the former an expected deficit of Rs. 265 lakhs was reduced to only Rs. 64 lakhs mainly on account of an improvement in revenue. Similarly, in the latter year while the budget estimates provided for a nominal surplus of Rs. 3 lakhs it is now estimated that in spite of the extra war expenditures the increased revenue will enable the year to end with a balance of Rs. 91 lakhs. Customs and central excise duty seem to have sprung a pleasant surprise on the Government of India during the two preceding years. In the year 1938-39 the last month brought to its coffers Rs. 37 lakhs from customs and Rs. 41 lakhs from excise duty. In the year 1939-40 the revenue from these heads increased to the extent of Rs. 114 lakhs and silver brought a windfall of Rs. 122 lakhs. In the coming year, however, the Finance Member does not anticipate any such luck. I wonder why? I think that increase in the railway freight and the excess duty on sugar will put indigenous sugar at a great competitive disadvantage with respect to imported sugar. Similarly, I feel that since an embargo on non-sterling countries continues and will probably continue during the period of war, increased income from silver duty cannot be taken to be beyond the range of possibility. I agree with the Honourable Finance Member that the forecasting of the customs revenue is a matter of great difficulty at all times and specially during war time, and when I say that his estimates are very conservative I am inclined to think that notwithstanding the intimate knowledge he possesses of these things he has erred on the side of pessimism.

Then again, let us examine his estimate of revenue from income-tax. In the year 1938-39, the income under this head was Rs. 124 lakhs more than the revised estimate. Of this, Rs. 56 lakhs were due to less refunds than estimated and Rs. 68 lakhs represented increased collection of tax. In the current year the revised estimate is Rs. 155 lakhs higher than the budget estimate. Although the Honourable the Finance Member has added Rs. 141 lakhs to the revised estimate for the current year in estimating his income from this head in the year 1940-41, I feel that here again his estimate of increase is very conservative. Sir, I know it to my cost what the Income-tax Department is. I have before me the figures from 1337Fs. (corresponding to 1931-32) to 1344Fs. (corresponding to 1938-39) During these years I got refunds of nearly Rs. 19½ lakhs from the department after spending Rs. 2½

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lakhs in litigation. This clearly indicates that either the Income-tax officers who make the assessments are grossly incompetent or it is the policy of this greedy department to throw fairness and justice to the winds and take as much money as possible by hook or by crook relying on the fact that most of the assesseses will not be able to fight them to the last and so succumb to their tyranny. Sir, this is a hard remark, but when I recollect the misdeeds of the officers of the department I am astonished at my own moderation. I would invite the Honourable the Finance Member to read the judgment of Mr. Justice Manohar Lal of the Patna High Court in Miscellaneous Judicial Case No. 41 of 1936, "Raja Bahadur Visheshwar Singh vs. Commissioner of Income-tax, Bihar and Orissa." In that case His Lordship has expressed his disapproval of the Commissioner's action and observed that it appeared to him that the assessee had been considerably harassed by the manner in which the proceedings for a reference to that Court were conducted by the Commissioner. As it is a lengthy document I do not propose to read it. There are other cases as well in which the Honourable Judges of the Patna High Court have condemned the action of the Commissioner of Income-tax for Bihar at different times. Sir, in contentious matters while the taxes have to be paid immediately it takes years to get the refund, and the cost of litigation from one court to another is simply prohibitive. The assesseses have the money illegally taken from them as tax and locked up in that department for several years without any relief. (*An Honourable Member* : "And with no interest.") And with no interest. On the contrary, they are subjected to innumerable hardships and harassment in getting back what the law allows them. The agents of this Department in the provinces put the matter off under one pretext or the other, misinterpret the law, reopen questions already settled and search for every conceivable loopholes to deprive the poor taxpayers of their just claim. I hope that the higher authorities of this department will acquaint themselves with the doings of their agents in the provinces and take steps to mend their ways. I have digressed and said all this to indicate, Sir, that so long as the attitude of the officers of the Income-tax Department remains as I have described to you, the Honourable the Finance Member need have no fear about any deterioration of income from this item.

Similarly, I am led to think that the Posts and Telegraphs Department will show better results in bringing revenue to the Government than anticipated. As a layman, I think that the reason given for the fall in revenue will not bring the anticipated drop. The first rush of war traffic so far as the Posts and Telegraphs Department is concerned may have passed but the war continues, and the Department expands its sphere. Even in the pre-war period of the current year the revenue was steadily on the up grade. The ups and downs are bound to occur in a war situation and all these, I think, will bring more than normal peace time business to the department.

Thus, I believe that by the end of the coming year we shall have more money available than what has been estimated by the Government and it will be found that the present Budget can be balanced with less additional taxes. It is, of course, quite a different thing if fresh demands are made by changes in the war situation. But with that we are not concerned at present.

The way in which the Honourable the Finance Member proposes to make up the deficit has evoked a good deal of criticism. Before disclosing his financial plans he introduced the Excess Profits Tax Bill in the Assembly. Now, he has embodied further taxation proposals in the Finance Bill for the year 1940-41.

Sir, we have yet to see how the Excess Profits Tax Bill emerges out of the other House. I do not therefore propose to discuss it in detail at the present stage. But it must be remembered that the business community in this country is almost unanimous in holding the view that the Government has very much under-estimated the yield from this tax. It is also of opinion that in actual operation the law will go very much beyond its present scope, namely, the taxation of excess profits accruing as a result of war, and stifle the growth of industry which is after all in a nascent state in this country.

This, taken with the other two taxation proposals, go to indicate that the Government seek to recover almost the entire amount of deficit from industry. It has its dangers inasmuch as it will go a great way in preventing India from strengthening her national economy which she as a raw material producing country can reasonably expect in the boom period of war. She must have something to put away for the lean days to come if she is to ensure the safety of the foundation of her economic structure at the end of war. These measures, Sir, apart from touching the industrialist will, I am afraid, adversely affect also the agriculturist.

Take, for instance, the sugar industry of which I have personal experience. Although it has been protected by the tariff wall the taxes, both central and provincial, the fixation of the minimum price of cane to a high level, over-production, internal competition and occasional labour troubles have taken away from the industry the benefits of protection even now when the excise duty stands at Rs. 2 per cwt. In one of the sugar mills owned by me I once made a profit but the payment of excise duty converted the profit to a loss and in spite of our best efforts the present position is that ten rupee shares stand at six rupees. A calculation was made towards the end of the last month on the state of things prevailing at that time and it was found that profit to manufacturers in Bihar and the United Provinces, together producing about 9 lakhs tons of sugar which forms about 80 per cent. of the total output, was barely 2 per cent. which worked out at 4 to 6 annas per maund. Out of this they have to pay income and super-taxes. Now a new situation has arisen by reason of the enhancement of excise duty and increase in the railway freight. I do not know what the intentions of the Government are with respect to the sugar industry. I wonder if the manufacturers with whom the lot of cane growers is so closely wrapped up will be able to bear the burden. Is not this new proposal going to be the last straw on the back of the Indian sugar industry camel? Things are bad enough as they are. I think the House will be interested to know what a Development Minister of Bihar thought of it at the time when the excise duty was raised to Rs. 2 per cwt. While piloting the Sugar Factories Control Bill in the Bihar Assembly Dr. Syed Mahmood observed on the 2nd December, 1937 :—

“ It is our duty to protest against the inopportune enhancement of the excise duty which has had an admittedly adverse effect on our industry ”.

He warned the India Government against competition from Java and totally disapproved the ratification of the International Sugar Agreement. I think that the result of the latest actions of the Government will be that either the manufacturers shall have to close their factories or the cane growers shall have to accept a very low price for their cane. Considering that cane is one of the principal money crops in our part of the country it will be a catastrophe of the first magnitude if either of these two things happen. Then, if the war continues, there is the grave apprehension of Java dumping sugar in India on account of freight difficulties to markets in the west and the

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closing of the China market. Over-production on the other hand has made the internal position of the industry very precarious. In these circumstances, one should have expected the Government to come to the help of the industry. Instead of that, it has made its existence still more difficult.

About the proposed duty on petrol, I beg to submit that the entire burden of the tax will fall on the travelling public. Remembering that in these days motor cars are not used only by the few rich people but also by a greatly larger number of poor people, who find bus travel very economical and convenient, it will not be wrong to suppose that the latter will be subjected to great financial strain. In my own province where the average income of people is not large they will have to pay for not only the increased railway freight from the port to the retail shop and the enhanced central duty but also the newly imposed provincial tax at the rate of Re. 0-1-6 per gallon. It may be that the burden of this taxation will be so heavy that the motor transport will greatly diminish and ultimately affect the revenues of the Government. Let me, however, hope that the Honourable the Finance Member has considered all these probable factors before deciding to tax the commodity.

There is, Sir, one other subject to which I wish to refer before I resume my seat. I consider that amendment approved by the Parliament to the Order in Council giving effect to Neimeyer award in connection with allocation of the income-tax revenues between the provinces and the centre is an encroachment on the meagre financial resources of the provinces. According to this amendment the centre will retain its 50 per cent. share of the income-tax proceeds *plus* Rs. 4½ crores from the provincial 50 per cent. share of the same. Besides this, no benefit will accrue to the provinces from the railway revenues, the contribution from which to the general exchequer has been till now pooled with 50 per cent. of income-tax receipt. It is, indeed, unfair to the provinces that now when railway revenue is expected to look up they shall be deprived of any share of it. It is a poor consolation, indeed, that they will receive a part of the proceeds of the Excess Profits Tax, because from the very nature of it the tax cannot remain as a permanent feature of the Indian tax system. As it is, the finances of the Provincial Governments are quite inadequate to meet their needs. In my own province revenue is so inelastic that the Ministers were desperately in search of money to finance their various development schemes. All the time they were planning big things and shelving them on financial grounds. Every pie this Government gives to the provinces goes towards improving the moral and material condition of the people from whom it derives its taxes. I was very much amused to read the reply which Lord Zetland gave to Lord Snell when he asked about the Indian reaction to the amendment. It seems that the Provincial Governments were not consulted in this matter. Their opinion, as Lord Zetland declared, was taken on a circular a little less favourable to them than the scheme now adopted. He took it for granted that they will unanimously oppose it and he was astonished when he found that opinions were divided. But what is more astonishing to us is that while some of the autocratic Governments in the hands of the Governors objected to the proposal some of the popular representative Governments that have not resigned accepted the proposal. No wonder then that His Lordship did not consider it worth while to consult the Provincial Governments with regard to this system of financial distribution which, as he asserts, is more favourable to the provinces than one embodied in the circular to which he referred. I am afraid I cannot subscribe to his view that this new plan cannot be inherently unfair to the Provincial Governments. I can justify it only on the ground that it is a temporary war measure.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, before I deal with the Budget, I must say that in the Honourable Sir Jeremy Raisman we have a Finance Member suave in his manner and disarming in his methods and yet we have to fight his budget proposals because they embody a policy of all taxation without taking into confidence even the foremost Indian leaders in the absence of the Standing Finance Committee.

In spite of the Budget's apparent lucidity and the disarming manner of its presentation, the Indian public finds it hard to understand how it is necessary, the circumstances being what they are, to undergo dire sacrifices in the very first year of the war. To put it in a nutshell, the total burden that is sought to be placed on the taxpayer comes at least to Rs. 11.55 crores. The increase in railway fares is going to transfer, according to the Railway Member himself, from the pockets of the people, mainly the poor people, to the coffers of the Government about Rs. 5.25 crores. The Excess Profits are expected to yield about Rs. 3 crores, while the increase in sugar excise and motor spirits is expected to yield Rs. 1.90 crores and Rs. 1.40 crores respectively.

It is, Sir, rather unfortunate that the Finance Member has attempted to justify the fresh taxation proposals on the assumption that the industry and trade in this country were experiencing a period of modestly improving rate of economic progress, succeeded by what he calls the tide of war prosperity. This description of the economic situation of the country before the outbreak of the war is hardly justified from the experience of either the cultivator or the industrialist during the current year. The description of the economic conditions prior to the outbreak of the war given by the Honourable the Finance Member is in sharp contrast to the description given by the Governor of the Reserve Bank of India in the Report of the Central Board of Directors for the year ending 31st December, 1939, in the following words :—

“ In India, as in Great Britain, the growing tension in the international situation militated against any sustained recovery in the first eight months of the year and the nervousness which it engendered dominated the financial markets generally and almost nullified the effect of other favourable factors such as a slight improvement in the foreign trade position and a rise in the prices of certain commodities such as jute and sugar. To this was added the depression in the prices of wheat and cotton and the difficulties of the cotton textile industry, which has been experiencing one of its worst slumps owing, among other reasons, to overproduction and the increased cost of labour ”.

It surely cannot be news to the Finance Member that the demand for important products such as sugar and cotton piecegoods has slackened, at times even after the beginning of the war, to such an extent that there is no comparison to the present sluggishness in demand for these products within the last 15 or 20 years. I, therefore, submit that the diagnosis of the situation, as given by the Finance Member, is far from accurate and I cannot but object to the imposition of the additional burdens which are bound to give a sharp setback to agriculture and industry in the country. The widely anticipated boom may not ultimately materialise, and the opportunities of making large profits which the war offered to the industrialists and the businessmen in 1914—1918 cannot repeat themselves during the present war. It will be unrealistic, therefore, to impose additional measures of taxation on a hypothetical situation of wartime prosperity, which does not obtain at present nor is there any definite certainty of its materialising in India.

I fully endorse what my Honourable friend Mr. Shantidas Askuran has said as regards the action taken on the Chatfield Committee's Report. I am not going to dwell on this very long because all the Honourable Members know that the Chatfield Committee had no Indian among its personnel. The Report of that Committee was never published and even the foremost Indian leaders were not taken into confidence. The arrangement arrived at between



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the subordinate Government, I mean the Government of India and the British Government had not the approval of the country, the Defence trans-borders where India is required to meet the enemy has been placed as distant as Port Said on the one side and Singapore on the other. And for this the Government of Great Britain gave a grant of one crore a year. That is not enough, Sir. After all, India is the greatest asset of the British Empire and supports millions of Britishers. Therefore, Sir, as far as I can humbly think, there is no justification for this arrangement. We ought to meet the enemy on the border limits which were ruling in the past. I know, Sir, that India is being burdened with an object which is imperialistic. Therefore, Sir, I would endorse what the Indian Retrenchment Committee said on this point. Sir, I must say that, as the practice hitherto has been of presenting the details of military accounts to the Central Legislative Assembly but now the estimates are presented in a lump sum and the Assembly is not being given a chance to discuss the details of the military expenditure. This, also, Sir, is greatly resented by the people and, as my Honourable friend Sir A. P. Patro has observed, at the present stage Government would be well advised to appoint an Indian Committee or Member of the Executive Council to see to policy and the details of the defence expenditure. Sir, this Government is following the example of Germany in this matter. In Germany it is the military who are the ultimate deciders of the destinies of the nation. Here hitherto the British people have been putting civilians in charge of the policy of the conducting of armies in its various international aspects. Therefore, Sir, it is proper that an Indian Member ought to be appointed to the Viceroy's Cabinet who should look after the defence policy and defence expenditure. Sir, to increase the trans-border from Suez on one side and to Singapore on the other is to saddle us with expenditure which is not justified. I find, Sir, in the Honourable the Finance Member's speech something which is very interesting. What does he say as regards the allocation of war expenditure between India and the British exchequer? He says :—

"In view of all these complicating factors it was felt that it would be quite impracticable to arrive at an accurate assessment of the defence expenditure chargeable to Indian revenues by a meticulous application of the principles laid down for the allocation of such expenditure between India and His Majesty's Government under peace conditions. Not only would such a course involve an immense amount of clerical work and consequent expenditure but it would revive all the difficulties experienced in connection with the accounts of the last war in an aggravated form. The matter has formed the subject of prolonged discussion with His Majesty's Government who shared our desire to simplify the arrangements and eliminate controversial elements to the utmost extent possible. An agreement on the subject has now been reached under which the whole of the defence expenditure incurred by India will be apportioned between the two Governments on the following basis. India is to bear—

- (1) a fixed annual sum representing the normal net effective costs of the Army in India under peace conditions, *plus*
- (2) an addition to allow for rises in prices, *plus*
- (3) the cost of such war measures as can be regarded as purely Indian liabilities by reason of their having been undertaken by India in her own interests, and
- (4) a lump sum payment of one crore of rupees towards the extra cost of maintaining India's External Defence Troops overseas".

Sir, this is a matter which, along with India being dragged into the war without consultation with even its foremost leaders, has created a sort of discontent and I strongly advise the Government to appease the feelings of the people by a timely gesture.

I now come to the under-estimation of figures as far as revenue is concerned. I need not repeat these figures, because other Honourable Members who have preceded me have given the figures. I simply say that we find from the actuals of the years 1934-35, 1935-36, 1936-37, 1937-38, 1938-39 and 1939-40 that they have under-estimated their revenue except in 1936-37 and 1938-39. Even in normal times, the Honourable the Finance Member always erred on the side of under-estimation of his revenues two out of every three times. In 1919, when the excess profits tax was imposed Government anticipated a small revenue, but we find in practice that the receipts were over Rs. 11 crores. To estimate a receipt of Rs. 3 crores is, I submit, not correct.

Then I come to the increase on the duty on petrol. When we found on the day when the Railway Budget was presented to this House that the rates and freights were to be increased, we all anticipated that there will be a corresponding rise in the price of petrol also. That of course was a very easy matter to anticipate. But what do we find? While the rise in passenger and goods charges is 6.25 and 12.50 per cent. respectively, the increase in the duty on motor spirit amounts to 20 per cent. Why? My friends, the Honourable Maharajadhiraja of Darbhanga and the Honourable Mr. Shantidas Askuran have already explained that to disturb the motor bus traffic is not right, particularly in the days of war. One of the great blessings of the British Raj is communications and no step should be taken which would inconvenience or discourage the movement of people particularly in rural areas where no railway facilities exist.

Then I come to the question of the excess profits tax. I do not want to dwell on that subject here, because, when the time comes, and when the relative Bill comes before us, we shall deal with it at that time. I must say, however, that I cannot understand why war expenditure in India is not fully or even partly met by war loans. The Honourable Sir A. P. Patro observed in his speech what appeared in the press that the British Government are floating a sterling loan of £300 millions. When a rich country like England takes that step, why should not India follow that course? The present economic condition of the Indians is at a very low ebb, and India cannot conveniently bear the burden which the Government now wants to impose on her. I want peace in the country and there should be only so much taxation as is absolutely necessary for carrying on the Government in war time. Of course, there is a certain section of the public in India who say that the very object for which this war is being fought is not being extended to India. That is a controversy into which I need not enter now. But I must say that this Budget deficit of Rs. 8 crores indicated in the new budget ought to be met by loans and not by increased taxation as was done in the last war. The people are just recovering from the greatest economic depression they have had during the last 10 years and when they are just beginning to stand on their legs, Government is giving them another big shock. In the contentment of the people lies the safety of the country and safety of the Empire and there ought to be a limit to which taxation should go. I will earnestly request the Honourable the Finance Member to consider whether he is still in a position to revise his taxation proposals.

As regards the increase of duty on sugar, that question has been dealt with by the Honourable Maharajadhiraja of Darbhanga and I need not say much on it. But one thing I must say, and that is, that the industry is going to heavily suffer by the additional duty that is being put on it. As the time at my disposal is short, I will leave the details as to what the manufacturing costs are, and the selling prices are and what margin is left to the manufacturer, to be dealt with by another Honourable colleague of mine. I must say,

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however, that as the President of the Sugar Syndicate has observed, there will certainly be less consumption of sugar and that will add to the difficulties of the cultivator and of the manufacturer and will bring less revenue to the Government, and the anticipation of the Government to take such a heavy duty from sugar will very much retard the sugar industry.

Then, Sir, I come to the extra taxation. Why should all extra taxation be confined to industry ? Why should not there be retrenchment again in the salaries and allowances of Services and a new Retrenchment Committee appointed ? During the last war a Retrenchment Committee was appointed to effect economy in the service. What is the reason, we ask the Honourable the Finance Member, why a committee has not now been appointed ?

THE HONOURABLE SIR JEREMY RAISMAN : The Honourable Member would like me to do double the work with half the staff ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : With due deference to the Honourable Finance Member who was not here when I observed that in the adjustment of accounts between Great Britain and India as regards defence expenditure, he said it would require a lot of clerical work. But if you employ more clerks it amounts to little compared with the employment of retired officers in the army beyond the actual need. I know that in Sialkot Cantonment there were three Lieutenant-Colonels of the I. M. S. doing practically nothing. There were some officers who were sent for who were away from home, some even in America, and were asked to join in India and all their expenses were paid from those countries to which they had gone on pleasure trips. If Government does really want to reduce expenditure why not do it in a straightforward manner ? What is the policy of Government so far as Indianization of services is concerned. My friend Sardar Buta Singh observed that the Indianization of the Army ought to be accelerated in this war. Well, the fact is that the Indianization Committee is now at a standstill. When the war is over they will presumably finish their deliberations if the Government so wishes. But we do find that savings are being made at the expense of poor clerks and chaprassis, while officers are being increased in numbers and on high salaries. I would like the Honourable Finance Member to say what the extra expenditure on clerical service will be for working out the allocation of war expenditure between England and India. Surely a few more clerks cannot materially affect the budget of the Indian Government ? Where there is a will there is a way. I know that in the last war the policy was clearly stated as to what expenditure was to be borne by the Indian Government. But now, Sir, by the recent defence agreement, the interests of India have not been safeguarded. We have been burdened with expenditure the justification for which has not been proved. Then, Sir, at this time why not do away with the Lee concessions ? This is not the time to continue them. When you are asking everybody else to make sacrifices for the war and when we have to face taxation for that war, why should not the Services also contribute to it ? They contributed in the last war. Why should they not do it now ? I mean that in the superior services there should be a cut in salaries and allowances. In view of the way in which the general public is meeting the extra taxation, the officers ought also to share it. Why should not the excess profits tax apply to those retired high officers in the military department who have been asked to rejoin the defence services because of the war ? Why should they not pay 50 per cent. of excess profit they are getting purely on account of the war ? I would request the Honourable Finance Member to kindly explain why they should not be subject to the excess profits tax ?

**THE HONOURABLE SIR JEREMY RAISMAN :** Because they are subject to the danger of death which the excess profiteers are not.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Sir, every military officer is liable to death. My own conviction and that of every Hindu is that when death comes nobody can stop it. That is the reason why Hindus do not fear death. The hour of death is fixed and must come when it is so destined. Why say of army officers that they fear death. I hold that all those officers who join any defence service, are willing and prepared to sacrifice their lives if necessary for the King and the country.

**THE HONOURABLE SIR JEREMY RAISMAN :** Is the Honourable Member seriously suggesting that military officers who are recalled in order to take part in the war should have their pay cut in order that people who are making profits out of the war should not be taxed ?

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** I am not talking about the officers of the army. I am talking of those retired officers who are recalled, and their extra income is purely due to the war.

**THE HONOURABLE SIR JEREMY RAISMAN :** They are no longer retired when recalled.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** But they are re-employed when they are recalled and all their salary is excess profit purely due to the war, and as the excess profits tax is imposed on the profits accrued from war there can be no possible reason to exempt them from excess profit taxation. If there was no war those officers would not have been re-employed and would not have got the excess profit they are getting purely due to the war.

Then, Sir, I come to the question of the possibility of a Russian invasion of India. I should like to know what arrangements the Government has made for the defence of India, particularly from air raids. So far as I hear there is a concentration of troops going on on the North-West Frontier. I must at the same time say that in case there is a Russian invasion the people of the country and particularly of the North-West Frontier Province and the Punjab will come forward to defend the Indian Empire, so I want that the people should be contented and they should be trusted. When the promise of Dominion status is being made everywhere, and when His Excellency the Viceroy and the British Government have publicly declared that their objective in India is Dominion status of the Westminster type, why should not Indians be trusted and taken into confidence. As things seem, they are not being trusted. Why should there be a big training of air pilots going on in Canada and Australia and not in India ? There are numerous suitable Indians who offer themselves for such training. I know as a fact that over 800 trained pilots offered themselves for commissions, and only a few, some 30 or 40, were given commissions. I was interested in the pilots coming forward to join the air forces. Many of them came to me and said they had offered their lives knowing that the average life of an air pilot in war is said to be about 23 hours, but were refused. On the other hand law was enforced to the effect that if anybody who stops people from recruiting will be fined and sent to imprisonment for so many years. People do come forward and in big numbers, where then was the necessity for that Act ? I do submit that the Act was not required because at present enough people are coming forward and there is no paucity so far. The Punjab supplies

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most of the recruits and there is a regular flow of people coming forward from the Punjab. Those Indians want to serve their country and the Empire. Why should they not be given training and why should they not be employed in bigger numbers. People say that as far as India is concerned, only a few Indian officers are to be taken *nam ke vaste*. I would, therefore, urge upon the Government that they should change this preferential policy of non-Indians and take India into confidence and give them mass training in the defence of the country. Thus you will be saving money; will not want so much extra taxation and over and above that you will have a contented India. There is lot of unemployment in India, particularly amongst the educated people and no material steps are being taken to solve that question.

Sir, I must offer my congratulations to Sir Gurunath Bewoor on his able and successful stewardship of the Postal Department. In his time, if I mistake not, over 3,000 new post offices have been opened in rural areas and notwithstanding that fact the Department is paying. The poor people ought to be helped by that Department and the two-pice postcard should at least be restored. It may mean Rs. 50 lakhs, but where you are spending many crores how does Rs. 50 lakhs compare with that huge sum?

THE HONOURABLE THE PRESIDENT: May I draw your attention to the fact that you have already spoken for 35 minutes.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I shall soon finish, Sir. I have only two points in case you allow me. Then, Sir, I welcome the measures which have been taken by the Provincial Governments to stop the various armed voluntary bodies practising just like the army and marching in the cities. It has been a wise step because they would have eventually proved a danger to the country, particularly when this new theme of Pakistan Empire seems being developed and which I consider to be not in the interests of India. On the whole the step taken to stop them has been a wise one. The Faqir of Ipi is proving a great nuisance to Government and in case you have a stronger man than the Faqir of Ipi these khaksars, similar associations, may join with him.

THE HONOURABLE MR. HOSSAIN IMAM: Has the Central Government taken any steps to do this?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I may inform my Honourable friend Mr. Hossain Imam that the Punjab Government has already stopped moving of armed khaksars and similar bodies in the province and I congratulate them on that. In Lahore at times a few hundred people armed with swords or lances, etc., march into the city crying all sorts of slogans and such marches were a source of great danger to peace and order.

THE HONOURABLE MR. HOSSAIN IMAM: How is this relevant to the Budget discussion, Sir?

THE HONOURABLE THE PRESIDENT: Order, order.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I will not take any more time of the Council and will sit down with the request that the Honourable the Finance Member may be pleased to reconsider his proposals and to float a war loan to meet the present deficit of about Rs. 8 crores odd

and not burden the country with any further taxation at a time when they are just recovering from the great economic depression into which they had been put.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU** (United Provinces Northern : Non-Muhammadan) : Mr. President, it was inevitable that the war should cast its dark shadow over the Budget, but I doubt whether anyone was prepared for the extent to which the Budget has been affected by it. Most people here, to speak mildly, must have been surprised by the figures mentioned by the Honourable the Finance Member in his Budget Statement. Although our revenues have on the whole been satisfactory, yet in the coming year there is going to be a deficit of a little over Rs. 7 crores and this entirely on account of the war. The Budget may therefore well be called a war budget and yet His Excellency the Commander-in-Chief who represents the Department mainly concerned with the vast expenditure that is now going on is absent from this House.

**THE HONOURABLE THE PRESIDENT** : Let me tell the Honourable Member that His Excellency the Commander-in-Chief is absent with the permission of the Viceroy and he wrote to me at the commencement of the session explaining his reasons that he is very busy with war affairs and cannot spare time just now to attend the Council and therefore the Honourable Mr. Williams has been specially appointed here to answer on his behalf.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS** : Did he resign from this Council ?

**THE HONOURABLE MR. P. N. SAPRU** : He is an ex-officio member.

**THE HONOURABLE THE PRESIDENT** : You know he has responsible duties to perform at this juncture—more valuable and more responsible than his presence in this House. You ought to appreciate that.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU** : Sir, I must say in the first instance that it was hardly fair to us that this information should not have been supplied to us at the commencement of the sitting.

**THE HONOURABLE THE PRESIDENT** : There was no occasion for it.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU** : Sir, the Honourable Finance Secretary thought it his duty when the debate was about to commence to tell the House that the Finance Member regretted his absence during the earlier part of the discussion and would come to this House as soon as his duties elsewhere permitted him to do so. But apart from this, Sir, no one here doubts that His Excellency the Commander-in-Chief is engaged in work of the first importance. The war has added immensely to his burden, but is there any officer of the Government of India whose duties have not been rendered heavier by the war ? I am sure that the Honourable the Finance Member is one of those officers of the Government who have almost a crushing burden to bear ; yet he does attend the meetings of the Legislature, because he knows that the money that is required for carrying on the administration of the country would not be voted if he absented himself from the Legislature on the plea that he had greater work to do elsewhere. In England, Sir, the War Minister, I am sure, does not enjoy ample leisure these days. Yet, however onerous his duties might be, he considers it his duty to attend the sittings of the Legislature. Indeed this is one of his most important duties so that the nation

[Pandit Hirday Nath Kunzru.]

might be kept informed of the progress of the war and the support of the public might be obtained to the fullest measure possible.

THE HONOURABLE THE PRESIDENT: I hope you will not digress from the Budget. I have already told you that he is absent with my permission.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: He may be absent with your permission, but the principle is a much larger one. I do not say that he has been disrespectful to you. He has certainly informed you. He has tried to explain away his absence. But my contention is that it is not fair to this House that it should be placed in such a position. Sir, the fact is that His Excellency the Commander-in-Chief is absent from the House because he knows that the Finance Member will supply him with the money that he needs whether he attends it or not. It is the knowledge that he owes no responsibility to the Legislature that is the chief cause of his absence from this House. If my Honourable friend the Finance Member could absent himself and at the same time get all the money that he wants, I daresay he would soon find that he had more important work to do elsewhere.

If, however, Sir, His Excellency the Commander-in-Chief's excuse is a valid one and he cannot attend the meetings of the Council, then the sooner the present arrangement is altered the better. The Government of India Act, 1935, does contemplate a change in the present state of things. Had it come into effect, His Excellency the Commander-in-Chief would have ceased to be a Member of the Legislature and the defence of the country would have formed part of a portfolio assigned to a civilian Member.

THE HONOURABLE THE PRESIDENT: Yes, but that will come when Federation takes place.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Sir, if the Government of India Act can be changed more than once for purposes which suit the British Government, there is no reason why it should not be changed for this purpose also. This, Sir, is not, let me say with all respect to the Chair, a digression. It is an important question of principle. It is a fundamental question which Government would do well to bear in mind for the future.

Sir, coming to the financial side of the Budget, I must first observe that the course of our revenues has proved the contention of those who last March asserted that the import duty on sugar would produce such a large sum that it was not necessary for Government to enhance the duty on raw cotton. It was known last year that there would be a shortage in the production of sugar in this country. My Honourable friend the Leader of the Opposition said that he had information in his possession which indicated that large shipments of sugar would take place from Java to this country, but his statement was pooh-poohed. Facts, however, have borne out the accuracy of what he said and Government have——

THE HONOURABLE SIR JEREMY RAISMAN: Sir, it was not denied that shipments of sugar from Java would take place. The amounts were questioned.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Yes, of course. I never said that you were so ignorant of facts or could so minimise them as

to say that no sugar would come to this country. But you doubted Lala Ram Saran Das's statement with regard to the quantity of sugar that would be imported to such an extent as to increase the import duty on silver.

**THE HONOURABLE SIR JEREMY RAISMAN :** We did not increase the duty on silver.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** I mean cotton. However, Sir, the future is more important than the past. The Budget tells us that the defence budget would be increased by about Rs. 8 crores and 60 lakhs. Of this, Rs. 20 lakhs will be due to Waziristan and the rest, that is about Rs. 8.4 crores, to the war. A part of this will be met from the money in the Reserve Fund and taxation will be levied to the tune of Rs. 6 crores and 30 lakhs to make up the deficit. This will be in addition to the increase of Rs. 5.25 crores owing to the enhancement of railway rates and fares. Now, Sir, in this connection I must refer to the arrangements made between His Majesty's Government and the Government of India with regard to the defence expenditure. The Honourable the Finance Member has said in his Budget Statement that, in addition to other items to be borne by the Indian exchequer, it will have to make a lump sum payment of a crore of rupees towards the extra cost of maintaining India's external defence troops. Now, I should like to remind the House of the views of the Chatfield Committee on this point. The Secretary of State for India in his military despatch announcing the decisions of His Majesty's Government on the recommendations of this Committee observed as follows :—

" This Committee hold that it would follow from their main principle that, if forces held in India covered by the joint responsibility are used outside India in an emergency affecting India's external security, their ordinary maintenance charges should continue to be borne by India ; in other words, that in such circumstances India should forbear to make a saving out of the fact that some part of her forces would in her own interests be employed beyond her geographical frontiers ".

Nothing could be clearer, Sir, than the language used by the Secretary of State for India. We were to bear only the normal maintenance charges of the troops sent out of India in accordance with the recommendations of the Chatfield Committee. But now we are to make a payment of one crore of rupees towards the extra cost of maintaining such troops as have been sent out.

**THE HONOURABLE THE PRESIDENT :** Those were not abnormal conditions ?

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** And this information has been communicated to us now for the first time. As for your observation, Sir, the Chatfield Committee dealt with an extraordinary situation, a situation which would arise in case Indian troops had to be sent to places outside India, to places between Malaya and Singapore on one side, and Egypt on the other. To say that an abnormal situation has arisen is therefore not to say anything that was not envisaged by the Chatfield Committee. The recommendations of the Chatfield Committee were based entirely on the possibility of an abnormal situation arising. I should like the Finance Member therefore to explain to us how we have been saddled with this extra burden of a crore. I should further like to ask him, since this payment is to be made in connection with the current year's Budget, as to whether such payment for the coming year has been anticipated and provided for in the total increase of military expenditure mentioned by the Honourable Member in his Statement.



**THE HONOURABLE SIR JEREMY RAISMAN :** No.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** The Honourable Member says "No". That is, our military expenditure has increased on account of the war by nearly Rs. 8½ crores and this without any provision for the payment of lump sum on account of the extra cost of maintaining India's external defence troops that we might be called upon to bear in the coming year.

**THE HONOURABLE SIR JEREMY RAISMAN :** That is so.

**THE HONOURABLE MR. HOSSAIN IMAM :** This crore is not included in the Rs. 8 crores ?

**THE HONOURABLE SIR JEREMY RAISMAN :** It is a single lump sum payment.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** This is, Sir, an extraordinary situation. It is even more alarming than it had first appeared to be, and it is rendered still more alarming—

**THE HONOURABLE SIR JEREMY RAISMAN :** Is the Honourable Member alarmed because this is only being done on one occasion instead of being a recurring payment ?

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Does the Honourable Member say that this payment is not going to be made again ?

**THE HONOURABLE SIR JEREMY RAISMAN :** Yes.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** I did not understand him to say that at first. I thought it simply meant that provision for it would have to be made in future. If that is so, may I know as to why we have been called upon to make a lump sum contribution in the current year ?

**THE HONOURABLE SIR JEREMY RAISMAN :** It is explained in my Budget speech.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** The Honourable Member has explained nothing there. He has merely stated this fact there. The Honourable Member's reply, while gratifying to us as showing that no extra burden of this kind would be thrown on Indian revenues in future makes it more difficult at the same time to explain the special reasons for charging this lump sum of Rs. 1 crore to Indian revenues in the current year.

Sir, while discussing the subject of the deficit and the expedients proposed by the Honourable the Finance Member for the raising of about Rs. 6½ crores, I cannot help referring to two other items which bear on the Indian financial situation. The Government of India Act debars us from levying income-tax on the interest paid on the sterling obligations of the Government of India. It is true that the Government of India are helpless in this matter. But I say again that if His Majesty's Government could change the Government of India Act more than once for their purposes, could they not change it to do justice to India ? The subject was discussed in this House about two years ago and I well remember the plight to which the Finance Secretary, Mr. Nixon, was reduced at the time in attempting to meet the arguments of the non-official Members.

Another thing that I should like to draw the attention of the House to in this connection is the provision that is made under the Indian law for relief in respect of the double taxation of incomes. The principle seems to be equitable, but how many Dominions have given effect to it ? And what is its effect on the Indian revenues ? Sir, if India were in a position to secure justice for herself, it would, I venture to think, be able to tide even over the present crisis, in so far as it has unfolded itself up to the present time, without any taxation or at any rate a heavy amount of it.

Sir, the Honourable the Finance Member has proposed, apart from the tax on excess profits, an increase in the excise duty on sugar from Rs. 2 to Rs. 3 per cwt., and an increase in the petrol tax of 2 annas per gallon. He has tried in his statement to show that the country is, generally speaking, in a prosperous position and that the rise in prices because of the war is of a substantial character. He says :—

“ Taking the category of the chief articles of export as a whole, their prices today are some 40 per cent. higher than they were just before the war broke out ”.

I think that while general index figures have their own value, it will be more profitable if we consider singly those items which bear vitally on the welfare of the people. Now, if we take the export trade alone, I think that the three items that we should consider in this connection are cotton, oilseeds and raw and tanned hides and skins. If we take these into account, it would certainly be true that the price of cotton has risen. But, as the Honourable Member himself has observed, the prices have recently shown a tendency to go down. Besides, even today, they are not much higher than what they were in 1937-38, or the prices which are considered to be fair by people who should be regarded as impartial and not partial to capitalist interests. As regards oilseeds, it is true that their prices have risen, but the price of groundnuts has not risen very appreciably. Besides, during the last 10 months ending January, 1940, the value of the exports of oilseeds has been less than in the corresponding period of last year. Perhaps there have been difficulties owing to want of shipping facilities. But, however that may be, I mention this in order to indicate that a rise in prices does not by itself indicate that prosperity which the Honourable the Finance Member wanted the figures pointed out by him to be regarded as a proof of. It does not, therefore, appear, even taking such rise in prices as has taken place, that there is much reserve on which the Finance Member can draw so far as the public at large is concerned. I could substantiate this on the whole by referring to the prices of other important agricultural products also, but at the time at my disposal will not permit me to deal with them.

Sir, I will not go into details with regard to the taxation measures proposed by the Honourable Member, because we shall have another opportunity of discussing them. But I shall take leave to make one observation with regard to the increase in the excise duty on sugar. Whether the sugar industry can bear it or not, I am not concerned with for the time being. But I wish to draw the attention of the House to the fact that very recently the price paid to the sugarcane grower in the United Provinces and Bihar was 10 annas per maund. It was then lowered to 9 annas 9 pies, and only a few days ago it was lowered to 9 annas. It thus appears that the burden of the new duty is going to be borne by the agriculturist and not by the consumer or the manufacturer.

Sir, as the Budget is dominated entirely by the conditions prevailing on account of the war I venture to make one or two suggestions with regard to our general defence arrangements. If it is desired that the public should be

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associated with the conduct of the war, if the free consent of the public is thought to be a desirable object in securing such money as the Government might need, it is absolutely necessary that some arrangement should be made in order to keep at least the Legislature informed with regard to the policies that are followed and the developments that take place. The Consultative Committee suggested by His Excellency the Viceroy was to have as its object, as His Excellency said in October last :—

“ The association of public opinion in India with the conduct of the war and with questions relating to war ”.

THE HONOURABLE THE PRESIDENT : That was turned down by the Congress.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : That precise measure might have been turned down, but that does not absolve Government of their responsibility in this connection. They have yet to take steps in order to provide the Legislature with that information which is supplied to Parliament in the United Kingdom at the present time. We have hitherto been regarded only as instruments for the voting of taxation. Our only business appears to be to provide Government with the money that they need and not to share in those privileges which are enjoyed by the Legislatures in the self-governing countries. The question is not merely one of expenditure although it has so far been discussed with reference to that only. It is, and to a much larger extent, one of policy also. We must have adequate means of discussing the policies followed by the defence authorities and of bringing our influence to bear on them. It is not enough however that a Committee should be established in order to keep the Legislature in touch with the Defence Department. It is also necessary that the whole House should on suitable occasions be provided with that information which it is its right to be supplied with. If necessary even a secret session of the Legislature might be held, as that of Parliament was held a short time ago. I know, Sir, that the arrangements to which I have drawn the attention of the House prevail in countries that are self-governing and that we cannot by any stretch of language regard ourselves as being even within measurable distance of full self-government. Yet if Government want to take us along with them, if they do not want to impose additional responsibilities on us merely by their fiat, then it is their duty to take us into their confidence and to devise appropriate measures for the purpose. They cannot have the support of the intelligentsia unless this vital matter is attended to.

Sir, there is just one more point that I shall touch on before I sit down. It relates to control over expenditure in general. I have no doubt whatsoever that my Honourable friend the Finance Member would not allow even a pie of our money to be wasted at any time, and particularly at this time when he needs and urgently needs all that he can get. But there are just one or two things which I should like to bring to his notice and which I would request him to throw some light on. It was announced the other day that the Office of the Reforms Commissioner would be closed down. It was said that it would cease to exist *as such* but that it would become a part of the Governor General's Secretariat. I should like to know what this means? If Federation is out of the question, if nothing in connection with reforms can be done at the present time and the Office of the Reforms Commissioner is therefore not needed, what is the purpose of adding it to the Secretariat of the Governor General? This, so far as I know, has not been explained as yet and I hope that the Finance Member will be able to explain it to the satisfaction of the House.

Another point to which I would like to draw his attention relates to the Department represented by Mr. Dow. In reply to a question of mine he laid a statement on the table of the House the other day. Now I find here that the gazetted officers in the Supply Department are 28 in number. Of these it appears seven have been directly recruited, and 13 out of the remaining 21 officers are receiving higher salaries than before. In several cases the increases are not large, but there are certain officers whose pay has been substantially increased. The pay of the Director General himself has been increased from Rs. 4,000 to Rs. 5,000, while that of the Secretary, who was commanding a regiment till recently and was drawing Rs. 2,070, has been raised to nearly Rs. 3,200. That is, in the latter case there has been an increase of Rs. 1,100. His pay now is probably higher than that of many an officer above him in the military hierarchy. I am not sure of it, but I believe his salary is very near that of a Lieutenant-General now. There are certain other officers too whose pay has been substantially raised. Now, I ask, Sir, whether this is an indication of the desire of the Government to introduce the fullest economy and to keep expenditure under check. As regards the remaining seven members, that is, those who have been directly recruited, I understand that one of them—I do not want to name him—was earning a very small sum before his appointment as Deputy Director of Administration, but he has been appointed on a salary of Rs. 800 per mensem. Lastly, I should like to point out that only five out of these 28 officers are Indians. Could these arrangements be justified in any circumstances? Can they in the slightest degree be justified at the present time?

But, Sir, this is not all. My Honourable friend the Finance Member referred appreciatively to the activities of the Supply Department the other day. My Honourable friend Mr. Dow told me the day before yesterday that only one out of the liaison officers so far appointed by his Department was an Indian. As regards raw materials I asked him whether Government had appointed any liaison officer connected with the business in raw materials or whether Government were in any way controlling the export of hides and skins and wool. His reply was "No, Sir."

THE HONOURABLE MR. H. DOW : I think the Honourable Member's question was whether the Supply Department was doing that. At any rate I took his question to have reference to the Supply Department.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Here is the question. I will read it out. I asked :—

"Are you controlling their export in any way so that they might go to England and from there be distributed to various countries?"

and the Honourable Member's answer was "No, Sir."

THE HONOURABLE MR. H. DOW : That answer is quite correct.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : The House will judge now when I have placed the proper facts before it as to whether the reply was substantially true or untrue.

THE HONOURABLE THE PRESIDENT : Will you please conclude now? I have already allowed you 40 minutes.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : I will just finish, Sir. This is the last point. I should also like to point out that the Honourable Member said that no officer had been appointed in connection

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with the purchase of raw materials because raw materials were not being purchased, nor was their export being checked. Now, Government issued a Press Notification on the 17th November, 1939, which was partially modified by another Note which was issued about two weeks later. It states that His Majesty's Government—

“have now come to the conclusion that it is necessary not only to maintain the existing embargo on exports of black, grey and other coloured wool to all destinations but also to prohibit the exportation of white and yellow wool to any destination except the United Kingdom”.

Certain exceptions have been allowed which are mentioned in both the Press Notes that I have referred to, but the fact nevertheless remains that the export of wool is controlled, that the export of certain kinds of wool is totally prohibited, and that the export of white and yellow wool to any country except the United Kingdom has been prohibited. As regards the appointment of a liaison officer in connection with raw materials of any kind, the Press Note says :—

“Government have appointed Messrs. Ralli Brothers for Bombay and all areas north of that City and Messrs. Binny and Co. (Madras), Ltd., Bangalore, for areas south of it as sole purchasing agents for Indian wools required by mills for execution of Government contracts”.

I leave the House to judge whether the Honourable Mr. Dow gave replies which were substantially correct and which conveyed a true understanding of the situation to Honourable Members. I should like to know, Sir, in this connection what the Supply Council is doing to which Sir Ramaswami Mudaliar referred with great force in September last in this House. He pointed out that the Supply Department would carry out its activities under the supervision of the Supply Council. How is that Council functioning? Was it concerned with the making of those appointments of which I spoke a little while ago? Was it concerned with the appointment of these liaison officers? What are its duties —

THE HONOURABLE THE PRESIDENT: Will you please conclude now?

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: And what is it doing?

Sir, I have done. I will only say in the end that the picture that the Finance Member has presented is an exceedingly gloomy one. How I wish that while making his statement he had also given some indication of the policy of the Government with regard to the development of those industries in this country which can take advantage of the prevailing conditions as to establish themselves firmly and be able to do without any protection or much protection after the war. I wish he had said something on this point, so that we might have known what positive policy the Government were following in order to develop the resources of the country and to increase that income on which alone they can draw in times of need.

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

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

THE HONOURABLE MR. HOSSAIN IMAM (Biher and Orissa : Muhamma-dan): Mr. President, the circumstances in which the Honourable the Finance

Member presented his Budget were so out of the ordinary and difficult that it would have been impossible for him to present a normal budget or a featureless budget. The fact is that we are in the midst of a war and the Congress might say that we have been unwillingly entangled in it, but I for one am not prepared to say that this war has been thrust upon India. The destiny of India is as much concerned with victory as that of the British Empire itself. We stand or fall together. The danger of the Nazi menace is not a danger for Britain alone. It is a danger for every civilised country and, although we may not offer our unconditional and full support to the Government owing to its inability to meet our demands, we cannot accuse it of having in any way brought about this war on an unwilling India.

Sir, the Honourable the Finance Member took an hour and a half to deliver his Budget speech in the other House, and the Honourable the Finance Secretary took an hour in this House. I do not think I will be able to do any justice to their speeches in the short space which I am going to utilise in giving my observations.

First of all, Sir, I should like to thank the Department for having given all the Members a Report of the Central Board of Revenue on Income-tax. This, Sir, has given us a great deal of light and information on subjects on which we wanted information. But I still have to complain that the Explanatory Memorandum is a foundling. I complained last year that it is not fathered by anyone and does not contain the amount of information which it used to do up till 1936. The Honourable Sir Guthrie Russell has now assumed the parentage of the Railway Explanatory Memorandum, but Mr. Jones still refuses to adopt as his child the counterpart. Sir, I am not going to deal with the accounts of 1938-39 which he has given, firstly, because it would not serve a very useful purpose to deal with a thing which, according to the Honourable the Finance Member himself, is past history. And secondly, we did not participate in the discussion of the Budget of that year, due to the feeling that we had on the question of the Army Secretariat. So it would not be fair for us to make any observation at this time.

Coming, Sir, to the current year, I am not going to waste the time of the House by making a detailed criticism of all the items in it. Suffice it that I shall deal with a very few important points. I am following the order of the speech of the Honourable the Finance Member. In the customs income he should fairly admit that he had been guilty of wrong estimating. And it is, Sir, something to be said in fairness to the opposition in this House, that the Leader of the Opposition in this House was correct in his estimate of the sugar income. He prophesied that the income would be Rs. 5 crores and 77 lakhs from the combined excise and customs revenue on sugar, whereas the Government had estimated it at Rs. 4 crores and 20 lakhs. The revised budget estimate of the Honourable the Finance Member put it at Rs. 5 crores and 90 lakhs, which means that the Leader of the Opposition was wrong by  $2\frac{1}{2}$  per cent. and the Finance Member by 30 per cent. in estimating. That, Sir, does not speak well of the arrangements for estimating the income of this Department.

**THE HONOURABLE SIR JEREMY RAISMAN :** Not guilty.

**THE HONOURABLE MR. HOSSAIN IMAM :** But, Sir, while on this head, I should like some explanation from the Honourable the Finance Member on the item of silver duty. It is a sort of raid on capital funds because there was

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actually no import of silver. On this item which I am citing, the Finance Member stated that in the price that we were getting a portion as customs duty was included. It is no doubt correct in theory ; but in actual practice you did not import silver, therefore this external and unaccrued income he has taken from the capital head, the actual price of silver received was greater than has been credited to the capital head by Rs. 1 crore and 22 lakhs. It was only to make up his demand for customs income and to provide himself with a surplus that he has done this. It might be cited that there were precedents of this kind in India, but on the basis of equity, I think he will agree that it is not correct to take credit for a capital head income in this way because there is a duty on silver in India. That every sale of silver made by the Government in India should pay a customs duty although it is not imported silver is bad economics and wrong finance. This might have been justified if the price at which we were selling was higher than our purchase price. But as it is, it is less by 40 per cent. from the purchase price. Even from that small price to deduct this amount is not fair play. Actually, if we take out this item from the customs, there is a greater fall than has been shown.

THE HONOURABLE SIR JEREMY RAISMAN : Wrong estimating ?

THE HONOURABLE MR. HOSSAIN IMAM : Your estimate was correct. In the Budget you were perfectly correct, but when you came to actual allocation you have made this ledgermain by which you have credited to the revenue account a sum which ought to have gone to the capital head.

I should also like to have some information as to the amount of silver which was sold by our agents in London from September to 13th December, and from 14th December when the Reserve Bank came in the field and started selling. The time when the Reserve Bank started selling cannot by any stretch of imagination be called as a fit period in which the customs duty should be charged. Secondly, Sir, we have only second-hand knowledge from the Report of the Reserve Bank that the Reserve Bank entered into a sort of profit-sharing agreement on silver imports. No information has been given by the Honourable the Finance Member on that aspect of the question—whether we have suffered a loss or gain or what has happened ? The Reserve Bank says :—

“ On the 18th December, 1939, in exercise of the power conferred by the Central Government, the Reserve Bank introduced a scheme of licensing imports of silver on a profit-sharing basis and fixed minimum and maximum prices for the sale of imported silver ”.

Was there a profit or a loss on this head in the current year ? This has not been indicated by the Honourable the Finance Member. If this addition to the proper customs duty had not been made and if sugar is excluded, I find there is a fall of Rs. 1,62 lakhs in the income from other heads of the customs revenue. So that the ordinary basic figure of customs income is only Rs. 39,03 lakhs.

Sir, when I look at the income-tax figures, I find that the Honourable Member has himself admitted that they had not correctly estimated the income and they are going to receive more than they had budgeted for. So far so good. But I am rather in a difficult position, for while I quite agree with the Honourable the Maharajadhiraja of Darbhanga that the Income-tax Department is very harsh on those who are honest, I find that it has singularly failed to deal with those who are crooked or skilful enough to evade. I find, Sir, from the report I have mentioned that honest Bihar is in a peculiarly bad position as far as assessments are concerned—

**THE HONOURABLE SIR DAVID DEVADOSS :** As far as honesty is concerned ?

**THE HONOURABLE MR. HOSSAIN IMAM :** No, Sir ; as far as the Department's depredations are concerned. You will find from the report that whereas the number of assesseees at the end of year under review in Bihar was 16,410 the number of those who filed appeals under section 30 was 3,003. You will be surprised, Sir, that Madras, with 58,342 assesseees, had only 3,622 appeals—

**THE HONOURABLE SIR DAVID DEVADOSS :** What does it show ?

**THE HONOURABLE MR. HOSSAIN IMAM :** They might be honest or the Department might be more pliable. In Bombay, out of 1,32,085 assesseees, only 5,612 had to go in appeal. The proportion there is about 4.2 per cent. whereas in Bihar the proportion of assesseees going in appeal is so high as about 18.4 per cent. That is a thing which requires going into. It is not an empty complaint—

**THE HONOURABLE SIR DAVID DEVADOSS :** What was the result of the appeals ?

**THE HONOURABLE MR. HOSSAIN IMAM :** Sixty-two per cent. of cases were successful in Bihar. The Honourable the Finance Member comes from Bihar and I also come from the same province. So we know each other.

Sir, it is a surprising thing that out of the whole of India, there should be only 16 millionaires in British India. It is inconceivable that there should be only 16 millionaires, those who have an income of Rs. 5 lakhs or more. Only 16 people ! Can any one believe it ? It is a sheer evasion. I think you could find more people with an income of above Rs. 5 lakhs in the City of Bombay alone from where the Honourable Mr. Parker comes.

I find that although grading of individual incomes has been made, there is no grading for the income of companies and registered firms. All this income is jumbled together under one head in Return IV. If possible, we wish that there should be a grading of the corporation income as well as in the different classes below Rs. 50,000 as there is for Rs. 50,000 up to Rs. 5 lakhs, there is none for Rs. 10 lakhs and above, so that we might get the figures for the income of the corporations of each place as well as of each class, the Indian companies and those which are registered outside but carry on business in India. It is very difficult now to find out how the foreign firms who are established in India are evading the tax.

Sir, I am not going to deal with the defence expenditure of the current year. I shall deal with it when I am dealing with the coming year's budget. I also wish to enter my protest against the unorthodoxy of the present Finance Member. Perhaps he is following in the footsteps of Sir James Grigg about the revenue surplus. Revenue surplus, under ordinary circumstances, should go towards the reduction of debts. He has admitted that in his speech. But I wish to stress the statement made by Sir James Grigg in this House last year when I asked him that the Burma portion of the capital repayment should go towards the capital head and not towards the revenue account. His words were as follows :—

" I pleaded guilty to a certain diminution of orthodoxy in that respect last year and I think I said to him that I had hoped to present in that respect a fairly orthodox budget but that declining revenue which set in at the end of the year prevented our doing so".



[ Mr. Hossain Imam. ]

That excuse is non-existent now. You have a surplus. What possible excuse have you got for not transferring to the capital account that portion of Burma annuity which represents capital repayments? The first charge on revenue surplus was to repay this liability. I think the Honourable Mr. Parker will agree with me, as he has been a very staunch supporter of orthodoxy in these financial matters, that this should have gone there.

Coming to the current year's budget, I am not one of those who favour that we should finance our war expenditure from borrowed capital. The present generation is entering this war for its betterment and it should pay for it, unless it finds the burden too great. The example of England is not relevant to us. England, after making every endeavour and great sacrifices and failing to find more money, has now, as a last resort, decided to go in for borrowed money. We have not been reduced to that stage, and we would not be justified in leaving the deficit uncovered and transferring it to the capital head. I am also conservative enough to feel that a budget estimate should err on the right side, and if there is a conservative estimate of the income, it is not to be condemned. But a deliberate under-estimating should not be permitted. I find that there are two items of deliberate under-estimating under the Customs head. The Honourable Member has thought perhaps that the Congress is assuming power in the Centre as well, and that the income from fermented liquors and other spirits is going to fall tremendously. The first and second heads of the Customs income have been estimated to show a fall of Rs. 54 lakhs from the last budget which is not borne out even by the revised budget estimates. I think he has been too optimistic in expecting that the Congress will be coming again quickly and taking over charge of the Centre too and bringing prohibition in its train. And the other item is one in which I cannot understand the reason for that under-estimating. It is motor spirit.

**THE HONOURABLE SIR JEREMY RAISMAN :** The Honourable Member will forgive my interrupting him. There has been a misprint. The figure of Rs. 7 lakhs in 1940-41 under the first item should have been Rs. 27 lakhs. It only allows for a drop of 10 per cent.

**THE HONOURABLE MR. HOSSAIN IMAM :** Then the fault was that of the printer's devil.

Sir, I was dealing with motor spirit. I cannot understand on what basis the Honourable Member has estimated this. Except that he is anxious to under-estimate the income there can be no other explanation for it, because we have increased the duty from 10 to 12 annas and as such there should have been an increase of one-fifth in the takings from that item, whereas the actual budget figures are less than the revised budget estimates.

**THE HONOURABLE SIR JEREMY RAISMAN :** Look at the Exise. You will find it there. Look at Statement III ; you will find Rs. 1,60 lakhs.

**THE HONOURABLE MR. HOSSAIN IMAM :** You will find, Sir, that on motor spirit the actual taking in the accounts year is Rs. 5.15 lakhs, and the Honourable Member had estimated in the revised budget of the current year an income of Rs. 5.90 lakhs. Now, after an increase of 20 per cent. what possible reason can you have for budgeting for a fall of Rs. 15 lakhs?

**THE HONOURABLE SIR JEREMY RAISMAN :** Look at page 6, item (1). Instead of spreading the increase over two heads we have put the whole

of the increase under the Excise head. A certain amount of motor spirit is produced in India and a certain amount is imported, and for simplicity we have put the increase there. It comes to the same thing.

**THE HONOURABLE MR. HOSSAIN IMAM :** Well, it might be more convenient, but it is more confusing to us. I thought perhaps there had been a new find of oil bearing strata and the Honourable Member was expecting an increase in the excise because of that. I think about 80 per cent. of our supplies are imported and not produced in India.

Now, Sir, I remember last year to have criticised the Government for keeping the excise duties as an unimportant part of their revenue structure. I recited that in other democratic countries like England and France, excise formed about 20 per cent. of the tax income of those countries, and I pleaded that excise should come up to the same mark in the Government of India. But I had not bargained for that reacting like a boomerang on us and resulting in this extraordinary rise in sugar duties of 50 per cent. and 20 per cent. in motor spirit. These subjects can be dealt with more conveniently at the time of the Finance Bill, so I am not going to hammer at the point now, but I would like to ask the Honourable Member to consider the feasibility of tapping new sources for his excise. He should be prepared for a further fall in customs income. With the development of the self-sufficiency programme and increase in industrial development of India, customs are bound to become subsidiary and lose their primary position in the structure of the Government's income. For this reason it is necessary to find new sources which can be tapped and the old sources should not be continually touched one after the other. It is only recently that the tax on sugar went up from Rs. 1-8-0 to Rs. 2 and now it has gone up from Rs. 2 to Rs. 3 per cwt. Textiles are a very profitable source of income if they are tapped.

Sir, we are told that in this time of war, sacrifices are called for and every one must be prepared to make sacrifices for the sake of the common good. But is the Government setting a good example? I hear that there is war profiteering in the Secretariat too. The emoluments are rising and the civil estimates are on the up-grade. The Honourable the Finance Member has said in his speech that the civil estimates are up by Rs. 1,51 lakhs. But he had taken the figures of the current year as compared with the coming year. I would prefer to compare the last normal year ending 31st March, 1939 with the coming year; and thus I find that the increase is of Rs. 2,40 lakhs in civil estimates. That great increase does not show the anxiety of Government to bring down its expenditure in order to meet the greater requirement of financing the war. Particularly I should like to say a few words about the Civil Aviation Department, a favourite of the Government of India. Last year I drew attention to the fact that while agriculture was suffering and grants to it were being reduced, the civil aviation was coming in for more and more grants. (*An Honourable Member* : "That is very necessary.") It might be necessary, but it is more necessary to feed the starving than to have good clothes to put on. It is not an urgent necessity of life. Civil aviation has already cost us and is costing us about Rs. 25 lakhs recurring. In the past we made a present of Rs. 93 lakhs as a lump sum grant and we are going to make another lump sum grant in seven years of Rs. 1,75 lakhs; that is to say a lump sum grant of Rs. 2,63 lakhs and a recurring demand of Rs. 25 lakhs a year; while agriculture, the mainstay of 80 per cent. of the population, is to have its grants curtailed.

**THE HONOURABLE MR. P. N. SAPRU :** Agriculture is a provincial subject.

**THE HONOURABLE MR. HOSSAIN IMAM :** If it is a provincial subject ; then aviation is also a military subject. As the Honourable Member has himself said, it is only as a help to the military activities of the future that landing grounds, etc., are being provided, so that the Royal Air Force and Indian Air Force should have use of them. It is an indirect military expenditure which is saddled on to the civil estimates.

Then, Sir, I come to the Department over which Mr. Dow presides. I have first of all some obscure points which I hope the Honourable Finance Member will clear up. He says in his Budget speech that this Department has received orders from His Majesty's Government amounting to about Rs. 14 crores. We are charging them 3 per cent. on this purchase. I hunted up the Budget to find where was this credit of the amount of commission which we are going to receive from His Majesty's Government. There is no heading of Supply Department's income in the budget estimates.

**THE HONOURABLE SIR JEREMY RAISMAN :** Miscellaneous.

**THE HONOURABLE MR. HOSSAIN IMAM :** Or is it income arising out of the war, because that is the only new head of income which I have found. Secondly, Sir, it is rather strange that the Supply Department should be made up of two links, one of which is out of its control altogether and the other is partially out of its control. The Indian Stores Department is not under the Supply Department although the major part of the purchase of the Supply Department is made through the Indian Stores Department ; and the Contracts Directorate is also filled in by military people and therefore not altogether under the control of the Civil Supply Department. Had it been a civil department, there would have been no necessity of taking its officials only from the Military Department. We find, Sir, that in reply to one of my questions the Honourable Mr. Williams stated that there were four second lieutenants whose former pay was not known, but who were drawing Rs. 1,165 a month. For a second lieutenant with an Emergency Commission to receive Rs. 1,165 a month is somewhat strange as it is nearly thrice the ordinary pay of a second lieutenant. If we had control on this personnel, because the heading is the Department of Supply, I know that civilians would not be generous. I find there is a case of Major Marriott whose former pay was Rs. 610 and who is now drawing Rs. 1,510 ; but there is a world of difference between the pay of a major and a second lieutenant, not less than Rs. 400 as is given in this reply. Then, Sir, there is a general complaint that the Supply Department has become the monopoly of those favoured few who either were formerly in the good books of its two composite arms or who entered in the first rush. It is now almost a close preserve of those who were there in the first place. My community, as it is always a late comer, has specially a great grievance against this. But it is not a grievance confined to Muslims alone. I know that Sikhs, Indian Christians and others are also complaining that they have not been given fair treatment.

**THE HONOURABLE THE PRESIDENT :** Will you please conclude your remarks ? You have already had 35 minutes.

**THE HONOURABLE MR. HOSSAIN IMAM :** Very well, Sir. I am just finishing. I think that Pandit Hirday Nath Kunzru's questions and the answers to them by Mr. Dow require some elucidation. He has brought a case of giving monopolies to certain firms and perhaps the Honourable Mr. Dow did not realise exactly what the Honourable Member was asking. Otherwise there could not be any justification for his emphatic "No" after looking at this Notification which the Honourable Pandit Kunzru read out.

Sir, as far as the defence budget is concerned, there can be no doubt that it was bound to rise. Everyone expected it to rise. But knowing that we have not yet actually entered into war, that our armies are not fighting and we are not paying for the expenditure on actual war, it seems rather staggering that in preparation for the war we should be called upon to foot such a heavy bill.

THE HONOURABLE THE PRESIDENT: There are many other speakers.

THE HONOURABLE MR. HOSSAIN IMAM: I am not dealing with details; they have been covered by previous speakers. I am going to deal only with subjects which have not yet been dealt with.

Sir, we are grateful to the Honourable the Finance Member for having stated categorically that the lump sum grant in the current year is not going to be repeated in the coming year; for that we are very grateful, but that also establishes that there is no justification for its payment and that it has been extracted out of us. That was bound to happen between His Majesty's Government and a subsidiary body like the Government of India; there can be no compromise except that one will dictate and the other will have no option but to accept. We expected, Sir, that the Government of India would be wiser and would understand that India is no longer a child, that it understands its position, and is willing to share not only the cost but also the responsibility, power and everything connected with it. It was high-handed action on the part of Government in not associating Indians in this settlement. They had at the headquarters two persons eminently suitable to be associated, who had experience of these things. I refer to those who were members of the Garrao Tribunal, high judicial officers who were both available at the headquarters, who had knowledge of the subject. What was the harm in associating them with this discussion; that would have assured us that everything possible was done by the Government of India and that they were over-ridden by His Majesty's Government.

THE HONOURABLE THE PRESIDENT: Will you please conclude now? I have allowed you nearly 40 minutes.

THE HONOURABLE MR. HOSSAIN IMAM: I am not dealing with any other subject.

THE HONOURABLE THE PRESIDENT: You will be compelling me to fix a time limit.

THE HONOURABLE MR. HOSSAIN IMAM: I will not take more than four minutes.

THE HONOURABLE THE PRESIDENT: I cannot allow every Member to speak for 40 minutes. You have already occupied much time.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, I find that the Honourable the Finance Member was very discreet, but his budget papers were not discreet enough. In the budget estimates it is shown that Rs. 8.75 lakhs was expected to be recovered under Defence Services receipts, but in the revised budget therecovery has been reduced to Rs. 5.88 lakhs on the first page of the Budget paper. What is the reason for this reduction of Rs. 2.87 lakhs in the receipt from the Defence head? Then, Sir, in Statement C in our Capital

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Accounts, we find there is noted a receipt and expenditure of Rs. 7.77 lakhs in 1939-40 and Rs. 13.00 lakhs in the year 1940-41. Is that the contribution by His Majesty's Government towards Defence expenditure or am I right in assuming that it is a part of the grant under the Chatfield Committee Report? Sir, in order to do justice to His Majesty's Government the Honourable the Finance Member ought to have enlightened the House as to what it is going to cost His Majesty's Government and the saving to India due to this arrangement.

THE HONOURABLE SIR JEREMY RAISMAN: Even Parliament does not know that.

THE HONOURABLE MR. HOSSAIN IMAM: You have not mentioned it in your budget papers; you have not mentioned it in your speech.

THE HONOURABLE THE PRESIDENT: Will you please resume your seat now?

THE HONOURABLE MR. HOSSAIN IMAM: Sir, I have concluded.

THE HONOURABLE MR. H. DOW (Nominated Official): Sir, I think it is desirable that I should get up at this stage and try to answer some of the criticisms that have been made about the Supply Department. The last speaker has mentioned one or two small points on which I admit that I cannot give him answers straightaway but I can tell him what the answers probably are. He referred to certain second lieutenants who, I think he said, were drawing the pay of Rs. 1,165 in contrast with the modest salary which is drawn by a gentleman of the rank of major in my own Department. I think that the explanation is probably that these are emergency commissions conferred on fairly senior people who have special knowledge derived in their private life of the work which they are doing in the Contracts Directorate. As regards Major Marriot, I happen to know the fact that he is a retired officer and the commission from which he derives his title was granted to him in the last war. He comes to the Supply Department from a purely civil post. In any case, if the Honourable Member wishes to pursue these questions further. I shall be very pleased to find out the facts and give them to him privately, or if he prefers to have them aired publicly, in an answer to a question in this House. I can assure him that there is nothing that the Department wishes to hide in the matter.

I think, Sir, that it would be most advantageous to the House if I try to deal with the major questions of principle which seem to be behind these criticisms, and I will deal with them in this order. There has been criticism of the relations of the Department with the representatives of Indian industry. Secondly, although the direct charge has not been made, it is easy for me to feel that there is prevailing an idea that somehow financial control is somewhat looser in the Supply Department than it is in other Departments, and although perhaps, if this were true, it would be rather a criticism against the Finance Department than against the Supply Department, I shall do my best to deal with it. Thirdly, I shall have a few words to say about the extravagance of the Department of Supply in general; and last of all, I shall try to give Members a rather clearer idea than they have at present of the work which the Supply Department is actually doing. And I regard that as all-important because I think that, if they had had a clearer idea, some of their criticisms would not have been made.

To speak then, first, of our relations with the representatives of Indian industry, it has been alleged that, out of the large number of controllers and advisers, we have only one Indian. Sir, the Department selects advisers for a particular industry only when the volume of its transactions or the complexity of its transactions in connection with that industry seem to call for it. I think it will be generally admitted that the less we have to exercise control over an industry, the better. Now, Sir, all our advisers, with the exception of two, to whom I referred specially in an answer to a question the other day, have been appointed as the result of selection by representative bodies of the industries themselves. That is, in the case of those industries which have a regular organisation, they have been the selection of that organisation. Where the trade is not so well organised, we have called together the most representative meeting that we could get at short notice and with the knowledge at our disposal, and we have left the selection to those bodies. And the gentlemen selected have been the unanimous selection of these conferences.

There is an old proverb that the man who wears the boot knows where it pinches. I should have been very much more perturbed at criticisms of this kind if they came from the people who were subjected to this control, and who might fear that due attention was not being paid to their interests because we were getting wrong advice. The criticisms do not come from those quarters. The Department is working in the greatest harmony with those particular industries for which we have appointed advisers or controllers, and I most gratefully acknowledge the assistance which has been given to the Department not only by those advisers, but by the whole body of the industry. The Honourable Mr. Kunzru has referred again to the subject of raw wool. In an answer to a question a couple of days ago, I stated that we did not at present need a controller for raw wool and that, if at any time we did want a controller or an adviser for raw wool, we should go about it in the same way as we did in appointing the other advisers, that is by calling as representative a meeting as we could get together of the people interested in the industry. It is true that a certain measure of control has been effected by notifications issued in the Commerce Department forbidding the export of certain kinds of wool, but it is quite true, as I stated, that the Supply Department is not buying raw wool on any considerable scale. Here and there, incidental to something else, it may be necessary for us to buy a small parcel, but as far as I know we have not even done that. We are neither buying it directly for ourselves nor for His Majesty's Government, and I think there is no inconsistency at all between the facts and the answer which I gave in this House on the subject two days ago.

I will now pass to the subject of financial control. I have never worked under a closer and tighter financial control than I work under at present. I make no objection to this. If financial control is a rod, I kiss it. In fact, I do not mind admitting that, if it were not for the closeness and directness of the financial control in the Supply Department, I could not possibly have got through the amount of work that has been got through in these last six months. The amount of actual work which the Finance Department has in connection with the Supply Department has indeed become so considerable that it has just become necessary to appoint a special financial officer of the rank of Joint Secretary who actually sits in the middle of the Supply Department, and nobody is more grateful than myself that the Finance Department can get at us so quickly. I hold, three times a week, a sort of Directors' meeting of my principal officers. There is an understood rule that this meeting is not to last more than a quarter of an hour, and the principal object of this meeting is that every officer who feels that he has got a biggish

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problem coming along should mention it, and get instructions on very general lines as to how to proceed. The Financial Officer is in these meetings. It has been laid down as an instruction very clearly to every one of my principal officers that whenever he sees a problem in which the Finance Department are going to be concerned, he must get them in on it at the first possible moment. If he has made a mistake which is going to land him in trouble, it is all the more necessary that he should bring the Finance Department in at once to help him to clear it up, and I give my Honourable friend, the Honourable the Finance Member, due warning that if there are going to be scandals in the Supply Department—and it may be there will be scandals and they will certainly be mare's nests—I shall do my best to drag him into it as well as myself at the very earliest possible moment, and see that he shares the responsibility, and I have not the slightest doubt that he will be willing to do so.

Now, Sir, I come to the question of establishment. I produced a list a few days ago in this House which has been given a certain amount of publicity, of which I do not complain. It has, I think, left in the minds of many people an idea that salaries and increase of salaries in the Supply Department have been on a higher scale than usual. I think that if similar statements were prepared for other Departments of Government showing the salary that officers held before they were promoted to their present positions, the Supply Department would not come out of the comparison badly. I deny entirely that the salaries or the increase of salaries, which have been given to officers on promotion in this Department are larger than in other departments. It is impossible, of course, to justify every particular instance in a speech of this character, but on an average, I do not think the Supply Department have been treated any more liberally than any other Department. I will only refer to one officer by name as he has been already referred to, and that is, Colonel Wood, the Secretary of the Department. The statement which I produced disclosed that this officer had been given an increase in salary of nearly a thousand rupees a month. The statement did not disclose that earlier still this officer had held a Secretariat appointment in which he was getting a much larger salary than he was actually drawing as Regimental Officer at the time. He gave up that Secretariat appointment of his own will to take, on a very much lower pay, a regimental appointment, because he had the natural desire that every soldier has not to lose the opportunity of being in command of his own regiment. Knowing his record, knowing that he was an officer who had devoted a great deal of thought to questions of the organisation of supply in war, he was one of the first officers that I asked for. I thought I had got the right man and now after some months of experience I am sure of it. He has fully justified his selection as a Secretary to Government, and incidentally, though he is certainly as hard-worked as any Secretary to Government, he gets nearly a thousand rupees less than any other Secretary. One other case was not referred to by name, and I am not quite sure whether the Honourable Mr. Kunzru was making a reference to the same person to whom reference was made in another place. There have been statements in the Press to this effect :—

"It was disclosed that a gentleman whose worth was estimated at Rs. 100 a month was thought by the Supply Department worthy of Rs. 1,500 a month."

Now, Sir, nothing of the kind was disclosed. In the course of a supplementary question the assertion was made, and the answer given was that if

any such case was brought to the Honourable Member's notice, he would investigate it. Nothing has been disclosed, because the truth is that there is not a word of truth in the allegation—not a word of truth.

THE HONOURABLE MR. HOSSAIN IMAM: What are the actual facts?

THE HONOURABLE MR. H. DOW: There are no facts. There is no such case, to the best of my knowledge.

Now, Sir, coming to the actual charge of extravagance, whatever the salaries given were, even though they were only the normal run of salaries, I should agree that if the work done did not justify the expenditure on the Department, then the charge of extravagance would certainly stand. I have, at very short notice, Sir, tried to get some figures to justify this charge. I had no idea myself, when I started to extract these figures, what the result would be. But I did say to myself, "Well, if they go against me, I will agree that there is force in this criticism, and I shall have to do something about it". I have, Sir, extracted figures of the cost of the Indian Munitions Board in 1917-18, i.e., the fourth year of the last war, and the value of the purchases that that Board put through. I have collected similar figures for the Indian Stores Department, the Director General of the Indian Stores Department in London, and the Director of Contracts in the year 1938-39, the last year for which complete figures are available, and I have lumped them together because they are the main peace time purchasing organisations of Government. And, lastly, I have taken the expenditure on the Supply Department and have included in that expenditure such expansion of the Indian Stores Department and the Director of Contracts establishment as has been due to war supply purchases, and I have lumped them as expenditure of the Supply Department, and I have taken our war supply purchases. In other words, I am comparing the cost of the Supply Department with the cost of a War Supply Department in the fourth year of the late war, and I am comparing it with the ordinary peace time purchasing organisation of Government. I come to the following results. I have worked out from the cost (including establishment), and from the purchases by these Departments, the cost of purchasing one lakh of rupees worth of stores. The Indian Munitions Board cost Rs. 3,030 for every lakh of rupees worth of stores purchased. For the peace time organisations of Government that I have mentioned, in 1938-39 the cost was Rs. 3,270. This figure is admittedly inflated by including the cost of the Director General of the Indian Stores Department in London, which one would naturally expect to be higher than expenditure out here. In the Supply Department the corresponding figure is Rs. 485. It is about one-sixth or one-seventh.

Sir, I see a little surprise expressed, and I was myself surprised for a moment, and then I realized that the comparison was not quite fair. These purchases on behalf of the Supply Department include one very large transaction, the purchase of 500 million sandbags, which accounts for a good deal of the money. It comes to about half of our purchases of jute goods. Now if I leave out half of our purchases of jute goods the cost of the Supply Department and its organisations for each lakh of rupees of purchases comes to Rs. 741. If I weight the case definitely against myself and leave out all the jute purchases—they are left in for the old Munitions Board and the peace-time purchases—if I leave out all the jute purchases of every description, the cost is Rs. 1,570. In other words, it is about half that of the other organisations.

Or, Sir, to put these figures in another way, for every rupee spent on the organisation of the Munitions Board in the last war Rs. 32 worth of stores were



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purchased. For one rupee spent on our peacetime organisations last year, Rs. 30 worth of stores were purchased. The Supply Department figure is Rs. 206, or, if I leave out the whole of our jute transactions, it is Rs. 64. That is, putting it at its very worst, and weighting the case against the Department, we are costing no more than half of the other bodies that I have mentioned.

As I have said, I have worked out these figures very quickly and very roughly, but in the main I am confident that they are correct. And, even if the Supply Department is merely regarded as an instrument of purchase, all the claim that I make is that there is absolutely no ground whatever for these general charges of extravagance. But, Sir, that is only a small part of my case, because the Supply Department is very much more than an instrument of purchase. Indeed if it were nothing more than an instrument of purchase, and if its only duty was to co-ordinate the work of other purchasing organisations, I should be the first to disband the greater part of my establishment, to hand most of the rest over to the Indian Stores Department and to propose, if I were to be left in my post, a very large reduction in my own salary. But the work which the Supply Department is doing is for the most part work which was not done before, and which there was no other organisation to do. We do not get often large orders from His Majesty's Government for things that we can go straight out into the market and buy. We are usually asked for things which cannot be got in this country, which possibly have not been made before in this country, or at any rate are not available in the quantities required, and it means that either the production of these things has to be organised or that the order has to be refused. In peace time if the Stores Department were to get an order of that kind all that they would say, and rightly, "We do not do this; go elsewhere". No doubt if inquiries of that kind were continually being made, industrialists would take up the matter and eventually meet the demand. But in war time we cannot do that. We have to devise means of getting these things done at once, and the greater part of our purchases are things of which the supply has first of all to be organised, and very often new industries or new adaptations of industries have to be brought into existence.

I will, Sir, at the risk of wearying the House, just mention a few of the larger items. There is the question of cotton canvas. Very small quantities of cotton canvas were being made in this country, but with the shortage of flax due to the position with regard to Russia, the British Government has had to fall back very extensively on the use of substitutes. The Supply Department—and I should like it to be understood that whenever I mention the Supply Department in this connection I mean the Supply Department and the representatives of Indian industry whom we have brought into consultation, because the great burden of the work has in some cases fallen upon them—the Supply Department got a sample made and sent it home by air mail. As a result of that, orders up to Rs. 46 lakhs for this material have been received already, a material which was only made in very small quantities before, and of which large scale production had to be planned before the order could be undertaken.

Another thing is an entirely new fabric which the combined enterprise of the Master General of the Ordnance Branch, the Supply Department and the trade have evolved out of jute and cotton, which is called Union fabric. You will see that two of India's major industries are involved in this enterprise and it has enabled them to strike out a line which is capable of very

large development. We have sent samples home by air mail. Large scale tests are now going on which we are confident this material will satisfactorily stand and, subject to those tests, we expect to get orders for three-fourths of a crore of rupees almost immediately.

Then there is the matter of Boots, with regard to which we have had prolonged negotiations with His Majesty's Government. As a result we have recently received an order for no less than a million pairs of army boots, of which the cost will be in the neighbourhood of one crore of rupees. Now, to make the acceptance of an order on this scale at all possible has meant the close co-operation of the Supply Department through their advisers not only with the boot-making business but with the leather industry in general. That has taken us very far afield. We have found that the supply of certain chemicals could not be relied on. We have taken up the organisation of the supply of those chemicals and hope to have those made in India too. In an army boot there is a great deal of stuff which is not leather. There are as many as thirty different things, none of which were made in this country. We are taking up the making of those things in this country. I think within a short time we shall have 80 to 90 per cent. of those articles made in this country.

We received early in the war an enquiry for another cotton textile material which we found was not made in this country. The mills were asked to make the nearest sample they could ; we sent it home by air mail, and we immediately got an order for two million yards. The material has made good, and up to now orders amounting to 10 million yards or Rs. 24 lakhs have been received.

For blankets we have had orders coming up to Rs. 90 lakhs and about half of these contracts have already been placed. In order to get the balance a conference of the hand-loom industry was held. We have earmarked a large proportion of this order for the hand-loom industry, and are at present at work on a modification of the specification for these blankets which will be adapted to the needs of the hand-loom industry.

Again, our investigations into India's requirements of copper revealed at once a very grave shortage. The Indian Copper Corporation is the only Indian firm refining copper from indigenous ore and although the Defence Department and other Government requirements could have been met from this it would have caused very great difficulty to the civil public, whose requirements could not have been held to be an absolute necessity or a war demand. We have come to an arrangement with the Indian Copper Corporation by which they have been enabled to import copper from Rhodesia, and this copper is being refined by the Indian Corporation. They are erecting special furnaces for the purpose and the firm will pay directly for the copper which it imports and will be permitted to charge Government such rates as are fixed by the Supply Department, the basis of the arrangement being that the firm will not be out of pocket but will supply at cost. Further, difficulties over zinc, because zinc was necessary for the Indian Copper Corporation before they could turn it into yellow metal. The Supply Department has helped them out of their difficulties and has now arranged to get imports of zinc from Australia.

I may mention one last instance. That is the case of a large amount of steel hutting to be made to a particular specification. The first thing done was to redesign the whole of the United Kingdom drawings and specifications in order to adapt them as far as possible to

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the use of Indian materials. Next the Department had to arrange the supply from the United Kingdom of certain articles which could not be made in this country, and then lastly to arrange the delivery as quickly as possible without interfering with deliveries of a large number of other urgent requirements placed by the Defence Department. That has meant a good deal of organisation, but I might say that it has resulted in orders to the amount of Rs. 40 lakhs. The steel huts when erected will cover a space of about 17 lakhs square feet.

Sir, I am afraid I have rather exceeded my time, but I want to make clear that I do not accept the charge of extravagance. I think that the Supply Department is being very economically administered, that it is doing a great deal of work for Indian industry; and it is under full financial control as I hope it always will be.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: May I ask one question of Mr. Dow, Sir? I understand that there are many rich deposits of copper in the Central Provinces. Has Government tried there?

THE HONOURABLE THE PRESIDENT: I can tell you that. There are no good deposits. I have myself burnt my fingers.

THE HONOURABLE MR. R. H. PARKER (Bombay Chamber of Commerce): Sir, I am sure we have all listened with very great interest to what the Honourable Mr. Dow has been telling us, and I think it is a matter of great importance that we should have information of this kind from time to time to guide us both in our thoughts and our criticisms.

Turning to the Budget, I think we must all be very conscious that we are among the comparatively fortunate members of humanity and perhaps even the Finance Member will agree that he is a fortunate Finance Member. Despite the ups and downs of a year, including seven months of war, he anticipates a favourable balance and there are not many countries in the world that can do that. There is one point that he draws attention to which I would like to emphasise. Our position would be very much worse and a very different one if it were not for the protection afforded by the British Navy. There are two forms of danger about expenditure to my mind. While I am all against wasteful expenditure—and I have no doubt that the Honourable the Finance Member is too—there is the danger of not incurring expenditure which ought to be incurred and I hope he will keep his eye in that direction also. I would like to congratulate Government on the improved administration and the results of it on the income-tax receipts. I think probably some Honourable Members who were critical of the appointment of a certain gentleman some few years ago will now agree that it was a very wise step. I do not know whether I am right in reading into the Honourable Finance Member's speech a feeling that the present Railway Convention is not altogether satisfactory. I personally have never been very happy about it and I hope the occasion will arise later on when he will be able to consider amending it. Coming to the Posts and Telegraphs Department, we see that as in the case of the Railways their revenues have increased partly as a result of war conditions under which we have been living. There again we have had good fortune arising out of other people's bad fortune. As to defence expenditure—it is perhaps a repetition of what I said earlier—it is extremely difficult for any body to estimate but I cannot help feeling that we shall be extremely lucky if we can wisely keep within the amounts set out in this Budget. My view is that we ought to congratulate ourselves and the Honourable the

Finance Member on the basis he has arranged with His Majesty's Government. If Britain's front is on the Rhine, so I think is India's.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** Is that Indian opinion also?

**THE HONOURABLE MR. R. H. PARKER:** I think it is. It is the opinion of all intelligent people. Then there is the reference in the Honourable Member's speech to going back to providing larger sums in regard to maintenance of civil works. That is most important and I hope

4-5 P. M. that some Provincial Governments will take his words to heart in connection with roads. For years they have been spending so little that in the future they are bound to be faced with large and unnecessary expenditure. Worse roads and less money. On the Excess Profits Tax, I suppose we shall be talking at a later stage in the session, but I do think that we must all really agree, whether it affects us personally or whether it does not, that the claims of the present properly fall first upon those who are benefiting directly or indirectly and then upon those who perhaps happen by some accident to be better off than they were in recent past times, and finally one has to look to other sources. But the most important thing, so far as this tax is concerned, is to get a fair comparison, so that you may compare like with like, and the Honourable the Finance Member has, I am sure, done his best in that direction. As to the new taxes, the duties on sugar and petrol, I do not think the sugar trade likes the sugar duty and the petrol trade does not like the petrol tax. I do not like them but I cannot think of better alternatives. Actually I am not sure that, if I were the Finance Member in a totalitarian India, I would have chosen exactly these taxes, but we are not in a totalitarian country, and, if I may say so, I think the Finance Member has shown both political as well as financial wisdom.

**THE HONOURABLE KUMAR NRIPENDRA NARAYAN SINHA** (West Bengal: Non-Muhammadan): Sir, when I rise to take part in the discussion on the General Budget, I cannot ignore the difficult position which the Honourable the Finance Member has had to face in the preparation of his first Budget in consequence of the outbreak of the war. But while realising the compulsions which the requirements of war apply, we have also to bear in mind the condition of India, its infant industries and the average paltry income of its masses. My intention, Sir, is to be as brief as possible, and only to deal with the question of direct taxation and the Excess Profits Tax Bill which is to emanate in its acceptable or unacceptable form today from the Select Committee.

The taxpayers and industrialists, Sir, are called upon to fill up a "created" or "war measure" gap of Rs. 625 lakhs. The rough receipts from the Excess Profits Tax has been calculated at Rs. 300 lakhs only, and the balance of Rs. 325 lakhs is to be made up from increased excise duty on sugar and petrol. The levy of the Excess Profits Tax is not free from controversy. If the assessment of this tax is to be confined to "war profits", I do not think the persons or companies who are being benefited or are to be benefited by such war orders ought to grudge it. But if it is to bring under its clutches excess profits, which it is sure to do, I have every reason to believe that some of the companies will be hard hit. Sir, it is quite equitable to ask persons who have been vastly benefited by war orders to contribute a fair proportion of their profits to the coffers of the State for the common good. But, for those who after

[Kumar Nripendra Narayan Sinha.]

continuous losses hoped to resuscitate themselves in a year of demand and consequent profit, any taxation on the ground of excess profits will be a great hardship. There is another point to which I would like to refer in connection with the Excess Profits Tax. In my opinion, the estimate of Rs. 300 lakhs as the income from the Excess Profits Tax is a grossly low figure, an unjustified error on the side of discretion.

Sir, I now come to the excise duty on sugar. This duty has been raised from Rs. 2 to Rs. 3 per cwt. Sir, this is the only Indian industry which hoped to prosper and to have held the agriculturists largely in bringing ready and prompt money. This industry has gone a great way towards improving the economic condition of the rural population. The continuous rise in excise duty, which I have been noticing, will have the effect of closing down several of the factories which cannot raise their capital. The minimum price of sugarcane is fixed in the United Provinces and Bihar, the two big cane-producing provinces, and with the rise in duty, I am afraid the factories may not find it profitable to pay any higher price to the agriculturists. My information is that the price of cane in the United Provinces and Bihar has already fallen from 9 annas 9 pies to 9 annas per maund. There is apprehension of a further sharp fall in the price of cane in the near future. This will certainly hit the agriculturists rather hardly.

Sir, it is also not true to say that factory-refined sugar is mainly consumed by the middle and upper classes of the population. Such a conjecture is based on ignorance of real Indian life. Sir, we who live among the people know what little partiality is shown to Khandsari or Palmyra sugar by the poorer classes of consumers. After the prohibitions in the various provinces and with the propaganda of the Tea Cess Committee, the use of tea as a beverage has abnormally increased among the poorer classes, and I am fully aware of the fact that not a single tea-drinker can taste a cup of tea with gur or Khandsari sugar. It is, therefore, not correct to say that this rise in excise duty on white sugar will not affect the poorer classes.

Sir, I now come to the levy of additional duty on petrol. This tax, I agree, is one which does not very much affect the poorer classes, and is the inevitable result of the rise in railway rates and fares. I do not therefore wish to criticise it. It was necessary in the interests of the road-rail competition.

In conclusion, Sir, let me end by hoping that all the Rs. 625 lakhs will be spent for Indian interests alone. I wish a large part of it will be spent in training Indians for defence purposes, specially in view of the declaration of His Majesty's Government with regard to giving India Dominion status of the right type.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA (Bihar : Non-Muhammadian) : Mr. President, nobody can deny that the task that the Honourable the Finance Member had to face in framing the Budget for the coming year was a difficult one. Within the conventional framework of anticipated receipts and probable expenditure, the work seems to have been excellently done, except in the case of some incomes which may reasonably be expected to be exceeded. There has, in my opinion, been an over emphasis on conservative estimates, the ultimate danger of which lies in restricting the growth of industry and the process of strengthening our national economy to the same extent as a raw material producing country should expect and does require in the boom years of war. Neither is it right to think that

only the Government and their Railways must have something to put away for the lean days to come. The industries and the agriculture of the country must also be revitalised. The industrialist and agriculturist in India have during the past ten years been living on their own poor fat and just when their chance has come after long waiting, it is not fair to enunciate a different economic philosophy in their case than that found suitable for Government and Railway finance.

Looking at the Budget broadly, we find that the Finance Member was faced with the task of covering an estimated deficit of Rs. 7 crores and 16 lakhs in 1940-41. Rs. 3 crores he expects will come from the tax on excess profits. A surplus of Rs. 91 lakhs will be carried forward from the current financial year and the balance will be made up by increasing the sugar excise from Rs. 2 to Rs. 3 per cwt. and by raising the petrol tax from 10 annas to 12 annas per gallon. With the revenue thus brought up to Rs. 92 crores and 64 lakhs, and the expenditure estimated at Rs. 92 crores and 59 lakhs, there will be a surplus of Rs. 5 lakhs. Without any further going into the labyrinth of figures, I would like to mention one most essential fact straightaway and that is that the acid test that India is now going to apply to the Budget or any other document of some significance is not so much the weight of additional burdens that are sought to be imposed as the political outlook or standpoint from which they are made. Our attitude towards the Budget will be determined by what may have been done to improve the status of the Indian in his own country. The Budget that has been presented to us is essentially a war budget—a war in which India has been made a belligerent not by consent but as a matter of course. The fight you say is a fight for the democracies. Well, here we are who still want a democracy to fight for. By implementing your pledges you can even now take the wind out of the sail of the Indian agitator, the best of whom prize the British connection, and want you to give India the status of other Dominions. I have not the least doubt in my mind that even Congress India would have fought this war to the last man had her status been recognised and her consent taken. Even as things stand today there would have been some consolation for us if this, the first war budget, could show some change of policy, some change of perspective. The Indian has been left as much an alien to the defence of his country as before. The British Army of occupation stands and the British Command stands immaculately unaltered. The insult to Indian manhood continues. A budget like this fails to inspire the Indian to enthusiastic co-operation. Trust begets trust and if the process of Indianization and nationalization of the army continues to be actuated by distrust, the proper psychological atmosphere necessary in a situation like this cannot be created. This was clearly a golden opportunity to effect a change of policy which would have indicated that England was really willing to part with real power and to make the Indian responsible for the defence of his own country.

Sir, I would not, until the Finance Bill comes to us, go into the merits of the new taxation proposals. I would, however, make a few general remarks regarding the raising of the excise tax on sugar. It is very essential in this connection that there should be more co-ordination than there exists today between the provinces and the Centre. Talking of my own province, Sir, while the Central Government taxes sugar, the Provincial Government taxes sugar cane. It should be the greatest concern of all of us to see that by hitting this industry from all sides, we do not kill the goose that lays the golden egg. The sugar industry is, of course, a protected industry, but it is not protected to such an extent as to bear renewed and added burdens, both Provincial and Central. Similarly, on petrol, we have the Central excise

[Rai Bahadur Sri Narain Mahtha.]

and also a provincial tax. These added costs to transport and traffic impede the development of trade and make the poor man's movements difficult.

Referring to the speech just made by the Honourable Mr. Dow, although some individual cases have just been explained by him, the general criticism about high salaries generally stands. The Honourable Mr. Dow has compared the high salaries in his Department with higher salaries in other Departments and has consoled us that his Department is not an extraordinary sinner. India, Sir, is one of the poorest countries in the world and the salaries are the highest here. The tragedy of the situation is that the fattest salaries go to foreigners who carry their savings away.

The criticisms that we offer against the Budget are more or less the same every year, but they have to be so because they fall on deaf ears. If ever there was a real cry in the wilderness, it is that of the Indian Legislatures who cry themselves hoarse year after year and still find that the irresponsible Government of this country remains as irresponsible as ever and as dictatorial as ever.

THE HONOURABLE LT.-COL. SIR HISSAMUDDIN BAHADUR (Nominated Non-Official): Sir, I will begin my speech with an expression of high appreciation of the manner in which the Honourable the Finance Member has managed to provide for the requirements of the Government of India during the coming financial year. This is the first budget of the present Finance Member. He is certainly entitled to our fullest sympathy for the fact that within a few months of his assumption of charge of his high office he was called upon to finance the activities of the Government in connection with an upheaval the end of which no man can foresee. The budget proposals which he has presented to the House show conclusively that he has sought to provide for the co-operation of India with the Empire at this juncture on lines which would commend themselves to all sensible and right thinking people. No one will be surprised that India is faced with a deficit in the coming year. Thanks to the financial policy which Government has pursued during the past few years the deficit is not as large as it might otherwise have been. The scheme which the Finance Member has formulated for meeting the deficit is one which should appeal to those of us who are anxious that the poorer classes of the people should be spared from the incidence of fresh taxation. This result has been achieved with complete success. The new proposals involve no fresh burden of taxation on the poorer classes nor on zemindars. We are to have a tax on excess profits, a rise in the duty on refined sugar and in the duty on petrol. These do not hit the poorer classes and affect such classes as can easily bear the strain. The Finance Member has far-sightedly pointed out that although at present he has not imposed fresh taxation on the general taxpayer, circumstances may arise which may necessitate his doing so. I feel sure that this observation of the Finance Member was merely in the nature of a sagacious warning and that unless his hands are absolutely forced he will do his best to keep the general taxpayer immune from fresh and extra burdens. Someone has already spoken in another place about war babies and war budgets. Many of us feared what I may call a triplet budget but we find ourselves the surprised fathers of twins represented by normal and abnormal expenditure and none of us is unduly alarmed about our capacity to nurse them. This Budget is a war baby—and a legitimate one—and its mother is Necessity, the mother of all invention. We appreciate, Mr. President, the extremely able manner in which our finances have been managed in this exceedingly difficult first year of war. It is true

that we are faced with additional taxation, and the framers of the Budget have therefore been criticised, but let us be honest with ourselves and with Government and say that we have got off much lighter than the great majority of us expected. That does not mean, Sir, that, as a nominated Member, I am prepared to give Government a blank cheque to meet all the expenses of war. Far from it. We must keep the closest watch on expenditure for it can only be through the control of expenditure that we can exercise indirectly some degree of control on the taxation policy of Government. I am glad therefore to read this morning of Government's decision to set up a committee to assist them in the control of expenditure. That, Sir, will give widespread satisfaction and will I hope be recognised as proof of Government's desire to take the country into their fullest confidence on the many problems linked up with the prosecution of the war.

Sir, we must not forget the fact that the Empire is engaged in a deadly struggle. Idealists might harp on their pet theory of non-violence and under a self-delusion that India has no enemies but we all know and realise that India is in as much danger as any other part of the Empire. If the Empire loses this war, which God forbid, all talk of Independence of India and Constituent Assembly will have to go and have to start from A, B, C, again. Therefore, I have no doubt that this House will strongly and unreservedly endorse the provision for defence and will even press for a more ample provision which would ensure India's complete security and a worthy and honourable discharge of her Imperial obligations.

I would refer on this occasion to the sad plight of zemindars all over the country. They are receiving a step-motherly treatment everywhere. They must discharge their obligations to Government, but their own position *vis-a-vis* their tenants is being steadily impaired. The landlords are at the mercy of their tenants. Their dues remain unpaid. Defiance goes unpunished. In fact the zemindars are reduced to the position of unwanted orphans. And yet at a time like this if their hold on their tenants was strong and their due authority was fully maintained they would be an invaluable asset to Government and the country at large. I would beg the Government to give this matter very serious consideration.

One word more and I have done. The principle of price control has been accepted by Government. I would urge that this should be extended to small bazaar businesses too. It is in the bazaars that extortionate prices are charged.

I am sure that if in these matters which may seem small and insignificant, Government extends its protection to the masses, Government's action will be widely appreciated.

Before I resume my seat I wish to offer my hearty congratulations to the Finance Member on producing what I call a poor man's budget, and I give it my warmest support.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated Non-Official) : Sir, so many points have been covered by the previous speakers that I do not wish to go over them again. I will join issue with the Honourable Finance Member on the point that he seems to care more for posterity than for the present generation. Sir, it may not be an accepted principle of economics to charge posterity with the cost of war in our day, but the question is whether the present generation can bear all this expenditure, whether it be Rs. 8 crores or Rs. 80 crores ? I think if the Finance Member would raise a loan for the amount and charge it to posterity the loan could be liquidated in the course



[Sir David Devadoss.]

of a number of years. Instead of that he wants us to meet the whole cost now year by year. That amounts to what in a Tamil proverb is called "Drawing milk by cutting the udder!"

THE HONOURABLE SIR JEREMY RAISMAN : You would kill the cow ?

THE HONOURABLE SIR DAVID DEVADOSS : That is the meaning, Sir. Sir, the purchasing power of the people is very low now owing to the long-drawn depression of about 10 years, and if you now add to their burdens I am afraid it will be a case of the last straw on the camel's back. Now he will say that what he is doing is the proper thing according to accepted canons ; but I think even canons can be changed according to circumstances. That has been recently said even by Mr. Winston Churchill with regard to very important matters.

Then, Sir, I am going to say something very unusual, and I shall perhaps be told not to refer to it. I would submit, Sir, that India is one whole. Why should not the Government try by some means or other to make the States bear a portion of the war expenditure ? I am quite aware of the so-called treaties and so on. They are said to be sacrosanct. But the conditions are very extraordinary. When those treaties were entered into no one dreamt of a Hitler and they did not dream of the German aggression of modern times. Therefore we must take the present state of things into consideration. Suppose the British Government is not able to meet all the cost of this war, where will the States be ? It is the British armies which protect the States now. How is the security of the States secured ? By British arms. And how are the British arms maintained ? By the British and Indian Governments. (*An Honourable Member* : " Under what constitution should they be made liable ? ") Constitutions can be changed. The Government of India Act has been changed. I do not mean to say that they should be forced to comply or that we should revert to the policies of Lord Dalhousie. I say by some means come to some arrangement with the States by which they may share the burden. We know that some of the States are spending money in all sorts of ways on luxuries. All the money collected by way of revenue in the States does not go to the benefit of the people of the States. So why should not we propose to the States that a certain portion of the extraordinary expenditure which we are incurring should be borne by them ? The necessity arises out of the very extraordinary circumstances of this war. We never dreamt in 1918 that there would be another war so soon like this. The present war is something very very different from what took place years ago. We are really fighting for our very existence. The existence of the British Empire means the existence of India. We all fully realize that. Therefore we are anxious that the Allies should succeed, and for that purpose I think all of us ought to contribute. And why should not the States also contribute ? It is all very well to say, " You have no power ". (*An Honourable Member* : " But the bigger States have contributed most handsomely. ") Well, Sir, I know some of the so-called State forces. I can give you an instance. In a certain place there was a little rioting and the State army was called on to quell the riot. Well, it arrived on the scene but when the need arose it was found that the guns would not fire, and after a time the army ran away. You may believe me or not but that is a fact, though I will not mention the name of the State. That is the sort of army that is being maintained in most of the States. I do not mean that that is the case in all States. That would be very improper for me. There are some excellent States and excellent State

forces, gallant and courageous, which would compare very favourably with any portion of the British Army. But those are the exceptions. But what I say is that in view of the very extraordinary circumstances under which we are at war and in view of the vital issues involved, the Government of India should try to come to some arrangement with the Indian States by which they will bear a portion of this extraordinary expenditure.

With these few remarks, Sir, I have much pleasure in congratulating the Honourable Finance Member and Finance Secretary upon the very excellent way in which they have presented their Budget.

THE HONOURABLE SIR RAMUNNI MENON (Nominated Non-Official): Sir, I shall be very brief and under the circumstances the Honourable the Finance Member and the Honourable the Finance Secretary can easily understand why I shall omit the congratulatory part of my speech. I shall refer to three points and I would have been satisfied with referring to these three only if Sir David Devadoss had not intervened with his, as he said, revolutionary idea. I think you were perfectly correct, Sir, if I may say so without impropriety, in calling attention to the fact that there is something like sanctity of treaties. Anyhow I will not try to dilate upon the thesis which Sir David has started. I shall only say this, that I do not think that Sir David himself believes that he has expressed all that has to be said on the subject.

I shall now come to the three points which I propose to touch upon. In endeavouring to understand and appreciate the Budget, I have generally felt a two-fold difficulty and though I have not up to this time given expression to that difficulty I think it opportune to ventilate that difficulty a little today, because we have a new Finance Member and a new Finance Secretary and it is possible that they might give some consideration to this matter. I find there are various technical matters in the Budget and the arrangement of some parts of the Budget is, to say the least, extremely complicated. To a layman like myself, who is not conversant with accounts or with revenue matters, it would be a very great help indeed if the Finance Department could amplify the very excellent Explanatory Memorandum, which they are already supplying and for which I along with other Members am extremely grateful, if they could amplify this Memorandum and introduce into it a very elementary prefatory chapter. I do not expect anything like a college treatise. All that I am asking for is something like a short A. B. C. or an intelligent man's guide to the Central Indian Budget. It should not take more than half a dozen pages and I hope it is not asking too much of the Finance Department to see if it can provide such an explanatory chapter. I shall not pay a doubtful tribute to my Honourable colleagues by saying that my difficulty is generally shared by them, but the remarks which fell from my Honourable friend on my right encourages the belief that my difficulty is not peculiar to myself. In any case, I am sure of this; unless some such introductory statement is given to us by the Honourable the Finance Member or his Department, the Honourable Mr. Hossain Imam himself will have to supply a memorandum if he expects us to follow his expert speeches!

The other part of my difficulty arises from a different source. We have no means of knowing what precisely takes place in the various Departments of the Government of India, in Departments which are concerned with nation-building work. For example, I would like to know what the Imperial Council of Agricultural Research has done during the current year and what are the principal proposals for which budget provision is made for the next year. I would like to know something about the Department of Archaeology; I would like to know something about the Department of Education. I am not

[Sir Ramunni Menon.]

by any means suggesting anything like a report on the activities of these Departments. All that I am suggesting is the provision of very short paragraphs giving brief summaries of the main activities during the current year of these Departments and an outline of the chief proposals on which money is to be spent during the coming year. Recently I saw a leading article in one of the daily papers about the reconstruction of the Delhi University and I am very glad to find that provision is being made for this purpose in the Budget for the next year. This is a matter on which Members of the Legislature would have expected and would certainly have been helped by the circulation of a memorandum ; and I have ascertained that a memorandum does exist on the subject and a Government Order also. I wonder why these were not issued to the Members of the Central Legislature. Similarly there is a very valuable report by Sir Leonard Woolley on the Archaeological Survey. One would have expected that the Members of the Central Legislature would be credited with some interest in matters of this kind and that the Government would have been only too glad to circulate the report. I am not aware that that report has been circulated. If the difficulties to which I have referred can be removed I am sure we shall be in a better position to understand and appreciate the Budget. I hope I am not asking for too much. If the Honourable the Finance Member feels that in this war time he cannot be asked to undertake such work, I can only plead that my suggestion really amounts to a sort of minor war operation, an operation against ignorance, and in undertaking it he will be really helping in the successful prosecution of the war.

The second point that I wish to touch upon is this. The Honourable Rai Bahadur Lala Ram Saran Das referred to the excellent work of the Department of Posts and Telegraphs. I join with him in paying a tribute to that Department which it so richly deserves. The Department is now in a comparatively prosperous state and it seems to me that this is an occasion when one can ask for a small favour. The Grand Trunk Express has recently come into some prominence in the Central Legislature. I have not taken any part in that debate and therefore I think I am entitled to put in a small complaint, not about the Grand Trunk Express as such, but about one of the results of its unpunctual arrival—I presume it is due to that—one of the results of the unpunctual—

THE HONOURABLE THE PRESIDENT : That train has been sufficiently condemned.

THE HONOURABLE SIR RAMUNNI MENON : I am not condemning the train at all, Sir. I am only referring to one of the results of the unpunctual arrival of the Grand Trunk Express. I do not know what the hours of postal delivery are in Delhi ; but we people from the South find that our home letters do not reach us on any day till after 1 P.M., sometimes till very late in the afternoon and occasionally till the next morning. If that is considered a satisfactory postal arrangement, I can only pity the Delhi Province. Some years ago we had a system of hourly deliveries in Madras. I am not suggesting anything so advanced or expensive as that for the capital city of Delhi ; but surely there ought to be some elastic postal arrangement which will permit of the prompt delivery of mails which are accidentally delayed by the unpunctual arrival of trains. I am not claiming any special privilege for the Grand Trunk Express or for the Madras people who live in Delhi or who come here for temporary business. I would ask for the same sort of concession in regard to all mail trains which happen to arrive late. There should be a sufficiently

elastic system which would permit the delivery of the mails without undue delay at their proper destination.

Now, I should like to come to the third point which I wish to bring to the notice of the Council. As I have already said, I am very gratified to find that provision is included in the next year's Budget for a grant for the reconstruction of the Delhi University and, as far as the amount of the provision included and the purpose to which that amount is to be devoted are concerned, I have no criticism to offer. But the proposal for the reconstruction of the Delhi University is something much larger than the provision of a University for Delhi. In so far as the provision of a well-equipped and adequate University for Delhi is concerned, I shall not raise any objection and I do not think anybody will raise any objection. But the proposal contained in the Vice-Chancellor's memorandum on the Delhi University goes far beyond this. It advocates the establishment of an All-India University drawing students from all over India, which will serve as the main cultural link between India and the outside world and in relation to which the existing universities in India will sink into the status of merely provincial universities. Now, we have here surely a proposal on which the Provincial Governments and the provincial universities will have something to say. I am not aware if the Government of India have consulted the provinces or the provincial universities. If they have, it will be extremely interesting to know what their reaction to the proposal is. But apart from that aspect of the matter, the proposal contained in the memorandum will be a very expensive one, far more expensive than the figures which are given in the memorandum would lead one to imagine. I can make that affirmation with some knowledge of a University which in its standards, in its equipment and in its general tone, can challenge comparison with any other University in India. I do not know what the Government of India, in accepting the principle embodied in the proposal, have really accepted. If they have accepted the outline scheme as adumbrated in the memorandum, it is difficult to believe that they have done so with a full realisation of the cost which the scheme will involve or a knowledge of the reactions which the proposal will evoke from the Provincial Governments and the provincial universities. As I have already said, I am not at all objecting to the actual amount proposed in the next year's Budget or a scheme for a suitable university for Delhi.

Well, Sir, I have dealt with the three subjects which I intended to deal with and it only remains for me to say in conclusion that the new taxation proposals included in the next year's Budget, which have been criticised from several quarters and from different points of view, are to my mind very fair and equitable and I have no hesitation in giving my most cordial support to them.

THE HONOURABLE MR. ABDUL RAZAK HAJEE ABDUL SATTAR (West Bengal : Muhammadan) : Mr. President, I would, at the outset of my speech, offer my congratulations to the Honourable the Finance Member and the Honourable the Finance Secretary for the very clear statements they have made regarding the financial position of the country. Again, Sir, the Honourable the Finance Member and the Honourable the Finance Secretary would have received much warmer and general congratulations if only the Budget, which would in normal circumstances have been a surplus budget, had not been turned into a deficit budget by the outbreak of the war.

[Mr. Abdul Razak Hajee Abdul Sattar.]

Knowing as we do that this is a war budget, we do not find fault with it for being a deficit budget, but our complaint is in respect of the measures proposed to meet this deficit. In the first instance, I will deal with the two articles on which duty has been increased. I may say at once, Sir, that sugar and petrol are among those articles which should never have been subjected to bear the increased burden.

Sugar cannot be supposed to be a luxury, it is not used only by the well-to-do, it is one of the necessities of life even to the poorest man in the country. The price of sugar is already high enough and this additional burden is sure to raise the price much higher. The sugar industry is already in difficulties and this higher duty will bring it to the verge of utter ruin.

Again the higher duty on petrol will have a very harmful effect on the road transport. This is the form of transport which has become very popular with the villagers. Now these poor people will have to pay much more for this transport. As the railway fares have also been increased, the poor people will be put to great difficulty in this respect also. Sir, how the higher duty on petrol will affect road transport is already clear from the manner in which this duty has begun to work. While the duty has been raised by two annas, the company has raised the price of petrol by two and a half annas. Therefore I wish, Sir, that the Honourable the Finance Member had selected some other things rather than sugar and petrol for higher duty.

Again, Sir, there would have been no necessity for this increased duty at all if only the income from the Excess Profits Tax now proposed had been somewhat more properly estimated. The Honourable the Finance Member has been very conservative in calculating the income from this source. The experience gained by the working of this taxation measure in the last war goes to show that the yield from this tax will be very much larger than supposed by the Honourable the Finance Member.

Before I sit down, I feel that I should make it clear that, for the safety that India enjoys and knowing that the struggle in which the Allies are now engaged is a struggle of which India cannot be an unconcerned spectator since India's interests are also involved, India must in justice shoulder the burden ; but that burden should be in proportion to India's capacity and the ways and methods adopted to meet the demand should be such as will not tend to discourage her industries or impose undue burdens on the poor man.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadan) : Sir, I am speaking at a late hour and I shall try to be as brief as possible. No country, belligerent or neutral, can escape the difficulties of the tragic conflict in which great European powers find themselves involved, and even if India had been an entirely independent nation, it would have been impossible to refuse to face the problems which a major war creates for all, belligerent and neutral, in a world which despite all national and international rivalries is becoming increasingly conscious of its essential unity. But there is this difference between a free country and a country in the position of India. An autonomous community which values its freedom regards defence as its most vital concern and there is, therefore, readiness on the part of the community to undergo sacrifices cheerfully for the defence of the principles and possessions it values. Here, unfortunately, owing to our political relationship with Great Britain, an objective approach to the problem of defence is not possible, and our Government, which has never been noted for imagination, has never made

the Indian feel that defence is his most vital concern, and that by strengthening his defences, he is not adding vitality to the Imperialistic structure but merely ensuring his own safety and the safety of all that is near and dear to him, and all that he values in life. I make this observation because, as the House knows, the burdens which the proposals embodied in the Budget seek to increase are due to a war in which India finds herself involved as a dependency and not as a free and equal partner of the British Commonwealth of Nations. It is not possible for any one to be neutral in thought—and I know India is not neutral in thought. She is active in her sympathies with the democracies. But tragic mistakes made in the past and continued even today have made her sullen with the result that criticisms made here and elsewhere on this or that proposal in the Budget are influenced by considerations which, I shall admit frankly, are political in their complexion. For, in a psychotric world, with aggressive Imperialisms which seek to dominate the weaker races of mankind, with a country which has betrayed her leftist ideals to the sorrow and disappointment of all those who had looked upon it as a laboratory where new experiments were being tried, who with a sense of realism can deny the need of strengthening our defences and of the importance of defeating, for the future of the human race, the dark forces of totalitarianism and all that they stand for? I say this because, on the merits, I am convinced that the problem of our defence needs to be approached from a fresh and more realistic standpoint. (*An Honourable Member*: "From both the sides.") Yes, from both the sides. I note however in the proposals no departure from orthodox principles, no indication that increased defence expenditure would result in greater participation of the people as a people in the actual defence of the country or greater self-sufficiency in the matter of defence requirements. For me, Sir, the overshadowing question is not that of ways and means of financing the defence programme. Without committing myself to the precise details of the various proposals that have been put forward in regard to ways and means by the Honourable Sir Jeremy Raisman, I may say that I am inclined to agree with him and not his critics in the view that the burden of defence expenditure should be thrown primarily upon the present generation, upon the generation which is responsible for this conflagration, upon the men who will profit out of this conflagration. For us, the overwhelming question is whether this defence expenditure and the proceeds of the defence expenditure will return to India in diverse ways as in Great Britain or will constitute an additional drain upon the resources of the country. The relevant question, therefore, I wish to ask Sir Jeremy Raisman is—I should have asked this relevant question of His Excellency the Commander-in-Chief, but His Excellency, Sir, we know, is perpetually absent from this House—what steps are you going to take to nationalize our forces? What steps are you going to take to Indianize the officer ranks of our army? What steps are you going to take to make India self-sufficient in the matter of defence? What steps are you going to take to put war industries on a sound and self-sufficient basis? These would be the deciding factors with me in deciding whether I should vote for the proposals as they are or whether I should not vote for the proposals as they are. The question of the merits of this or that particular proposal embodied in the Budget is of a secondary importance. The overshadowing question is the question of the attitude of the British Government towards the question of the nationalization of defence.

Sir, we are in the first year of the war, and we find that even in the first year, Rs. 716 lakhs are to be further extracted from the taxpayer. These revenue estimates include the railway contribution and a surplus of Rs. 91 lakhs carried over from last year. The defence expenditure in the end will

[ Mr. P. N. Saprú. ]

mean an increase of Rs. 839 lakhs. It has been decreed—and that is the real grievance for we do not vote defence expenditure; the grievance is that it has been decreed—by an Imperial fiat that India shall share with Britain her external defence. And that takes me on to a consideration of the main recommendation of the Chatfield Committee's Report. Sir, the Chatfield Committee say that the frontiers of India are Singapore, Aden, Egypt, and Suez; and since troops have been sent to Palestine, so I suppose Palestine is also one of the frontiers of India. Now, supposing India were an entirely independent country and she had no hold over the Suez or Aden or Singapore. Would her defences have been the Suez or Singapore or Aden? The defences of Australia, New Zealand, Malay, Fiji, and all the other Islands of Britain in the Pacific are in the Suez, are in Singapore. Are they also being made to contribute towards their external defence? And if you are going to make India contribute towards external defence, if you are going to make distinction between external security troops and internal security troops, then whatever paper declaration you might make, whatever you might say your objective is—you say your objective is Dominion status of the Westminster type—you rule it out. Because if England is to be jointly responsible with India for the external defence of India, then the position of the Governor General in a future Indian Dominion will never correspond with the position of the Governor General in a Dominion like Canada or South Africa or New Zealand. The future development, therefore, that you foresee is some sort of dyarchy at the Centre and not the final and real Dominion status which the Dominions have. That, I think, Sir, is the basic constitutional objection to the Chatfield Committee's Report, and I should like to know whether the arrangement come to is only of a transitory nature or is of a permanent and final character.

Then there is that lump sum of one crore which has been given towards the extra cost of maintaining India's external defence forces. Before the Chatfield Committee's Report, whenever troops used to go out of our country—and we do not want our troops to go out without our consultation, if not without our assent—the cost used to be borne by the British exchequer. And now we find that we have to pay in the very first year of the war this one crore, and we find that India's frontiers have been extended too without any reference to and without any consultation with the Indian Legislature. You have extended India's frontiers; you are responsible for the defence of the Empire; you must bear the burden of defending this Empire yourself. If you think that you must share the burden of our defence with us, then why not share the burden of defending our frontier also? Why cast the responsibility for defending our frontiers upon ourselves? I mean, why not share the expenses of the Waziristan expedition or the expenses of any conflict we might find ourselves engaged in with Afghanistan? You cannot have it both ways. If there is to be joint responsibility it will have to be joint responsibility both ways. You will have to be jointly responsible with us for our immediate frontiers if we are to be jointly responsible with you for our ultimate frontiers.

I should like also to say a few words about the concrete proposals which Sir Jeremy Raisman has put forward. As I have said, I am not opposed in principle to the Budget being financed by taxation. I may say that personally I prefer direct taxation to indirect taxation, and if Sir Jeremy Raisman had gone whole-heartedly for direct taxation probably my point of view would not have been the same as the point of view of some other members of the Party to which I have the honour to belong. So far as the Excess Profits Tax is concerned I may say that I find the principle of the tax open to no objection what-

ever. The details, however, are not before us and I must reserve liberty of judgment so far as the details are concerned. They will have to be gone into carefully when the Finance Bill comes for consideration before the House.

The second proposal that he has made is that there should be an increase of duty on sugar by Re. 1 per cwt. Now I confess that I do view this proposal rather critically. I am not certain whether the effect of this enhanced duty will not be to lower the price which the agriculturist is getting for his sugarcane. Already in my province the price of sugarcane has gone down from 9 annas 9 pies to 9 annas. I am not looking at the question from the point of view of the big sugar industrialists. They may have done a great deal of good to the country. I think they have. But I am looking at it from the point of view of the cultivator, and I am afraid that the cultivator will be hit by this increase in the excise duty on sugar, and on the material before me I am not prepared to say that I can support this particular part of the Budget.

Then I come to the other proposal which Sir Jeremy Raisman has made, that is that there should be an increase in the duty on petrol by 2 annas per gallon, from 10 annas to 12 annas. Of course, we have our railway revenues to safeguard, but here again I must look at the question from the point of view of the poor man. We know what the state of communications in this country is, and we know, despite what the railway authorities might say, that third class passengers do not get the amenities and facilities they are entitled to, and the result of this duty will be to make the poor man pay more for his travel. He may not be able to indulge in the occasional joy rides he has from his village to the nearest town. It is not only the men who use motor cars, it is not only the few rich people who will be hit hard by this tax. It is also the small man who will be hit hard by this tax, and I am not convinced that this tax is in the interest of the poor cultivator. Of course you may ask me, "Well, you are not opposed to financing the Budget out of taxation, and there are two taxation measures which you condemn, how are you then going to balance the Budget?" Well, that takes me to the bigger question as to whether there has been any under-estimation of revenues or not. Now at this late hour I think I should not be justified in going into figures and showing that more can be expected from the Excess Profits Tax than Rs. 3 crores. But there are just one or two observations that I should like to make. First of all, there must be more economy in Government departments. We had a most eloquent speech today from the Honourable Mr. Dow. It was an apologia for his Department; he was trying to show that there has been no extravagance in his Department. I am sure that we profited greatly by that speech and we will read that speech after it has been printed with the respect which is due to Mr. Dow, but I would like to say this that there is need at this moment when you have got actual war going on of having a Retrenchment Committee and you must associate those who are at any rate prepared to co-operate with you in regard to these matters. I do not see any reason why in regard to the formulation of war policy Indian non-official opinion should be entirely ignored. I think one direction in which you can take non-official opinion with you is by having a Retrenchment Committee on which the elected element in the Legislature is strongly represented. It may then be possible for us to suggest ways and means of economy which have not struck you. I am sure that Mr. Parker with the knowledge and experience that he possesses might give points to our respected members of the Finance Department. I do not see any reason why you should not associate businessmen of experience like Lala Ram Saran Das, Mr. Parker and Mr. Hossain Imam with a committee of this nature. Then, the second direction I think in which economy is possible is salaries. You must take steps immediately and now to stop further recruitment in England. Put the salaries of the Imperial Service officers, new



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entrants on an Indian basis, make drastic reductions in the salaries that you are going to give to people in the future, and also as an emergency measure, as a measure calling for sacrifice on the part of people who have got everything to lose if this war is lost, ask them to contribute something towards this war by foregoing a part of their salary. In other words, have a 10 per cent. cut, 15 per cent. cut, a 20 per cent. or a 25 per cent. cut. I do not mind what the cut is. Try and first see whether you cannot balance your Budget by adopting some such policy and then when you have failed to balance your Budget by some such method, then come to the Legislature and ask them for fresh taxation. Taxation, Sir, is justified if it leads to greater efficiency, if it leads to greater productivity. And I do not believe that money fructifies in the waistcoat pockets of individuals, but the taxation you raise should be used for purposes which we can regard as beneficial; it should be used to increase the industrial efficiency of the people. I was frankly disappointed with Sir Jeremy Raisman's speech. I did not find any reference to what the Government was doing so far as industries were concerned in his speech. I think this is a time when we can put our industrial organisation on a sounder basis; this is a time in which the State should endeavour to encourage our industries. We all take advantage of other people's weakness. That is human nature; that is the way in which empires have been built. If there had been no weaker races there would have been no empires and I do not see any reason why we should not utilise the present opportunity and build up a sound industrial system. If you will give to the youth of this country the vision of a free India, if you will take active steps to convince people that when you talk of a free India you mean a free India, if you will nationalise the army, if you will take steps to industrialise the country, if you will convince the people that you are prepared to put the constitution of this country on a permanent basis and assure us a place of honour in your Commonwealth, I am sure that the better mind of India will be with you and India will be whole-heartedly with you in this struggle against totalitarianism.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan) : Intervening at this late hour, I will be very brief, Sir, and the only reason for my getting up to intervene in this debate at this stage is some of the observations that were made by my Honourable friend who has resumed his seat. I wish only to address myself to those few points to which I take exception. Therefore I will not tire the House with my observations regarding the impost on sugar and petrol, though these two commodities have been fortunate or unfortunate enough to attract the special attention of the Honourable the Finance Member. I may say in passing that the discussions in the House, even though they have been prolonged, have also been quite sweet, even though not short, and this on account of the fact that sugar was on the lips of every Honourable speaker who took part in the debate. Again, Sir, we were also relieved from monotony if there was any risk of the discussion becoming jejune and dull, because petrol was also the subject which was discussed and it gave some warmth and excitement to Honourable Members.

My Honourable friend Mr. Saprú stated that he was of opinion that since the present war was due to the responsibility of the present generation the brunt of the present war should fall only on the present generation. I take objection to that, Sir. My Honourable friend Mr. Saprú also said that the present war is being fought in the interests of the present generation. My view is quite the reverse. I feel that this war is being fought by the present generation mainly in the interests of future generations. After all, it is not the present

generation which will benefit most by the victory which might be gained in the present struggle. Again, there is yet another consideration which has got to be taken into account. The present generation has had to pay and is still paying heavy charges that were incurred during the Great War. So the present generation is not at all in a position to bear the cost that will be involved in securing victory in the present struggle. Again, this is a war budget, a budget which has become a deficit budget on account of an extraordinary emergency and for an abnormal occasion like this I feel that it is not fair that you should not resort to abnormal means; you have got to resort to abnormal means; the means should be just the same as the disease which you are going to treat. By refraining from borrowing, it has become necessary to impose heavier taxes upon commodities which are sure to seriously affect the normal life in the country and which are not merely luxuries. Again, Sir, this heavy impost is bound also to tell very seriously upon the fortunes of one of the most important industries in the country—the sugar industry. We are told, Sir, that this industry, even though it was very prosperous in the very first years, is now experiencing something like a crisis and this impost bids fair to take it to the very verge of ruin. And is this the way, Sir, in which we are trying to safeguard the interests of the future generations? If by checking the process of the development of industry in the country, we shake seriously the very foundations upon which the economic structure in the country rests, would we be handing over any really good legacy to posterity? And would we be credited with long vision and taking long views if in an attempt to save future generations from the payment of any loans that may be raised now, we give to them an economic structure which rests on bankrupt business, ruined industries, and poverty all round in the country? Therefore, Sir, I am strongly of opinion that the Honourable the Finance Member, instead of trying to raise more money by fresh taxation, should have seen his way to resort to loans as has been done by the British Government. Only this morning, Sir, we read in the papers that Britain has floated a new loan of £300 million sterling.

Again, Sir, a few more observations as regards the frontiers of India, about which my Honourable friend Mr. Sapru made some remarks. I feel, Sir, that as things are at present, we cannot regard India to be pent up within these jagged limits. We should not be alive to the realities and would be laying ourselves open to the charge of being blind to the stern facts if we felt that our frontiers were these jagged geographical limits. I therefore feel, Sir, that, as the frontiers of our country are at present flung wide, Suez, Aden and Singapore must be regarded as the frontiers of our country and if there is anything serious, anything endangering our safety even at those limits, we will have to take notice and take steps for defending ourselves when there is any danger lurking even so far away as Aden or Singapore. And I feel, Sir, that the Rs. 716 lakhs which India has got to bear as the cost of the present struggle is really not much in consideration of the great stakes that are involved in the present struggle. And I feel that the country would never have demurred to making this contribution towards the success of the present struggle if only the people of this country had been in some way associated with the defence of the country. And if the people had a hope that the country would be made more fit for equipping itself for self-defence and there would be some substantial advancement made in the process of developing the self-defence powers of this country, India would very willingly and very gladly have borne this burden.

**THE HONOURABLE SIR JEREMY RAISMAN (Finance Member):** Sir, may I begin by expressing my pleasure at addressing once more the Members of this House where I formerly sat as a Member and enjoying once again the

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comparatively peaceful and dignified atmosphere of this Chamber. I shall endeavour not to be long. The hour is late and I think I am justified in inferring from the speakers who got up to speak within the last hour or so that they were naturally more anxious to express their points of view on the Budget than to hear a reply to the debate. In any case, I think it is fair to say, Sir, that most of the points which have been raised are answered in the Budget speech and I will not endeavour to cover again the ground which is covered in that speech. I also do not wish to traverse at any length the points which I took in another place and which, therefore, will come or have come to the knowledge of Members already.

But I have one or two new points to make in connection even with the same themes. Now, on the question of under-estimation, which has again been raised in this House and which numerous Honourable Members have repeated, I should like to say, Sir, that I am very interested in this type of criticism because the problem of taking a view of the revenue of the forthcoming year is always a difficult one and, whilst it is a comparatively easy matter to look at a set of figures and then register one's reactions, it is an entirely different matter to start with a blank page and fill in those figures. Well, I am very interested to observe the criticisms which have been uttered on these forecasts because I myself am aware this year of one feature in the estimates which at this moment should call for considerable comment. Now, it is a feature of over-estimation which many people are in a position to judge; nevertheless, I have not heard a single word on this subject. I shall explain which the item is in a moment. But what I want to emphasise is that, when we are making a forecast of the total revenue, we have to take into account that in some respects we shall overshoot the mark while in others we shall fall short. And I should be much more disposed to accept the validity and the objectivity of the criticism if I saw attention being drawn also to cases where we have over-estimated the probable revenue.

Now, Sir, I refer to the item of imports of sugar. It so happens that within a comparatively short space of time the situation in regard to sugar has changed considerably. At the time when these estimates were prepared there was a certain expectation in regard to indigenous production, and within a few days the position changed largely as a result of rainfall and the expectation of a very large cane crop in the next crushing season. Nevertheless, these budget estimates contain no less than Rs. 150 lakhs anticipated duty from imports of sugar. Everybody who is familiar with the sugar industry knows that that figure at present represents an over-estimate.

**THE HONOURABLE MR. HOSSAIN IMAM :** But it is counterbalanced by the under-estimating of the excise income. It is jumbled up together like the motor spirit.

**THE HONOURABLE SIR JEREMY RAISMAN :** No, Sir. Even if the forecast of the excise duty be raised by a corresponding amount, the Honourable Member knows that for every cwt. of anticipated import which is replaced by a cwt. of indigenous production, I shall lose over Rs. 7. Therefore, there is very little compensation if imports are replaced by indigenous production. However, I do not wish to labour the point, Sir, except to say that it is indicative of the fact that the criticisms of our estimates are not objective, that the critics go through the estimates merely with a view to establishing that we have under-estimated revenue and therefore have established a case for additional taxation. As I explained in another place, in the circumstances of this

year, it would be the most reprehensible policy to take a highly optimistic view of our revenue, particularly when the budget estimates of expenditure comprise only the actual commitments on which we are at present engaged and contain, as I explained in my Budget speech, no provision for new and unforeseen developments, and that in a world in which unforeseen developments occur almost every day.

The House will not expect me, I am sure, to traverse the large number of individual points which were raised but I would like to pay my tribute to the breadth of the debate in this House and the extent to which it dealt with the realities of the situation and was free, if I may say so, from mere repetition of clichés. I found that it was a very interesting debate at which I was present and I regret, Sir, that time will not allow me to take up many of the points which I should have wished to pursue. I am grateful to my Honourable friends, Mr. Hossain Imam and Mr. Sapru, for answering those facile critics who sing the siren song of borrowing to meet deficits. That is always a very attractive and easy course and one could save oneself such an enormous amount of unpleasantness if one followed it. But I wish to say this. In the circumstances of the present time, it is not merely the generation 20 or 30 years ahead we have to think of. It is ourselves, tomorrow, next week, next year. If we are not going to pay our way when we are faced with a deficit of Rs. 7 crores, what are we going to do if the expenditure should become considerably larger? Sir, the altruism which we are asked to practice at this stage is not quite so remote a quality as many critics seem to think. If you were to borrow at this stage in order to meet your deficit, you might find that you soon reached a stage at which it was very difficult to borrow any more and you might then wish that you had gone as far as you could on the basis of taxation so that your powers of borrowing would carry you a further distance along your journey.

Now, Sir, I was very interested in the criticisms of the Honourable Pandit Kunzru on our defence expenditure. I feel sure, in spite of what he said, that he will agree with me that we have been fortunate in securing a settlement of the kind explained with His Majesty's Government, and that for a country situated as we are, to be faced with so many and so great financial uncertainties would have been indeed a horrifying experience. Now, the main effect of this settlement, as I pointed out, is to relieve us of many of these gruesome anxieties. We are left now with the position that the only type of expenditure which may undergo a large increase is expenditure directly incurred in the local defence of India. I claim, Sir, that in the circumstances, and particularly when one has regard to the enormous burdens which are already being borne by the taxpayer of Great Britain, we have secured a settlement as advantageous as could possibly be hoped.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : May I interrupt the Honourable Member? He has missed the point of my remark. I referred to the settlement and said that a burden had been thrown upon us in violation of that settlement.

THE HONOURABLE SIR JEREMY RAISMAN : I was going to come to the point of the Honourable Member's remarks, which I assure him I have not missed. I was making some preliminary remarks about the general character of the settlement. I realised that the Honourable Member made the point that the Chatfield proposals as placed before the country a few months ago appeared to limit the extent of India's obligations on the external defence forces in a manner which has been departed from in this settlement. That is

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quite true. The Chatfield recommendations were that India should accept the principle of joint responsibility for her external defence, that for that purpose a certain proportion—about one-tenth—of the troops maintained in India should be earmarked for external defence and that when those troops were sent abroad in an emergency affecting India's external defence, India should continue to maintain those troops. They said, in effect, it is axiomatic that if you have a joint liability for your own external defence, then when your own troops go abroad the least that can happen is that you will not be paid for sending them abroad. Your own troops are going abroad on a business which you now admit is partly your own business; they will therefore go abroad not as mercenaries but as India's soldiers guarding the outward bastions of India. Now, Sir, that was the least that could possibly happen, and therefore they went on to say, it follows from this principle that India can make no saving when her troops go abroad on business connected with her own external defence. But now in the circumstances that have arisen since the outbreak of war there were factors which called for some consideration—I will not say reconsideration, because the principle of joint responsibility for India's external defence was there—but now what had happened? The cost of mechanising and modernising India's army had become a very much bigger thing. It was not only a much more expensive thing but it was necessarily a much more difficult thing to carry out in the circumstances of the war. Nevertheless His Majesty's Government finally agreed to go on with that highly expensive and difficult scheme. Does the Honourable Member suggest that we on our side should have refused to make even the smallest contribution towards the additional expense of that situation? I consider, Sir, that this single lump sum contribution of one crore towards the additional expenditure incurred on our own troops while they are standing in places which have to be guarded for the ultimate defence of India. I consider that this is an exceedingly modest contribution indeed.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Has that been arrived at in agreement with the Government of India?

THE HONOURABLE SIR JEREMY RAISMAN : It has, Sir, undoubtedly.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Do you think that external defence should be two or three thousand miles away?

THE HONOURABLE SIR JEREMY RAISMAN : Does the Honourable Member think that if dacoits were coming to his house that the best place to meet them would be on his doorstep, or does he think that if he had armed men that he would post them outside his gate and deal with the dacoits before they got within reach of his throat?

Now, Sir, another point which was made by several Honourable Members, and particularly by the Honourable Mr. Sapru, was this point of retrenchment and control of expenditure. It has been suggested that civil expenditure was increasing. I have admitted that. It is inevitable that civil expenditure should increase in the conditions of war. My Honourable friend suggests that a retrenchment committee should now sit down and, presumably, start reducing the staff which is engaged in carrying on the civil government during the emergency of war. I can assure my Honourable friend that wherever there is a surplus man now in the organisation of the Secretariat he has been sucked from his position by a force much greater than any retrenchment committee could apply. I can assure my Honourable friend that in the case of all the

personnel which is under my control there are constant demands every day for them in what I can only call war positions and that there is hardly a day that passes when I am not subjected to great anxiety as to how I am to carry on the ordinary revenue and financial administration because I have to cater for the needs of war activity. My Honourable friend Mr. Dow pointed out that I had just had to place an important officer in the very middle of his department. That is an example of the sort of thing which is happening constantly, and since we cannot bring into being in a moment financial experts and we cannot readily call on men who are capable of co-operating in the financial control of an organisation so big and so complicated as the Supply Department, we are subjected to very great difficulty indeed. Now, Sir, in these circumstances how can any one visualise that a retrenchment committee should sit down and call upon a considerable proportion of the staff to submit the materials on which this committee would painfully go through every post and decide whether it could be dispensed with at this time? I think suggestions of that kind arise from an utterly incomplete realisation of the circumstances of the emergency and the great strain to which the machinery of Government is being subjected at this time.

Other suggestions are that the pay of the officers should be cut, and my Honourable friend the Leader of the Opposition finds it possible to say that the pay of military officers should be cut at this time in order that the burden of taxation should lie less heavily on the excess profits which the commercial community now enjoy. I find that, Sir, a most extraordinary suggestion. If I were responsible for adopting a measure of that kind I should feel thoroughly ashamed of myself, and I do not believe that any incumbent of the office which I hold would ever dream of acting in that manner. The officers of Government both civil and military are subjected, as I said, to special strain at this time. As regards military officers we must remember that they if called upon are always prepared to do their ultimate duty and lay down their lives. As regards civil officers they are now working at a very great strain. The increase in the cost of living affects them as it affects all other members of the community, whereas for the most part they are in receipt of fixed incomes. If any sacrifice is to be made by classes other than those who are directly profiting from the war, then I consider that Government servants must rank with the general taxpayer and make the same sacrifices and not special sacrifices. The circumstances are not those which we had in times of depression. In times of depression you have the position that the earner of a fixed income is in a specially favourable position. It may be the result of his contract, it may be that he has foregone the possibility of high earnings in times of prosperity; nevertheless the fact remains that in times of depression that fixed income earner sits there safe and sound, whilst the ordinary member of the community, the business man, and so on, is subject to difficulty and hardship. I can understand that in times like that the pressure to reduce the fixed charge on the earnings of the community, the pressure so to speak to take something of the debenture holder is great. But at a time like this, when the equity holder is prospering as a result of the emergency I can see no justification whatever for attempting to obtain a prior or a special sacrifice from the fixed income earner or the man whom I may call the debenture holder.

Now, Sir, it has been my duty up to now to reply to criticisms and in possibly a somewhat polemic way. It is more pleasant to me to refer to a point which more than one Member took up and on which I have something a little more encouraging to communicate. My Honourable friend Pandit Kunzru referred to the desirability of encouraging Indian industrialists to take advantage of the opportunities afforded by war conditions to establish industries

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which once established could hope to have a prospect of success when peace time conditions should return. The matter has, as I have reason to be well aware, been engaging the close attention of my Honourable colleague the Member in charge of the Commerce Department. If the work is to be conducted on proper lines, it requires careful organisation and obviously that cannot be completed in a few days or weeks ; but I believe that an announcement on the subject can now be expected by Honourable Members at a very early date and I think that Honourable Members will find that I have made a contribution towards the object which they have in view. (Applause.)

I have only one more topic on which to touch and that very mildly, Sir. A number of critics, both in this and the other House, have been disposed to say, " Why choose sugar for your tax ? " I will not, Sir, anticipate the debate which must take place on the Finance Bill and particularly on the clause dealing with sugar excise. But I would like to remind Honourable Members that in almost every country—in every country I think I may say—sugar is the vehicle for a really important tax. It is by its nature a commodity which is peculiarly suited to carry a tax, an important tax, and you will find if you examine the fiscal systems of various countries that the tax on sugar is usually one of high *ad valorem* incidence. I will not go into the reasons why it is usually selected to carry an important tax, but I would only say that in the conditions of India, where you have both the cruder forms of sugar which are used in the villages and the more refined forms which are used by urban populations and the wealthier classes, I would say that in the conditions of India refined sugar is even more suitable to carry an important tax than in many countries of the world. Now, what is the *ad valorem* incidence of this tax in India today ? At Rs. 3 a cwt. it is only about 25 per cent. In other words, although by common fiscal experience in all countries sugar is a peculiarly suitable commodity to carry an important tax, it carries in India a rate of tax no greater than the ordinary rate of consumption taxes as exemplified by our import tariff. I wish that when the outcries which are emitted by the sugar industry fall upon the ears of Honourable Members they would view this tax in relation to that background, because we are apt to forget and to lose the sense of proportion which should apply to this feature of our taxation system. (Applause.)

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The Council then adjourned till Eleven of the Clock on Monday, the 11th March, 1940.

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