

5th March 1943

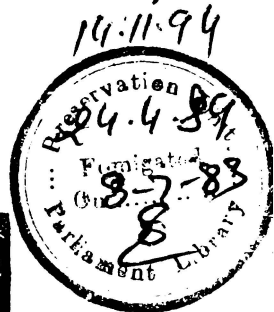
THE LEGISLATIVE ASSEMBLY DEBATES

Official Report

Volumes I to II, 1943

(10th February to 2nd April, 1943)

SEVENTEENTH SESSION OF THE FIFTH LEGISLATIVE ASSEMBLY, 1943



PUBLISHED BY THE MANAGER OF PUBLICATIONS, DELHI
PRINTED BY THE MANAGER, GOVERNMENT OF INDIA PRESS, NEW DELHI
1943

Price Rs. 2 As. 2 or 3s. 6d

LEGISLATIVE ASSEMBLY.

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LEGISLATIVE ASSEMBLY

Friday, 5th March, 1943.

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

MEMBER SWORN:

Mr. Nivarty Sundaesan, M.L.A. (Government of India: Nominated Official).

STARRED QUESTIONS AND ANSWERS.

(a) ORAL ANSWERS.

CONTRACTORS FOR AERATED WATER AND ICE ON NORTH WESTERN RAILWAY.

242. *Mr. Muhammad Nauman: (a) Will the Honourable Member for Railways please give the names of contractors for aerated water and ice on the North Western Railway?

(b) Is it a fact that the present contractor is considered unfit and a great deal of complaints are being sent by the public against him?

(c) What change do Government propose so as to give satisfaction to the public?

The Honourable Sir Edward Benthall: (a) Messrs. A. & M. Wazir Ali; Messrs. Bliss & Co.; Messrs. Bihari Lall, and Messrs. Teplitz.

(b) The Honourable Member has not said to which of the four contractors he refers. Government, however, have no information that any of these four are considered unfit, or of any large number of complaints against any one of them.

(c) Government do not propose to take any action as the matter is within the competence of the North Western Railway Administration.

Mr. Muhammad Nauman: With reference to part (b), I refer to Bihari Lall. I have been told by certain people that lot of complaints have been sent to the General Manager and other authorities regarding him?

The Honourable Sir Edward Benthall: I am not aware of that.

Mr. Muhammad Nauman: Is Government prepared to make inquiries on that point?

The Honourable Sir Edward Benthall: I have made inquiries. We have not heard of any special complaints.

Mr. Lalchand Navalrai: Are the General Manager and the Headquarters staff watching the working of these contractors?

The Honourable Sir Edward Benthall: I presume so. That is his duty.

Dr. Sir Zia Uddin Ahmad: As a definite charge has been made, will the Honourable Member send a copy of this question and answer to the General Manager?

The Honourable Sir Edward Benthall: I will certainly do so.

UNSATISFACTORY CATERING ARRANGEMENT ON THE OUDH AND TIRHUT RAILWAY.

243. *Mr. Muhammad Nauman: Is the Honourable Member for Railways aware that on the Oudh and Tirhut Railway, there is no proper arrangement at all for the catering of European or Indian style food?

The Honourable Sir Edward Benthall: No.

Mr. Muhammad Nauman: May I ask what is the catering arrangement on the O and T. Railway?

The Honourable Sir Edward Benthall: The list of refreshment rooms is set out in the Railway Time Table.

Mr. Muhammad Nauman: I want to know the people who are in charge of this catering?

The Honourable Sir Edward Benthall: I should require notice of that

Dr. Sir Zia Uddin Ahmad: The Honourable Member's reply was 'No'. Does that mean that he is not aware or that the arrangements are proper?

The Honourable Sir Edward Benthall: I am not aware that the arrangements are unsatisfactory.

PERCENTAGE OF DIRECT RECRUITMENT TO CERTAIN GRADES ON RAILWAYS.

244. *Mr. H. M. Abdullah: Will the Honourable Member for Railways please state:

(a) if it is a fact that the Home Department admitted in their letter No. 3131/40-Ests.(s), dated the 10th July, 1941, that the percentage for direct recruitment of the following staff had decreased after the issue of the Home Department Resolution, dated the 4th July, 1934:

- (i) Office clerk grade II reduced from 30 per cent. to 20 per cent.;
- (ii) Guards grade III reduced from 66½ per cent. to 20 per cent.; and
- (iii) Ticket Collectors to 20 per cent.; and

(b) if he proposes to reconsider this question and have the *status quo* re-established as regards direct recruitment to higher grades which were in existence before the issue of the Government of India's Resolution, dated the 4th July, 1934?

The Honourable Sir Edward Benthall: (a) Yes, but as was explained in the letter quoted by the Honourable Member, these reservations had not in fact been worked to for some time prior to 1934.

(b) No, as I am satisfied that no injury has been done to Muslim interests.

PAUCITY OF MUSLIM OFFICERS IN KARACHI DIVISION OF NORTH WESTERN RAILWAY.

†245. *Seth Yusuf Abdoola Haroon: Will the Honourable the Railway Member please state:

(a) the number of officers employed in the Karachi Division of the North Western Railway, and the proportion of Muslims thereof; and

(b) the steps that Government propose to take to increase the number of Muslims in that Division?

The Honourable Sir Edward Benthall: (a) Thirty-two, of whom two are Muslims.

(b) Government propose to take no steps, since postings of officers to particular divisions are not made on communal considerations.

MUSLIM REPRESENTATION IN ESTABLISHMENT SECTION, KARACHI DIVISION, NORTH WESTERN RAILWAY.

†246. *Seth Yusuf Abdoola Haroon: (a) Will the Honourable the Railway Member please state if there are any instructions which were issued by the General Manager, North Western Railway, Lahore, to the Karachi Division authorities in connection with the Muslim representation in the Establishment Section? If so, what action has been taken by the Karachi Division thereon?

(b) Is it a fact that Muslim clerks in the Establishment Section, Karachi Division of the North Western Railway, are put on the work of issuing passes and preparation of bills instead of dealing with staff matters? If so, what steps do Government contemplate taking to put more Muslims in the Establishment Section to deal with staff matters?

The Honourable Sir Edward Benthall: (a) The answer to the first part is in the affirmative. As regards the second part, the instructions issued were carried out.

(b) The answer to the first part is in the negative; the second part does not arise.

PROMOTION OF JUNIOR GOODS CLERKS IN KARACHI DIVISIONAL SUPERINTENDENT'S OFFICE.

†247. *Seth Yusuf Abdoola Haroon: (a) Will the Honourable the Railway Member be pleased to state whether there are any orders for promoting the

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

grade I Goods Clerks to the next higher grade irrespective of seniority? If none, what are the reasons which led to the promotion of junior Goods Clerks to work as Rate Clerks in higher grades in the Commercial Section of the Divisional Superintendent's Office, Karachi Division?

(b) Do Government propose to confirm such persons in their present grades or to make proper selection before their confirmation to give a chance to senior and efficient persons?

The Honourable Sir Edward Benthall: I have called for information and a reply will be laid on the table of the House in due course.

RELATIVE SENIORITY OF PROMOTED GRADE II GUARDS ON NORTH WESTERN RAILWAY.

248. *Mr. Lalchand Navalrai: Will the Honourable Member for Railways be pleased to state:

- (a) whether it is a fact that 50 per cent. of grade II Guards appointments on the North Western Railway are filled by direct recruitment and 50 per cent. by transfer from other branches of service, such as Train Clerks, Ticket Collectors, etc.;
- (b) if it is a fact that the employees taken from other branches and drawing more pay are placed junior to directly recruited persons drawing much less pay than their colleagues taken from other branches; if so, why;
- (c) if it is a fact that the general rules for reckoning relative seniority of employees provide that the persons transferred from one branch to another should count towards seniority the number of incremental steps by which their pay exceeds the minimum scale of the posts; if so, why Guards are given discriminatory treatment; and
- (d) if it is proposed to have uniform practice in the application of seniority rules; if not, why not?

The Honourable Sir Edward Benthall: (a) Yes.

(b) Such instances do occur, for the reason that as 50 per cent. of posts are reserved for outside recruitment, appointments are made alternately from persons in the service and from outside recruits and it is only equitable that the order in which the men are appointed as Guards should normally determine their seniority.

(c) The rule quoted by the Honourable Member does not apply to these promotions to Guards *posts* vide note 4 to Rule 25 General Manager's Circular No. 1 of 1927; the second part does not, therefore, arise.

(d) No, as circumstances differ and a simple rule cannot be framed to cover all of them.

Mr. Muhammad Nauman: With reference to part (a), as 50 per cent. is recruited directly and 50 per cent. indirectly, how is the quota of Muslims and other minorities maintained?

The Honourable Sir Edward Benthall: That does not arise out of this question.

Mr. Muhammad Nauman: It does arise out of part (a).

The Honourable Sir Edward Benthall: This is a question about the recruitment of Guards, not about communal composition.

Mr. Lalchand Navalrai: May I know from the Honourable Member whether it is just and proper that the seniority of those people taken from outside should be considered over and above that of people drawn from other branches who are drawing more pay. What is the justification?

The Honourable Sir Edward Benthall: The position is that two lists are prepared. One of these is of ticket collectors and others who pass through the Walton Training School and the other is the list of people recruited directly from outside and appointments are made alternatively from the top of the respective lists.

Mr. Lalchand Navalrai: Are the qualifications of both sets of people the same or not?

The Honourable Sir Edward Benthall: The qualifications are different but they are both valuable from the point of view of the Railways.

Mr. Lalchand Navalrai: How do the qualifications differ? May I ask the Honourable Member to go into this question and see that justice is done to both sets of people, because they are doing the same work?

The Honourable Sir Edward Benthall: I think substantial justice is being done.

APPLICATION OF THE ESSENTIAL SERVICES (MAINTENANCE) ORDINANCE TO
UNCONFIRMED RAILWAY EMPLOYEES.

249. *Mr. Lalchand Navalrai: (a) Will the Honourable Member for Railways be pleased to state whether it is a fact that the Railway Board have issued orders on the 10th May, 1942, stopping all confirmation of staff to which direct recruitment is made? If so, are unconfirmed employees free to resign their service? If not, why not?

(b) Does the Essential Services (Maintenance) Ordinance of 1941, apply to such unconfirmed employees as well?

(c) Have the Railway Board issued any instructions to the effect that employees who remain unconfirmed in compliance with their orders referred to in (a) may be considered to have reasonable excuse for resigning and therefore must not be proceeded with under the provisions of the Ordinance? If not, why not?

The Honourable Sir Edward Benthall: (a) As regards the first part, the orders referred to were issued on the 23rd May, 1942. As regards the second part, such persons can resign from the service with the consent of the Railway; as regards the third part, the restriction that this imposes is necessary in the interests of the war effort.

(b) Yes.

(c) No, as such instructions are not considered necessary.

Mr. Lalchand Navalrai: Is there any freedom or is the consent being given generally to resign or are there any restrictions being put on them?

The Honourable Sir Edward Benthall: That depends upon the interests of the service.

Mr. Lalchand Navalrai: Have there been any cases where consent has been refused?

The Honourable Sir Edward Benthall: Yes, Sir; I understand so.

Mr. Lalchand Navalrai: Does the Honourable Member know that many cases of that nature have happened or it is only in exceptional cases that consent is not given?

The Honourable Sir Edward Benthall: No, Sir. I have not been able to review all the cases on all the Railways.

CHEAP SHOPS FOR RAILWAY EMPLOYEES.

250. *Mr. Lalchand Navalrai: (a) Will the Honourable Member for Railways be pleased to state what commodities will be supplied to the railway employees by the cheap shops that the Railway Board propose to open?

(b) What arrangements have been made to distribute the necessaries to all employees even those in gang huts between stations, and what agency will be employed for distribution?

(c) What steps have been taken by the Railway Board to ensure that these shops have sufficient stock to meet the employees' requirements?

(d) What quantity of each commodity will be supplied, and will ration cards be issued for that supply?

(e) Will the prices of such articles be fixed monthly, quarterly or annually, and will those rates be uniform all over India or vary according to localities?

(f) By what percentage will the railway rates be cheaper than bazar rates?

(g) Will the representatives of Unions be associated with the supply of necessities of life by the Railway Authorities? If not, why not?

(h) When are the supply arrangements expected to be in full swing? Do Government propose to expedite these arrangements?

The Honourable Sir Edward Benthall: (a) At present the shops supply some or all of the principal food grains; some also sell salt, sugar, spices and other commodities. It is the policy to expand the range of commodities dealt with in these shops where there is a local demand for such expansion. Arrangements for the sale of cloth are under examination.

(b) Some Railways are running mobile units; others are not at present supplying grain except at principal centres. More staff are being brought within the range of these shops, the number at present being in the neighbourhood of 500,000. The distribution is generally undertaken departmentally. Where mobile vans are in operation arrangements are being made for supplies to gang huts.

(c) The Railway Board have done all in their power to ensure priority for such supplies, but as will be recognised, the general food situation in the country has only lately shown signs of improvement.

(d) The quantity of each commodity supplied will depend mainly upon availability of supplies, the habits and requirements of the employees in the various localities and the rationing policy of the Provincial Governments. It is unlikely that there will be a demand for uniformity in all places. Ration cards are employed by most Railways.

(e) It is not intended to fix prices for any specified period. The rates at which the commodities will be sold will not be uniform throughout India.

(f) I am unable to say, because bazar prices vary widely.

(g) I understand that on Railways where local committees have been established in connection with gram shops, workers are represented on these committees. Whether Unions as such should be associated with the conduct of these shops, is a matter for the General Manager to decide.

(h) The Food Purchasing Organization set up by Government is already functioning and the policy of the Railway Board is as described in my answer to (a). The answer to the second part of the question is in the affirmative.

Mr. Muhammad Nauman: With reference to the answer to part (e) of the question, will the prices be on the same basis as the controlled rates of the Government or will the Railways fix their own prices comparable to the black market and not the controlled rates?

The Honourable Sir Edward Benthall: They will fix their own prices.

Mr. Muhammad Nauman: They will compare the black market and controlled rates and will not take cognizance of the controlled rates?

The Honourable Sir Edward Benthall: They will take cognizance of the controlled rates.

Mr. Lalchand Navalrai: May I ask how the foodstuff is carried to scattered stations and scattered huts in different parts of the Railways?

The Honourable Sir Edward Benthall: That, Sir, will be a matter for organisation by the different Railway Administrations, but it will be done through mobile vans.

Mr. Lalchand Navalrai: Did the Divisional Superintendents or the General Managers consult the local Railway Advisory Committees on these points?

The Honourable Sir Edward Benthall: I am unable to answer that question but I will find out.

Mr. Lalchand Navalrai: Will the Honourable Member, therefore, issue instructions to these officers to consult these Advisory Committees because it will be an easier and better arrangement? Will the Honourable Member write to these officers that these Advisory Committees should be consulted?

The Honourable Sir Edward Benthall: I will forward the suggestion to the Railway Administrations.

FILLING UP OF VACANCY OF PROGRESS AND PLANNING SUPERINTENDENT,
MECHANICAL DEPARTMENT, EAST INDIAN RAILWAY, ALAMBAGH.

†251. ***Mr. Amarendra Nath Chattopadhyaya:** (a) Will the Honourable the Railway Member please state if it is a fact that no basic principle is adopted

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

regarding promotions to the selection grades, in the Mechanical Department, East Indian Railway?

(b) Is it a fact that a vacancy in the grade of Progress and Planning Superintendent occurred in the Mechanical Department, East Indian Railway, Charbagh, in 1941?

(c) Is it a fact that a senior Assistant Foreman of the Production Section of the East Indian Railway Workshop, Jamalpore, was promoted to the post referred to in (b) above, where he officiated for over a year and was subsequently transferred to the East Indian Railway Workshop, Alambagh, in the same capacity and after a few months he was reverted to his substantive post?

(d) Have Government acted in accordance with the procedure laid down by the General Manager, East Indian Railway, for filling the selection post of Progress and Planning Superintendent in the Mechanical Department, East Indian Railway, Alambagh?

(e) Is it a fact that a junior Chageman in the grade of Rs. 110/150—20—250 has been allowed to officiate in the post of Progress and Planning Superintendent for over 6 months in the Mechanical Department, East Indian Railway, Alambagh, superseding the claims of the seniors of his grade and higher grade? If so, are they prepared to take immediate steps in the matter? If not, why not?

(f) Is it a fact that arrangements have been made to promote an Anglo-Indian to officiate in the post of Progress and Planning Superintendent, in the Mechanical Department, East Indian Railway, Alambagh, whose name does not appear in the combined Seniority List of the Production group as compiled under the Chief Mechanical Engineer's Minute Sheet No. ME 86/37, dated the 1st November, 1937? If so, are they prepared to take necessary steps to stop such practice and issue necessary orders to the General Manager, East Indian Railway, to promote seniors from the same group? If not, why not?

The Honourable Sir Edward Benthall: (a) I have no reason to believe that the facts are as stated by the Honourable Member.

(b) to (f). I have called for information and reply will be laid on the table of the House in due course.

UNSTARRED QUESTION AND ANSWER

INCREASED RATES TO RAILWAY LABOUR CONTRACTORS.

45. Mr. Lalchand Navai: (a) Will the Honourable Member for Railways be pleased to state whether any increase has been allowed over the tendered and accepted rates to railway labour contractors in goods sheds, locomotive sheds, etc., to compensate them for the increased cost of living? If so, what the percentage of such increase is?

(b) How does the increase allowed to railway contractors compare with the dearness allowance paid to railway workers?

(c) If the railwaymen are paid lesser compensation for the rise in the cost of living as compared with the compensation allowed to the railway contractors, is it proposed to give further relief to railway workers? If not, why not?

The Honourable Sir Edward Benthall: If the Honourable Member will specify the Railway about which he desires to have the information, endeavours will be made to secure it.

THE GENERAL BUDGET—GENERAL DISCUSSION.

FIRST STAGE.

Mr. President (The Honourable Sir Abdur Rahim): The House will now proceed with the general discussion of the General Budget. With reference to the time-limit which is ordinarily fixed, I fix 20 minutes for the speeches of the Honourable Members generally, 30 minutes for the Party Leaders or those who speak on behalf of the Party and for the Government Member one hour or more.

I may now just as well draw the attention of the House to Rule 46 regarding the general discussion of the Budget because I find that in some cases the

scope of this discussion is not properly understood. Rule 46 lays down that "the Assembly shall be at liberty to discuss the Budget as a whole or any question of principle involved therein".

Sir Henry Richardson (Nominated Non-Official): Sir, at the outset, I would like on behalf of my Group, to express to the Honourable the Finance Member our appreciation of the very fine speech which he made last Saturday evening when presenting the Budget and to congratulate him on his effort. Whatever views we may hold on the various proposals, no one can complain of any lack of detail in the picture which was shown to us. We much appreciate the very clear and able summing up which we have come to expect from him. Not only did he touch on practically all those subjects which we hoped to hear about but he also gave us valuable opinions on several important aspects of India's future financial situation.

Before I turn to other subjects, I feel I must take this opportunity of joining the sincere sympathy of this Group to that expressed by the Honourable the Finance Member in his Budget speech regarding the sudden death of Sir James Taylor. Not only will his loss be felt by the Government of India, but also by each one of us who had the honour and privilege of his personal friendship; we mourn the passing of so valuable a public servant and friend.

Sir, in considering this Budget, we in this Group have once again asked ourselves the question "Does it help the War"? Is it a measure of which India will be proud when the time comes for history to pronounce judgment on the efforts of all those nations which are today striving for a common object? I must confess we cannot find complete satisfaction in the answers to these questions. For whilst it may be claimed that this Budget does meet India's war requirements, it cannot be said to be in any sense comparable to war-time budgets which have had to be shouldered by the people of other belligerent countries. It may be urged that this is as much as India can afford, but I should hesitate to agree with such an opinion. I do not deny that conditions differ in this country from those which obtain in other countries to which I have referred, and this may be advanced as an argument against a more ruthless type of war budget, but on the other hand even if this is granted I would direct Honourable Members' attention to the enormous profits to some in which war production has resulted. If this point is examined, I venture to assert that there is ample justification for a larger measure of sacrifice by all those to whom the war has brought almost unparalleled benefits.

Bearing in mind these qualifying remarks therefore, this Group, Sir, gives its full support to the budget proposals in which we are glad to note that for the first time after a long while the volume of the yield from the indirect taxation proposals is now more than that expected from the proposals for direct taxation even though the incidence of the latter is still by far the heavier. We therefore consider it satisfactory that out of a total estimated new yield of Rs. 20.10 crores, the proposals for indirect taxation are expected to produce as much as Rs. 13.10 crores. Not only was a tax on tobacco overdue in the circumstances but the high yield, which is evidently only a start, makes it particularly suitable for assisting in making up the large war time expenditure.

Before passing on, Sir, I wish to make a brief reference to the Honourable the Finance Member's remarks concerning dearness allowance. He admitted that Government fully realised the defects and dangers which were inherent in the increased purchasing power created by enhanced dearness allowance and that these facts afforded an added incentive to the efforts of Government in dealing with the major question of food supply. Sir, we have had a long debate on food supply and the House was kind enough to give support to the strong views I then felt compelled to voice. But now, Sir, the budget brings up another important aspect of this problem and it is one which greatly concerns the Finance Member's Department. As a business man, I know what the cost of these dearness allowances must mean especially when we add the cost of providing foodstuffs to labour below the purchase price. Also owing to the inefficient Provincial control such supplies have, more often than not, to be

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purchased in a more or less black market. The amounts involved are growing greater and greater and the total of all this expenditure amongst commerce and industry in the country as a whole must by now be enormous. The Finance Member knows very well, that this expenditure is a revenue charge in Company Balance Sheets and consequently in the case of all those companies which are liable to pay Excess Profits Tax the actual result is that Government itself is paying the greater portion of these dearness allowances and cost of foodstuffs and the revenue of the country is suffering to the same extent. This, Sir, is the other side of the picture and we say that it is not only the risk of inflation which should afford Government an added incentive but also the fact that much of the money is coming out of their own pockets. From all points of view, therefore, we hope that this problem of food supply is being tackled with all the firmness and energy which the situation calls for.

I have referred already to the dangers inherent in increased purchasing power and it seems to us that one of the most important problems today is how to reduce the total volume of purchases for civil consumption. In so far as, perhaps 90 per cent. of civilian purchasing power is expended on the necessities of life, the solution of this problem mainly depends on effective price control by the Governments concerned. Up to now such control has not been adequate and we earnestly hope that the Central Government will bring every possible pressure to bear upon Provincial Governments to tighten up control in this matter. Even when this has been done, there still remains a margin of expenditure by the well-to-do on luxuries and the time has come when it is necessary for everyone of us to cut down unnecessary expenditure. I trust that before long we shall see the starting of an austerity campaign which would not only serve this economic purpose but would also have great psychological value in keeping in our minds the realities of war.

There is one other remark which the Finance Member made to which I must refer. He mentioned the reduction in the real burden of agricultural indebtedness effected by the rise in agricultural prices. Whatever may be our feelings over price control, we cannot but wholeheartedly agree with and share in his hope that at long last this burden, which he correctly described as one of the sources to which so many of the major evils besetting the Indian cultivator had been traced, may be induced to disappear. But, Sir, whilst much impending legislation is on the anvil to improve the lot of the industrial worker, whilst much time is spent on Tripartite Conferences between Government, Employers and Labour, what is being done for the permanent benefit of the Indian cultivators who form by far the largest portion of the population of this subcontinent and on whose efforts at this time the success or failure of the "grow more food" campaign so much depends? There is no sickness insurance scheme for them, no holidays with pay, no dearness allowances and more often than not, no medical facilities. We know full well that the application of all these amenities to the masses of cultivators would be impracticable and impossible to achieve for a long time to come. But there are other ways and means whereby Government can and should endeavour to improve the lot of these people who work and live on the land of the country; and it seems to us that within all the various measures for the control, supply and distribution of foodstuffs there lies the opportunity not only to diminish this burden of agricultural indebtedness but to do much else besides. We believe Government has now the chance to sow the seeds of future benefit by forming a comprehensive policy of co-ordination in such matters as crop planning, crop prices, co-operative societies and the many other interconnected agricultural problems. We believe that all this is possible if a start is made now, and if Government will guide and direct Provincial Governments, without whose co-operation success is impossible. This Group have attached so much importance to this matter that it has been made the subject of a cut

motion and I hope that Government, having heard from me this preliminary warning, will be ready with a statement. We realise that we are dealing with a subject which comes within the provincial sphere, but the recommendations of more than one advisory body have lately pointed clearly in the direction of Central co-ordination and control. With this mandate from advisory bodies some statement from Government is not only justified but necessary.

Sir, the House will undoubtedly welcome the news which the Finance Member had to give us on the subject of the financial settlement as between Britain and India. To this extent, I think, Honourable Members must agree that his visit to England last summer has been amply justified, and none of the gloomy forebodings of which we heard at that time have come to pass. Rather should we express to him our grateful thanks for the exceedingly able manner in which he must have handled India's case in his negotiations to have succeeded in obtaining from His Majesty's Government a continuance of the very favourable terms on which military expenditure is apportioned between the two countries.

I now turn to those remarks, in which, I am sure the House was greatly interested, which the Honourable the Finance Member made on the subject of the further utilisation of India's sterling balances. I have used the expression "further utilisation", because some sections of the public are conceivably not aware of the silent financial revolution which has been going on in our midst in the past two or three years. At one point in his speech the Honourable the Finance Member apprised us that some £300 millions of India's external debt had been repatriated since the beginning of the war with little or no disturbance to the money market, and he said that this was a consummation for which the country might well feel gratified. I think, Sir, that this is a sentiment to which no section of the House can take exception. It is a matter for congratulation for it clearly demonstrates the good use to which India's creditor status *vis-a-vis* Britain has been put. But as we see it, Sir, it represents only the first of several beneficent uses to which these sterling assets can be employed. It is a big step, but, as I have said, we regard it as only the first of a series of operations which are now within the financial capacity of the Government of India, and the Finance Member on Saturday gave us an indication of what the next two are to be.

In the first place he proposed an arrangement whereby provision for the future pension and kindred obligations of the Government of India towards its servants can be assured through an investment which, he points out, would offer much more favourable terms than at present attach to investments in sterling Treasury Bills. This is a sound economical measure which will appeal to any business mind. It is an insurance against a future liability which present financial conditions make it possible for us to cover. When the war is over, we must anticipate periods of financial stringency, when revenues may be stretched to the uttermost to meet obligations already incurred. If we can discount these burdens by present action, we make a contribution to the future without in any way damaging the present. The second proposal for the utilisation of sterling balances to which the Budget invites our attention concerns the creation of a Reconstruction Fund. We are now happily at a stage of the war when it is possible to glimpse the peace, and I make bold to say that the problems with which India and the world will be confronted after the war will be no whit less complicated than those which we have had to face and surmount during the last 3½ years. Anything that can be done now to ease the impact of those problems and to make smooth the transition from war to peace should be undertaken expeditiously and in a true spirit of realism. It is for this reason that I and my colleagues of the European Group wholeheartedly support the suggestion to set up a Reconstruction Fund in order that the heavy demands for imported machinery and plant and for replacement and new equipment purposes may be satisfied as soon

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as circumstances permit. It would be idle to suppose that this part of the Finance Member's proposals will not be strenuously opposed in certain quarters, but I am not going to attempt to traverse all the ground the critics will invite us to survey, and in any case they do not need me to state their case for them. (But I would just like to underline the point that the Finance Member himself made, namely, that, if a predetermined programme of requirements is backed with the power to purchase, which the Reconstruction Fund itself would constitute, India will stand a favourable chance of the early fulfilment of her post-war needs. For bear in mind the extent to which Indian industry has been expanded during the war, and also bear in mind that the mere advent of peace does not necessarily mean that there will suddenly be an abundance of the type of equipment Indian industry will need for replacement or expansion. It is obviously important that early consideration be given to a survey of this matter, so that the principal post-war needs of India may be ascertained. Like myself, I have no doubt that Honourable Members were impressed with the figures the Finance Member gave of expenditure on industrial expansion during the current year, and also that which is contemplated for next year. In all, these amount to Rs. 16 crores, and I would ask the House to bear in mind that this represents only half of the total outlay under this head, the other half being borne by His Majesty's Government. Therefore, altogether outlay on industrial expansion will have been in the neighbourhood of Rs. 32 crores during the two years ending next February. This is a very substantial sum of money and Honourable Members will not fail to note that no less than half of it represents something in the nature of a gift from His Majesty's Government. Nor does it represent anything like the whole of our war-time industrial expansion, a large part of which is due to the initiative of individual businessmen and business concerns. And that is where I want briefly to return to the post-war situation, in which a Reconstruction Fund could play such a valuable and important role. To my mind, it is clear beyond doubt that we must expect many of the restrictions and controls which now govern trade between nations to persist into the peace. It is also certain that quite apart from the controls, the shortages of capital goods and heavy equipment will continue for a good long time after the war, for we cannot expect years of devastation and destruction to be repaired overnight. Other countries, which have been far more seriously affected by the war than India, will have stronger claims than ourselves to the limited supplies that will be available. It is surely then the merest commonsense and prudence that we should begin to organise against the day when it is possible to stake our claim. And what more practical step can be taken to this end than to earmark finance which can readily be made available for the purpose. This is what the Finance Member proposes at this stage to do, and though there are some people who profess that India's sterling balances are something of a liability, I believe that if they examine the Reconstruction Fund on its merits, and with a fair and open mind, they must come to the conclusion that they are in a very real sense assets that are steadily increasing in value as the end of hostilities draws nearer. There are others who take the line that they would prefer their assets in some other form than sterling. I do not propose to deal with an argument on which the Honourable the Finance Member can speak with much greater authority than myself. I will merely say to those who hold this view, that there are many people and many countries in the world today who would count themselves very lucky if they were fortunate to hold their external assets in sterling whose sound virtues hold good in spite of the passing and vicissitudes of time.

Sir, we in this Group support the Budget proposals and if we have any general criticism of them at all, it is that the country might reasonably have been called on to make even greater sacrifices. Come what may, we are determined to do everything in our power.

Pandit Lakshmi Kanta Maitra (Presidency Division: Non-Muhammadan Rural). That we know.

Sir Henry Richardson: . . . to bring about victory at the earliest possible date and whatever sacrifice that determination may involve, we are prepared to make it.

Dr. P. N. Banerjee (Calcutta Suburbs. Non-Muhammadan Urban): Sir, this is the fourth war budget of the Government of India and it tells the tale with which we have already become familiar, namely, vastly increased expenditure and greatly enhanced taxation.

Sir, taking recurring expenditure first, I should like to point out that the expenditure for the current year is nearly double the expenditure which was incurred last year, and if we take the expenditure for the years 1939-40 to 1943-44 that is to say including the expenditure budgetted for the ensuing year, what do we find? We find that the excess provided over the normal expenditure amounts to not less than 450 crores of rupees. Is this not a huge amount of expenditure for a poor people like the people of India? Besides this recurring expenditure, a large amount of non-recurring expenditure has been incurred and is going to be incurred in the coming year. The bulk of this expenditure is no doubt due to the war, but a considerable portion has been incurred also in civil departments of administration. And how has this expenditure been met and proposed to be met? The whole of the non-recurring expenditure has been met and is proposed to be met by means of borrowing and about 150 crores of rupees of recurring expenditure is also proposed to be met out of borrowing. The remainder,—that is to say, 300 crores of rupees—will be found by means of additional taxation.

Now, Sir, let us consider the advisability or otherwise of levying such a huge amount of additional taxation on the shoulders of the poor people of India—300 crores to be raised by additional taxation.

The Honourable Sir Jeremy Raisman (Finance Member): Not additional taxation. I think the Honourable Member is taking other items into account.

Dr. P. N. Banerjee: No. Over and above the normal revenue, that is to say, the excess of 300 crores; and this 300 crores will have to be found by means of additional taxation.

Coming to the incidence of this taxation we all know that the taxation so far levied has taken various forms and shapes—direct taxation, indirect taxation, revenue from railways

Maulana Zafar Ali Khan (East Central Punjab: Muhammadan): Excuse me, Sir; but will the Honourable the Finance Member point out whether the 300 crores referred to by Dr. Banerjee is correct?

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member had better wait till the reply is given.

Dr. P. N. Banerjee: When he will reply, he will point it out: increased postage rates and various other measures. In the ensuing year, the Honourable the Finance Member expects that there will be a deficit of a little over 60 crores, and he intends to meet this deficit by means of taxation amounting to 20 crores, and borrowing amounting to a little over 40 crores. Now, what are his proposals for fresh taxation? He proposes, in the first place, certain additions to the direct taxes. The enhanced rates of income-tax in its lower ranges will affect the middle class people of the country; and we should remember that this class has already been hit very hard by the phenomenal rise in prices. The enhanced rates in the other ranges will affect very seriously the industry and trade of the country; and similarly the enhanced rates in corporation tax and the excess profits tax will affect the industry and trade of the country.

Coming to the excise duty on tobacco, I find that the Honourable the Finance Member is jubilant over it. He says it has unique eligibility and it commands universal acknowledgment and things like that. I believe my Honourable friend has read the financial statements of his predecessors. If he has read

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them, he will find in them strong condemnation of this tax. On several occasions the tobacco tax was considered and the subject was thoroughly investigated, but the proposal was abandoned because it was held that although it was not a tax on an absolute necessity, it was a tax on what is known as a conventional necessity. One of the earlier Finance Members said that he would be very loth to tax a commodity which by long habit had become a conventional necessity for the poor people of India. If my Honourable friend will read the speeches of Samuel Laing, the second Finance Member of India, and of Sir Charles Trevelyan and several other Finance Members, he will find strong condemnation of this tax. I do admit that the Taxation Inquiry Committee has blessed this tax. But that committee did not investigate all the aspects of the question. It should be remembered that the poor artisan, the poor cultivator and the poor industrial worker requires some sort of drug which will soothe their nerves after their hard work and which will act as a stimulus to further work. I may tell my Honourable friends here that I am not a smoker myself, and for intelligent people engaged in intellectual work, tobacco is a poison,—tobacco is a poison of the worst sort. But for hard-working people it is something like a medicine. Therefore, I object to this item of taxation in the Finance Member's budget.

Next comes the excise duty on vegetable ghee. This is a tax on food. Vegetable ghee is used by the poorer sections of the middle class and the poorest classes of the population who cannot afford to obtain pure ghee, which has now become practically unobtainable except at very high prices. To tax food is wrong and therefore I object to this item of taxation.

Then come the increases in postal and telegraph rates. I find a curious change in the attitude of Government. At one time the Government used to say that the Posts and Telegraphs Department is a commercial department. When it was working at a loss, the postal, telegraph and telephone rates were increased because it was said that a commercial department must make the two ends meet. Now that it is a paying department and it is yielding large revenues to the Government, they want further revenues and they have given up the idea of the commercial department. As it is yielding a large sum of

12 Noon. profit to the Government, a part at least of these profits should go back to the people of India in the shape of reduced rates; in no case should the rates be enhanced.

The total yield of the taxes proposed by the Honourable the Finance Member is 20 crores of rupees. Could not these 20 crores be obtained by any other means? Time and again, have I suggested in this House the adoption of measures of economy. I have appealed, but I have always appealed in vain,—my appeal has always fallen on deaf ears. Wherever we go we find that there is wasteful expenditure. This wasteful expenditure must be kept down, but that has not yet been done. That is not the policy of the Government. Then also there is another policy that I have urged and many friends of mine have urged in this House that is Indianisation. But what have Government done? Since the commencement of the war, instead of Indianisation there has been a steady and progressive Europeanisation. Necessarily, the consequence has been that there has been a great increase in administrative cost. In every department we find that Europeans have been placed in key posts and Indians have always been placed at the end. If these two steps had been taken, a large portion of the deficit might have been met. But there is a third step which the Government ought to have taken and which would have solved the problem in full, namely, an equitable financial settlement between Britain and India regarding war expenditure. The Honourable the Finance Member told us the other day that the settlement which was arrived at in November 1939 has not been varied. But he also told us that considerable expansion has taken place in various directions and in interpreting the details of the settlement new factors have come into prominence. He spoke of joint war measures

and so forth and we do not know what these phrases meant. We do not know to what extent expenditure was placed on the shoulders of India which ought to have been placed on the shoulders of the British Government. If we come to figures we find that 20 crores is nothing to the British exchequer, but it is a great deal to the Indian exchequer. This ought to have been known to the British Government and to the Honourable the Finance Member of the Government of India who carried on the negotiations on behalf of the Government of India. Of course, the Legislature had no hand in this settlement, and if the Legislature had a hand in the settlement things would have been very different. There is one point of view in regard to this settlement with regard to war effort which I should like to place before the House, and that is that India has been considered as a base for the war effort of the United Nations, as a base for all the war efforts in the East. That being so, the bulk of the expenditure, whether it is incurred in India or outside, should fall on the shoulders of Britain and her allies and not on India. India is merely a base and you cannot interpret the settlement in such a way as to say whatever is spent in India is to be borne by India. That would be a wrong interpretation of the financial settlement.

Before I conclude, I should like to say a word about sterling balances. My Honourable friend, the Leader of the European Group, waxed eloquent over what has been done or said by the Honourable the Finance Member on this question. What has been done I will not question now, but I will say a few words about what the Honourable the Finance Member has said. The Honourable the Finance Member has two proposals in view. In the first place, he wants to provide for future payments of sterling pensions, family pensions and provident funds. I do not know what his real object is. But it seems that he wishes to safeguard these pensions in order that a future Indian Government, perhaps a free and responsible Government, may not be able to do away with these things. Well, it is not the intention of anybody, of at least anybody sitting on this side of the House to do away with all obligations which have been properly undertaken. But we should like to examine very carefully whether it is desirable to spend this amount properly now or to set it aside as an investment for the future. The next proposal is the formation of a reconstruction fund. Reconstruction fund sounds very nice, but who will be in charge of this reconstruction?

Pandit Lakshmi Kanta Maitra: They, the Government.

Dr. P. N. Banerjee: Will the future responsible Government of India be in charge of reconstruction, or will the present Government of India and the British Government be in charge of it? Then again, who will control this fund? Will this be under the control of the British Government, or will it be under the control of the future responsible Government of India?

Pandit Lakshmi Kanta Maitra: The European Group.

Dr. P. N. Banerjee: If these reconstruction schemes are to be prepared by the present Government with the help of my Honourable friend, the Leader of the European Group and his colleagues and also their countrymen in England, you cannot expect that the people will feel enthusiasm for the proposition. I have no objection to what the Honourable the Finance Member says about rehabilitation and equipment of industries. Yes, we want re-equipment of the industries of the country but what type of industries will have to be rehabilitated and with what type of re-equipment? Where shall we buy the machines and in what way? Shall we be allowed to purchase them at the cheapest rate wherever they are available or shall we be compelled to buy the machinery in England where the money will lie? These are questions which will have to be very carefully considered when the reconstruction fund is utilised.

Sir, my Honourable friend the Finance Member in concluding his speech observed that his proposals will meet "with extreme satisfaction"; of course, there will be extreme satisfaction in some quarters but not extreme satisfaction among the people of India. My Honourable friend has worked here for

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25 or 30 years and he must have worked hard; otherwise he would not have risen to the position he now occupies. But he has worked mainly in his room in the Secretariat and he has had no time to go out and see the facts of Indian life. He has not seen the half-naked and half-starved population of the country. He has not seen to what an appalling extent poverty exists in India. Nor has he had time to study the psychology of the people of the country. If he had had the time and the opportunity for that purpose, he would not have used the phrase "extreme satisfaction" because he ought to have known that the huge expenditure now incurred is not in the hands of the people. Taxation is not in the hands of their representatives in the Legislature. These are in the hands of persons who have very little to do with the people of the country. In such circumstances to say that these proposals will meet with extreme satisfaction is to overlook the facts. I hope and trust that before he leaves the shores of this country he will find opportunity and time to study these questions at greater length and he will be able to say that the time has now come when both the expenditure and the taxation will have to be vested in the representatives of the people of the country, because it is they who know what is best for India.

Dr. Sir Zia Uddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, although we may not agree. . .

Mr. President (The Honourable Sir Abdur Rahim): Is the Honourable Member speaking on behalf of his Party or on his own behalf?

Dr. Sir Zia Uddin Ahmad: I am speaking on my own behalf. Although we may not agree with all the arguments of the Finance Member, we should admit in fairness to him that he has given an accurate picture of our finances and that he put up a heroic fight both in India and outside India in support of our finances.

I shall first examine the arguments advanced by some economists that the rise in prices is due to inflation. It is a fact that the price index has gone up during the war from 100 to 254, or the prices have gone up $2\frac{1}{2}$ times or, in other words, the purchasing power of the rupee is reduced to $6\frac{1}{4}$ annas. It is also correct that we had inflation in currency. The notes in circulation in 1939 were only 130.29 crores and now they are 560.17 crores and the argument which is advanced is that whenever you have got any article in excess, then the price is lowered, because the demand is less. Because of the inflation the value of the notes is reduced. This price index and the inflation of currency have not the relation of cause and effect, but they have remote correlation. The facts cannot be marshalled to fall in with the economic theories but theories should be formulated to explain the facts. Do not attempt to sidetrack commonsense by using technical terms like inflation and deflation of currency. We will take the facts as they are and discuss this question of inflation. The first point is that there is a tendency to hoard the metallic coins for two reasons. One is economic and the other is political. The economic reason is that the people have greater faith in the silver rupee and they would like to keep in preference to any other form of investment. The second is that there is a tendency amongst some people to paralyse the administration and they hoard the coins in order to paralyse the administration. This fact was realised by the Honourable the Finance Member, so much so that the metallic currency was reduced from 74.31 in 1939 to only 14.16 in December 1942. We should also consider this fact—and the Honourable the Leader of the Nationalist Party also pointed this out—that our expenditure in the General Budget has increased to 259.59 crores, which is more than double. The Finance Member has explained that the Supply Department purchase about Rs. 18 crores worth per month. That is, it comes to 216 crores. Therefore, considering the enormous expansion in the business of India due to the expenditure all round, I would like to know what would be the correct figure of the currency notes which would be necessary to meet this require-

ment. To say simply that the currency has inflated has got no meaning. We must have some mathematical or economic calculation to find out what is the exact amount of currency notes which we require and what is the exact amount of small coins that we require for our daily transactions. We should not forget the fact that the moment there is a shortage of these currency notes or the shortage of small coins, there comes dislocation of business which upsets the daily transactions especially among the poorer people. Unless somebody will give the exact figure that so much currency notes are sufficient for our daily transactions and anything above that is inflation, I am not overawed by the technical words "inflation and deflation".

Pandit Lakshmi Kanta Maitra: They have already controlled 90 per cent. of the paper in the country and they can easily print any number of notes if there is any shortage of money.

Dr. Sir Zia Uddin Ahmad: My friend says that they have got the power to print as many notes as they like. He does not know that if a Finance Member adopts this particular practice, he will cease to be a Finance Member before he adopts it. The printing of notes is regulated by a number of rules and regulations and there is a regular check on their printing. Even if the Finance Member tried to have any number of notes printed, he would not be permitted to do so.

Dr. P. N. Banerjee: Who will check him? Will the Superintendent of the Printing Press check him?

Dr. Sir Zia Uddin Ahmad: My friend probably knows that these currency notes are issued by the Reserve Bank of India and not by the Finance Member and in that Bank we had a famous expert, Sir James Taylor, who is unfortunately no more with us. The Governor along with the other Directors of the Reserve Bank determine the quantity of currency notes.

As regards the rise in prices, it is really due to the mistakes of the Government of India. I do not want to enlarge this point as we have discussed it on previous occasions and we will have more opportunity to discuss it later on, but there is one point to which I would like to draw the attention of the House, a point to which attention was not explicitly drawn. We find from this Explanatory Memorandum that the price index as compared with August 1939 has increased from 100 to 415 with regard to piecegoods. That is to say, the price of cotton piecegoods has risen more than four times, while the price of cotton has increased from 100 to 193.8 only. So, the price of cotton has increased by less than 100 per cent but the price of piecegoods has increased by more than 300 per cent. This clearly shows that there is enormous profiteering going on in the textile industry and I am sorry to say that the Commerce Member or the Supply Member of the Government of India never took this point into their consideration.

Dr. P. N. Banerjee: They are all gone.

Dr. Sir Zia Uddin Ahmad: Never mind: I am not concerned with the personnel: I am concerned with the department. Nobody has considered this enormous rise in the price of the piecegoods and this is a matter which ought to be gone into. Now, the question of wages has been gone into very carefully and they have not been increased by 50 to 75 per cent., nor have the prices of other articles been substantially increased. In spite of all that, the price of the manufactured piecegoods and manufactured cloth has been increased to more than four times. There is no justification to allow these prices. The real facts are that there are two industries in this country which no Finance Member or Commerce Member can dare touch—one is the industry of piecegoods and the other is the industry of sugar. The predecessor of the Commerce Member said in my presence to a person who came out from England to inquire into the piecegoods industry of Bombay, "Though you are going there to inquire, remember the Rolls Royce cars, the various entertainments and other things and be careful not to be dazzled by all these glittering things." I have not seen a single Commerce Member during the last 14

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years that I have been in this Assembly who had the courage to deal with this particular problem of the textile and sugar industries because of the enormous sums that they can afford to spend on their propaganda.

Then, Sir, I come to the question of the accumulation of sterling credit. In this connection, I would like to draw the attention of the House to three points which have arisen on account of the accumulation of our credit. The first thing that I wish to say is that because of our credit this is the time when we ought to consider very seriously whether the time has not come when we should enter into a direct agreement with America and not through the United Kingdom about lease-lend and reciprocal lease-lend arrangements. I understand—I am speaking subject to correction—that all our lease-lend arrangements are done through the British Government and not directly by the Indian Government. I think the time has come when we should have direct arrangements with the United States of America on this point. Here I may also mention that while discussing lease-lend arrangements, we should not only consider the requirements of the war but we should also consider the requirements of the industries and various institutions. That is, we should try to get from them the costly apparatus which it is impossible to purchase except by means of lease-lend arrangements.

The second question which arises and which will have to be taken up sooner or later is this. We have linked up the currencies of the various countries forming part of the British Empire with sterling. We have great apprehensions that when the war is over, there will be abnormal changes in the values of the currencies of different countries which now form part of the United Nations. In order to have stability of these currencies, it seems very desirable that at this particular moment the currencies of all those countries which form part of the United Nations should be linked up together by certain formula, and this is just the time when this question should be taken up. So, I request the Finance Member as representing India to take the lead in this matter. We should not only link our rupee with the sterling but also link it with the dollar. We will find that after the war the dollar will lead the currency of the United Nations and, to my mind, it will lead the currency of the entire world. This is the proper time for us to make an attempt in this direction. The third point that arises in this connection is about the disposal of our accumulated balances. Now, a suggestion was made by the Honourable the Finance Member on page 20 of his speech to buy like life annuities the pensions and other liabilities which India has to pay. This particular proposal presupposes that England is going to quit India and will hand over the Government of India to a particular class which cannot be trusted. I think this proposal is not sound. It is not necessary to safeguard the future liabilities which India should pay. I assure the Honourable the Finance Member that this is not in our minds. Therefore, for the time being the proposal is not financially sound. These balances have been accumulated on account of enormous sufferings and privations that we have undergone. Look at myself, I could not afford to buy my normal requirements. It is not fair to ask us to pay the liabilities of the future generations. I can quite agree when we pay for the liabilities which may benefit us and the future generations as well. I do not really understand, why should I be asked to suffer and give up everything which I have in order to meet the future liabilities of our future generations. We cannot buy entire liabilities. Pensions will always increase because persons would retire. Therefore, we do not know how much it would be. Looking at it from a statistical point of view it would be a difficult problem. I, therefore, beseech the Honourable the Finance Member to give up this idea of utilising balances for the purchase of future liabilities with regard to pensions, provident funds and bonuses. As regards pension immediately the question will arise: you are purchasing pensions payable in England, why not purchase also pensions of Indians as well. What

is the guarantee that the future Government will be entrusted with this? According to the theory that is underlying this proposal, which is not based on facts, what guarantee is given to pensioners living in India? Why don't you provide annuities for their pensions as well? Provide also for the pensions of Indians. Therefore, I think this proposal will be exceedingly unpopular and I think it should not be entertained.

The next question is about the future expansion. There I think we should keep this money in floating account, so that we may fall back upon it and in any way we like we may invest it. It should be kept in a floating reserve and should be available to us. Therefore, I would rather like to keep our balances in a floating account which may be easily available to us for investment in annuities or any other form of payment of liabilities.

The next thing I would like to mention is the dearness allowance. On page 36 of the Memorandum it is stated:

"It may, however, be pointed out that the cost of living index numbers for different centres are not strictly comparable and that definite formulae have been devised in all these centres for adjusting dearness allowances with the changes in the cost of living." I should like to have these formulae before us. I request the Honourable the Finance Member to ask the Department of Economic Advisers to the Government of India to supply the Members a copy of the statistics prepared by them—it is an expensive department—and they give us the figures and leave us to draw our own inferences.

The next thing about the dearness allowance which I should like to mention is this: the Government have taken the responsibility to pay dearness allowance to all servants employed by them. I request that at this moment they should also consider the fact that on account of payment of dearness allowance to their employees, the educational institutions, which are partially maintained by the Government of India in that they are supported by them by way of grants—are very much handicapped on account of this extra responsibility they incur in paying dearness allowance to the servants. I particularly mention those educational institutions which are really supported by the Government of India, the employees of these institutions deserve dearness allowance just as much as the servants who are appointed and paid by the Government of India.

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

Dr. Sir Zia Uddin Ahmad: Let my speech be taken as read. I lay the rest of it on the table of the House.

Mr. President (The Honourable Sir Abdur Rahim): I cannot allow that.

Mr. Jamnadas M. Mehta (Bombay Central Division: Non-Muhammadian Rural): Everybody admired the very exhaustive effort which the Honourable the Finance Member made on the 27th February last when he took at least two hours and ten minutes and was visibly exhausted. Let me submit at the outset that so far as the conduct of the war is concerned, I have not the least difference with him. In fact, a vigorous and energetic prosecution of the war for the security of this country and for a willing participation in the restoration of international equity and goodwill he can depend upon my humble support without any stint. The question of difference arises when he pursues the methods of taxation which are embodied in his budget. On that issue I fundamentally differ from him. First of all I say that this is a rich man's budget. I am sorry to say that the Honourable the Finance Member has some natural antipathy towards the poor.

The Honourable Sir Jeremy Raisman: No.

Mr. Jamnadas M. Mehta: He considers the poor as the real target and quarry. In fact, he goes for the poor as a terrier goes for the mouse and ample evidence of this is to be found in his budget. If he can at the poor he will readily snatch the opportunity. Just think of his new taxation proposals. So far as the taxation on those who smoke cigar and cigarettes is concerned I

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am at one with him. I do not agree with my erstwhile leader Dr. Banerjee that people who smoke do not get any pleasure out of it. I do get the greatest pleasure out of a cigar and I am willing to pay for that luxury. But when the Honourable the Finance Member goes and taxes the poor man on the sole authority of the Taxation Enquiry Committee and disregards the actual facts of the situation, let me warn him that he is actually trenching on resources of the poor in an amenity which brings some solace, some little cheer and some little comfort. Let him tax any big cigarwalla or any big cigarettewalla and leave alone the poor man's *bidi*. I know the poor man after a day's labour gets a great pleasure and comfort out of his *bidi*. He has not got the means to enjoy luxuries. Ghee and sugar and all these are denied to him. I think the Honourable Member should not have shown a green eye with the little comfort of the poor man. This part of the tobacco tax is therefore objectionable. I want to tell the Finance Member that the tobacco is not immune from taxation even today. In the city of Bombay, the Government of Bombay has since 1932 increased the taxation on tobacco to 400 per cent.—where it was one rupee it is four rupees. Therefore to create the impression that since . . .

Sir Gowsajee Jehangir (Bombay City: Non-Muhammadan Urban): Does that include *bidis*?

Mr. Jamnadas M. Mehta: Yes. Therefore I say it is bad enough already.

What I am saying is, let him not be under the impression that because the Taxation Enquiry Committee reported in 1925 and action has not been taken so far by the Government of India, therefore action is not taken by the Provincial Governments or even the Local Authorities. He is greatly mistaken. And let me see what he is doing. The salt is taxed; the poor man's matches are taxed; the poor man's tobacco is now being taxed; the poor man's sugar is taxed—everything that the poor man needs in life, he has included in his long sweep of comprehensive taxation: Postage, Salt, Matches, Tobacco, Vanaspati, Sugar.

Pandit Lakshmi Kanta Maitra: Next year it will be potatoes.

Mr. Jamnadas M. Mehta: The Finance Member has a very watchful eye and when it comes to the turn of the giving dearness allowance, what thousands of difficulties he experiences. In the Budget speech at least in three places you will find—on the first page and later pages—that wherever the question of a little increase of the workmen's wages comes along, the Finance Member simply looks upon any proposal for dearness allowance with a scowl. He has somehow or other persuaded himself that even if 10 per cent. dearness allowance is given where 50 per cent. or 100 per cent. is the rise of the cost of living, some kind of calamity will happen. The Honourable the Finance Member has brought more distress on the poorer people of this country by his constant desire to give them additional taxation and less bread. What is the dearness allowance, Sir, at which the Finance Member looks with increasing disapproval? His idea seems to be that the higher nominal value of the wages means higher purchasing power for the poor. This is a real fallacy and he knows it to be so. What with the dearness allowance policy of the Government on the one hand and their failure to feed the millions of people of this country on the other; the poor are certainly at their wits-end. Compliment is paid by the Railway Member to the railway workers. Compliment is paid to labour generally . . .

Pandit Lakshmi Kanta Maitra: But not seriously.

Mr. Jamnadas M. Mehta: . . . but the earnings of labour are thrown into the war pool without regard to the fact whether labour is starving or otherwise. With a rise in the cost of living of not less than 150 per cent.,—because even the *Bombay Labour Gazette* figures are now silent on the cost of rice and wheat since July last and two Judicial pronouncements have been

made that the Bombay Labour Office figures are below the mark, I take it that not less than 150 per cent. is the rise in the cost of living—what is the rise in the dearness allowance which Government have given? For the Railways, it varies from 10 per cent. or even less than 10 per cent. to perhaps 100 per cent. for the poorest, for the postal and other employees it is even less. You find gushing admiration shown for their good work and loyal conduct; but there the matter ends. Virtue is admired and left to starve. I must protest against this policy; the men who are today working for the war effort, second only to the soldier, are being treated in the most unsympathetic manner, and the starving of their children and their wives is a matter of no concern to Government. Even ordinary gratitude for the workers is not shown in the policy of the Government; on the contrary they have shown absolute disregard to their harrowing conditions today. The number of telegrams which I have received from the working classes about their starving and their families will make the heart of a stone really to bleed, but the Government of India in all the various departments under the lead of the Finance Member have shown a stony heart impervious to the needs, impervious to the justice and I have nothing but absolute condemnation for the policy of starving the poor which is now ruling in the Government of India. Is this the gratitude to the poor who have worked for you during four years under every condition of distress and hardship? The soldier gets ten times more ghee than the worker can get ghee today. The food of the soldier costs to the Government, I think, today Rs. 33. Are they giving to the workers who are as important as the soldiers even Rs. 13 for their food as against Rs. 33 which one soldier costs for his ration, and, if not, why not? That point I want to be elucidated before I can feel satisfied with the Honourable the Finance Member's budget proposals.

Now, Sir, coming to the "joint war measures" which is a new phrase which we find invented in this budget although we are told that the Finance Committee is familiar with it. We are being congratulated that the settlement is not being unsettled; but so far as that settlement is concerned, there is nowhere any phrase in it called "the joint war measures", and yet today the joint war measures are going to cost us many crores outside the settlement of 1939-40. I do not mind paying provided it is based on our capacity as the American President himself has said—I ask the Honourable the Finance Member to remember that in the Lease and Lend Report, the American President has said that the payment by each of the partner should be according to his capacity. Here is the sentence which I would like to read:

"The last Lease and Lend Report of course set forth a principle for distributing the financial burden of the war among the United Nations in accordance with their ability to contribute to the common pool."

This is the Report—called the 6th Report—which the President has made to the Congress, that the contribution of the United Nations to the common pool will be based on their capacity and their ability to contribute. I want my Honourable friend constantly to keep this in mind. Subject to that, I am willing to bear my part of the burden of the war, i.e., subject to my ability to contribute. Has the Honourable the Finance Member taken the House into confidence in this matter? He has been doing everything behind our backs. All these joint measures which were never subjected to our deliberation or scrutiny although we had pressed for information, now they are forced on us without even so much as our permission and we are simply asked to record and register them as a fact. Let me tell him that he will get more out of us by getting our co-operation at the right time if he takes us into confidence than by saying that the Government of India is pleased to do this, that and the other. It may be pleased because it is pleased at its own action. But let us be pleased by the Government of India's action. Then it will be a real pleasure to the people of this country.

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I have two more points to make regarding this Budget. The Honourable the Finance Member has rather too cavalierly condemned and pooh-pooed the danger of inflation. I beg of him to remember that his critics are not irresponsible people. I do not want to give any names, but I assure him that among his critics are people who have always taken a scientific view of economic problems: who are not swept off their feet by any political motives but who study the question purely in a cold-blooded and cool-headed manner. They have brought to the notice of the public the serious danger of the inflation that exists at present. When prices go up four times, when the pre-war prices of wheat at Rs. 2-10-0 is quoted today at Rs. 10 or 12 it shows that there is something wrong. The production of wheat has not dwindled. The production remains practically at the same level and still the price has gone up four times. Can you explain this phenomenon? I ask him not to be dogmatic.

The same thing I want to tell him about the use of the sterling balance. What happens is that we give the goods but the goods remain there and the money also remains there. Have you ever heard in any country in the world that when people send you their goods you keep their goods and their money as well? If any explanation is given, it should not be in the spirit that the critics are confused or that there is loose thinking. There is no loose thinking. There is furious thinking. There is careful thinking. All that I wish to tell the Honourable the Finance Member is that he should be a little more charitable or a little more responsive to the people who have to foot the bill. He must not consider them as if they were mere outsiders and on whose part it is impertinence to criticise him. People who criticise him are well informed and responsible citizens of this country and they are entitled to get information from him.

My last point refers to our sterling balances. It seems to me that having accumulated these reserves the Honourable Member somehow or other wants slowly to dissipate them in the manner in which he thinks best. Already 30 millions of annuities are paid in advance.

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

Mr. Jamnadas M. Mehta: All right, Sir, I shall finish. Thirty millions of annuities are paid in advance. Now a sum of 5 million or 6 million pensions is to be paid annually; the whole of it is to be capitalised and paid in advance, and what remains is to be put into a Reconstruction Fund, of which we hear for the first time. The European Benches are there to support it wholeheartedly. I have never heard Sir Henry Richardson so eloquent and so warm and almost vehement. What the Finance Member has suggested is immediately accepted by him without examination, and that crores and crores of rupees belonging to this country should be immediately put into some Reconstruction Fund. God alone knows what it is! We know the activities of the last post-war period. The Government of Bombay and several other local authorities then indulged in developmental activities, the results of which we are bearing today in paying 27 lakhs of rupees as interest charges. All those things turned out to be failures. Therefore, we are in no hurry to have this Reconstruction Fund. We are in no hurry to dissipate any of the millions that we have accumulated. I beg the Honourable Member to put all his proposals before this House or before a small committee of the House and take its opinion. Otherwise it will be a repetition of 1920 when our gold resources were dissipated. Our sterling resources are now in danger of being dissipated. I conclude by saying that the Budget is a rich man's budget. The poor man has suffered and is suffering more. In England no man gets more than £6,000 a year. Here in Bombay alone, I am sure, there must be ten thousand people who will be earning a lakh of rupees a year.

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

Mr. Jamnadas M. Mehta: Without taxing the poor, let him tax the rich as in United Kingdom and his deficit will not be worth listening to. There will be no deficit.

Rai Bahadur Seth Bhagchand Soni (Ajmer-Merwara: General): I congratulate the Honourable the Finance Member for the Budget presented by him, which, considering that more than 3½ years of war have passed, is very sound indeed. It is also gratifying that the allied armies are now in a very strong position, the initiative being in their hands, and as the Honourable Member emphasizes, final victory is in sight. This should not, however, make us slacken our war efforts and all our energies should be concentrated in the furtherance of achieving decisive victory. Government have learnt their lesson from the last war and this is clearly visible in the present Budget.

The fact that our country has repaid all its foreign debts amounting to about Rs. 450 crores is a historical event. We are proud not to be a debtor nation any more and to have entered the list of creditor countries.

Coming to the question of the cost of war, I am afraid, I cannot share the opinion expressed by the Honourable the Finance Member in his Budget speech. Sir Jeremy said: "Security in these disturbed time is only to be purchased at a very heavy price and the House will no doubt be prepared for a bill of unusual magnitude". Sir, I am sure that the Honourable the Finance Member is rather pessimistic and I shall be able to prove beyond doubt that India has purchased its security in this war at a very low price.

Now, just consider that the provision for the Defence Services for the year 1943-44 has been placed at Rs. 188 crores or about £187 millions for one year. Now, everybody knows that the United Kingdom is spending about £14 millions per day in the conduct of the war. If we compare £14 millions spent daily by the United Kingdom with £187 millions to be spent by us in one year, it becomes apparent that India, in spite of its vastness, is spending in a year on the war what Britain is spending in less than ten days. I hope I have been able to make out, Sir, that the Honourable the Finance Member made an exaggerated statement and that we are extremely lucky to have purchased our security at such a low price.

A year ago the Japanese menace was finding its way nearer and nearer to India and our defences were certainly not strong enough to withstand a major attack. Later on, the then advancing German armies were threatening the Caucasus, almost the gateway to India. Today the Germans are retreating and on the eastern side our country is well armed against any onslaught as we heard in the Budget speech. All this was achieved by spending less than a fortnight's

1 P.M. expenditure by the United Kingdom on the war. It appears that perhaps it is not a bad proposition for India to be within the orbit of the British Empire.

Coming to the important point of the position of currency and prices, I must point out that Government's monetary policy has been much criticised recently. Mainly, two lines of reasoning have been put forward.

In the course of this war Government has accepted sterling from the Allied nations in payment for purchases from India and private exporters have also sold their goods against sterling. Consequently very large amounts of sterling have accumulated in the Reserve Bank. Part of this sterling has been utilised in the repayment of our sterling indebtedness. On this point there is unanimous agreement that the repatriation of our foreign debts is a permanent advantage to India. Against the balance of sterling worth about 375 crores, rupee notes were issued by the Reserve Bank to pay for the purchase of the goods exported and also for the expenditure incurred for war purposes in India. According to one school of thought this expansion of the rupee note issue has caused inflation,

[Rai Bahadur Seth Bhagchand Soni.]

and this inflation is the cause of the rise in prices. They emphatically propose, therefore, deflationary measures to be taken.

The other school of thought maintains that there is no inflation and the new currency issued since 1939, *i.e.*, about 400 crores are necessarily absorbed by demands of internal finance of a war time economic structure. The advocates of these arguments come to the conclusion that India in a war needs an expansion of currency for the smooth running of its business machinery, and explains the high price level by the scarcity of certain commodities. The conclusion drawn is a demand for more production.

It is, Sir, somewhat difficult to come to a balanced conclusion amongst these conflicting theories. I am neither an economist nor a statistician, but being accustomed to deal with large scale industrial and business matters it appears to me that there is a more practical approach possible. In fact, there are two reasons why prices are rising.

First of all, there are matter of fact reasons for the rise. Large purchases by Allied nations, large exports on private accounts, scarcity of imports and more money in the pockets of the people by a necessary and unavoidable expansion of currency. The Honourable the Finance Member has pointed out these factors in the first part of his Budget speech.

On the other hand, the excessive rise in prices is mainly due to hoarding and speculation. There is no doubt in my mind that, as in every war, to a certain extent the present rise in prices is unavoidable, but I am sure that the sudden and abnormal recent increases are caused by an unreasonable propaganda about inflation. In this connection, I am astonished to read the presidential address of Sir Tracy Gavin Jones at the annual general meeting of the Northern India Chamber of Commerce. Sir Tracy is speaking about a currency inflation which is, according to him, developing alarmingly. Now, Sir, anybody who studies our budgetary and monetary position carefully is bound to feel that there is no reason for such an alarm. It seems also that Sir Tracy forgets that a very great deal of silver rupees have been hoarded which formed in previous years a large part of currency in India, where the bank note and cheque habit is still in its infancy. The velocity of cash and notes is also bound to be slower under the peculiar Indian war circumstances, and specially in remote places. Notes and small coins have been hoarded too in considerable quantities. Large amounts, possibly up to 100 crores, are also being held liquid and idle now by taxpayers for payment of income and excess profit taxes, as well as excise duties.

All these facts prove conclusively that the monetary situation is sound at present. As regards the immediate future, however, I also believe that with all foreign debts repaid, if further sterling accumulates, as it will certainly happen, some safeguards against inflation will become imperative. The United States of America, for instance, could surely send a fraction of its immense gold and silver reserves against their purchases made in India. Some action might also be taken against excessive hoarding and speculation. A somewhat lower price level would induce hoarders to release some of the accumulated goods. The food situation would improve thereby, the cost of war would decrease and so the lot of the masses would be bettered.

I turn now to the measures dealing with the gap caused by the forecasted budgetary deficit of about 60 crores which I may say is not much in the fourth and fifth years of the war. The introduction of an excise duty on tobacco is a right step. Smoking is certainly a luxury, and it is just to tax a commodity which is not an essential necessity and which is, in fact, heavily taxed in most countries. In fact it was long overdue. The balance of the deficit is proposed to be covered by borrowing, and it is indeed very satisfactory for two reasons.

Firstly, it is just to spread the burden over a larger period, and secondly borrowing is a deflationary measure.

The very sound budgetary position, the present level of Government securities, and the victories of the Allied nations are bound to encourage investments by the public in Defence Loans and thus help the Government in maintaining good ways and means position. Fresh investments must come from savings and they can only come if unnecessary expenditure by the public is deferred. As more money is put in Defence Loans, the victory comes nearer.

Concluding, Sir, I maintain that victory is the primary consideration. It is unnecessary to explain what defeat would mean to our country. No war can be fought without some disadvantages. India has suffered less than many other countries and gained great economic advantages already. It would be fatal if alarmist views find currency. I hope better counsel will prevail.

Mr. Muhammad Nauman (Patna and Chota Nagpur *cum* Orissa: Muhammadan): Mr. President, Sir, as I rise to discuss the general finances, I frankly confess to a feeling of frustration and even futility. In matters that matter most decisions have already been taken and for all our pains the chances of influencing these decisions are practically negligible. However, I will try my best to give the point of view which is being shared by the majority of people in this country.

From the purely financial point of view, four or five issues dominate all the rest, and yet the irony of fate of the nationals of this country is that it is practically on those issues that we can influence the Government the least.

Take for instance the financial settlement between His Majesty's Government and the Government of India. Is it open to us to make any useful suggestions? We are presented with a *fait accompli* and all we can do is to spend our fire and heat on a dead issue. In any country but India, a settlement of such dimensions involving hundreds of millions of sterling or, in other words, hundreds of crores of rupees could not have been negotiated and settled behind the back of any legislature. The Honourable the Finance Member made a trip to England and came back with a document saddling the present generation and posterity with a burden well nigh beyond the strength of our poor backs to bear. I do not want to enter into a discussion as to the *per capita* wealth of India or the financial stability of England, but I think the Honourable the Finance Member himself knows how hard it is for a poor country like India at the present moment to bear that burden with which he has consented to saddle us with. Apart from the original settlement a revision was secured under most unsavoury circumstances. Looking to the apportioning of the Indian share, I doubt whether the principle that we can pay only for our own soldiers, required for our own defences, was kept in mind. This House has been denouncing the maintenance of the British and white soldiers in India and my Leader, Mr. Jinnah, made a very strong protest on many occasions on this issue. I would like to refer to one of his speeches delivered in 1924 on the occasion of the General Discussion of the Budget in this House. He quoted from Mr. Bonar Law the then Prime Minister of England who also agreed *prima facie* that the maintenance of the white soldiers in India was more for Imperial purposes than Indian and, therefore, India could not be saddled with expenses on this account. This is what Mr. Jinnah said:

"Proposition No. 3 is one which I will read to this House and is in the words of a great authority who now happens to be the Prime Minister of England—at the present moment. And this is what he says:

"A large part of the Army in India, certainly one half, is an Imperial Army, which we require for other than purely Indian purposes and its cost therefore should be met from Imperial and not Indian funds. A self-governing India would no doubt insist upon bearing some definite share in defence, but like the Dominions it would settle how much it ought to bear. It would adjust the cost to its means and it would decide in what form it was to make its contributions—perhaps an Indian recruited Army. In any event, the plan by which India pays for an Imperial Army stationed there without in any way determining its policy is as bad as it can be. If the existing system of Imperial Defence is to last, the whole cost of the British army stationed in India should be borne by the Imperial exchequer."

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member should not really read that speech *in extenso*. The speech was delivered in the Legislative Assembly and it is in the Debates.

Mr. Muhammad Nauman: It is a quotation.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member should advance his own arguments.

Mr. Muhammad Nauman: Thus, Sir, it is clear that even the Prime Minister of England did feel that India could only be saddled up to its capacity and up to its means. I want to know whether the Honourable the Finance Member had this in mind in apportioning our quota or was it only a command from His Majesty's Government. I feel, Sir, that a proposal from His Majesty's Government in England to the Government of India is in reality a command. The Government of India constituted as it is today is hardly an independent agent or even a disinterested agent. Well, the settlement was revised. The Government of India may be relieved that the *Sirkar's firman* was not more exorbitant than it could have been, but when they expect us to share their relief or even jubilation, they are certainly making us realise our own helplessness more intensely than on any other occasion. To us it is an imposition, not so much because it may have been very much different if we had a real voice in this matter, but because we are utterly voiceless and helpless in these matters, to negotiate as a responsible Government with another responsible Government. Any burden put under these circumstances is an imposition pure and simple. Settlement without the consent of the people of the country can never be termed as settlement as the bargaining capacities were made important by making this country voiceless.

Now, Sir, I come to the other point. Hardly less sordid is the story of the sterling balances. While the Government of the United States of America and other South American republics insisted and secured better terms from the Government of England, while even the subordinate and insignificant Government of the Dominions and Colonies like those of Canada, Australia, South Africa and Kenya secured better terms and refused to trade but on gold or liquidation of investment basis, the supine Government of India accepted even without a prick of conscience payments in sterling and feels satisfied with the discriminating treatment meted out to this country in comparison to Dominions and Colonies so far as payment and method of payment is concerned. As was natural but unforeseen, at any rate in the matter of its volume, the balance multiplied and it was only when this had assumed alarming proportions and public opinion had become insistent that measures began to be taken that should have been taken as a matter of course, which were being taken by other Governments from the very beginning or at least much earlier than the Government of India made any gesture in this matter.

Very important consequences flow from the supine policy followed by the Government of India:

1. An invaluable opportunity was all but lost to deinvest foreign interests in India.
2. A flow of precious metal, gold and silver, so much hankered after by our nationals was deliberately stopped by accepting payment in "sterling" in England.
3. Inflation in currency came into effect, an avalanche of inflation was let loose here.
4. An immense balance in an unstable form has piled up.
5. A fair chance of having a surplus balance in countries other than England to help the post-war reconstruction in India was sacrificed for nothing.

India is being placed in a position where she will lose her bargaining capacity with the other countries, she will probably have no choice but to buy from England to liquidate her sterling balances in England and then she will once

again become the dumping ground for British goods in liquidation of the sterling balances invested in His Majesty's securities. India will have no choice in selecting her markets but she will have to purchase only from England whether it suits her or not. Fortunately there is yet time to mitigate these evils but unfortunately our destiny is not in our own hands. Is the Government of India conscious of the responsibility it has in this matter? I do not know whether the Government of India would be prepared to look into these things with a due sense of responsibility. Unfortunately we babes and imbeciles must suffer from the decision of our so-called guardians and custodians who are unfortunately not even independent Agents at all and who cannot even force their own conscious arguments on issues so vital as these.

Admirable studies have been made in the ways of utilising the sterling balances. I have received pamphlets containing opinions of different commercial bodies which I hope are certainly in the hands of the Honourable the Finance Member as well. Warnings have been issued that sterling is no longer a free currency and nobody can forecast the position of sterling in post-war times probably it may even be beyond the control of the Government of England to actually control the position of sterling. Even under the controlled conditions at present the sterling has already depreciated in value. That it might depreciate further, nobody can forecast. Then there are dangers in piling up our balances in an unstable form. But to all these, the Honourable the Finance Member turns a stiff neck and says "I cannot share the anxiety of those who appear to regard the surplus balances as almost in the nature of useless assets". Thank you, my friend for pointing out that our balances are not useless. Thank you for removing the scales of ignorance from our eyes and making us see that what we hold is a sterling security and not just a waste paper. You are right in not sharing the anxiety of those who regard that very valuable sterling asset as useless. I certainly am alive to the fact that it would be not correct to say that it would be useless asset, but does the Honourable the Finance Member realise or share the anxiety of those who would not put all their eggs into one basket. Does he share the anxiety of those who do not remain unperturbed like him on seeing the bullion or gold reserve of the Reserve Bank sinking to nothing—a reserve of about 44 crores worth of gold to back up the huge currency of this country. You can calculate for yourself what proportion it has got. Do you share the anxiety of those who would rather hoard grains, coins, anything tangible rather than this invisible sterling balance in England to back the currency in this country. You do not share the anxiety of those who regard sterling as useless, but do you not share the anxiety of those who want that our investments should have been in other parts of the world as well by which our buying capacity should have remained in a far better position than what it would be if the investments are only to be in one and only place, that is, England. So far I have dealt with the important financial questions in the Budget.

Now coming to the budgetary proposals, although I do not want to indulge in any sort of congratulations, yet, I do feel that so far as the main policy is concerned, it is quite satisfactory. With a deficit of 60 crores, there was no possibility of doing anything but to apportion the burden between the present generation and posterity, so that posterity will bear 2/3 of it by way of loan and the present generation bear the rest by way of taxation. I certainly appreciate the choice which the Honourable the Finance Member has made. He has made a good selection in the matter of imposing taxes. He has taxed tobacco, and vegetable ghee. I submit these commodities should have been selected even earlier. I have been stressing that tobacco should be taxed probably for the past four years. I did make that suggestion in 1939, 1940 and probably in 1941 also. I am glad that the Honourable the Finance Member has after all come out with taxation on them. Of course, some of my Honourable friends have commented against it. Unfortunately all the proposals of taxation are such as would somehow or other create some resentment in some quarter or other. Although I have

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spoken very much against some of the principles involved in the financial issues which have been settled against the interest of India, yet I cannot but say that the choice of taxation and taxes is quite satisfactory. With these few remarks I take my seat.

The Assembly then adjourned for Lunch till Three of the Clock.

The Assembly re-assembled after Lunch at Three of the Clock, Sir Cowasjee Jehangir (one of the Panel of Chairmen) in the Chair.

Hajee Chowdhury Muhammad Ismail Khan (Burdwan and Presidency Divisions: Muhammadan Rural): Mr. Chairman, I rise to offer a few remarks on the Budget which was presented to this House the other day by the Honourable the Finance Member. This is the fourth war Budget which has been presented to this Honourable House and in spite of its shortcomings which I shall deal with later, I must express my appreciation of the way the Honourable Sir Jeremy Raisman has managed the financial affairs of this great country.

Sir, according to the Honourable the Finance Member, India is confronted with a deficit of Rs. 60.29 crores during the next year, which he proposes to make up partly by fresh taxation and partly by borrowing. Taxation is always an unpopular feature of a budget. This is a very poor country and it has already been burdened with such high taxation that I doubt very much if the people of this country can bear fresh taxation any more. What is really needed is not adding fresh taxes on the already over-burdened people, but a policy of curtailment of expenses as far as it is conveniently possible without detriment to India's war effort.

Sir, the Honourable the Finance Member proposes to levy excise duties on tobacco and vegetable products. He may think that tobacco is a luxury to the poor people of this country, but I must tell him that to them, and specially to the working classes, it is not a luxury but a necessity, as after the day's hard toil they find a soothing effect to their aching bodies and minds by a smoke of *hukka*. If he considers it at all a luxury, it is the only luxury that India's poor enjoy. The tax on tobacco is really a tax on the poor. This excise duty on tobacco will also be a great hit to the tobacco growers. I must emphatically protest against the imposition of this tax, which will add a great burden on the already burdened people of India. I hope that the Honourable the Finance Member will drop this duty and will seek another avenue to make up the amount thus lost.

Next, I come to the excise duty on vegetable products, which necessarily include *Vanaspati* ghee. It is a common knowledge that owing to high prices and unavailability of ghee, the poorer sections of the community have to depend on *Vanaspati* ghee. This again is a tax on the poor who are already groaning under heavy taxation. The prices of ghee, owing to the imposition of this excise duty, are bound to go up and so the Honourable the Finance Member will be depriving the people of the only nutritive thing which they take.

Sir, the most common tax to which the Honourable the Finance Member turns his attention every year is the tax on incomes. Although there is no change in regard to incomes up to Rs. 5,000, I do not think that there was any justification for the increase of surcharge on incomes over Rs. 5,000.

Sir, I now turn to the increase in postage rates. The increase in the rates of parcels will again hit hard the people at large, as only ordinary and common persons send parcels of lesser weight. The increase of two pice on a tola or fraction thereof exceeding one tola in case of letters will generally affect the business community and this coupled with the increase in the surcharge on income-tax and super-tax is bound to be greatly resented by them. I may add here that this has very little justification as the department is a department of public utility and has already been making enormous profits.

Let me say a few words about defence expenditure, and especially the financial settlement with which the Honourable the Finance Member dealt in his Budget speech at great length. While the original terms of the settlement entered into in November, 1939, were not very unfavourable to the Indian taxpayer, the way in which, as a result of expansion of the armed forces of the country and the complicated situation arising out of the presence of U. S. Army and other troops in this country, it is sought to apportion the expenditure on the basis of joint war measures and so on, may result in saddling India with a far heavier expenditure than would legitimately be debitable to her. I earnestly hope that the Honourable Member would keep the interests of India and her capacity to pay in the forefront before he finally agrees to any such apportionment. In any case, I am sure the House should make it clear that it has had no hand in the commitment which the Honourable the Finance Member may enter into.

As regards the large accumulations of sterling to India's credit, warnings have been issued both from the press and the platform and by previous speakers in this House, that they should not be frittered away by being kept in England without any conditions as to the terms of their repayment, but every effort should be made in order that, in the immediate post-war period, we may not be handicapped in making our purchases of machinery and other heavy articles which will surely be needed to rehabilitate industry, in the cheapest market, without being tied down to the apron strings of England.

Sir, before I sit down, I appeal to the Honourable the Finance Member to show at least some sympathy to the poor people of this unfortunate country by revising his policy of placing high burdens of taxation on their shoulders, and, if, in spite of the unanimous demands of the representatives of the country, he persists in doing so, the responsibility for the consequences will be his and his alone. In his enthusiasm to raise money to make up the deficit in the Budget, he must see that the poor and ill-fed people of this country are not deprived of their daily bread and other bare necessities of life. With these words, I conclude my speech.

Khan Bahadur Mian Ghulam Kadir Muhammad Shahban (Sind Jagirdars and Zamindars: Landholders): Sir, the Budget on which the present discussion is taking place coincides with a unique period in the history of this country. This Budget will constitute a landmark in the financial history of India for two reasons.

The first is that, after being a debtor country for over a century and a half India is starting on a new career as a creditor country. Without war's intervention it is doubtful whether such a phenomenal change in the financial status of this country would have been possible within a century. India's transition from a debtor to a creditor country has been indeed a sublime spectacle of the War.

The other reason for my regarding the Budget as a memorable event is, that in spite of a budget deficit exceeding the total budget of a pre-war year, and in spite of heavy taxation and unprecedented war expenditure, the country has stood the strain of war well.

We can, I believe, afford to look back upon the three and half years of war-finance with a feeling of relief and satisfaction. But during the year that is now ending certain forces have been at work inspiring fear, causing grave doubts and creating gloom in the minds of the people. It is felt, I think quite rightly, that the difficult tasks of war-finance have only just begun. So that our experience of the immediate past should not mislead us into taking a course of smooth sailing in the coming year for granted. Dark clouds have been gathering on India's economic horizon for some time. While the Honourable Member has deprecated loose talk and wild exaggeration, he has not succeeded in inspiring confidence. Nor has he succeeded in proving that loose talk and wild exaggeration are baseless. And as such he has not come forward with any proposals for dealing with the emergency which the public thinks is imminent.

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This, Sir, is extremely unfortunate. The people are guided by the hard realities of life and no Government can afford to ignore the reactions of the people to these realities by explaining them away. We are today in the midst of a controversy which I remember raged during and after the last War too. I am not fond of controversy for its own sake but, Sir, I believe with Coleridge that "Never doth an important truth spread its roots so wide, or clasp the soil so stubbornly, as when it has braved the winds of controversy." Permit me to say, Sir, that the Honourable the Finance Member has shirked to face the problem of monetary inflation squarely. I am not surprised because Governments all over the world have a tendency to look upon inflation as a charge against their conscience. And no Government would plead guilty to a charge of deliberate inflation. But to my mind, Sir, inflation is an economic phenomenon, which may happen in spite of Government's best intentions. It is not a moral issue—at any rate, not in this country at present. It is no consolation to be told that "there is not the remotest risk of inflation of the nature and on the scale which occurred in some of the countries—which suffered utter defeat in the last war." That, Sir, was both an inflation and a deluge. Must we then permit the tide of inflation to rise so long as we run no risk of suffering a deluge? And yet we are told not to allow ourselves to take too pessimistic a view of the currency expansion that has taken place so far and that may be expected in the future. In 1939-40, the note circulation in India increased by 47 crores. In 1940-41 by 15 crores. In 1941-42 by 142 crores. In 1942-43 it has already increased by 230 crores. If this rate of expansion is maintained may we expect the note issue to expand by another 400 crores in the coming year and exceed the 1,000 crore mark. And all this expansion is exclusive of the addition of rupee coin, rupee notes and subsidiary coin. I do not say that the expansion of currency is *per se* objectionable. I agree with the Honourable the Finance Member that "all the expansion and intensification of Government's War activities involves cash payments to an everwidening circle of recipients in return for labour and raw material or services." I also know that our note issue is well covered by assets in accordance with the law and that no part of its expansion has been necessitated by Government's budgetary needs. I can assure the Honourable Member that he can have a clear conscience on that score. But the Honourable Member has been, I fear, sadly off the mark in observing that the impact of an increasing volume of purchasing power on a stationary or diminishing volume of consumable goods is a temporary situation. But, Sir, I ask can a situation be described as temporary in which business has been revelling in prosperity in a bloated and diseased prosperity—at the very time when people have been suffering the greatest privations and want of food.

In war time the real test of inflation is to determine whether purchasing power in the hands of the public has increased simultaneously with the increase of war expenditure. Such expenditure should include the expenditure within the country not only of its own Government but also that of the Allied Governments. It is the aggregate of war expenditure incurred which is the proper measure of the extent to which goods and services are requisitioned for purposes of war and denied to consumers. So far as the expenditure of the Government of India is concerned, nearly all of it comes from the pockets of the people by way of taxes and loans. As the Government spends more and acquires a greater slice of the national production, less is left for the people to consume and also less purchasing power is left in their hands to spend.

But in the case of expenditure on behalf of Allied Governments, the reverse is the case. Greater the purchases, greater the amount of money left in the hands of the people—money created against sterling received in payment of supplies. As these purchases intensify the shortage of goods on the one hand, they inflate the volume of purchasing power on the other. There is in this case a head-on struggle between diminishing quantity of goods and services and an increasing a flow of purchasing power. This is monetary inflation as clear as

day light in spite of Government's clear conscience, in spite of Government's sound finances and in spite of the strength of our currency reserves.

Sir, an embarrassing volume of free purchasing power has accumulated in the country. It is gratifying to learn that the Honourable Member has recognised in this, the crux of the matter. We are experiencing daily the impact of this free purchasing power on our standards of living. Such increase of money incomes, I must point out, is a universal phenomenon. But it is fundamental principal of war finance to adopt measures for draining it away. That is a primary obligation of Government. To the extent that people neutralise their purchasing power by hoarding cash, this anti-inflationary action is a compliment to the people and not to the Government. It slows down the tempo of inflation. It cannot check it effectively. But the potential danger of inflation becomes cumulative. The menace of inflation is not confined to what it is. Account must be taken also of its potential. Informed opinion in the country considers the present price situation to be one of the galloping inflation. I am, Sir, inclined to agree with this view. It is no consolation to be told that in the rise of prices we must allow for the slack that it was necessary to take up. The initial rise of prices may legitimately be accepted as healthy. But that does not make the subsequent and continuous increase a matter for satisfaction.

Sir, no Government can solve the problem of scarcity in war time. But every Government has the moral obligation to prevent an undue expansion of purchasing power in the midst of growing scarcity. The discharge of this obligation with boldness becomes a mark of political sagacity, economic wisdom, social justice and moral duty. I regret to observe that the Government of India have not borne this task with boldness. So that, they have failed to maintain social justice and confidence in the efficacy of their economic policy. Inflation, Sir, is the most insidious form of disguised and extremely regressive taxation, making the poor poorer, the rich richer and creating an illusion of prosperity. Loose talk and wild exaggeration, hoarding and speculation are a product of rising prices and are in their turn fed by rising prices. It is a vicious circle. If the Government possesses a sense of reality they ought to ponder deeply on what is and not what, in their opinion, ought to be. Land values have rocketed sky high. Free purchasing power is seeking outlet into a durable asset. Commodities all over are rising. The poor have begun to compare money with dust. I am, Sir, a humble representative of people and in close touch with them both in the urban and rural areas. I know what they are thinking and feeling. The Honourable the Finance Member has, moreover, without perhaps knowing it himself, prepared us for a further rise of prices. A Government which is serious about its anti-inflationary policy is guilty of inconsistency if it expects a higher yield from the excess profits tax. The excess profits tax is admittedly an anti-inflationary measure. How then can Government anticipate a higher yield in the coming year and yet succeed in holding inflation at bay? The yield from the excess profits tax in the current year is 26 crores as against an estimated yield of 19 crores. In the coming year it is expected to be 40 crores. Excess profits are largely a function of prices. Should the country then expect the rise of prices to continue unchecked?

The source of the trouble lies in the arrangements in force, for making rupee disbursements on behalf of His Majesty's Government and Allied Governments. The Honourable Member has attempted to explain away these arrangements. He has not denied that these arrangements have been responsible for the creation of a large volume of free purchasing power. To the extent that our sterling balances have been the basis of currency expansion, I fail to understand the Honourable Member's observation that "they have no bearing on the internal problem". I have faith in our ultimate victory. But my faith does not justify me in ignoring the present, in the hope that after victory the

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Government of India will be in a position to pursue sound financial policies. May I remind the Honourable Member that no country, belligerent or neutral, has pursued a currency policy similar to our own. No country dare do it or tolerate a Government that dares it. And yet we are asked not to take too pessimistic a view of the situation. I agree with the Honourable Member that "in a common war effort the usual methods of settling international indebtedness in goods and services are not available". But surely there are alternative methods of doing so. Why have they not been explored more fully? The repatriation of sterling debt has been employed in settling international indebtedness, we are grateful for it. But the end of repatriation should not mark the end of our efforts. The country was expecting a bold pronouncement of policy. It has been disappointed. Government's silence itself is likely to aggravate the inflationary forces at work.

Serious situations require drastic and bold remedies. The threat of inflation during war time must be taken with the same degree of seriousness as the threat of war itself during peace time. And yet we have been served only with pious hopes that the public would subscribe to the defence loans and abstain from consumption.

Mr. Chairman (Sir Cowasjee Jehangir): Honourable Member has only two minutes more.

Khan Bahadur Mian Ghulam Kadir Muhammad Shahban: Inflationary forces cannot be held in check by such hopes. We need some action now and immediately, to halt the inflationary tide by preventing a further expansion of currency. If I were the Finance Member, I would, as emergency measures, do three things. One to revalue the gold stock of the Reserve Bank of India. This House will remember that the Reserve Bank of India is the only central Bank in the world which still continues to value its gold at the old rate of just over Rs. 21 per tola. At that old rate the Reserve Bank is holding gold worth about Rs. 45 crores. But to-day the market value of the Bank's gold is about Rs. 140 crores. Even if this gold is valued at the rate at which the Bank of England's gold is valued, namely, Rs. 42 per tola, its total value in rupees will be about Rs. 90 crores.

Now, suppose we revalue our gold at the official price of gold in England. Not that there is anything sacred about this price. But I have no mind to hurt the Honourable the Finance Member by suggesting anything un-English! Well, we then mark up the value of Reserve Bank gold at Rs. 90 crores. But the Reserve Bank could still pull on with gold nominally worth Rs. 45 crores and the rest worth about Rs. 65 crores at the present market price, the Bank could dispose of in the market and cancel currency of equivalent amount against it. The disposal of this gold would absorb Rs. 65 crores of purchasing power. Its sale will have an anti-inflationary effect. I can well imagine what the Honourable the Finance Member will think of my idea. He will probably say that no Government in its senses would agree to fritter away national gold reserves like that at a time when all countries are conserving their gold stocks. I grant, Sir, that gold reserves are to be used in meeting emergencies only but I maintain that an impending inflation is one such emergency. But it should be remembered that gold sold will remain within the country. My proposal has, therefore, the sanction of the requirements of the present time. Not only that. It has got the merit of being an attractive business proposition which should appeal to any Government with a businesslike Finance Member like my Honourable friend at the helm of affairs. The Government is required to sell half the Reserve Bank gold at thrice the price at which that gold was acquired. After the war when it may be expected the price of gold will fall, the Bank, if it so desires, would be able to buy back cheaper the gold sold now.

Mr. Chairman (Sir Cowasjee Jehangir): Honourable Member's time is up.

Khan Bahadur Mian Ghulam Kadir Muhammad Shahban: Only one second, Sir. I confess, Sir, my remedy is most unorthodox. Had it come from an authority on finance it might have been regarded as extremely original.

Mr. Lalchand Navalrai (Sind: Non-Muhammadan Rural): Sir, I really rise with a heavy heart. The Honourable the Finance Member may be feeling himself very happy because he has brought about a Budget which must have troubled him very much. I think he must have spent several sleepless nights to extricate himself from the difficult position in which he was. If he asks that I should sympathise with him because he went to England and there had consultations with the British Government—in whose interests, I do not know—and then came back, I will sympathise with him. But I cannot congratulate him. There is no doubt that he took much trouble in going there, but he did not take any of us into his confidence nor did he consider the whole situation along with some other responsible non-officials. He ought to have taken into his confidence at least those commercial members who are going to be hit or affected by a Budget like this.

Now, Sir, the Honourable the Finance Member has brought about a Budget with a deficit of 60·29 crores and he is asking us to consider it and to say how it should be valued. Of course, he has suggested his own ways and means by which he wants to balance it. But I can say this that we find ourselves helpless to extend to him any help to balance the Budget because at this moment there are very important questions to be considered which had never arisen before.

The first and the foremost is the question of repatriation. Then the second question is with regard to the sterling accumulations and how to dispose them of: whether they should remain in England or not. Then there is a question of lease and lend arrangements for India. This is also a very important question. Then we have local questions also, such as dearness allowances to be given and production and supply of food. These are all questions which cannot be decided by merely bringing in budget and saying, "well, we have decided this way, and you must accept it". I submit that is a wrong way of doing these things. It is not a right thing to say, because war is going on, therefore, Government think that they will decide for themselves and make us to agree to what they decided. I am afraid, that is not the proper way. We should not do that and vote in dark. The Honourable the Finance Member wants that this deficit should be met by taxation. He knows it fully well that taxation in this country has reached an extent beyond which it is not possible for the public to bear. He knows it well, still the Finance Member comes and says that Government require this money owing to the exigencies of the war. I should like to ask him, why tax people at this time when they are suffering under several disadvantages on account of the war. Formerly, when there was any deficit in Government budget, people were asked to give monetary help and taxation was resorted to very rarely. At present when the people have not got sufficient food to eat—there is so much scarcity of food and prices have gone up—it will prove your shortsightedness if you resort to taxation. Four kinds of taxation have been proposed. So far as income-tax is concerned, I do not think that income-tax should be increased at all. Income-tax is a direct taxation and it is already very high: it should not be increased, because it has been increased from time to time. Fresh proposals are bound to place heavy burden upon the people. It may be argued that income-tax rate has been increased on incomes of five thousand and above, and it would not affect the poor people. The point is this: there are other persons also of whom the Honourable the Finance Member should think. There is a middle class and an industrial class. They will be hard hit by this increase when you also want money from them on account of war. You are getting apathy with them rather than sympathy by this taxation. Exemption limit of five thousand is not going to be of much benefit to the middle class and the industrial class.

[Mr. Lalchand Navalrai.]

Conditions today are not certainly the same as were in August, 1939. In August, 1939, the index number of the wholesale prices in Calcutta for all commodities was 100. In January, 1943, the index number stood at 254. The real income is less than half. Under these conditions the imposition of a new taxation is nothing short of adding insult to injury. Government has got a great credit, it is no use raising 20 crores by taxation. They can print any number of currency notes.

The Honourable Sir Jeremy Raisman: I am going to pocket all this insult.

Mr. Lalchand Navalrai: You have got to do, because you have not taken us into confidence, otherwise we should have congratulated you. It is a deficit of 20 crores which you intend to make up by taxation. You are going to borrow to the extent of 40 crores. I suggest that you should borrow this 20 crores as well. Government have got their credit with the Lease and Lend business and with the British Government. That being the case, why put poor people to unnecessary trouble by raising this income-tax rate?

With regard to the question of postal rates, I do not see any justification for an increase in these rates. There is a surplus in the Postal Department. The Postal Department is, of course, a public utility department and has been making profits for a number of years. I need not go into details of these figures. Perhaps the Government is forgetting that it is not the function of a public utility department to go on increasing its profits. The following figures show the annual surplus in the Department:

	(In thousand of rupees.)		(In thousand of rupees.)
1934-35	37.94	1940-41	1,480
1935-36	47	1941-42	3,40.63
1936-37	11.55	1942-43	4,2.07
		1943-44	8,36.17

On comparison of these figures I feel that there is no justification for raising the postal rates. Why raise to one anna over one tola. That hits very hard to the people. I do not think that the Honourable the Finance Member should persist in that. Of course, amendments will be given, and at that time these questions will be considered in detail. Any how the Finance Member should consider that these are the things which do not give good name to the Government.

With regard to the tax on tobacco. Well, Sir, I am not a smoker myself.

The Honourable Sir Jeremy Raisman: I am.

Mr. Lalchand Navalrai: I would agree to that tax. If any tax is to be levied, I would agree to the levy of tax on tobacco. I see that the habit of smoking is growing rapidly among Indians. There is a large majority of people who smoke and I have no sympathy with them. There is also another thing. I mean bridge-playing. To put an end to this thing I wanted to get a piece of legislation, but nobody would help me. People play bridge the whole night and go on smoking. What I mean to say is this: so far as tobacco is concerned it is really a luxury. I do not think it is a necessity. People have become habituated to it. Very good, have the tax from them. I will not object to your having more from them. I do not think even then they will decrease smoking. I am quite sure this will affect their health, but yet they will not give up smoking.

Mr. Jamnadas M. Mehta: I am willing to pay.

Mr. Lalchand Navalrai: For that luxury, you must pay. If you also give up smoking, that will do you good, you will feel as I feel.

Mr. Jamnadas M. Mehta: What about the poor man, who smokes *bidi*.

Mr. Lalchand Navalrai: *Bidi* is stinking. It leads to asthma and other diseases of the lungs.

An Honourable Member: What about slums where the poor people are living.

Mr. Lalchand Navalrai: Yes, the slums also should be removed. If it were in my hands, I will remove them also.

Now, I will say a few words so far as other considerations of the Budget are concerned. I wish to say a few words about sterling repatriation and also about accumulation. We are completely in the dark as to how the settlement has been made. We are not told even now what are the assets left in England pertaining to India. We are not told how much remains still to be repatriated.

The Honourable Sir Jeremy Raisman: The figures are all given in the Budget speech.

Mr. Lalchand Navalrai: I should like to understand from the Honourable the Finance Member when he gives the reply to tell us plainly because those figures are all puzzling and we may not be able to follow them fully.

The Honourable Sir Jeremy Raisman: I am afraid I can only give the Honourable Member figures, I cannot give him capacity to follow.

Mr. Lalchand Navalrai: The capacity will come the moment you give the figures. If you give the figures, you will see how I cross-examine you.

The Honourable Sir Jeremy Raisman: My tuition fees are rather high.

Mr. Lalchand Navalrai: My point is that we are not in possession of sufficient materials to satisfy us and which would give confidence to us that we are really allowing a Budget to be passed which should be passed.

With regard to the defence expenditure we are told that the present financial settlement still holds good and that all expansions in land forces of India must be considered as one of joint war measure and that the cost should be divided in a certain manner which has been given by the Honourable the Finance Member. We are told that this arrangement is equitable and that the method of dividing the cost of this joint war measure has great advantages not only of "simplicity and administrative convenience" but also of "minimum of accounting" and ensures "that effective financial and administrative initiative and authority for these measures was located in India". The method may be simple, quite convenient from the administrative point of view, may involve minimum of accounting and yet may not be quite so equitable as the Honourable the Finance Member makes it out. The revised estimate of defence expenditure for the year 1942-43 amounts to Rs. 1,89,75 lakhs and Rs. 49,14 lakhs under the Revenue and Capital heads respectively. For 1943-44 the expenditure is put at Rs. 1,82,81 lakhs and Rs. 16,85 lakhs under Revenue and Capital portion respectively. Now, Sir, I find that the statement of expenditure for the past few years has also been given to us. From 46 crores in 1938-39 the net expenditure has risen to Rs. 189 crores and 183 crores in 1942-43 and 1943-44 respectively. It should be noted that these figures do not include the capital portion. Will it be seriously argued, may I ask, that Rs. 186 crores for 1942-43 and 127 crores for 1943-44 budgeted as India's war measures are required only for India's safety? The provision that India should pay for raising, training and equipping from India resources of all land forces raised in India as long as they stay in the country and are available for local defence of India and when they leave for overseas His Majesty's Government would assume all further liability is by no means to this country.

Mr. Chairman (Sir Cowasjee Jehangir): The Honourable Member has one minute more to conclude his speech.

Mr. Lalchand Navalrai: Very well, Sir. On the face of it and according to the statement of the Finance Member himself, it is quite clear that a very large part of the land forces is raised not for India's safety, but for the safeguarding of the British Empire in the East.

Mr. Chairman (Sir Cowasjee Jehangir): The Honourable Member must conclude.

Mr. Lalchand Navalrai: I will, Sir. It is an open and acknowledged fact that India is or is going to be the base for all offensive in the East. That being so, it is but fair that even when the army is being raised and trained in this country, a considerable part of the expenditure, in fairness, must be met by His Majesty's Government.

Mr T. T. Krishnamachari (Tanjore *cum* Trichinopoly: Non-Muhammadian Rural): Sir, at the outset, I should like to offer my congratulations to the Honourable the Finance Member on the extremely clever performance to which he treated this House last Saturday. I must also congratulate him for the suavity of his language and the suave manner in which he unfolded a distressing tale to us. Sir, I do not propose to deal at length with the new taxation proposals that were unfolded by him the other day. In point of fact, they pale into insignificance compared with the financial implications of the budgetary proposals that were made known to us. There is, however, one point, I should like to mention about the new taxes. Apart from the question of burden that they impose on the people of this country, it would be a matter which would bear investigation whether the Central Government should go on progressively increasing its excise duties to the detriment of the revenues of the Provinces, Provinces which need more revenue and whose sources of income are notoriously inelastic.

Sir, with regard to the major implications raised by his proposals, I should like to confine myself to those which relate to war expenditure, particularly those which relate to allocation of expenditure, and secondly to the question of lease and lend and thirdly and lastly to currency policy and sterling balances in London. Sir, the Honourable the Finance Member sought to persuade us into the belief that these joint war measures and the allocation thereof which were decided by a settlement between the United Kingdom and the Government of India in 1939 were not quite equitable, and naturally he was impelled to intercede on behalf of India by the relative poverty of this country. I am not in a position to go into details because of lack of information other than what was disclosed to us. But I would like to ask a question or two on this matter of equity. The House will like to know about the allocation of the expenses of raising men of British-birth who were employed in commercial firms and in other civilian occupation in this country, to officer the Indian Army. Are these expenses being borne by the Indian Government? I might also ask what portion of the cost of the European Army in India is being borne by the British Government, specially in view of the now notorious statement which was made in the House of Commons sometime back by Mr. Winston Churchill that the strength of the British Army in India is the highest that it ever was. Sir, that speech of Mr. Churchill gives the clue to the situation. I agree that we are a subordinate country; I agree that the Honourable the Finance Member is placed in a difficult position and I sympathize with him. His allegiance is definitely to the Imperial Government which controls the destinies of this country and it is certainly a matter to feel thankful that the Honourable the Finance Member, considering his association with this country, spreads over perhaps a quarter of a century, has tried to make the blow a little less severe. I could see that he sympathizes with this country and that is probably why there are no real harsh words against India and Indians, against movements in India which are the customary feature of the pronouncements of Government Members in this House. Sir, I would like particularly an answer to that question—with regard to raising of British Officers in this country for the Indian Army. I might mention for the benefit of the House that any man whose services can be spared—people from commercial firms—is immediately made into an officer irrespective of the fact that he has had no previous experience of how to run a platoon or a battalion, and merely because of the colour of his skin, and nothing more. Sir, is that a joint war measure, and if not who bears the burden?

Another point on which I would like some enlightenment is this. The Honourable the Finance Member mentioned to us that in the matter of the Indian troops which are sent overseas, the cost of raising, the cost of training, the cost of equipping them with such resources as are available in India, are all borne by the United Kingdom the moment they are sent overseas. It does

not look very pleasant to hear that this army is treated purely as mercenaries and as such are bought for this paltry sum which would cover training, raising and equipping. In this connection what we would like to know is about the other implications that follow—their pensions, disablement, death, and what will happen when they will come back to this country? I say, Sir, that the Finance Member's treatment of that subject is a trifle inadequate and the House would certainly like more enlightenment on this particular aspect of the matter.

Sir, I suppose convention demands that we should congratulate the Finance Member or feel thankful that he has so far persuaded the great Government of the United Kingdom to permit the settlement that was arrived at in 1939 to continue subject to certain alterations which new factors in the war situation have made necessary but which, however, are of far-reaching importance so far as the financial burden to be borne by this country goes. Sir, that is all that is told. We can ask no more, excepting to protest that this is in effect going back on the settlement. Take, for instance, the question of expansion of munition and industrial factories in India for war purposes. Half the cost of these factories is to be borne by the Indian Government and the other half by the British Government. Well, the Finance Member might feel that it is a matter for congratulation because he has achieved it, but is it really a fact that is of material advantage to India? I might ask the Finance Member if he knows that prior to the coming into force of the Lease and Lend aid from the United States when Britain was purchasing munitions and other equipment from America on the Cash and Carry basis, if it was not a fact that the British Government was paying for the plant and other equipment which were needed for the expansion of certain American industries. If Britain wants munitions and other material from this country, naturally they have to pay not only for the cost of manufacture but also for the expansion needed for the purpose. And, Sir, is it right on the part of the Honourable the Finance Member to hold forth that this cost that is borne by India is going to result in lasting benefit for this country? What are these expansions of industrial plant really worth and what will be the commercial value of this expansion at the end of the war? That, I think, is a matter on which the House and the people of India are entitled to further enlightenment.

Sir, the next point is the question of Lease and Lend aid. The Lease and Lend business has been a complete mystery to us. Last year when the Honourable the Finance Member was speaking in this House, he paid a great tribute to the then Leader of the Indian Purchase Mission to U. S. A. Sir Shanmukham Chettiar—and to his ability in handling the question for us in America. I see, Sir, that that gentleman's services are no longer being used. I see also that the good work that he had commenced does not seem to have borne any fruit. Last year it was said that 42 crores of rupees worth of indents had been placed. In fact a financial journal in India at the time of the last budget sought to prove that the estimated deficit of 49 crores was really no deficit at all because the budgetary calculations had not taken into account what we were getting by way of Lease and Lend aid from the United States of America. Today we are not aware of what exactly has been received and what has not been received. This morning there was an announcement on the Radio that material for the value of 29 crores of rupees or a little more had been sent to India by way of Lease and Lend. But what about the peculiar position in which India is placed in this matter. We were told that arrangements are under way by which India would perhaps have a direct Lease-Lend Agreement with the United States of America, but what was the reason for all this delay. Why, if we cannot have direct negotiations with the United States of America, should we have in the United States an Agent General and a Purchase Mission? I am told that if today an Indian officer has to be sent by the Government of India to the United States of America, even his credentials have to be furnished by London. He has to go to London first to obtain

[Mr. T. T. Krishnamachari.]

his credentials and then proceed to the United States. If that is the status which India occupies in relation to the United States of America, what is the use of all this paraphernalia of an Agent-General and the like which is a burden on the Indian tax-payer. I would like the Honourable the Finance Member to tell us the exact position today: How much have he received; how much worth of indents have been placed; and whether there is any chance of receiving anything further. Rumours are afloat that nothing has been received in regard to certain types of equipment which are urgently needed today in India. Indents are there, and there has been absolutely no response to these indents because America is rather preoccupied with the manufacture of their own war requirements. This position is unsatisfactory and what seems to be the result is that we are landed with liability for reciprocal aid and we do not know what we are really going to get.

Sir, I would like to refer very briefly to the question of our currency position and sterling balances in London. The Honourable the Finance Member has been good enough not to lay much stress on any particular aspect of this vexed question. He did deny very casually that the Government have been following a credit inflation policy. He did not deny the fact that prices have increased, but he drew attention to the fact that at the time of the commencement of the war optimum price levels did not prevail. It is a question of just a suggestion, just a refutation rather than a definite challenge to those people who have, as it were, showered criticisms on the Government. I could understand the Honourable the Finance Member is rather chary of committing himself to a position which would involve inaccuracy and that is why the question was merely touched by him. He said the Government are not actively engaged in a credit inflation policy.

While saying this the Honourable the Finance Member emphasised the fact that the Indian Government were bound in order to aid the war effort to provide the finance for the requirements of the United Kingdom and the Allied Nations in this country. That, Sir, seems to be the crux of the problem. And cleverly the Government of India have used a slogan, a slogan so often repeated by Indian politicians, the cry of repatriation of India's debt. Economists have during the early stages of this transaction praised the Government of India for having followed a wise policy of repatriation. The cry was we are no longer a debtor nation. As if that meant anything at all. Here, Sir, was a clever use of the cry of the Indian politician and academic Economists for repatriation, which has really served as a smoke screen to hide the main issue. And what are we landed with today? We find ourselves in a position of having assets in London which are not realisable for the reason that we cannot get them here. The Honourable Mr. Mehta pointed out clearly the absurdity of this position. We have had to give the goods and the value of the goods because the money is elsewhere and cannot be brought into this country. Now, if anybody says that keep the balance in sterling in India, the statement amounts to a definite attempt to hinder war effort. You define criticism of particular acts, acts of Government, as being reasonable and at the same time you persist in the same course of action. That means that Government want to shut out criticism. I am not able to agree with the statement put forward by the Leader of the European Group that all is well with this country. It may be that the group feel that all will be well with this country if we entrust our commerce, our industries, banking and finance to them. Then everything will be well. The Honourable Mr. Mehta has said that this is a rich man's budget. He was, I am afraid, somewhat inexact. It is neither a rich man's budget nor a poor man's budget. The truth is that in the view of those who seek to control the destinies of this country there should be no rich man in this country. We should all be poor. Sir, that is by the

way. What is really most needed today is that confidence must be created in this country, and confidence is not going to be created by the Honourable the Finance Member there saying we have to borrow more and more. How can you do that when stable conditions do not exist in the country? Your expansion of currency has resulted, as one of the Honourable Members who spoke before me put it, in the prices of real estate rocketing in the stocks and shares registering steep rises in value and the securities market remaining weak. How can you in these circumstances expect people to come and put in more money in your Government securities. What then is the meaning of talking of borrowing more and more money? The position is no doubt desperate. The Finance Member has not suggested any remedies. Whether credit inflation has been an active act of Government or a passive act, into which the Government have been pushed by force of circumstances, the inflationary trend is there. Prices of everything except Government paper are going up. Currency is expanding. There is no chance of currency being contracted at any time. With all these tendencies—call them if you like an inflationary trend and not real inflation—what has been done to check these tendencies. We might entertain pious hopes that we are going to control prices but that does not lead to achievement. There was no mention of these inflationary tendencies in your budget speech last year. What is being done to control the situation? The Honourable the Finance Member made a long and illuminating speech intended for those people who wanted to take him on trust and fully believe in him. But there is no hope that the future is going to hold out anything better than it holds out for us today. It seems to me that being a creditor country is the most disadvantageous thing in the world today. If you are a debtor you at any rate know your position and you have your resources in your country. We have given our goods and we have doubtful assets in a foreign country in the shape of a over-valued currency, the position of which might be much worse at the end of the war. Sir, I do not want to take up the time of House by telling the House what will happen to this accumulated surplus. There will then be no time for other people to speak after me but the fact is that the country has no confidence in the Government's financial policy. The country does not believe that this accumulation in sterling is for the benefit of India, and the country does not believe that in all arrangements, in which India and Britain have to come to an agreement, the junior partner ever gets fair treatment. It is mentioned that the Auditor General scrutinises the whole question of allocation of expenditure. May I ask whether the colour of the Auditor General is white or black? I do not believe in the fundamental honesty of man that he will really, to do justice, ignore the interests of his own country at a time when it is facing a crisis and that in order to benefit a country like India. If the Auditor General is an Indian official, then what you say might have something in it. To say that the fact the Auditor General of India scrutinises the allocation of expenditure and that is unimpeachable evidence that justice is done to India is really misrepresenting facts. Sir, I would only add, before I sit down, that we want a more elaboration of the facts. We want to be told definitely that this is the real position and that the Government cannot do anything better. Let the gilt come off the bread. Let us be told that this country is being exploited, not for the ultimate safety of its nationals but for the purpose of the Imperial Government who own the country. If we are told the truth then we know who is to blame; not certainly the members on the Treasury Benches but ourselves. But let not suave words to be freely used to conceal the truth.

Mr. Chairman (Sir Cowasjee Jahangir): How long will the Finance Member take.

The Honourable Sir Jeremy Raisman (Finance Member): I shall require about 40 minutes.

Mr. Chairman (Sir Cowasjee Jahangir): Mr. Hooseinbhoj, you want to speak. Will you finish in about 12 minutes?

Mr. Hooseinbhoj A. Lalljee (Bombay Central Division: Muhammadan Rural): I will try to finish in that time.

Mr. Chairman (Sir Cowasjee Jehangir) **Mr. Hooseinbhoj.**

Mr. Hooseinbhoj A. Lalljee (Bombay Central Division: Muhammadan Rural): There is no denying the fact that in preparing this Budget the Honourable the Finance Member has done work which it was not easy to perform. We have had many budgets before us, but we have seldom had to pass through such times, and more particularly such a war. Therefore, Sir, I do say that the great labour that the Honourable the Finance Member has bestowed upon this Budget and the facts that he has placed before us are such that we can very well make up our minds; and I thank the Honourable the Finance Member for the best he has been able to do in the circumstances. Sir, a great deal has been said about our surplus sterling balances, and much is being said about prosperity in this country, and that the condition of labour and that of agriculturists has much improved. As a business man, Sir, I always believe that the condition improves only if the real value is received. It is a fact that all this surplus that is now in sterling abroad is the value of the goods that we have sent. When all this money comes back to India with its profits, then and then only will I say that we have got back all that prosperity which we are claiming today. What has happened at present? The only thing has been that the people have got from one pocket to the other a certain amount of money, and a free flow of money for everybody to spend, but not the real money. Therefore we have got to be very very careful with regard to our balances abroad. It ought never to be taken into consideration that these monies are to be monies which could be spent on anything or everything, or even in the development of industrial India without the consent of the people from which a large portion has been taken.

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

I mean a large portion because I think that it is due to those agriculturists whose raw produce we have exported, and a large portion of those people who have used their labour to produce all these materials that we have sent abroad.

It has also been said that we have been very fortunate in being able to become a creditor nation. Here again I say most emphatically that not until you are victorious in this war, not until you gain equality all over the world to be able to trade and do business and move about as equals, can you achieve anything at all. We find that the Honourable the Finance Member has laid down almost a rule—and it is a good rule—that he takes one-fourth of the deficit by taxation and three-fourths by loans. About a year ago I definitely asked him to lay down some lines, but it seems from the last two budgets that he has adopted this principle; but here again one has got to consider very seriously the military side of the Budget. The Honourable the Finance Member, with great difficulty we must admit, has made some estimates. He assumes that in this year the expenses, both capital and recurring, will be less than that of last year. Let us hope and pray that that may be the condition. But I do not see the justification for that presumption except in one respect and that is when he puts down, for aerodromes, a very large expense, and he expects that a little less would have to be incurred hereafter. There is no doubt he does not hope that there should be less army in India, nor is there any sign that within a year we shall be able to be in such a position as to cut down these expenses.

With regard to aerodromes, we have got to consider very seriously the very heavy expenditure of crores of rupees that is being incurred, and the liability that will be thrown upon this country on account of the suggestions not only of our experts but of the experts from America, who are going to pay you something—not all—for the part of the aerodrome scheme which they have suggested, and we have now to deal, so far as the capital expenditure of

that huge sum of crores of rupees is concerned, in two parts, if I am correct. One is the aerodromes which are being built by the advice of our experts, and aerodromes that are being built on the advice and on account of the Americans. I do not know hereafter how we shall stand with regard to the American people. The lease-lend figures—we have not got them—but from such figures as the Honourable the Finance Member has given, we do find that so far as this poor country is concerned, the amount we shall have to pay here in reciprocal agreement will be equal to or a little more than what we have got to incur. If that is so, the great lease-lend, so far as our poor country is concerned, is of no good at all. . .

The Honourable Sir Jeremy Raisman: I do not know whence the Honourable Member drew the first statement that he just made. Where did he get it from?

Mr. Hoeseinbhoy A. Lalljee: In the Budget speech of yours you have made provision for the amount of Rs. 16 crores and Rs. 8 crores to be given by us for the American armies in India; and you have also given us the figures of the cost of the aerodromes that are being built or have been undertaken to be built for the Americans. I do not mind what or whose you call them, because I can never agree that they will remain the property of Americans hereafter in this country—though we may build it now for their use. Am I right? Anyhow, that is the position I can make out. . .

The Honourable Sir Jeremy Raisman: The Honourable Member was entirely wrong in the statement he just made; that is all I can say.

Mr. Hoeseinbhoy A. Lalljee: You cannot give us the figures and. . .

The Honourable Sir Jeremy Raisman: I cannot allow an inaccurate statement to pass.

Mr. Hoeseinbhoy A. Lalljee: All right; this is what we have found. It may be quite correct that what I say is not correct. But we will certainly ask the Honourable the Finance Member to give us the figures. It is no use merely saying that I am not correct. I concede he has the figures and he knows better but what we have here shows clearly that up to now our position with regard to the American people and the things we have got on lease-lend from them do not show that they have conferred any very great benefit on India by way of lease-lend if we have to pay here for their expenses that we will have to incur on their behalf, and which they have and will incur here themselves.

With regard to the settlement that has taken place in England, I have every faith that our Finance Member has tried his level best to put the rights of India as fairly and as squarely as possible; and so far as he can give us an account great adjustments have still to be made; but those that have been made are, I must admit, appear to be fair to India. But I repeat again we have got still to rely upon things that are connected and that are going to be settled hereafter—such as, joint war measures and other things, and those things are not small; those amounts will be very very big; and let it be understood that this country must be made to bear only such amount as she can really bear the burden of. . .

Mr. President (The Honourable Sir Abdur Rahim): I understand it was arranged that the Honourable the Finance Member will take forty minutes for his speech.

Mr. Hoeseinbhoy A. Lalljee: That has been my misfortune: I agreed to it as I had no alternative the time being short but anyhow I will finish within two minutes.

With regard to the tobacco tax, I will only say one word and that is this: so far as my poor countrymen are concerned, many times it has been agreed that their condition is very very pitiable and upto now nobody has or can deny that. A little smoking allowed to them ought not to be grudged. Do not be so cruel to these poor people who are often starving, and it is a fact that some-

[Mr. Hooseinbhoy A. Lalljee.]

time even to avoid pangs of such starvation that they smoke a *hooka* or a *bidī*. I have no objection to cigars and cigarettes being taxed if you like.

The Honourable Sir Jeremy Raisman: I anticipate that I shall find some difficulty in attempting to traverse all the points which have been raised throughout the day in the course of a considerable number of speeches, and I shall have to try and confine myself to the main questions with which speakers have mostly been concerned.

I would deal first with the Financial Settlement. I have tried to exhibit in the fullest possible detail all the considerations which had to be taken into account and the nature and progress of the discussions in regard to that very complex matter. Nevertheless, I find that there are several Honourable Members who still entertain grave misgivings about the Settlement. Mr. Nauman, and I think my Honourable friend, Mr. Jamnadas Mehta, asked me whether the Government of India, in agreeing to this arrangement, had borne in mind the financial capacity of India. My answer to that is emphatically in the affirmative; in fact, I would go so far as to say that by no other criterion could this settlement be justified. There is no argument of logic which would allot to India so small a share of the cost of defending India against a genuine imminent danger—there is, I say, no logical criterion that would lead to that result except the estimated inability of India to make a larger contribution. The Government of India have been fully and constantly conscious of that factor in dealing with this matter, and I can conscientiously say that no point that could possibly have been made or gained on behalf of India has been overlooked.

Mr. Muhammad Nauman: Then why did you fight shy of consulting this Legislature?

The Honourable Sir Jeremy Raisman: It is not possible for the whole business of Government to be conducted in a process of consultation with the Legislature, and I do not think that matters of this kind would have lent themselves to continuous consultation.

Mr. Muhammad Nauman: At least before commitment you could have placed it before us.

Mr. President (The Honourable Sir Abdur Rahim): Order, order. The Honourable Member should not interrupt.

The Honourable Sir Jeremy Raisman: My Honourable friend, Mr. Nauman, cast doubts on whether an equitable settlement could be arrived at between two Governments in the position of His Majesty's Government and the Government of India, and I think Mr. Krishnamachari also, with considerable sarcasm, made the same point. Well, Sir, if I have acted with any sincerity in these matters, I would ask the House to take it from me that any disadvantage in India's position has, if anything, led to the paradoxical result that India has done better than she would otherwise have done. The position is that in the desire to avoid exploiting any political advantage in the relations of the two Governments, India has been able actually to derive an advantage from her position.

Mr. Jamnadas M. Mehta: Because you say so.

The Honourable Sir Jeremy Raisman: Well, I can only give the House my sincere opinion and judgment on that matter. It is open to my Honourable friend to question that. I quite realise it, but these matters have been dealt not merely by myself but by the whole Government of India, by a Government which contained a number of Indians who were just as anxious to see justice done to India as anybody outside the Government.

Mr. K. C. Neogy (Dacca Division: Non-Muhammadan Rural): Were they unanimous in support of those proposals?

The Honourable Sir Jeremy Raisman: My Honourable friend is too experienced in these matters to expect an answer to that question.

Mr. K. C. Neogy: The Honourable Member was specifying Indian Members, and that was my justification for raising the further point. The Honourable Member perfectly knows that it was not in order for him to suggest that any particular section in the Executive Council was in support of any particular view.

The Honourable Sir Jeremy Baisman: In spite of the point made by my Honourable friend, I continue to say that the Government of India fully went into this matter and that the whole Government of India were satisfied in regard to the arrangements which I have placed before this House.

There were one or two detailed questions which Mr. Krishnamachari asked me in relation to the Financial Settlement. I am afraid that the answers to them are not so simple that they could be given in a short sentence on the floor of this House. But if Mr. Krishnamachari would like to have the answers to those questions for his satisfaction, I should be very glad to put the information before him. As an example of what I mean, I will indicate what is involved in the answer to this question, "Who pays for British officers recruited in India?" It depends on whether those British officers are ultimately employed on a role which is a purely British war measure, or a purely Indian war measure, or a joint war measure. For instance, if such a British officer were employed in guarding prisoners of war, he would be entirely at the charge of His Majesty's Government, or, of course, if he was sent overseas. If he were employed in General Headquarters here, his pay would probably be borne half and half. On the other hand, there are some roles in which his pay would be borne by India entirely. That is, I think, all I need say in addition to the great length with which I dealt with the subject in my speech on the matter of the Financial Settlement.

I come now to remarks made on the taxation proposals. I do not intend to go over these in detail, because I have no doubt that they will come up again in connection with the Finance Bill and with the two special Bills introduced. But I am surprised to find how many Honourable Members there still are who think that revenue can be raised or financial deficits dealt with by measures which will affect nobody, neither the poor nor the middle class nor trade or industry and moreover measures which not only should avoid hitting the necessities of life but also the conventional necessities or even the luxuries. Well, Sir, I was distressed by the strong attack which my Honourable friend, Mr. Jamnadas Mehta, made upon me in support of his statement that this is a rich man's budget. I find it rather difficult, I must say, to understand the whole position which my Honourable friend adopts. On the one hand, he assures me that he is entirely at one with us in everything which concerns the vigorous prosecution of the war and international co-operation during and after the war. I am sure he realises that the war has to be fought on the financial front as well as every other front. Now, whilst he is a vigorous supporter of a programme of total war, he wants me at the same time, so far as I can see, to avoid taxing tobacco, vegetable product, sugar, salt and matches. He desires that any surplus which may arise in the operation of the State Railways shall be returned back to the poor man in the form of reduced fares and freights. He desires that any surplus which occurs in the Postal Department should be distributed by lower postal rates. Simultaneously he desires me to increase liberally the dearness allowance. Well, if that did not present me with sufficient headaches, he also, I understand, sympathises with those who think that sterling should not be accepted as a basis for the issue of rupees to finance the war effort in India. That again I understand him to feel is compatible with a desire for the vigorous prosecution of the war. Well, my Honourable friend is in the happy position of not having to evolve anything which has to bear scrutiny as a consistent policy. It may be that I am doing him an injustice and that he could explain how all these, to me conflicting, objects could be reconciled but I must say that I myself find it extremely difficult to see how it can be done. (*An Honourable Member:* "Let him succeed you".) I only wish that my curiosity in that

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respect could be gratified. At any rate, he also accuses me of stony heartedness in the matter of the treatment of the poor. I quite realise that my Honourable friend is a champion of the rights of the poor and that his utterances are based on a genuine concern for the classes who are not too well provided with this world's goods but I still claim that consistently with the responsibilities which lie on me I have pursued a policy which is as favourable to the poor man as could possibly be expected in these abnormal times. I realise that his tobacco will cost him a little more and since I myself am a smoker who highly values the solace which tobacco affords like my Honourable friend, I am sorry if anything that I have to do should interpose any obstacle between a poor man and the pipe of comfort. But, on the other hand, Mr. Jamnadas Mehta himself appears to be acutely aware of the dangers to the poor man himself if Government are unable to deal at all effectively with the financial problems which arise from the war.

I come now to the question of the sterling balances and in respect of this, there has been a good deal of criticism, much of it of a conflicting character but one main criticism is that I have not dealt fully with that subject, that I have not laid out in detail Government's policy in regard to this matter. I would like to point out in the first place that the treatment of the sterling balances, except to the extent to which they can be dealt with by repatriation proposals, is essentially a post war problem. It is not possible for me or for anybody to foresee exactly all the circumstances in which we shall have to deal with this matter after the war. After all, the sterling balances represent a postponed claim for goods and services to be rendered at a time when they can be made available and it must be in relation to the world as it will be after the war, when the circumstances can be more clearly defined. But I would like to remind the House of the precise manner in which the sterling balances arise. I find that there is a general feeling that goods are exported out of the country or services are possibly rendered in other theatres of war and that this is the only way or the main way in which the sterling balances arise but I must remind the House that in so far as the whole cost of the defence of India on Indian soil is not borne by India the debt which Britain is incurring to India arises; in other words, if the cost of the measures being taken in India for the defence of India is borne only half by India, then the other half is owed by Britain to India and becomes a sterling credit which forms part of the sterling balances. Now, that is a very pertinent matter to be borne in mind. This is not of the nature of an ordinary commercial debt which arises when goods are supplied by one party and goods are due in exchange from the other. I do not say that India even in those cases has not rendered service or has not had to undergo sacrifices . . .

Sardar Sant Singh (West Punjab: Sikh): But is it not a good debt?

The Honourable Sir Jeremy Raisman: It is a perfectly good debt. I agree that it is a good debt but I would like to remind the House of the way in which it arises in so far as the financial settlement with His Majesty's Government is meant to be attuned to India's financial capacity. Then, the remainder of the cost of defending India and of measures taken in India becomes part of the sterling balances. It is important to bear that in mind. It is not merely goods which are shipped from India or even services which are sent from India to other theatres of war.

Mr. Muhammad Nauman: May I know what has been the settlement with the other Dominions? How have they received payment?

The Honourable Sir Jeremy Raisman: Well, Sir, in regard to other Dominions, the position as far as I am aware is that all expenditure incurred by them in their own territory is borne by them and also the cost of troops sent overseas is borne by them. The cost of goods supplied to His Majesty's Government has been paid for or they have received payment to a certain extent. But in the case of Canada, which is the Dominion which has probably made the greatest supplies, the arrangements now are practically the same as those with

America. They are virtually lease-lend. In the first instance, Canada made a free gift of a thousand million dollars. That is, as soon as His Majesty's Government's resources of Canadian dollars had ceased, Canada made a free gift and now, as I understand it, in the latest position supplies from Canada are made on lease-lend. If my Honourable friend is trying to draw examples from the other Dominions which would support his case that the financial settlement is not favourable to India, I am afraid, he will get a very dusty answer.

Sir, I was on the point about the sterling balances. I am afraid this subject has been very little understood and, in proportion to the lack of understanding, a good deal of suspicion has also been imported into the subject. My friend, Mr. Krishnamachari, who seems to be obsessed with the racial criterion in these matters, wanted me to make some statement which would set his mind at rest that India was being subjected to gross injustice. I think he made a passionate appeal to me to come out in the open and tell him that. I am afraid, I cannot gratify that request because I do not believe that that is the case. And whilst I am on this subject and since Mr. Krishnamachari's mind runs on these racial criteria, I would like him to know that the officer who deals mainly with the question of the allocation of defence charges between India and Britain, the officer who dealt with them in the first instance and the officer principally in charge was an Indian.

Mr. Jammadas M. Mehta: Under orders.

The Honourable Sir Jeremy Raisman: There is no question of orders. I do not suppose that his decision was interfered with in one case out of a hundred.

Now, it seems to me that some of the critics put themselves in a curious dilemma. On the one hand, they appeared to object to the rate at which sterling balances are accumulating and they objected to the sterling balances being left, as they put it, in England, although I do not know where they would expect sterling balances to be kept if not in England. On the other hand, if a proposal is made for the use of these sterling balances in a way which will make it unnecessary for them to be kept in England for the time being, then also they see disadvantages. Take, for instance, the pensions scheme. That, as I pointed out, was a purely financial proposal. It means that sterling which cannot be utilised now should be invested so that it will yield a return in years when we know it can be utilised. To the extent that it does that, it solves the immediate problem and also it helps to solve problems in the future. The position simply is that you have at this moment more sterling than you want and that you may at some time in the future have less sterling than you need and, therefore, you invest your sterling in a way which will bring it back to you at the time you need it in the requisite amounts. That is the ordinary way in which any money is invested and so long as the yield on the investment is reasonable, it is a fair financial proposition. Now, several critics said that it is unnecessary to safeguard sterling pensions in this way. But it is not the case of the Government that it is necessary to safeguard them. The scheme did not arise from any fear of repudiation or from any desire at this moment to provide any additional safeguards for any class of officers. Actually, the proceeds of this investment, namely, the annual sums of sterling, would again be at the disposal of the Government of India and of no other authority, so that the position in that respect remains entirely unchanged. The liability for the pensions would remain with the Government of India and the sterling amounts would come into the hands of the Government of India. The rights of no individual would be affected thereby. And no extraneous considerations come in to the matter; and it is really a purely financial question.

In regard to the other matter of reconstruction, here the critics, I think, put themselves in a dilemma, which I just mentioned about accumulation of sterling balances and yet I find they dislike any suggestion for their being utilised in a way which will convert them into goods. They dislike the idea that these goods may not be forthcoming from a limited source. Now, as I said just now, I cannot foresee the post-war economic situation. It is obvious to every-

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body that there are exceedingly important and difficult international economic questions which will have to be settled, and clearly the relations of different currencies will be one of the main questions which will have to be settled, the relations of sterling and the dollar particularly. If I could know in advance with certainty precisely what this arrangement would be, then I would be able to speak with more precision about the use of such a reconstruction fund. But I do suggest that it is premature to disparage a scheme of that kind which I believe is capable of being of the utmost value for India. It has been said by the critics that this is a scheme not for the reconstruction of India, but, I think, for the reconstruction of British industries. That is an example of importation of suspicion and prejudice into a matter of economic advantage.

Pandit Lakshmi Kanta Maitra Who is responsible for that?

The Honourable Sir Jeremy Raisman: I do not know who is responsible. I merely stated the facts. Because after all it may well both fulfil the requirements of India and yet may help to solve certain of the problems of Britain.

Maulana Zafar Ali Khan: Will you please permit me to say that a definite assurance has been given by the British Government that immediately after the war is over India shall have the right of self-determination. In that case the work of construction or reconstruction will devolve on the newly constituted Government of India.

The Honourable Sir Jeremy Raisman: Well, I shall be very happy that the future Government will themselves take up this problem and we shall certainly do nothing that will make it more difficult for them to take up that problem. But my point at this moment is this: if you look at the sterling balance as in the nature of debt, the fact that a certain type of repayment will be one which will strengthen the position of your debtor as well as yourself is not necessarily a disadvantage.

Mr. Muhammad Nauman: Bargaining capacity of other countries.

The Honourable Sir Jeremy Raisman: I just now said that I could not foresee the exact economic and currency arrangements as they will be after the war. Therefore I cannot make any definite statement in this respect. But to the extent that goods required for India's reconstruction and re-equipment are available in Britain, I see no reason why the fact that they will be obtained from Britain should be regarded as of disadvantage.

Sir Cowasjee Jehangir: May I ask the Honourable Member, how this fund prevents us from getting goods from other parts especially from America. It is only a question of sterling and dollar exchange.

The Honourable Sir Jeremy Raisman: I am not in a position to make any categorical statement, because, as I said, I could not foresee the economic arrangements after the war. It is quite obvious that there will be a difficult situation for sometime after the war. It will be difficult to obtain goods particularly capital goods. It will not be possible merely to register one's order and expect it to be complied with. This may continue possibly for some years. I have hinted at this in my Budget speech.

Pandit Lakshmi Kanta Maitra: Answer the criticism that this fund, if brought into existence, will enable India to buy goods from England alone. How far is that criticism correct?

The Honourable Sir Jeremy Raisman: My answer remains that I cannot foresee the circumstances which will exist after the war. If my Honourable friend can foresee, he knows more than I do, or the Pandits in London and Washington.

An Honourable Member: He is an astrologer.

Sir Cowasjee Jehangir: If conditions are favourable, will India be able to buy goods in America?

The Honourable Sir Jeremy Raisman: I have said I cannot give any categorical answer to that question, because for sometime after the war, at any

rate, there will obviously be conditions of control and restriction, as there are during the war. They must continue for sometime after the war.

Sir Cawasjee Janangir: Will the Honourable Member tell me, if the conditions are favourable, is there anything in contemplation whereby India will be prevented from getting goods from America but will have to get them from Britain?

The Honourable Sir Jeremy Raisman: Certainly not, so far as I can see. The present position is that you have a certain sterling balance and that you wish to draw up a programme for the utilisation of this balance in order to obtain capital goods. Well I cannot foresee the precise conditions in which this fund will be employed. I also said that it was not intended, as far as we are concerned, to limit the objects of the fund in any way. The fact remains that the fund will consist of sterling balances and at the present time the sterling area is one thing and the dollar area is another thing. The relation between these currencies, as I said a little while ago, is a matter which will undoubtedly be settled and it is essentially a post-war problem.

Dr. P. N. Banerjee: You are merely throwing out suggestions; that is all.

Mr. President (The Honourable Sir Abdur Rahim): If the Honourable Member wants some more time to complete his speech, I think the House will agree to that.

The Honourable Sir Jeremy Raisman: Sir, I have come to the end of my speech. I would only say in regard to this matter that I believe that it will be entirely to India's advantage to look at problems of the kind which we have been just discussing from the point of view of international co-

5 P.M. operation. We have to remember that India is only a part of the world, a world which is getting more and more intimately linked up and each part of which is finding it more and more impossible to pursue entirely isolated policies. If there is one thing which this war is teaching us, it is the impossibility of any country living alone in its own world. India will be dependent on the resources of the great productive countries after the war in order to build up further her own productive resources. She will not be able to improve her standard without the greatest co-operation and assistance from more powerful and better developed countries and, therefore, these problems must be looked at entirely from the point of view of co-operation in international efforts.

The Assembly then adjourned till Eleven of the Clock on Monday, the 8th March, 1943.