

4th March 1942

THE LEGISLATIVE ASSEMBLY DEBATES

Official Report

Volume I, 1942

(11th February to 10th March, 1942)

FIFTEENTH SESSION OF THE FIFTH LEGISLATIVE ASSEMBLY, 1942



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CORRIGENDA

In the Legislative Assembly Debates, Budget Session, 1942,—

- (1) Volume I, No. 1, dated the 11th February, 1942, page 31, line 20, *for* "Muslims" *read* "Muslim";
- (2) Volume I, No. 15, dated the 5th March, 1942, page 708, line 20 from the bottom, *for* "Suppression" *read* "Supersession";
- (3) Volume II, No. 5, dated the 17th March, 1942,—
 - (i) page 1207, line 4, *delete* the full stop *after* the word "statement"; and
 - (ii) page 1265, lines 5 and 22, *for* "The Honourable Sir Homi Modi" *read* "The Honourable Sir Homi Mody";
- (4) Volume II, No. 7, dated the 19th March, 1942, page 1357, line 15 from the bottom, *for* "The Economist news" *read* "The Economist news-";
- (5) Volume II, No. 8, dated the 20th March, 1942, page 1422, line 13 from the bottom, *delete* the second "that" at the end of the line;

- (6) Volume II, No. 9, dated the 23rd March, 1942,—
 - (i) page 1429, line 1, *insert* the word "is" *after* the word "blood"; and
 - (ii) page 1457, line 8 from the bottom, *read* "are" *for* the word "they";
- (7) Volume II, No. 11, dated the 25th March, 1942, page 1539, line 18 from the bottom, *for* the word "who" *read* "why";
- (8) Volume II, No. 13, dated the 1st April, 1942, page 1651, line 21, *for* the word "attacks" *read* "attack";
- (9) Volume II, No. 14, dated the 2nd April, 1942,—
 - (i) page 1688, line 17, *for* "It is given to C class" *read* "I said that A and B class";
 - (ii) page 1693, line 22, *for* "Syed Murtuza Sahib Bahadur" *read* "Maulvi Syed Murtuza Sahib Bahadur"; and
 - (iii) page 1729, line 19 and page 1730, line 9 *for* "Diwan Bahadur Sir A. Ramaswami Mudaliar" *read* "The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar".

LEGISLATIVE ASSEMBLY.

President:

The Honourable Sir ABDUR RAHIM, K.C.S.I.

Deputy President:

Mr. AKHIL CHANDRA DATTA, M.L.A.

Panel of Chairmen:

SYED GHULAM BHIK NAIRANG, M.L.A.

Lieut.-Colonel Sir HENRY GIDNEY, M.L.A.

Sir HENRY RICHARDSON, M.L.A.

Sir COWASJI JEHangIR, Bart., K.C.I.E., O.B.E., M.L.A.

● *Secretary:*

Mian MUHAMMAD RAFI, Barrister-at-Law.

Assistants of the Secretary:

Mr. M. N. KAUL, Barrister-at-Law.

Khan Bahadur S. G. HASNAIN.

Marshal:

Captain Haji Sardar NUR AHMAD KHAN, M.C., I.O.M., I.A.

Committee on Petitions:

Mr. AKHIL CHANDRA DATTA, M.L.A., *Chairman*.

SYED GHULAM BHIK NAIRANG, M.L.A.

Mr. JAMNADAS M. MEHTA, M.L.A.

Sir ABDUL HALIM GHUZNAVI M.L.A.

Mr. N. M. JOSHI, M.L.A.

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LEGISLATIVE ASSEMBLY

Wednesday, 4th March, 1942.

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.

MEMBERS SWORN

Mr. John Francis Sheehy, C.S.I., M.L.A. (Government of India: Nominated Official); and

Mr. Charles William Ayers, C.I.E., M.L.A. (Government of India: Nominated Official).

STARRED QUESTIONS AND ANSWERS.

(a) ORAL ANSWERS.

RELIEF TO INDIANS OVERSEAS IN WAR THEATRES.

197. *Mr. Govind V. Deshmukh: Will the Honourable Member for Indians Overseas please state what arrangements have been made to grant immediate and adequate relief to Indians overseas in different theatres of war in the British Empire and sons of such persons who are studying in India who find themselves stranded for want of funds from their parents?

The Honourable Mr. M. S. Aney: His Majesty's Government are making endeavours to secure the appointment of a neutral protecting power to look after the interests of British Subjects including Indians in Empire territories over-run by Japan. The Government of India have no reason to believe that, in the remaining areas of the British Empire, the Governments concerned are not affording all possible protection and assistance to Indians resident there. The question of rendering financial assistance to dependants in India of Indians stranded in the war zones is engaging the attention of the Government of India.

Mr. Govind V. Deshmukh: Since when this matter has been engaging the attention of the Government, because the question is one of long standing?

The Honourable Mr. M. S. Aney: Since the question has cropped up. As a matter of fact, the question has cropped up only very recently, and not long ago.

Mr. Muhammad Nauman: In what form Government have given relief? Is it in the form of distributing money, or is it in the form of giving particular protection from the air raids? What is the form in which Government have taken precautions about the Indians overseas?

The Honourable Mr. M. S. Aney: I have already mentioned that the whole question is engaging the attention of the Government of India, and the form in which the relief is to be given will also be considered.

Mr. Muhammad Nauman: Nothing practical has come out yet, and it is no use drawing the attention of the Government about that matter.

The Honourable Mr. M. S. Aney: When the decision will be taken, something practical will come out.

Mr. Govind V. Deshmukh: Will Government expedite their decision in the matter in view of the fact that the complaint was made more than two months ago so far as the Malaysians who are stranded in the Madras Presidency and other places are concerned?

The Honourable Mr. M. S. Aney: Government will expedite the decision as much as they can.

Mr. Jamnadas M. Mehta: Are Government aware that on account of war conditions hundreds of Indian children have been deprived even of their school books? Are Government taking any steps to see that they get the necessary shipping soon?

The Honourable Mr. M. S. Aney: My friend's question refers to a general complaint. Besides, the question does not relate to my Department.

Mr. Jamnadas M. Mehta: But the Honourable Member has said that Government are doing all that they can for the Indians everywhere.

The Honourable Mr. M. S. Aney: I am concerned only with Indians of a particular type.

Mr. Jamnadas M. Mehta: Is there no reply to my question?

The Honourable Mr. M. S. Aney: That question should be put to another Department. My friend knows whom to address.

MALAYANS IN INDIA.

108. **Mr. Muhammad Azhar Ali:** (a) Will the Honourable Member for Indians Overseas please state the number of Malaysians in India?

(b) How many of them are receiving education in recognised institutions?

(c) Are Government aware that the Malay students cannot get any money from Malay Peninsula?

(d) Are Government considering the giving of some financial relief to such students?

The Honourable Mr. M. S. Aney: (a)—(d). This question should have been addressed to the Honourable the Home Member.

PRICE CONTROL OF SUGAR.

109. *Sardar Sant Singh: (a) Will the Honourable the Commerce Member please state if it is a fact that the basic price of sugar of different grades fixed by the Indian Sugar Syndicate Limited varies between Rs. 9-7-8 and Rs. 10-8-9 per maund while the sugar is being sold to consumers between Rs. 12-4-0 and Rs. 13 per maund free on rail factory? If so, do Government propose to control the sugar price at some reasonable limit?

(b) In view of the consumers being made to pay very heavy prices for sugar do Government propose immediately to abolish the quota system for factories?

(c) Do Government propose to purchase sugar for export to United Kingdom or for the use of the Government of India? If so, what prices are likely to be paid by Government? Will the consumers get sugar at the same price?

The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar: (a) The matter is under investigation.

(b) The Honourable Member is probably referring to the sugar production quotas fixed by the Governments of the United Provinces and Bihar. The desirability or otherwise of abolishing the quotas is for those Governments to decide.

(c) The Government always have to make purchases for their own defence services and are also negotiating purchases for export abroad on account of His Majesty's Government. The prices for the latter will be negotiated on a commercial basis but will be less than the internal prices by the amount of the excise duty, which is remitted under the law on exports, and also in the case of purchases from the United Provinces by the amount of the cesses which the Provincial Government has agreed to remit in order to develop this export business.

Dr. Sir Ziauddin Ahmad: Has the Honourable gentleman visualised in his mind what would be the effect on the prices on account of the rise of 20 per cent. on the customs duty on sugar?

The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar: Yes. Sir, I have a very vivid visualisation of the position.

Dr. Sir Ziauddin Ahmad: What is the result of this visualisation? By how much would it be raised?

The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar: The result of the visualisation is that the increase on the import duty will virtually not affect the position; but tomorrow, when the Bill on this duty will be taken up, my Honourable friend will have an opportunity of going into this question.

HOUSE VACATION NOTICES TO RESIDENTS OF DELHI WARD NO. 14.

110. *Mr. M. Ghiasuddin: (a) Will the Honourable Member for Education, Health and Lands be pleased to state whether notice under sections

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

36 and 38 of the United Provinces Town Improvement Act VIII of 1919, as extended to the Province of Delhi, has been served on the residents of Delhi, Ward No. 14?

(b) If so, when will the residents of that Ward will actually be required to vacate their houses?

(c) What compensation will be given to (i) the Zamindars who own the land, (ii) the owner of the house to whom the buildings belong, and (iii) the tenants who live in hired houses of that Ward, and in what form will it be given?

(d) Will the Honourable Member please state whether the residents of Ward No. 14 will be given houses constructed by Government under the Poorman Housing Scheme?

(e) What are the conditions under which poor men are given those Government houses?

(f) In what locality do Government propose to house the men of Ward No. 14 when they will vacate their houses?

The Honourable Mr. N. B. Sarker: (a) Notices under sections 36 and 38 of the United Provinces Town Improvement Act, 1919, as extended to the Province of Delhi, have been served on rate-payers in certain portions of Ward 14.

(b) No date can be given at present.

(c) The compensation payable to owners of private land and buildings and tenants thereof will be in accordance with the provisions of the Land Acquisition Act, 1894, as amended by the United Provinces Town Improvement Act, 1919, as extended to Delhi. Compensation in the case of lessees of *nazul* land will be determined by the conditions contained in the leases.

(d) Persons whose income is not more than Rs. 30 a month will be rehoused.

(e) The Trust houses are let on monthly rents varying from Rs. 1-12-0 for a one-roomed house to Rs. 2-12-0 for a three-roomed house. Tenants can also enter into a hire-purchase arrangement with the Trust if they so desire.

(f) The locality in which poor class families from this scheme will be rehoused has not yet been decided.

STEPS FOR WORKING BALUCHISTAN SULPHUR MINES AND FOR AVOIDING CONCENTRATION OF FACTORIES.

111. *Dr. Sir Ziauddin Ahmad: (a) Will the Labour Secretary state the steps the Government of India have taken to work sulphur mines in Baluchistan?

(b) What steps, if any, have the Government of India taken to avoid the concentration of factories in a few towns?

Mr. H. O. Prior: (a) The Government of India have appointed a special officer under whose supervision certain sulphur mines in Baluchistan are being worked. The work is being carried out departmentally.

(b) I would refer the Honourable Member to the answer given to the Honourable Raja Yuveraj Datta Singh's question No. 55 on the 18th November, 1941, in the Council of State.

Dr. Sir Ziauddin Ahmad: May I ask whether Government has succeeded in purifying the sulphur.

Mr. H. O. Prior: Not that particular sulphur which is under departmental exploitation.

RESTITUTION OF SEATS TO CERTAIN UNSEATED MEMBERS OF THE CENTRAL LEGISLATIVE ASSEMBLY.

112. *Qazi Muhammad Ahmad Kazmi: In view of the rulings of High Courts that mere giving notice of one's intention to offer *Satyagraha* did not constitute an offence, will the Honourable the Law Member please declare the attitude of Government as regards those Members of this House who were convicted of such an alleged offence, and sentenced to more than one year's imprisonment, and as such had their seats declared vacant and were held to be disqualified to stand for election for a period of five years, in respect of:

- (i) restitution to them of their seats in this House; and
- (ii) the removal of the disqualification consequent upon their illegal conviction?

The Honourable Sir Sultan Ahmed: The seats of five Members were declared vacant under rule 25 of the Legislative Assembly Electoral Rules by reason of their having become subject to the relevant disability. In respect of one only of these gentlemen—Sardar Jogendra Singh—has any representation reached the Government of India to the effect that he was convicted for a mere announcement of intention to offer *Satyagraha* with the result that subsequent judicial rulings exhibited the conviction as having proceeded on an erroneous view of law.

Assuming the facts on which any of the gentlemen in question were convicted to have been as suggested in the question, the incurring of the disability and the consequential vacating of the seat would be in no way affected, nor would any question of reinstating them in their seats arise.

Under the proviso to sub-rule (2) of rule 5 of the Legislative Assembly Electoral Rules, it is open to the Governor General in Council to remove the relevant disqualification prospectively on application made by the disqualified person. Of the five gentlemen concerned Sardar Jogendra Singh alone has applied for the removal of the disqualification and his disqualification has been removed.

Qazi Muhammad Ahmad Kazmi: When the removal is found to be *ipso facto* void on account of an error of law, did Government consider the advisability of continuing the old election?

The Honourable Sir Sultan Ahmed: It is not *ipso facto* void.

SWIMMING CLUB AT THE LOVERS LANE, RIDGE, NEW DELHI.

113. *Qazi Muhammad Ahmad Kazmi: (a) Will the Labour Secretary be pleased to state whether it is a fact that there is a Swimming Club possessing a pool at the Ridge at the Lovers Lane, New Delhi?

(b) Is he aware of the general impression that the said pool was built by men and material supplied free of cost through the Central Public Works Department?

(c) Is he aware that the membership of the said swimming club is strictly confined to Anglo-Indians?

(d) Is it a fact that the swimming pool in the Viceroy's House is made available in the hot weather for the use of European officials and members of the Gymkhana Club?

(e) With these amenities already in existence for Europeans and Anglo-Indians, is he prepared to consider the desirability of providing a swimming pool for the Indian employees of the Government of India in New Delhi?

Mr. H. C. Prior: (a) Yes.

(b) The present club building was originally the Caretaker's quarter adjacent to the scour tanks on the Ridge. The abandoned quarter and the abandoned scour tank were leased to the 'Ridge Club' in 1928 at a rental of Rs. 8 per month and Re. 1 per month, respectively, under the orders of the Chief Commissioner, Delhi. The former was converted into a club room and the latter into a swimming pool from the finances of the club.

(c) }
(d) } No.
(e) }

FEES TO ARCHITECTS FOR DESIGNING BUNGALOWS AND QUARTERS IN NEW DELHI.

114. ***Qāsi Muḥammad Ahmad Kāzmi:** (a) Will the Labour Secretary be pleased to state what sums as fixed monthly emoluments or fees or both, have so far been paid to the architects for designing the various bungalows and quarters in New Delhi, type by type?

(b) Are these fees or royalties still being paid yearly to the architects who are no longer in Government service for each type of bungalow or quarter constructed during the year according to their original design?

(c) How long will these royalties continue to be paid?

(d) What amount is being paid by way of such royalties every year?

(e) Will Government indicate in brief the terms of agreement entered into with these architects?

Mr. H. C. Prior: (a) The various bungalows and quarters in New Delhi were designed by Architects who were whole-time Government servants, and not engaged solely for this work. They were paid monthly salaries in accordance with the time-scale applicable to this class of employees from time to time, and no fees or royalties have been paid to them in addition. The Government of India do not propose to collect the information regarding the amount of salary paid to Architects during their service as it would not justify the labour involved.

(b), (c) and (d). Do not arise in view of (a) above.

(e) As stated in (a) above, the Architects were in whole-time Government service, although formal agreements were executed with them. The terms of these agreements were, however, the usual terms applicable to Government servants generally.

STOPPAGE OF IRRIGATION WATER SUPPLY TO CERTAIN VILLAGES IN DELHI PROVINCE.

115. *Qazi Muhammad Ahmad Kasmi: (a) Will the Labour Secretary be pleased to state if he is aware that the villages, Wazirpur, Azadpur and Mangolpur (Delhi Province) no longer get canal water supply for irrigation purposes?

(b) If so, when was this supply stopped?

(c) Is it a rule that canal water supply is not available for gardens?

(d) How much area is under gardens and how much under agriculture in the said villages?

(e) If canal water is not available for gardens, why is it denied to agricultural lands in the said villages?

Mr. H. C. Prior: (a) The villages in question continue to receive irrigation water as previously.

(b) Does not arise.

(c) According to the local rules, canal water is available for sanctioned gardens only.

(d) A statement giving the required information is laid on the table of the House.

(e) Does not arise.

Statement showing the Area under Gardens and Agriculture in the Wazirpur, Azadpur and Mangolpur villages in the Delhi Province.

Name of village.	Area under gardens.	Area under agriculture.
	Acres.	Acres.
Wazirpur .	66	616
Azadpur .	33	286
Mangolpur Khurd .	..	518
Mangolpur Kalan .	..	949

INTERVIEW OF GIRL CANDIDATES WITH DELHI UNIVERSITY AUTHORITIES.

116. *Qazi Muhammad Ahmad Kasmi: (a) Will the Honourable Member for Education, Health and Lands be pleased to state if his attention has been drawn to a letter to the editor by Mr. C. N. Zutshi, Professor of English, which appeared in the *Hindustan Times*, dated the 16th January, 1942, under the caption "Delhi University and Girl Candidates"?

(b) Is it a fact that girl candidates sending their previous permission forms are asked to attend the University office for an interview with the Delhi University authorities?

(c) Is he prepared to use his good influence with the University to remove all such difficulties in the way of the girls? If not, why not?

The Honourable Mr. H. R. Sarker: (a) Yes.

(b) Non-collegiate women candidates were asked by the Delhi University in January last to present themselves before a small committee presided over by the University Proctor and containing one woman member. The Committee met not in the University building but at a more central site in Daryaganj.

(c) No difficulty was placed in the way of the candidates and every consideration was shown to them. It was found necessary to interview the candidates in order to facilitate consideration of their applications and verify whether they had fulfilled all the prescribed conditions. The question of modifying the regulations and procedure, so as to obviate the need for interviews, is under the consideration of the University authorities.

Mr. President (The Honourable Sir Abdur Rahim): The answer to question No. 117 will be laid on the table as the Honourable Member, Qazi Muhammad Ahmad Kazmi, has exhausted his quota of questions.

STEPS FOR PREVENTING WHEAT FAMINE IN DELHI.

+117. ***Qazi Muhammad Ahmad Kazmi**: (a) Will the Honourable the Commerce Member be pleased to state if his attention has been drawn to a letter to the editor by Rai Suhib Lala Rang Behari Lal which appeared in the *Hindustan Times*, dated the 16th January, 1942, under the caption "Wheat famine in Delhi".

(b) What steps is he taking to see that the man in the street is able to secure foodstuffs of the right sort at rates fixed by Government?

(c) What steps are being taken to prevent a wheat famine in Delhi?

The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar: (a) Yes.

(b) and (c). The Government of India have so far fixed the maximum price for only one of the foodstuffs, namely wheat, and the Wheat Commissioner for India is taking all practical measures to ensure a reasonable supply of wheat to the public in all consuming areas, including Delhi, at rates fixed by Government. As regards the question of securing a satisfactory distribution of foodstuffs in general, the Provincial Governments have already been given certain powers under the Defence of India Act, while the Government of India have under active consideration the setting up of regional committees to deal with the problem of distribution of essential commodities including foodstuffs. The whole subject is continually under review in the Central Government.

MOTION FOR ADJOURNMENT.

DIFFERENTIAL TREATMENT TOWARDS INDIAN POPULATION OF MALAYA DURING EVACUATION.

Mr. President (The Honourable Sir Abdur Rahim): I have received notice of a motion for adjournment of the business of the House from Qazi Muhammad Ahmad Kazmi. He wishes to discuss a definite matter of urgent public importance, *viz.*, the statement of Mr. Mallal regarding the conduct of the Governor of Malaya towards Indian population and the complaint regarding evacuation according to which "the whole white administration of Penang evacuated, while not a single Asiatic was allowed to leave by those boats except one Asiatic official—not even women

†Answer to this question laid on the table, the questioner having exhausted his quota.

and children, etc., as reported in the *Hindustan Times*, dated the 28th February, 1942, page 4." I want to know what this "etc." means.

Qazi Muhammad Ahmad Kasmi (Meerut Division: Muhammadan-Rural): "Etc." means other complaints.

Mr. President (The Honourable Sir Abdur Rahim): I shall then omit the "etc." from the motion. I want to know if the Governor of Malaya is under the Government of India.

Qazi Muhammad Ahmad Kasmi: The Honourable Member for the Overseas Department is responsible to this House for the lives of the Indians Overseas.

Mr. President (The Honourable Sir Abdur Rahim): I want to know whether the Governor of Malaya is under the Government of India.

Qazi Muhammad Ahmad Kasmi: That information would be known only to the Government of India, as to what relations they have got. But the question, I submit, is only regarding the complaints of Indians who were in Malaya as to why they were treated by the authorities differently from the white population.

Mr. President (The Honourable Sir Abdur Rahim): Is the charge made against the Governor of Malaya?

Qazi Muhammad Ahmad Kasmi: The complaints against the Governor of Malaya are different from the further complaints against the authorities.

Mr. President (The Honourable Sir Abdur Rahim): Perhaps the Honourable Member for Overseas Department will explain the position.

The Honourable Mr. M. S. Aney (Member for Indians Overseas): I want to know whether my Honourable friend wants to discuss the statement of Mr. Mallal or the particular complaint.

Qazi Muhammad Ahmad Kasmi: I want to know whether the statement is correct. If that be correct, then I want to censure the Government of India for that.

The Honourable Mr. M. S. Aney: The question of censure will come later on. I want to be definitely informed whether the Honourable Member wants to discuss the statement of Mr. Mallal which, probably, goes over a number of points, while the adjournment motion is to be confined only to one specific point. That is one thing. If any specific point is to be selected, what is the point on which my Honourable friend wants to fix now?

Qazi Muhammad Ahmad Kasmi: I will fix for the present only on two points.

Mr. President (The Honourable Sir Abdur Rahim): I should like to know whether the Governor of Malaya is under the Government of India.

The Honourable Mr. M. S. Aney: Certainly not.

Qazi Muhammad Ahmad Kazmi: But the Government of India are responsible for the welfare of Indians Overseas. We want to know from the Overseas Department as to what is being done.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member can only discuss one definite question.

Qazi Muhammad Ahmad Kazmi: I would discuss the point of the authorities not allowing Indians to leave by boats and why the white administration left Penang before any other person was allowed to leave.

The Honourable Mr. M. S. Aney: I see the point. My objection to this is only this. This is really not a matter of recent occurrence at all. Some days before the fall of Singapore, a statement was reported in the name of the Governor of Malaya in which he expressed regret at some such incident having occurred. This incident must be presumed to be known to all. It was reported in the papers. It is now more than two weeks since this happened, although the matter is being brought to the notice of the House only just now by this motion.

Mr. President (The Honourable Sir Abdur Rahim): So, this is not an urgent matter.

Qazi Muhammad Ahmad Kazmi: So far as the newspapers are concerned, it was only on the 28th February that I saw it in the *Hindustan Times*. Honourable Members of the House are not expected to read all the newspapers that are available to the Government. The only source of information for me was the *Hindustan Times* which published this on the 28th February.

Mr. President (The Honourable Sir Abdur Rahim): I do not know what newspapers Honourable Members are expected to read. I have only got to see whether the question is an urgent one within the meaning of the Rules, and of recent occurrence. I hold, it is not an urgent matter. Therefore, the motion is disallowed.

THE GENERAL BUDGET—GENERAL DISCUSSION.

FIRST STAGE.

Mr. President (The Honourable Sir Abdur Rahim): As regards the general discussion of the Budget, I have got to fix a time limit. As on the last occasion, I fix twenty minutes for the speeches of Honourable Members generally, thirty minutes for Party Leaders, and one hour or more for the Government Member's reply.

Mr. Akhil Chandra Datta (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Sir, we have to deal with two budgets one of which, namely, the Railway Budget, we have already dealt with and this is the General Budget. There is a very remarkable difference between these two budgets,—one is a surplus budget and the other is a deficit budget. The surplus was a huge surplus and the deficit also is a huge deficit. Of course, during war time, no one can expect a balanced budget and there is bound to be a deficit budget. The whole question, therefore, is not whether it should be a deficit budget but what ought to be the amount of that deficit? On that point we feel very much handicapped because there are no materials before us to show whether or not this amount of 47 crores is the real deficit. I shall take up only one item in order to explain my point.

So far as the defence expenditure is concerned, the third item is, India's war measures—81 crores. As regards the details of these 81 crores all that we know is this. One item is,—Certain measures of military defence. The second item is,—Certain measures connected with Defence, and that is about ten crores. The third item is,—Measures connected with local naval defence,—about five crores. We do not know anything more than this. Whether it is in the interest of the public that detailed figures should not be given is another question. But my point is that this gives us absolutely no information as regards the amount that is sought to be raised. There is only one thing that is somewhat clear, namely, sub-head 'K.'—Plant and Machinery for Manufacture,—that is 40 crores. That is a definite item. Here again only the lump total amount is given. Therefore, we feel that we are really asked to sign a blank cheque. Because there is war and there must be a deficit it does not follow that the amount should be any amount. Here it is 82 crores for war measures chargeable to Indian revenues. If it were three times that amount we would be equally in the dark.

Now let us proceed on the assumption that it is really necessary to make up a deficit of 47 crores. The question is how that amount should be raised. The Honourable the Finance Member proposes to raise 12 crores by taxation and 35 crores by borrowing. These are the only two ways and means which have occurred to him and no other. Even the man in the street cries why there should not be an economy drive in this abnormal position and why there should not be a salary cut. Why no sacrifice by those who enjoy fabulous and princely incomes? We preach from the housetops that there should be sacrifice made by everybody, but why should not sacrifice like charity begin at home?—It has been said in a very responsible quarter that dog-racing and boxing displays are not in accord with war efforts.

The Honourable Sir Jeremy Raisman (Finance Member): I have not provided for them.

Mr. Akhil Chandra Datta: I know that, but my complaint is that there is no change at all in the expenditure of the Government of India in the matter of dinners and cocktail parties and things of that kind.

The Honourable Sir Jeremy Raisman: I am prepared to cut out all the expenditure provided for these objects.

Mr. Akhil Chandra Datta: Why should there be these things at all in this time of war? Why are you having new buildings,—for instance, at Simla? Is this the time to have new buildings? We have got palatial buildings both at Delhi and Simla, and why not partition them? One Member enjoys one house; why should not two Members occupy one house? The principle has been inculcated in the budget speech itself that ordinary expenditure should be restricted to the minimum. Has this been done? It is a good principle, but only preached and not translated into action. Civil expenditure has been increased by ten crores. It may be said that it is caused by war conditions. That is partially true, but it is significant that no attempt has been made towards economy. The civil portion of the budget has also a war outlook.

The second question is whether, apart from the amount of deficit, the money that is spent is well spent and we are getting full value for that money. My Honourable friend, Sir Cowasji Jehangir, is not here now, but he happens to be the prince of moderates in India; and even he of all people put this question in the last Session. He has very serious doubts as to whether the money is well spent and whether there is not awful extravagance and he wanted an assurance that the money is well spent. I may be excused for saying that the popular opinion in the country is that more than 50 per cent of the money that is spent in war services goes into the pockets of middlemen and brokers, if not also into the pockets of people in positions of trust and responsibility. Then there is another reason why we complain, and that is, what is the tangible result of the expenditure of this huge amount? We have to judge it by the results achieved. The universal complaint is that the result is almost invisible. I want to ask one question. Is it not a fact that a number of valuable projects for production of munitions and weapons, etc., were recommended by the Roger Commission but were turned down on the ground that these things can be produced in other countries outside India? No doubt, about twenty projects recommended by the Roger Commission have been approved; but about these 20 projects this is what we find in the budget speech:

"These projects involve the establishment of new factories and the expansion of old ones for the production in India of weapons, ammunition, steel, and other stores in urgent demand for war purposes, and should before long add materially to India's capacity for the production of munitions", etc.

I do not know when that time will come and whether at that time there will remain any necessity for the production of these munitions. We are still thinking of producing those things 'before long'. Well, no comment is necessary on that. The whole country, the whole press, including Anglo-Indian Press, is of the opinion that even now there is no evidence of any substantial preparations, not even for the local defence of India. All the Government activities are shrouded in a veil of official secrecy.

So far as these budget proposals are concerned, the whole scheme is based upon a certain new theory propounded by the Honourable the Finance Member. That theory is: he assumes that the national income has increased on account of industrial development. He starts with that proposition and then he advises this: "Don't spend but save". Save for what purpose? Save to put into Defence Loans. He has got no other advice to give to the people of India as to what use should be made of

this increased fund. He has no recommendations to make for the utilization of that money in long term industrial developments. He has no advice to give on that point. He is a protagonist of national savings campaign. Sir, if all this saving is required in order to finance war effort and as a part of the plan of war effort, I can understand it and appreciate it. War has got to be financed. We require money and it is always legitimate to ask people to save money for war purposes. But, Sir, he goes further. He says that all the money that there is now in India—increased purchasing power—should be utilized only for financing war efforts and for putting it in Defence Loans. He says:

"The whole of that purchasing power cannot possibly be utilized in a satisfactory and wholesome manner at the present time."

I may be uncharitable, Sir, but my interpretation is this that it is still the old anti-industrialization policy which is working in their minds. The attitude of the Government with respect to how that spare money should be used is very hostile to our industries.

Now, Sir, that leads us to the question of industrial development in war time. The Honourable the Finance Member speaks in a tone of boast "that there has been a really striking achievement of Indian industry". He has used the word "really". My submission is that there is no foundation for this extravagant claim, because Government have not given any planned support to Indian industry, even during these times. Now, let us take defence industries first—Aircraft; Automobile; Shipbuilding; Munitions; etc.

As regards Aircraft, Sir, we know what are their achievements. I shall read only one sentence from the Budget speech:

"Finally, the scheme for the assembly and manufacture of aeroplanes in India has made good progress."

In the very next sentence he describes what that progress is.

"It is confidently hoped that the factory will complete its programme of fighter and bomber construction before the end of the present calendar year."

That is to say, before the end of the year 1942 the factory will complete its programme of fighter and bomber construction. We do not know what that programme is, but this much we are told here that he hopes that that programme will be finished before the end of the year. I do not know where we shall be at the end of the year. Here I should like to tell one thing, Sir. People are being accused of being Fifth Columnists. What is this that the Government are doing: telling our enemies that so far as aeroplanes are concerned, we have not done anything—"We confidently hope that some thing will be done before the end of the calendar year".

As regards Automobile, we know the whole history how the Government thwarted the efforts of those concerned and opposed all manner of attempts which have recently been made to have an automobile industry in this country. I have no time to deal with this subject in detail. Here is a small book by Sir M. Visvesvaraya. After publishing the whole correspondence between the Government and the promoters of automobile industry in India, he says:

"The correspondence vividly brings to light the fact that the Government of India though expressing sympathy with the cause have never taken a single step to

[Mr. Akhil Chandra Datta.]

promote it, have never made a single proposal of a constructive character, never suggested that any alternative proposals or modifications in the proposals placed before them might induce them to view the case favourably. Neither have they shown, in the whole course of these negotiations in spite of repeated requests, any inclination to have a frank and open discussion with the promoters. They have created and reiterated every difficulty that they could think of. . . ."

He has said in another paragraph:

"Their first reason was that the proposal went against an old Government order on the Report of the Fiscal Commission of 1921-22; their next objection was that the scheme did not help war effort. Then they have been apprehending all manner of difficulties, that the skilled labour required for military works might be diverted; that shipping facilities for importing machinery and tools might not be available; that difficulties might be experienced in granting priority certificates and providing the necessary dollar exchange."—
and so on.

One after another all manner of difficulties have been created so far as automobile industry is concerned.

So far as Shipbuilding is concerned, that industry has been crushed by them; and as regards new enterprises for shipbuilding, we know the whole unfortunate story of how the Government has opposed throughout all attempts made by Indians for shipbuilding in India.

These are the really striking achievements in the industrial field. That is about defence industry.

As regards the heavy industries—about locomotives we know the story and it is no use repeating it. The same is the case with industrial machinery, machine tools, heavy chemicals and so on. When he speaks of striking achievements in India's industrial plan, I want to know what are those industries which the Government has built up during these two or three years. Even with regard to defence industries, although some progress has been made—which I admit—even that has been done and compelled by the pressure of events

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has only one minute more.

Mr. Akhil Chandra Datta: All right, Sir; if I have got only one minute more, I shall only refer to the concluding portion of the Honourable Member's speech, where he says that Indians should prove worthy of the great task and that hand in hand with America, China and Russia we shall move forward to the victorious dawn of a new world. Noble words are these, but hollow and empty words will not do. Something more is necessary to create enthusiasm in the people with regard to war efforts. What that thing is we know and they know: only they are not prepared for it yet. God save them and God save India.

Sir Henry Richardson (Nominated Non-Official): Sir, the principal and over-riding question which must be considered when examining this Budget is "Does it help the war"? That is what vitally affects everyone of us, whether he be rich or poor, and just as people nowadays are asking whether our defences are strong enough and whether this, that and the other thing could or should not have been done, so we must ask ourselves the question "Is the budget whole-hearted"? Is it wise or unwise to try

and raise only 12 crores leaving a deficit of 55 crores uncovered? Honourable Members doubtless remember the strong criticisms which the earlier war budgets of His Majesty's Government brought forth and how they were described as being weak and half-hearted war efforts. It may be argued that India's strong position justifies a more courageous attempt to bridge the wide gap between revenue and expenditure, that India's heavy commitments in the future and the uncertain outlook regarding the realisation of the present estimates are factors which should be faced now. The Honourable Member himself describes Customs Duties as the main pillar of the Central revenues of India, and we all know how difficult it may be in the circumstances as we see them today for these duties to be realised. These are important questions which must present themselves to the minds of all serious thinkers. The Honourable Member has reminded us that it will be exceedingly difficult to make up any heavy short-fall in Customs duties from alternative sources. With these problems facing us the reassuring words which the Honourable Member used at the close of his Budget speech are indeed most welcome, and the comfort and encouragement which he considers may be drawn from the general picture are, indeed, heartening at such a time.

He referred to two strong points, *viz.*, the undoubted increase in the National income and the tremendous accession of strength which results from the conversion of external to internal debt. For the last named bulwark we have to thank the foresight and courage of the Honourable Member and his predecessor and we, in this Group, pay our tribute to him for taking advantage of the situation to release India from this handicap. The other strong point presupposes that additional revenue will be derived from the increase in national income. Time alone will show whether this is right or not, but we must remember the great effect of war time financial policy upon economic developments in the post-war period. I am sure the Finance Member has this important question well in mind and in leaving such a large portion of the deficit to be covered by borrowing he is undoubtedly thinking not only of the present but of the future—in more ways than one!

I turn now to the direct taxation proposals. The increased surcharges on income-tax and super-tax will be supported and borne by my community with the readiness and determination which have been displayed by all classes in England. We here may be said to be still lucky in comparison with home rates, since in many cases the incidence in this country is more favourable. There is, however, the question of certain allowances made in England and which do not exist in this country, and for this reason it happens that the incidence of taxation to some extent falls inequitably on a man with a family. If there is any increase in income-tax, in future, this is a point which should be borne in mind in fixing the rates. We are grateful to the Honourable Member for preparing and publishing in the explanatory memorandum the very interesting statement showing the incidence of taxation, despite the fact that this was on the last page of the Memorandum thereby illustrating the point perhaps, that the sting was in the tail! The even progression of the percentage on the varying incomes may not be agreeable to all and undoubtedly, there will be hard cases despite the justification which is undeniable on paper. The Honourable Member recently had an opportunity of defending his Department against an attack on a somewhat large scale.

[Sir Henry Richardson.]

Although we in this Group did not agree with all the grounds of this attack I take this opportunity of joining with those whose object was to impress on the Department the necessity for an attitude of reasonableness and assistance in deserving cases such as is found with the home authorities, in place of the unhelpful attitude which is, unfortunately, more often displayed by those in authority in this country. The higher the taxation the more need will there be not only for care on the part of officials to ensure Government receiving its due revenue, but it also carries with it increased responsibility for some measure of sweet reasonableness in, as I have said, deserving cases. I hope the Finance Member will do everything he can towards imbuing his responsible officials with this idea and that their decisions must not necessarily be primarily based on revenue considerations.

The optional Savings Bank deposit system which has been introduced in this Budget is a novel feature and one which all those who have the welfare of their labour at heart should welcome and support. Most of us have had experience of the bad effects which borrowings from money-lenders and other sources have had on our workers, and, therefore, apart altogether from the desirability of assisting price control by preventing the increased purchasing power being utilised until a later date, it is a praiseworthy attempt on the part of Government to encourage the habit of saving. I would like to suggest that it would assist employees if their optional savings could be deposited monthly just the same as their tax would be deducted each month. I would also like to suggest, if it is possible, that Government should make some proviso whereby these deposits could be protected against being mortgaged or otherwise disposed of in advance of receipt, and this recommendation also applies to the funding proposals for the benefit of assesses whose annual income does not exceed Rs. 6,000.

The Honourable Member has stressed the fact that his proposals have been framed by reason of the conclusions reached, that the time has come when it is Government's duty to adopt measures with the object of relieving the difficulties and the danger of inflation arising from the fact that people who have earned their incomes and have been paid a reasonable wage might not be able to buy because goods were not available. This is a new form of price control and time alone will show how far the measures now to be adopted will prove successful, and whether the extension of the principle should be applied to higher incomes. The effect of the proposals will require careful watching in these respects.

Before passing, I wish for a moment to refer to the National Savings campaign. In his Budget speech the Honourable the Finance Member mentioned a conference of representatives from Provinces and Indian States which was held in January to survey progress and consider further measures. We regard this matter as of paramount importance and would be grateful if the Honourable Member can tell us what conclusions were reached by the Conference and whether increased loan propaganda of a more intensive type is under consideration. We are under the impression that the present organisation in this respect is entirely inadequate. We understand that the Establishment Officer of Government is expected to devote a few spare hours to the subject during his visits to Provinces where he has no one working under his control. This is a matter on which we would welcome more information.

Coming to taxation on Companies, the increase in the Corporation tax is, of course, in line with the other increases. In regard, however, to the novel feature which has been introduced in the case of the Excess Profits Tax, not every Company earning excess profits will find itself in a position to accept the scheme of contributing a portion of these excess profits on the understanding that Government will, after the war, refund a certain portion of the tax already paid by such Company. It must necessarily be a matter for decision by each individual concern, and there may be a good deal of heart-burning when it comes to deciding whether on grounds of public interest shareholders would approve of the investment of funds at two per cent. which might possibly otherwise earn a higher rate. The repayment by the Central Government of a portion of the tax is to be subject to such conditions as the Central Government may hereafter determine and the post-war reconstruction committee are to give advice on the formulation of these conditions. It may, of course, be very properly argued by Government that their agreement to forego a part of this taxation justifies their laying down certain conditions but until these are disclosed I think the Honourable Member will agree that there might be, not unnaturally, a considerable hesitancy on the part of Companies to involve themselves in what, after all, is more or less a gamble. Not only is the period of the war uncertain, during which time the Company's contribution will be frozen, but the conditions under which the Government's contribution will be repaid are unknown. It is not quite clear to me what considerations the Post-War Reconstruction Committee will be expected to bear in mind in this matter. I agree with the statement that the formulation of the long-term trade and industrial policies is properly a matter for Government as a whole but I do not see how it is possible for any Company to come to a decision which may affect very considerable sums, without their being in possession of the details of these conditions, and I would ask the Honourable the Finance Member to state when he expects such conditions to be announced and would urge on him the necessity for expediting this matter in order that the success of his proposals may not be jeopardised.

Another point is in connection with the statement that Government's contribution will be a taxable receipt of the year in which it has been paid. No one knows how long this payment may be delayed, nor what the level of taxation will be at that time, and these uncertainties may, I fear, combine to nullify to a large extent the objects which the Honourable Member has in mind. Would it not be possible for him to say here and now that the rates of taxation which will be levied on the Government contribution, when it is paid over, will not be higher than those contained in the Budget now before us?

The proposals for indirect taxation have our support and we feel that any criticism regarding the increase in the ordinary letter rate from 1½ to 1½ annas is met by the fact that the Honourable Member has left the postcard rate unchanged.

Finally, Sir, I cannot conclude without some reference to the Defence Services and especially to the enormous amount of over 400 crores which the Finance Member mentioned it was expected would be recovered from His Majesty's Government during 1942-43, and this is in addition to the 200 crores contributed by His Majesty's Government last year. I believe that the British Government is spending over 12 crores a day on

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the war effort, whilst India's defence expenditure amounts to 40 lacs per day. Even allowing for the difference in the national incomes of the two countries, India is indeed fortunate in the relief of that portion of the expenditure for which Great Britain is liable. When we think of the war in terms of these colossal sums there is no doubt that taxation in this country has been comparatively moderate, and even allowing for all the political and psychological factors I join with the Honourable the Finance Member in his concluding thoughts that whatever may come, India will prove she still possesses that spirit and courage which is traditionally hers. But to achieve this, unity is absolutely essential. Let us all then—Indians, Anglo-Indians, and Europeans—go forward together, hand in hand, standing shoulder to shoulder, come what may, fighting with all our courage and resources to withstand the aggression which faces us, in order that we may preserve the freedom and integrity of this great country.

Lieut.-Colonel Sir Henry Gidney (Nominated Non-Official): Sir, I

12 Noon. feel sure that the Honourable the Finance Member has earned our deep appreciation and gratitude for the skilful way in which he has managed the finances of this country, faced as he is with such a terrible daily increasing burden. It is a difficult thing to find funds for our defences being as they are today four times greater than the normal budget. But even so, our financial responsibilities are nowhere near those of other nations with whom, at the termination of the present crisis, we, in India, hope to share and take an equal part.

Having said that much, let me pass on to a few observations of a general character before I come on to specific matters. To the casual observer it seems that the Honourable the Finance Member, in the various ways and means he has suggested in his speech, has, to my mind, not explored fresh avenues of income. I would call the directions which he has followed, more "administrative" than "commercial", but, the Finance Member, steeped as he must be in administrative service—it seems to me that he has narrowed his perimeter and confined the sources of revenue to that much attacked Post and Telegraph Service, Income-tax, Surcharge, Super-Charge and the Excess Profits Tax, not to forget petrol. These measures of taxation should be shared by both rich and poor. To my mind, his direct taxation will seriously affect the middleman. But the Honourable Member, like his predecessors, seems to be afraid of imposing any unpopular taxes. He has, on the contrary, advised borrowing. I think that is a very necessary and very wise means, but might I, as a layman, advise the Honourable Member to issue these loans on long terms—30 to 50 years—and for the very sound reason at which my Honourable friend, Sir Henry Richardson, hinted, i.e., "for other reasons". We, in this generation, would have to bear the brunt of these loans while the future generations would receive the benefit. They, in their turn, should also be made to pay.

I wonder why the Honourable the Finance Member has turned his blind eye towards such sources of revenue as luxuries, tobacco—I am not a smoker today, I was—liquor, sugar, silks, etc.? I did once in this House say: "If every Bania in India was made to disgorge or disclose his true financial position and to pay all his income-tax there would never be a deficit budget presented to this House." There is more than a

veneer of truth in that. The facts in support of this are that Banias and others lend money at six to nine per cent., but above this, they take what is colloquially called "pugree" or "turban", that is the amount of income-tax they have to pay, and this is credited in their books. But there is one point that I was rather surprised the Honourable Member had omitted, and which I would ask him to consider. I ask, why has he failed to impose death duties? This is a source of great revenue in England..... (Interruption.) Please keep quiet and let me have my say. Your time will come. So please don't interrupt me. This is a source of great revenue in other countries, but India seems to be free from it. Why should wealthy men enjoy the wealth that they obtain from the public and leave it after death to a profligate son or any other to spend? Why is he not called upon to pay certain death duties? I commend this to the serious consideration of the Finance Member. Death duties expose the wealth of a man. It is subject to court valuation and so enable a correct death duty. I want to know why does Government fear unpopular taxation? Direct measures of taxation of those in receipt of incomes between 1,000 and 2,000 are certainly very encouraging as the previous speaker said. I am glad to welcome it and speaking as a member of my community it is a measure which will certainly encourage thrift. I, therefore, endorse all that Sir Henry Richardson has said on this matter. It is said that "God helps those who help themselves" and I was tempted in a moment of lighter thought to make a statement which, in political language, would read something like this:

"He roared his crores
Yet never lacked his lakhs.
He advised a thrift,
To secure a lift,
Both sure and swift,
But after the war."

Which means that these benefits are to be obtained only after the war. But I do think this encouragement of thrift is one of the most gladdening features of the Finance Member's measures of direct taxation. Let me, however, warn him—may be it is not necessary to give him this warning—the enemy is at our very doors, and the Honourable Member has not taken from India the sacrifices which other nations have done gladly. His entire effort on this point seemed an apology for his demands and not a forceful clarion call to the people of India to help Government win the war. I have the greatest respect for the Honourable the Finance Member and I have no desire to cross swords with him on financial intricacies. But I feel that he has not correctly estimated the tone and the spirit of the people of India. I do feel I am right when I say that both poor and rich are prepared to do equally as the other nations have done in sharing the burdens of this war.

I was pleased to note that His Majesty's Government had completed the examinations of the schemes recommended by the Roger Commission and approved of 20 new projects to the value of about 12 crores, but I do not know if the Finance Member clearly indicated in what directions the factories are to be established as his speech more or less stressed the manufacture of munitions. And, here, I join with my Honourable friend, Sir Henry Richardson, in offering my grateful thanks and appreciation of the wonderful defence works which are being done in India today. But

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it strikes me that the fact that these projects are being financed by His Majesty's Government, partly discounts their character as a means of post-war industrial development. Other countries use the war effort as a means to expand their industrial capacity and to encourage private effort to establish factories. This is the spirit that should be fostered during the war and Government should help it. Today greater than ever is this necessary because England, when it accepted her responsibilities as per the Roger Mission never expected the Pacific route to be endangered as it is today, nor did it expect that the supplies from the Far East and the United States will be so unsafe to be brought here. The Japanese treacherous attack on Hawaiian Islands, the Pearl Harbour, Malaya and Singapore—and Burma is almost in their grasp—has foiled the plan of the British Government as they intended arms to be sent from America to India. While I am glad to hear the news that India and Australia are to receive planes and other war material from the United States, it must not be forgotten that, though planes can be flown, guns will have to be brought on steamers, and with the Indian and Pacific Oceans more or less mastered by Japan, as far as we know, the task of transporting planes, tanks, etc., to India is rendered extremely difficult. But it strikes me that if within a few years—(I think it was in 1935 that the movement was started)—Australia has been able to receive exports and blue prints from abroad, so that today she is the arsenal of that part of the world, why not India? This is the question which has puzzled me for a long while.

I was glad to hear in today's radio news that an American Industrial Mission is visiting India. These missions seem to be flying about from country to country and we should like to know what good work they are going to do or can do in the present circumstances with our sea routes in such danger. If India cannot start her industries on a large scale of armaments, surely she can and should start them on a smaller scale so that all our men may be properly equipped to meet the coming onslaught from Japan. It is no good depending on outside resources just now. We must depend on ourselves. Remember it is never too late to make a start. I believe that war time is the best time for the encouragement of industries especially as India is situated today practically cut off from all armament supplies. I am afraid the Finance Member's proposals show rather a lack of these points, except that His Majesty's Government have accepted 12 crores for the Roger Mission recommendations. None can deny that the Far Eastern situation is today in a very different condition which, as I have already said, was not anticipated either by the Roger Mission or by His Majesty's Government, for what do we see today? Except one assembling and repair factory, there is no other attempt of expanding production of heavy arms, planes in India. The very future of India, nay its very life, depends on this. As a member of the Commonwealth of Nations, it demands an immediate effort. It was during last Session that the Commerce Member asked for ten lakhs for research purposes. Sir S. S. Bhatnagar and his fellow scientists are working as well as they can, but it seems that the Finance Member offers no help to them to improve Indian industries. Therefore, these ten lakhs do not seem to be of much use to us. If we wish to use the labour of these research workers we must use them as a means to an end, i.e., entirely

in the industrial development of the country. I have read Sir S. S. Bhatnagar's article in the *Statesman* outlying many discoveries but none seems to be acted on as far as I know.....

The Honourable Sir Jeremy Raisman: I am afraid the Honourable Member does not know very far.

Lieut.-Colonel Sir Henry Gidney: I know as far as you let me know from your budget.

The Honourable Sir Jeremy Raisman: But that is not the place in which such matters are set out at length.

Lieut.-Colonel Sir Henry Gidney: I am not setting them out at very much length. I am talking about this research work as part and parcel of the industrial development.

The Honourable Sir Jeremy Raisman: So am I.

Lieut.-Colonel Sir Henry Gidney: I maintain, our efforts on India's industrial developments are not so concentrated as they are on the defence of India. My reasons for stressing this point are manifold. India should be self-sufficient which is attainable only by advancing our industrial development. We have the men, we have the materials, but no equipment. This shortsighted policy and the dilatory tactics to our major industries is seen today by the fact that we depend for our supplies in armaments, etc., on countries which are 7,000 miles away. The creation of the Eastern Group Supply Council itself was an admission of this need of expanding India's resources. Today our position is worsened by the fact that Australia is unable to supply us our needs and soon America will also be in the same position. For this reason Government owe it to India to start industries at once and on a large scale. Again, I repeat for the Finance Member's information that my criticisms do not refer to those minor industries which the Commerce Member is so ably conducting and establishing, I mean those major industries relating to armaments.

Another aspect we must consider seriously and that is India's post-war reconstruction. My friend, Sir Henry Richardson, and the Deputy President of the House, also referred to this in their speeches. It may seem futile for us, today, to talk about this matter with a war still on us. But considering the life of the nation and its future, we should look at this matter with a long vision. I know that the Finance Member has this prominently in his mind, but I should like to see this started immediately, otherwise India will face one of the gravest problems which will challenge solution. Let us not confuse the present post-war demands with those of the last war. They are incomparable. The last war had only indirect post-war repercussions on the economic and industrial life of India. This war is different, because Japan commands the Southern Pacific and threatens the coasts of India. It possesses Malaya and Singapore and Eastern Bengal and Assam are in danger. Therefore, let us at once start large scale industries and thus help the poverty stricken agricultural masses to raise their standard wage and living. I have heard it said, even by friends of England, that the delay for the industrial development of

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India is due to England's desire to exploit India and her fear of losing an industrial potential market for its products. I hesitate to believe that it is wholly true. But I would, at the same time, stress that the present time is an excellent opportunity for England to disprove these accusations or suspicions.

Before I conclude let me refer to one or two points raised by the Finance Member in his budget speech. The Honourable the Finance Member referred to the inadequate response India has so far given in the officers' grades for Emergency Commissions. He said that this might be due to insufficiency of pay. No, Sir, that is not the real reason. It would be more correct to say that it is due to the disparity of pay between Indian and King's Commissioned Officers. I know I will be told by the Defence Secretary that no difference exists between Indian Commissioned Officers and King's Commissioned Officers recruited in England. I am not concerned with what pay is given to British Officers recruited in England. What we in India protest against is the difference in the salaries given to our English confreres recruited in India even if British born and employed in India before recruitment. I shall again be told that no difference exists which cannot be found in the Indian Civil Service and other allied services. It may sound reasonable and all right to those who are steeped in the luxuries of the Lee Loot. The Honourable the Finance Member must plainly see that Indians refuse or hesitate to join as officers of India's Land Forces on account of these differences in pay, especially when it cannot be denied that both officers serve the same army, are exposed to equal hardships and dangers and do the same work.

The other day it was pointed out to me that a Company Sergeant Major with allowances in the British Army gets more than an Indian Commissioned Officer and the former has no status to maintain. This, Sir, is the real reason why there is a certain lack of officer recruits. Remove these unjustifiable differences, this slavish adherence to Asiatic and non-Asiatic domiciles and I feel sure the House will join with me in saying that the supply of recruits will at once far exceed the demand. I repeat these marked racial and domicile differences must be removed. The Lee Concessions, if necessary before the war, are certainly not so urgently necessary today. It was meant originally for the education of the children of British or non-Asiatic domicile officers serving in India, for the extra expenses needed for the maintenance of two homes, if necessary, and as compensation for service from their Homeland. I am prepared to accept the necessity of these reasons but I submit these conditions have altered and do not exist so much today. Most of the children and families of these officers were evacuated from England and brought to India between 1941-42 and education is provided for them in this country. British officers spend their leave in India and officers retiring on pension prefer to stay here rather than go back to their homeland and pay ten shillings income-tax on their pay or pension. I, therefore, feel that the time has come when temporarily reduction in the Lee Commission Concessions should be made, for they are not justified under the altered circumstances of today.

Sir, throughout the speech of the Honourable the Finance Member I felt that he was offering an apology for His Majesty's Government. He

expatiated how His Majesty's Government had financed the Roger Mission, how she was prepared to give India large quantities of aeroplanes, vehicles, guns and other equipment without charge to the total of about 60 crores of rupees by the end of 1942-43. The display of that spirit—I may be wrong in my view—as also the elaborate explanation of the repatriation of the sterling loan, I feel sure, was somewhat unfortunate under the present environments and circumstances that face the country. It seemed as though it did take off or cloud the sunshine of our admiration and appreciation of his wonderful work as one of India's greatest Finance Members and his own great efforts to enable India to produce her own defence armaments as outlined in his speech. I shall not, however, attempt to criticise matters of high finance but reiterate that the Honourable the Finance Member ought not to adopt such an apologetic attitude. He should bravely demand more from India which India I am sure will gladly give. England has stood bravely for democracy even when fighting alone. She may not be faultless, but she has nothing to regret with regard to her multifarious defence demands and the grand and noble manner in which she has stood during the war in relation to her allies and even to her one-day foes but friends today, the Russians, to whom she is rendering such timely and valuable aid. England wants to help India and she can. England made her Island a strong arsenal and successfully defeated Germany's aerial invasion. England felt it necessary to retain most of her armaments within her confines. But England never anticipated the speed with which Japan has moved her forces in the Far East and defeated us so far. But, Sir, no nation has ever been faced with such a drain on her resources, such a tax on her manhood and womanhood, no nation has shown such united bravery and cohesion as England has done and I claim for this reason, if for no other reason, one feels proud to be a subject of His Majesty the King. Unfortunately, Sir, circumstances have developed beyond our control today which has placed India in a rather unenviable position. It is up to us to do our best to unite and bravely to face this impending calamity—or as my Honourable friend, Sir Henry Richardson, started his speech when he said that our chief concern and aim should be to unite and fight a common foe. I agree with him that the efforts of the Finance Member as outlined in his defence measures are mainly aimed towards victory and the defence of India, and I join with him in that appeal. I feel that the Honourable the Finance Member has, under the most unusual circumstances, made a wonderful effort for India's defence and for India's finance. And when victory is won—I am sure that day will soon come—I feel that our present Finance Member, Sir Jeremy Raisman, will earn our unstinted gratitude for the great services he is rendering India today and which I hope he will continue to do for sometime to come.

In conclusion, Sir, all I beg is the immediate recognition of India's major industry demands, even though it may seem late in the day. India wants to play the game with a straight bat with England; let England do the same is all that India asks, that she is doing so and will continue to do so no one in this House doubts. But we in India realising our ability to defend and desirous as we are to play a great part in the present war claim that our post war reconstruction depends on our industrial development and on which depends the future hopes of the millions of India's poor who are, today, underpaid and as a result are underfed and

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underclothed and which poor, even though it may cost them something, are equally prepared to share the burden with the rich.

Dr. Sir Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, I congratulate the Honourable the Finance Member for keeping the finances of the country in an unexpectedly stable condition. The securities are firm, money is cheap and is easily available and the banks supply the currency required for normal civil life. He removed the panic, he stopped the hoarding of currency by private individuals. We judge his measures by the success and not by any theory of political economy. To avoid panic and internal disturbance, the Government should adopt, in my opinion, three measures which will go a very long way and one of these depends upon the Honourable the Finance Member. The first measure I suggest is that the Banks should always remain open and supply in abundance small coins and notes for civil requirements. If banks are closed, panic will follow. The second thing depends upon the Honourable the Commerce Member, that is, that arrangements should be made for the storage of foodstuffs and fodder in every district and in every subdivision. This can be done by the Provincial Governments in co-operation with the Commerce Department. The third thing for which the Honourable the Finance Member has already made provision by increasing the quota to Provincial contribution is to double the police force and not depend entirely upon Civic Guards.

Now I come to the second point, *vis.*, the contribution by the railways. I think we ought to have a fresh Convention during war time and revise the Convention of 1924. We may have a moratorium about the payment of loan from depreciation and the entire surplus must go to the Defence Service. That is really the first charge which the Railway Department should have because most of it is on account of war conditions.

The Honourable the Finance Member on page 11 of his speech refers to the technicians' scheme and says that the scheme of technical training has been very much widened; and he expects to get 48,000 technicians at the cost of two crores. His desire to encourage and the country's desire to assist are there; but the machinery devised to give effect to these proposals is defective. Better results could be obtained if the Department of Education had been consulted at the outset. The Labour Department has no academic experience and Labour Tribunals are not the proper agencies for recruitment. In this connection, I had a series of correspondence with the different sections of the Defence Department, so much so that I had even to go to His Excellency the Commander-in-Chief (General Wavell), and I begged him that the machinery of recruitment should be simplified and not be so complicated. I am glad that as far as I am concerned I succeeded in my efforts and I got a simple selection committee and a simple recruitment committee; but I am not sure whether those difficulties which have at least been simplified in my case are not to be found elsewhere. As regards assistance, I will point out that we promised to give 500 war technicians per annum and we have already in the last six months given 200 war technicians. But the Government would not give us even a workshop or residence for those technicians. I had to borrow Rs. 15,000, for a workshop and I am now borrowing

Rs. 15,000, for a hostel. But, unfortunately, my credit is not as good as that of the Finance Member because the Vice-Chancellor of the Aligarh University is not a paid official.

The Honourable Member has referred to the training of the Army and Navy and Air Force. Here he will have no difficulty in recruitment if the machinery of recruitment is improved. He referred to the Junior Boys' Training School. I think the work here and the work in the other elementary schools can be done by the existing institutions. I do not think they can take the entire responsibility, but several months' work which they give in specialised military schools or specialised training schools for different kinds of arms can be transferred to educational institutions which are willing to take it up, and in this way there will be great relief as regards admissions in these technical institutions.

The next thing I should like to mention is, that although every penny should be conserved for war purposes, we cannot altogether neglect the nation-building subjects; and I think the Finance Member has in the present budget provided a grant for the Polytechnic. This is a very hopeful sign, but if he encouraged the other educational institutions he would find that war efforts would be substantially increased, and he would get great support from the public and from the educational institutions at minimum cost.

I now come to the Ways and Means referred to on page 14 of the Honourable Member's speech. I very much welcome the repatriation scheme, that is, the transfer of sterling loan to rupee loan, leading to a net saving. And he says:

"The combined result of these operations was an increase of Rs. 92 crores in our rupee interest charges against a reduction in sterling debt by Rs. 135 crores and sterling interest by Rs. 5½ crores."

This is exceedingly hopeful and I trust that the scheme will be pursued.

I now come to the Honourable Member's taxation policy and here I beg to differ from him. He starts with an assumption with which I don't agree, namely, that the purchasing power of the people is judged by the level of prices. The price level is certainly not the criterion to judge the purchasing power, because it depends upon so many other factors. For instance, it depends on restriction in production; Restriction in production will affect the price level. In my province of the United Provinces according to the figures given by the Finance Member the price level has increased by 51 per cent.; does it mean that the purchasing power of the people has increased in the same ratio? It is not correct to say that the purchasing power of the people rises with increase of prices. There are of course two classes whose purchasing power has increased. The first class is the people connected with the Supply Department, whether in service or working in any other capacity, except those who criticise it. The second class of people whose purchasing power has increased is the class of people who do criminal acts, i.e., store food grains and other things in their houses and do not bring them out for sale. My Honourable friend, the Finance Member, passed an Ordinance the other day against storing coins; why not pass a similar Ordinance against storing food-grains? If they are stored and not brought out for sale, naturally the prices will go up, but it does not follow that the purchasing power of

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the people has also gone up. His whole basis of taxation depends on this principle, and if the principle is wrong his conclusions must also be faulty.

Then, he has been very harsh to small people and very lenient to big people. That is not a sound principle. If you want the people to be contented, you do not want to keep the big people contented,—they have a stake in the country and will always be contented,—but you have to keep contented those people who have not got enough to eat.

I have now to deal with the Aligarh University as an employer and I know the feelings of the people,—teachers and others who have an income of Rs. 1,000 per annum and no back-door income. Now that the cost of living has gone up by 51 per cent. it is very difficult for these people to make both ends meet, and we have to provide from the budget for some relief in some way or other; and, in order to give that relief I will have to go to the Finance Member to give an additional grant to the University. Therefore, he will have to give by one hand and take away with the other. That is not right; and the condition of these people who earn between Rs. one thousand and two thousand is very pitiable. It is not possible for them to make a compulsory deposit of even a penny, and you will find that 99 per cent. of them meet these budgetary demands by means of loans, which the Finance Member will not do, though we have been pressing him from this side of the House. Now, Sir, to compel those people to deposit some money is cruelty. They will have to borrow money from somewhere at probably 12 to 24 per cent. interest and deposit with you at the rate of 2½ per cent. interest, because the minimum rate of interest, at which these people borrow the money is 12 per cent. So, really speaking, you are reducing the purchasing power of the people; you are not showing any kindness to this class of people, but you are really compelling them to borrow money at abnormally high rate of interest, in order to deposit it with you at 2½ per cent. Is it really kindness or cruelty? Is it national economy or the reverse?

Now, Sir, as far as rich people are concerned, he has got a different principle altogether. Let us look into his own proposals on page 5 of his memorandum. He says:

"To assist in securing these objects we are prepared to contribute an amount up to but not exceeding 1/10th of the net Excess Profits Tax ultimately paid at the rate of 66⅔ per cent."

Now, Sir, I should have thought that whenever the rate of income-tax is increased, the first thing that would be increased is the Excess Profits Tax. But it is just the reverse. We give them ten per cent. rebate, and it is proposed practically to reduce the Excess Profits Tax by 1-10th, that is, from 66⅔ to 60 per cent. This is not very fair. Why not follow the practice of the United Kingdom? Take the entire borrowing profit of 1-3rd yourself and then keep it with you and hand them over after the war with 2½ per cent. interest. In many cases you follow the practice of the United Kingdom. Why not follow in this particular case as well? Take the entire excess profits in loan as England has done.

Now, Sir, the next thing is the repetition of the mistake of 1931, that is, increasing the import duty by 20 per cent. all round including the protected articles. Sir, we have seen in the debate, in 1931, when Sir George Schuster raised the export duty by 25 per cent. throughout. So much

so that repeatedly on the floor of the House it was said "*Takas bhaji—Takaka khaja*": Make no distinction between coal and pudding; between diamond and wood and duty on everything is increased by 25 per cent. I think this ought to have been studied very carefully and he ought to have seen whether these articles could pay. In these days when the troubles are there, to increase the import duty on these articles is unwise. I know the Honourable the Finance Member will get up and say "What does it matter? These articles are not coming." Then, why touch your tariff if these things are not coming and he cannot justify it by the figures which he himself has given. The income, as he himself has given, from custom in the revised estimate is 36 crores. After increasing 20 per cent. of this duty this figure of 36 crores diminishes—not rises—to 35.35 crores. The law of diminishing return is applied there. Your income is diminished by 65 lakhs. Is it a fair taxation, and can you justify it—that you increase the taxation by 20 per cent. when your income has diminished by 65 lakhs. Is there any justification for increasing the import duty by 20 per cent. as you have done

The Honourable Sir Jeremy Raisman: Has the Honourable Member heard anything about the war in the Far East?

Dr. Sir Ziauddin Ahmad: Yes. You don't raise the money by this method. I could quite understand if my Honourable friend put a duty to raise money. There are other methods by means of which it could be done, but I say clearly that if you want to increase the duty you must do it by certain figures, after scientific calculations but not 20 per cent. throughout, even on the protected articles. He should remember the dislocation caused in the sugar trade in the year 1931 by a surcharge of 25 per cent. We will discuss later on what will be the effect of this additional surcharge of 20 per cent. on the protected articles. My Honourable friend, the Commerce Member, will have to introduce a new Ordinance in order to regulate prices. You first make a mistake and then make so many others to regularize the first one. Is it fair? I think it is very desirable that a careful study ought to have been made and the whole thing scientifically examined. You should have increased the duty only in the case of those articles which are likely to come to this country and where increase in the revenue may be possible; but when the increase is not possible, when the articles are not coming then what is the use of putting an additional duty of 20 per cent. in these cases?

The other thing is that nothing was done about the excise duty. Excise duty remains intact. Now, excise duty is a thing which remains in the country which may be taxed and in which case we are sure of the income. But we have said nothing about the increase in the excise duty and have only touched the import duty which is a very uncertain factor. It would have been wiser had the increase been restricted to the excise duty and you ought not to have touched the import duty at all, or even if it had been touched, he should have touched only a few articles which were to be imported in which case he would have given some additional income.

The next thing I should like to discuss is that in the calculation of your taxes, the subsidiary companies and Partnership companies ought to be included in the major companies. This is a measure of avoiding the income-tax. There are the same shareholders, the same managing

[Dr. Sir Ziauddin Ahmad.]

directors, but in order to avoid the accumulated income, as one company, they split up into different subsidiary companies or joint companies in order to show a smaller profit and in order to have a lower rate of taxes. This is a point which I think the Finance Member and the Honourable Mr. Sheehy may closely examine, that is, if these subsidiary companies have been started with the object of avoiding income-tax and they have the same managing directors and more than half the shareholders are the same people then, I think, you may examine the fact whether they are *bona fide* or they have only split up in order to show smaller profits in different companies. Sir, with these remarks I resume my seat.

Mr. Jamnadas M. Mehta (Bombay Central Division : Non-Muhammadan Rural): Sir, not many years ago the income of the Government of India was only about 75 crores of rupees a year, and now we find that the Government of India want an income of 187 crores. It is very nearly 250 per cent. more than what it was a few years ago; when you look to the figures of expenditure under different heads we find that the large bulk of that income has to be spent either on the military expenditure or other matters of a similar character in which the people of this country—not even this House—have got no vote. We are today given certain figures about the income which on page 20 of the memorandum is stated to be 144 crores net revenue and cost of collection over four crores which means that the gross income is 148 crores, and in para. 29 of his speech the Honourable Finance Member has stated the income from the present taxation to be 140 crores. The same happens about expenditure and the same about the deficit; and I am sure he will explain this discrepancy to me in his reply as only twenty minutes are allotted to us.

The Honourable Sir Jeremy Raisman: The Honourable Member must explain what the discrepancy is that he has mentioned.

Mr. Jamnadas M. Mehta: Look at page 20

The Honourable Sir Jeremy Raisman: Page 20 of what?

Mr. Jamnadas M. Mehta: Page 20 of the Explanatory Memorandum; there you state your net income is 144 crores and you say the collection expenses are about four crores. That makes a gross revenue of 148 crores . . .

The Honourable Sir Jeremy Raisman: No: you must take off your expenses from your income—you cannot add expenses to your income.

Mr. Jamnadas M. Mehta: You state that your net revenue is 144 crores: therefore, your gross revenue should be 144 *plus* four crores the cost of collection or 148 crores in all . . .

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member must address the Chair.

Mr. Jamnadas M. Mehta: I am sure he will explain to us how I am wrong. The net revenue is 144 crores, with Rs. 4 crores as the cost of collection, the gross revenue must be 148 crores, because the cost of collection must be added to the net revenue—it cannot be deducted; and then in para. 29 of his speech, he states that "the total revenue is estimated at Rs. 1,40,00 lakhs." Let him look at it. It is true . . .

The Honourable Sir Jeremy Raisman: That is 144 minus 4, which, I believe, comes to 140.

Mr. Jamnadas M. Mehta: 144 is your net revenue—look at page 20 of the memorandum: you call it net revenue, not gross. It may be that a layman like myself, reading for a few hours all that he has prepared in many weeks, may go wrong. But I assure him that I devoted many hours to understanding this discrepancy, and I have been unable to find any real explanation of it. 140 is the net income stated in para. 29 of your speech; and at page 20 of the Memorandum the net income is stated to be 144 crores.

The Honourable Sir Jeremy Raisman: Net revenue means the revenue after paying such refunds as have to be deducted; but the expenditure on administration is part of the expenditure budget and cannot constitutionally be set off against the revenue.

Mr. Jamnadas M. Mehta: I am quite sure that there is an explanation and I was therefore, asking that he should explain it in his reply without infringing on my time which is already short. All that I understand is that the figures are to some extent confusing; but what I was trying to show to the House was that the total expenditure on the Army of 138 crores as shown on page 20 of the Memorandum was not a complete statement. If you examine it correctly, you must add to the expenditure on the military which is given as 138 crores, a further sum of seven crores which is paid as interest on the losses in revenue which were clearly for war debt—that is a military charge on this country's revenue—771 lakhs is the interest we pay for the past war. Then you will find that several miscellaneous items on the war make a total of 342 lakhs—page 17 of the Explanatory Memorandum. Moreover, curious as it may appear, you are repaying three crores this year and you are borrowing 85 crores. This kind of borrowing with the one hand and repaying a debt with the other is not easy to understand. Then, there are several semi-military items, political expenditure, payment to Crown Representative, Civil Defence, External Affairs, Training of artisans, Department of Supply, which is evidently for war purposes—all these make a total of 1,169 lakhs. Then there is Baluchistan and other small items making a further sum of 457 lakhs. So the total expenditure which you are incurring on military, semi-military, external and political affairs, is 1,63.39 lakhs, out of a revenue of 140 crores. That is, not only does the military swallow 24 times the ordinary revenue, of a few years ago but even out of the loan which you may float this year for meeting the budget deficit, they take a large slice. Therefore out of the total revenue, loan income of Rs. 187 crores, as much as 163 crores, are not spent for the benefit of the public directly.

[Mr. Jammadas M. Mehta.]

That is a heavy charge. I am not complaining of the war charge. I am the first to admit that in war we shall have to suffer privations. I shall support any measure which may be necessary for the success of the war; but that I should stay aside and you should spend all the 163 crores when Indians get no directional share or interest in the expenditure of the whole amount, is, I feel, a little depressing to me. If you take me into your confidence, if you will allow me the power of direction, then I would be the first to support the war. I am not one of those who believe that when we come into power the expenditure on defence will be less. We will perhaps commit more blunders than you have done; but the main thing will remain, that we shall have no discrimination amongst ourselves or against ourselves and we shall have the direction of affairs. Today, in spite of all that is said and done in this war effort discrimination is rampant; and if that is removed—and I hope it will be soon removed—the war efforts will be much more effective than what they are today. That is all I have to say about war expenditure. I am entirely in favour of spending whatever may be necessary for the defence of this country. What I want is that the direction of that expenditure should be in my hands and that there should be no discrimination amongst Indians or against Indians.

I next come to the scheme of taxation by which the deficit is sought to be met. I know the Honourable the Finance Member sincerely believes in the savings campaign. I know he deeply feels that the purchasing power should not run waste in matters which are less helpful to the country's war effort than their investment in loans would be. I would agree with him if his premises are correct, but my view is that he is living in a dream. He has persuaded himself somehow that there is some purchasing power running waste outside the investment in war effort. I believe with equal conviction and with equal depth of feeling that for the large mass of the people of this country there is no purchasing power left; his own statistics, given at the end of the Memorandum about price level, should induce him to halt before imposing his scheme of taxation both on customs and income-tax as he is thinking of today. From the figures given at the end of this memorandum—pages 29 to 31—you will find varying degrees of the rise in the wholesale price level which in Bombay comes to 184 and in other places less. That is wholesale prices. As against that the rise in the working class cost of living equally varies, but is nowhere below 130. Has he by any chance made clear to himself that the purchasing power, wherever it may be, has gone into the hands of the poor and the workers? Has that dearness allowance gone anywhere beyond 15 per cent.? On his own figures the price level has risen by 180 per cent. at the least—151 in Cawnpore—and 180 per cent. in Bombay. I mean the working class cost of living; and have the workers got any dearness allowance from the wage level of 1934 which is in excess of 15 per cent.? The workers and those who are earning wages or salaries are today short of purchasing power, not bulging with purchasing power; and anything that he will do in order further to contract that standard of living will bring hardships, where hardship is already very acute. I wish entirely to dissociate myself from his scheme of taxation of incomes as he has proposed in the lower stages of incomes. I entirely dissociate myself from his policy of taxing kerosene or similar other necessities of life of

the poor, and I agree with my friend here in saying that merely adding a 20 per cent. flat rise will not bring good results—but I am not discussing that today.

I am saying this that the railway workers have got only 15 per cent. rise in their wages, and the cost of living is 180 per cent., 151 per cent. and 145 per cent. and, therefore, today they are not in a position to maintain themselves in the way they should. Do you want to tax these people more? Do you want to take away the little milk which must be going into the stomachs of their children? I have here with me the evidence before the Rau Committee, to which I would ask the Honourable the Finance Member to refer for a moment, and that will show him that worker after worker getting Rs. 80, Rs. 100 and Rs. 110 whom he wishes to bring under the new income-tax level saying—"I am not in debt, but my brother sends me Rs. 25 a month. I have petty debts amounting to Rs. 20 or Rs. 25. My father-in-law also supports me because my wife is his only daughter". Now here is a man who is earning Rs. 100 whose father-in-law supports him and whose brother pays him Rs. 25 a month. Then another man says "I am ashamed, Sir, that for my three children I only buy half a seer of milk". A third man says—"I am wearing a smaller piece of loin cloth; I have removed my daughter from school". These are the people whom you want to bring within the new income-tax level, though they were not within that level in 1940, when the price level was 114, and now it is 151! The Finance Member wants that they shall pay Rs. 40, Rs. 50 or Rs. 30, otherwise his budget cannot be balanced. Then at the other end he finds that the people who are paying him Excess Profits Tax deserve some sympathy. He has begun to discover that after the war when the cost of reconstruction will be considered these people will be handicapped. I tell him they will not be handicapped. Instead of taxing the food of the poor people, I ask my friend to consider an alternative, because after all, what is he doing? He is taxing the food of the people, he is taxing the food of their children, their clothing? I put to him an alternative to tax the food of the richer people. He knows that in some of the hotels like the Taj and the Grand and in several other big hotels all over the country every year many lakhs of dinners costing Rs. 15, Rs. 20 per head are served,—I ask my friend to tax those people 83 per cent. on their dinners. Let him tax the dinner of these fashionable wasters, and I am sure he will get a goodly round sum out of the taxation of these rich extravagant luxurious people, because I believe every year several crores of rupees are spent on these costly dinners all over the country by people who eat when they don't need such food, who eat only for the luxury of eating who really waste money on their food which they don't need. I beg of him to tax the food of these people who don't need it and save these humble people; if you tax people getting below Rs. 2,000, they will have to borrow to pay the tax; I therefore, beg of him to remove this income-tax upto Rs. 2,000 level. The scheme is borrowed from Prof. Keynes who suggested two years ago that certain incomes should not be paid but anticipated by Government for war purposes and repaid after the war. My friend forgets that England is a country where the standard of living is never allowed to fall. There the salaries carry a certain element of saving in addition to a fair minimum standard. Here a standard of living for 80 per cent. of the people does not exist. Therefore, the adoption of the device of Professor Keynes will not do, and I hope that the obsession he

[**Mr. Jamnadas M. Mehta.**]

has got that there is a large purchasing power being wasted by the majority of the people will be given up. It is a delusion, and he has developed it almost to the point of a fetish. I beg of him to drop it.

Then, Sir, there are one or two points about the Reserve Bank and the Repatriation which I wish to comment upon. My friend has told us what a beneficent thing this repatriation scheme has been to India. He has mentioned several of the advantages. Extinction of foreign debt, saving in interest charges to foreigners and the reduction of a strain on the exchange will now be much less. I tell him that all these good results could have been achieved and must be achieved without incurring a heavy burden on revenue.

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

Mr. Jamnadas M. Mehta: And as long all these results are not fully achieved, I shall continue to protest that the people of this country were being mulcted out of the 35 crores of rupees as a result of the repatriation scheme,—I have not yet studied the figures of the new repatriation and, therefore, I don't wish to make any comment—but I want to tell him

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

Mr. Jamnadas M. Mehta: May I say only a few more things briefly?

Mr. President (The Honourable Sir Abdur Rahim): You can conclude in one sentence. I am afraid I cannot allow any more time.

Mr. Jamnadas M. Mehta: I will finish in one or two sentences.

Mr. President (The Honourable Sir Abdur Rahim): I cannot allow him any more time. The same time limit applies to all Members alike. I cannot allow him any more time.

Mr. Jamnadas M. Mehta: I will wind up.

Mr. President (The Honourable Sir Abdur Rahim): If the winding takes time, I cannot allow any more time.

Mr. Jamnadas M. Mehta: Then I say that these supposed advantages have accrued to the country at a very ruinous cost.

Mr. Muhammad Nauman (Patna and Chota Nagpur *cum* Orissa: Muhammadan): Sir, the presentation of Budget in any country is a matter of very great concern to the taxpayers and, particularly, in this country where even the theory of "no taxation without representation, does not hold good. In this country we have no control over the central administration of the country, and the Budget is presented to a House which can neither modify the terms, nor can the people's representative change the method of taxation or the figures if they wanted to. We

can only convey to the House the feelings of the people we represent. We can only make our suggestions and tell the House how we feel about the budget proposals but we have no power to compel the Honourable the Finance Member to accept our suggestions which we make in good faith. The constitutional position being what it is, I shall attempt to review the Budget in as brief a manner as I can within the time allotted to me.

Sir, I certainly feel that the Honourable the Finance Member deserves the credit for presenting a little satisfactory Budget at a very difficult time. That I must confess, and I am glad he has tried his level best to tax the people to the minimum extent possible as out of deficit of 47 crores he is raising 12 crores only by taxation and balance he is meeting by loan. We are discussing the Budget under the shadow of great dangers hovering over the world, and, particularly, over this country. The defence of a country is always of paramount consideration, and at such times we cannot grudge any particular sacrifice, any particular taxation that we may be called upon to bear. 138 crores are provided in the Budget for our defence,—probably it is a low figure,—I think we ought to be prepared to contribute even a higher sum if and when contingency arose.

I understand from the budget speech of the Honourable the Finance Member that he expects a contribution of Rs. 400 crores from His Majesty's Government in the matter of war expenditure, but with the colossal expense that we have to undergo under the modern system of warfare I do not know whether that contribution will be sufficient. What I want to impress on the House is that we do not grudge any expenditure which we have got to do for the successful prosecution of the war, and as such, I do not want to criticise that aspect of the budget proposal at all; but I would say something about the incidence of taxation which will fall on the shoulders of the people. It has been the policy everywhere that effort is made by the exchequer to see that the incidence of taxation does not fall on the shoulders of the poorer section, but this has not been possible for the Finance Member here and his proposals are to tax the poor most. In the matter of direct taxation, most of the Members have reiterated this point that we do not look with favour the idea of taxing people who have got incomes lower than Rs. 2,000. The reduction of the minimum would be a hardship as the incidence of taxation will fall on shoulders which would not be able to bear it, or at least in comparison, we find that those who can afford to pay more easily have been left out. A time may come when half the entire assets of an individual may have to be given up for the State to meet contingencies of war. When we are expected to lose everything that we have, then we do not grudge even if we have to give up half of our belongings, but, as I said, even in these conditions it should be the effort of every Finance Member to see that the incidence of taxation does not fall on the weaker shoulders alone. But, unfortunately, the impression in the minds of the representatives of the people is that the Honourable Member has not kept that point in view. He has been liberal towards the rich people who have been taxed with Excess Profits and Super Taxes, and he has tried to net-in now those people who cannot afford to pay at this moment without hardship. In the matter of indirect taxation, kerosene has been pointed out by my Honourable friend, Mr. Jamnadas Mehta, and he has said that the incidence of indirect taxation in this case will fall upon

[Mr. Muhammad Nauman.]

the poorer section of the people. I quite appreciate the idea of levying a higher tax on petrol. I would have been glad to hear that the rate has been increased for Super-tax and Excess Profits Tax. It is not a question of the individual, it may be that time may come when I may be in that list myself but I feel as a representative of the people and I must bring the view point of the people to the notice of the House that his proposals are

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member may continue his speech after lunch. The House stands adjourned till half past two.

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

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

Mr. Muhammad Nauman: Sir, I was saying that by lowering the limit of income-tax qualification, the incidence of taxation will fall on comparatively poorer section and this hardship will create discontent in the minds of those people who will not have any opportunities and circumstances to make a strong propaganda which the taxpayers of Super-tax and the Excess Profits Tax have been able to do and who are always trying to impress the Honourable the Finance Member that they were very much hard hit. The Honourable the Finance Member will remember his own remarks which he made only a few days ago in reply to the Resolution of my friend, Sir Abdul Halim Ghuznavi, regarding income-tax. I further stated that the indirect taxation on kerosene oil will incidentally fall on the shoulders of the still poorer section and on people in the villages. As kerosene oil is not an article of luxury but of absolute necessity, it should be seriously considered by the Honourable Member whether it would be in the interests of the country if the burden is shouldered by a very poor section of the people in this country.

As regards the all-round 20 per cent. increase on the import duty, personally, I am in favour of it although my Honourable friends, Dr. Sir Ziauddin Ahmad and Mr. Jamnadas Mehta, have opposed the same. Money has to be found from somewhere and such a tax is quite in the fitness of the circumstances, but there is one danger which I may point out to the House. On the one hand, Government would not be able to get that amount of money which they probably think they will be able to collect by their calculations, because the chances of import are very limited and the channels are choked everywhere. On the other hand, it will give an opportunity to the stockists to increase their prices suddenly on the plea that an all-round 20 per cent. import duty has been increased. If some effort is made to restrict the increase in the prices of the stockists and the dealers on this plea and, thereby, putting the general public to a tremendous difficulty, personally I would not object to this all-round 20 per cent. increase in the import duties.

Now, Sir, another subject is that of industry to which my Honourable friends, the Deputy President and Sir Henry Gidney, have made references. I do not want to dilate on this subject because it is a subject

on which we can talk and talk for days together. I have got neither the time nor I desire to discuss it. I must say, one thing as my friend, Sir Henry Gidney, pointed out, that there has been an impression in the minds of the people here that England has not given any impetus to the industry of India because she wanted to maintain her commercial exploitation of this country all along. That impression should be removed by granting subsidies to such industries at least which are allied with the production of war materials. Such efforts should be made as will convince the people that the Government is sincere and honest in giving support to the industrial development of this country at least at this stage. For that, ways and means should be found out I do not want to suggest anything at this moment, but the Honourable the Finance Member can have suggestions from the Members of the House at some other times. He has already received many suggestions from us during the last few years and he can act upon them if he likes.

Now, Sir, the Honourable Member may say that I have tried to criticise his policy of taxation so far as income-tax and kerosene oil are concerned. He may further say that money has got to be found and something has got to be done. Some Honourable Members have suggested—and I agree with them—that in the matter of income-tax money has to be found only from the higher section of the people, who earn large sums of money and who are the only persons to whom the question of compulsory savings can appeal. The question of compulsory savings cannot appeal to those who do not know what savings means. In India a man who is getting Rs. 100 or Rs. 200 a month with a family and social obligations can hardly think of any savings at all, particularly at this time, when the prices have gone up by something like 50 per cent. all round. Dr. Sir Ziauddin Ahmad has pointed out, that this fact should not at all impress the Honourable Member that the purchasing power of the people of this country has gone up also. The shooting up of prices has more or less restricted the purchasing power of the country rather than increased it. Although the Honourable Member believes in compulsory savings, yet he has not made any suggestions regarding the cuts in the salaries of high officials.

On this side of the House we have been stressing for so many years about the cuts in the salaries of higher officials, people who are drawing Rs. 500 and more. It would have been quite modest if the suggestion were given by the Honourable Member himself that there should be a cut of ten per cent. in the salary of those who are getting Rs. 500 to Rs. 1,000, 15 per cent. in the case of those who are getting Rs. 1,000 to 2,000 and 20 per cent. in the case of those who are getting above Rs. 2,000 and over. The Honourable Members of the Executive Council have set a noble example by reduction in their own salaries. They have waited quite long for a voluntary offer of cut from the other section of their employees and I think it is high time that they should achieve this object by means of legislation. If the Honourable Member can do this, he will be able to effect some savings which he will be able to utilise profitably in these days of crisis under war conditions.

Another matter which I would like to suggest is this that in the matter of the excise duty one item has been left out. I do not know whether its possibilities have been explored or not, nor am I in a position to make any calculation of the amount which it will bring to the Government of

[Mr. Muhammad Nauman.]

India. It is the question of levying some excise duty on cement. It is one of those commodities which has been in frequent use in this country for quite a long time and, particularly, at the present time when iron is not available and which is being replaced by cement in the construction of buildings in this country. I think that would be a very good suggestion. It is for the Government of India to find out its possibilities and what amount they can get out of it. By taxing these things they can probably give relief to the poor people and if my proposals are accepted financial aspect of the budget will be complete without taxing the poor.

Now, Sir, as I said in the earlier part of my speech that so far as the successful prosecution of the war is concerned, we are prepared to make any sacrifice and everyone of us ought to be prepared to make any kind of sacrifice provided we are associated with it as partners. We want a definite assurance from the Government and the Honourable Member that they have made all possible arrangements to see that we win this war irrespective of the fact that there is a landing in this country by the Japanese or the Germans. We should be able to meet any invader and we should have all modern equipment to face those powers. For that purpose whatever finances are required, whatever sacrifices may be necessary, I assure the House that so far as our people are concerned, we would be quite prepared to take that burden with all pleasure on our shoulders provided we are given a real power in the administration of the country and the prosecution of this war as well. Let it be our war and we will fight it. With these few words I take my seat.

Mr. T. Chapman-Mortimer (Bengal: European): Sir, when during the course of yesterday, I studied the Budget speech of the Honourable the Finance Member and the Explanatory Memorandum, I was very much struck by four main features of his proposals. The first is the amazing financial strength of this country, after 2½ years of war. The total debt of India, external and internal in 1937-38 was 1197.16 crores; in 1941-42, it was 1209.20 crores, an addition of only 12.04 crores, after 2½ years of the most tremendous struggle and the most tremendous war effort on the part of India. But, if we compare the figures for the coming year, the position still remains as strong as it would appear from these figures; because we find that at the end of the financial year, 1942-43, the addition to the total debt of India would be only somewhere in the neighbourhood of 90.27 crores. Sir, I cannot help feeling that that is one of the most striking features of this Budget and one to which every one of us, inside this House and outside, should give great consideration and also, if I may say so, very great credit to the Honourable the Finance Member and to his predecessor for the careful way in which these two men have handled our financial affairs through a very difficult and critical period.

Sir, it is not only when we look at the total debt that we see how striking our position is. We find that at the end of March, 1942, the sterling debt is estimated to equal 118.52 crores; of which 36 crores equals the capital portion of annuities created in purchase of railways and 56.90 crores, the outstanding debt. In addition, during the coming year, the net amount of refund by the Secretary of State is no less a figure than £164 million and that is after taking into account the purchase of two railways, and after paying off the remainder of the loans which are to be repaid in the coming year. These are the most striking

figures and I would suggest that this aspect of India's financial position at this time is one that deserves our careful consideration and as I have said merits praise on the part of those who are responsible for it.

Now, Sir, the second feature about this Budget that strikes me is the enormous amount to be paid to the Provinces. This is far in excess of anything that was contemplated when Sir Otto Niemeyer made his investigations and raises a number of important problems. We are all very glad that the Provinces at this time should be helped to this large extent, more particularly as, from the nature of the case, their revenues are somewhat less elastic than those of the Centre. At the same time, it should also be a warning to certain Provincial Governments not to embark, at a moment when so to say windfalls are coming their way, upon unnecessary and extravagant expenditure. This perhaps has particular reference to my own Province of Bengal because though the profits of jute tax go largely to Bengal, it will be seen from the Explanatory Memorandum that the Honourable the Finance Member is budgetting for a smaller amount to be paid under that head to the Province and it is quite possible that the war situation, as it develops, may create a situation in which the jute tax proceeds are even lower than he anticipates. There is also the question of the Civil Defence expenditure; but I shall not go into that today as it is a subject of a cut motion later on.

The third aspect of this Budget statement which has impressed me is the defence expenditure. Our Army today is possibly well over a million as opposed to a peace time strength of only two lakhs; but the expenditure by India on her Army is only about three times what her normal peace time expenditure would be. Yet all our cavalry has been mechanised, our Navy is growing and our Air Force is growing. That has only been possible because of the tremendous contribution made by His Majesty's Government—200 crores this year and 400 crores in the coming financial year. It is also due in part to the wise conservation of our resources. But not only is His Majesty's Government contributing money, they are also contributing aeroplanes, tanks and all kinds of equipment. It has been asked, why have the Government of India not done a great deal more to re-equip, on modern lines, the Indian Army? Well, Sir, those of us who have listened to the army debates in this House, and to the great opposition the Congress showed towards any expenditure on the Army, know one reason why that has not been possible. We heard criticism—mostly of a carping kind—of the expenditure under the defence head of the Government of India. But apart from that, if we consider the case of France, with her huge Maginot line and her great army and enormous expenditure in prewar days on defence and equipment that proved useless in modern war, there is a very great deal to be said for the policy of His Majesty's Government and the Government of India—quite apart, I mean from the fact that they have been criticised wherever they spent anything on the defence services.

The fourth feature of this Budget to which I should like to draw the attention of the House is the remarks that have fallen from the Honourable the Finance Member on the subject of India's war production: clothing factories, ten times; leather goods, 30 times; many new chemicals; many new industrial projects. In this connection, I should like to say this; quite apart from the fact that many industrialists in this

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country have come forward and put their best into the war effort to increase production, His Majesty's Government have also played a part. They have paid for the whole of the capital sums involved in many cases where these new factories and mills and so on had to be put up. So that in that direction also they have been playing their part and the Honourable the Finance Member by contributing large sums of money for the training of personnel both military and civil has been playing his part. So that he can say with justice that "on a broad front 'a great advance has been made' in India's industrial development". We are told day in and day out in the press that nothing is being done and that a great deal more could be done. I would suggest to Honourable Members that a great deal of that propaganda is either ignorant or misinformed or deliberately mischievous,—deliberately done to create the impression that something could have been done which has not been done. To say that England is standing in the way of India at this time and preventing her industries being developed on a war basis is absolutely false, and I challenge any one in this House to say otherwise.

Sir, in conclusion I should just like to say a few words about the mobilisation of credit. We have heard a most interesting and well-informed speech from my Honourable friend from Bombay, Mr. Jammadas Mehta. He has told us some very telling facts and put his case with great skill. But I venture to suggest that in one point at least he was not quite correct. He seemed to suggest that the Finance Member is seeking to tax the 80 per cent. of the poor in this country. Sir, if ever there was a budget that laid the heaviest burden on the rich, this present budget is such a budget. It has not laid a burden on the poor at all. Of course, they have to pay too; but the Finance Member has tried his best to arrange his taxation proposals in such a way that the poor shall be hurt as little as possible. He has too made it possible for those whose incomes range from Rs. 1,000 to Rs. 2,000 and even up to Rs. 6,000 to save money, and not just feel that they are paying over taxation to Government. He has also taken very important steps, indeed, that we in these Benches hope will lead to that mobilisation of credit which he and the country so urgently require at this time. I refer of course to points dealt with by my Leader this morning and I shall not, therefore, take the time of the House by repeating what he has said about the Excess Profits Tax and income-tax proposals. I should just like to say this: that there is really what we might call a tug-of-war going on between those who are seeking to achieve higher money rates; to increase the demand for an increasingly diminishing supply of available materials, and inflation. That is one side. The other side is the policy of Government,—low money rates to foster sound trading; controlled demand of available supplies by checking the amount of available funds in the country that would seek an outlet in pushing up the price of these restricted supplies; and that industry should stand on its own legs and not stand, as it were, on the heads and shoulders of the poor in this country.

Sir, I support the budget proposals.

Mr. Lalchand Navalrai (Sind: Non-Muhammādan Rural): Sir, I find it rather difficult to offer my remarks on the budget. No doubt the Finance Member has bestowed much labour and thought to this budget, but in my opinion it is not an ordinary financial budget but absolutely

a war budget. There is no doubt that at this time the country should not grudge any expenditure on defence but we have no hand in that expenditure. The portfolio is not in the hands of any Indian and we are kept in the dark as to what is happening about war efforts. There are two dangers in the country now,—one from outside aggression and the other from internal disturbance. My Honourable friend, Sir Ziauddin, said that Government should pay greater attention to internal peace. As regards external aggression we do not know much about the actual arrangements made. We are told that adequate arrangements have been made and we have to believe that. But as regards internal peace I must say that Government have not made sufficient and adequate arrangements to maintain internal order.

We find that 133 crores are being spent for defence purposes; for money on internal security also we will have to approach the Finance Member. I can assure him that in the provinces the police force is not sufficient at all to cope with possible internal disturbances. The Provincial Governments say they have not got sufficient funds to increase the police force; and, it is, therefore, the duty of the Central Government to help them with funds for this purpose. I can say about Sind that disturbance has already started there. The Hur community who are the followers of the Pir of Pagaro have been actually going about in a very desperate mood and committing many depredations. The Sind Government is running on subsidies, and it is necessary that more subsidies should be given exclusively for this purpose.

An Honourable Member: Why do you not defend yourself?

Mr. Lalchand Navalrai: I will come to that.

Therefore, the Finance Member should first of all make provision for increasing the police force in this country. I am asked why we do not make any arrangements ourselves. The point is that no trust or confidence is placed upon us. Even at this moment the Civic Guards who are being appointed are not given any arms or rifles or given any training in these. And we are still told to stand on our own legs, although there is the further restriction that we must do everything under the instructions of Government. Therefore, there is no scope for us to stand on our own legs. Even the licenses for arms which have been held by responsible persons for years together are now being cancelled and new licenses are not given. Is that not want of confidence? I am talking of Sind where licenses were given at the time of the riots at Sukkur. Now many old licenses are cancelled and new licenses are not being given. That is how internal order is to be protected.

If we say anything on this budget, the reply is "this is war effort and you cannot say anything". Therefore, I do admit that at this
 3 P.M. time of danger we certainly have very little scope to say that 133 crores should not have been spent on the defence and so forth, but the country is in such a mood that they care more for security against any foreign aggression and internal security. My humble submission, therefore, is, that internal security should be given and for that purpose the Honourable the Finance Member should find money to give to the

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provinces. I do find that to a certain extent more share of Income-tax is being given to the provinces but that is not sufficient for this purpose. Money on this should be spent in the same manner in which money is being spent on the other defences of the country.

Now, Sir, 133 crores of rupees have been shown as the defence expenditure. The point is this: Is 133 crores being spent exclusively on the protection of India or not? On many occasions when questions are put, it is said that what is being done for the British Government is to be paid for by the British Government. Of course, I take it, that it would be that way, but in the last war large sums of money were spent on behalf of the British Government and then at the end of the war there arose a dispute over it and matters were settled by arbitration. This may not happen again. But what I am at present saying is that this more expense is being incurred only because the boundaries of India have been extended up to Eden and other places on the pretext that India is being saved thereby. I submit that that is wrong. That expense should also be met by the British exchequer.

So far as the Budget is concerned, after this large expense of 133 crores, the Honourable the Finance Member has shown a deficit of 47 crores. It is said that industries are being developed by helping in the war effort. We may take it that that is so, but my question is to what extent are those industries being developed in the interest of India and whether they would survive after the war is over? That is the point which I have raised even before and I may say that I am not yet satisfied about it. It has been said here today that big industries, such as the construction of aeroplanes, anti-aircraft guns, shipbuilding and motor cars, have not yet been set up in India even for the war. Now, apart from that, I want to know whether such industries—small or big—as are being established in India will survive after the war. In that connection, I put a question in November, 1940, asking for a statement showing the number and situation of new industries or workshops created after the war either by Government or by private concerns, otherwise than for war purposes. By this question I wanted to know whether there are such industries being developed in India which will survive after the war. In reply to that a list was laid on the table of the House which is now in my hand. What do I find in this? I find that Government seem to have helped and created some public industries of a very minor character but that no subsidies have been given to private undertakings. I will read out a few items from this list which is available in the Library and is also contained in the printed debates: About 62 public companies out of 164 have been established in Bombay and Karachi. Now we will see the individual items. To begin with, the very first industry that I find is surgical manufacture. The second is with respect to a cotton mill at Chittaranjan Avenue, Calcutta. Then, further on it is either Chemicals or Press Printers, and some such small things as electric energy for all purposes—I do not know how far they are big or small—at 97, Clive Street, Calcutta. Then, I find Dairy and Poultry farming and something about fisheries

The Honourable Sir Jeremy Raisman: Was it not the case that the Honourable Member's question was in relation to industries not directly connected with the war?

Mr. Lalchand Navalrai: I have got the question also with me. I will read it to the Honourable Member. It was regarding the number and situation of the new industries or workshops created after the war either by Government or private concerns otherwise than for war purposes. Now, my question is whether they will survive after the war. That is the point with which I am concerned. Of course, I know that for the purposes of defence, Government would not have been so negligent as not to do anything in connection with the war. What I have said is that for the purposes of the war bigger industries have not been established. The bigger industries have not been shown: only the smaller industries and that too when they are only temporary. I am not concerned with such temporary industries but whether they can live afterwards. Therefore, attention should be given to see that they do not become bankrupt after the war but that we become fully self-sufficient. I will now come to the question of the budget itself

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member has two minutes more.

Mr. Lalchand Navalrai: In order to balance the budget, we must see whether the ways and means adopted are wise or not. I would say that to charge income-tax from persons who do not get more than Rs. 2,000 a year is cruel; and I would further say that the surcharge imposed on incomes above that level will also be a great burden, especially in these days when, as the Honourable the Finance Member himself has admitted, the position of the country is precarious. On this subject I would also like to say that Income-tax Officers should give more facilities for the purpose of recovering assessments. Persons who so far remained in foreign countries have now come over here—they cannot pay any income-tax at all and why should not facilities be given to them? I have received several telegrams from Sindhi merchants and others asking that their assessment should be suspended—they have left whatever property they had elsewhere and have come here; they are not going to have any earning and still they will be asked to pay income-tax on incomes that they have lost; I hope, therefore, that every convenience will be given to them.

Rao Sahib N. Sivaraj (Nominated Non-Official): Mr. Deputy President, it is easy to criticise the speech of the Honourable the Finance Member by picking up a sentence here and an item there and hurling it at him, with probably no effect; but I find it difficult to withhold appreciation from him for the budget he has presented to this House this year in the circumstances in which he is placed at present.

In the first place, he is a member of a Government which after everything is said and done, is subordinate to another government which itself at the present moment is making great efforts to find its feet and to get on level terms with the forces of aggression. In fact he is unfortunately placed in the position of one who has got to pay for the tune which some one else calls. In the second place, he is occupying the responsible position of Finance Member of the Government of India at a time when India

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is, as never before, confronted with a situation which is so confused as it is today. She is involved in perhaps one of the biggest world wars, and it is an occasion for most Finance Members to fall into the temptation of producing fanciful budgets on the ground of war and sacrifices. But the Finance Member has tried to take realities into account and has not fallen a prey to that kind of temptation. So, I feel that really speaking he deserves the congratulations of this House on presenting what I consider to be a very sober and steady budget in a time of crisis like this. In fact, as has been pointed out by my Honourable friend, Mr. Chapman-Mortimer, it is characterised by very many good features.

What struck me really as one of its best features was that it is based on a scientific basis, and also that it errs more on the side of caution. However, we ought to be grateful to the Finance Member that he has been able to present a budget of this kind. I really want to draw the attention of the Finance Member to one or two points which struck me as somewhat novel in this Budget.

I have been wondering what system will be the best to finance a modern war. I have been trying often to get information on the point as to how, for instance, the Axis powers are able to finance their war measures. In fact it may be of some use to us, if it is not considered *intra dig.*, to copy their methods, provided it is useful. In fact, in this war many things have got to be learnt from our enemies and I do not know if in the field of finance the Finance Member has got anything to learn. However, I feel that it is a huge task to finance a modern war and at a time like this, it is but natural that the Finance Member should go out of the way and find new remedies for getting revenue. It has been pointed out that the Finance Member was somewhat hard on the poor people and that he did not take enough out of the rich. But it must be borne in mind that this war is a total war and every person and any class of person in any society must take his due share, and credit must be given to the Finance Member for seeing that he so distributed the burden of taxation that every one felt the impact of the war. He dare not alienate industry at the present moment, nor can he afford to displease labour. That is the present position. It is a difficult task for any human being to satisfy all persons. From that point of view we can acquit the Honourable the Finance Member of the charge that he is one-sided.

Again, from the point of view of industries, commerce and agriculture, one ought to see that there again the burden is equally distributed. Here I find it is so difficult in a country like ours for any Finance Member to adjust his finances to satisfy all interests. In a war like this, where highly mechanised warfare takes place, it is only countries which are on an industrial basis and which are highly industrialised, that can easily cope with war measures. I personally feel that a country like ours which is mainly agricultural will find it extremely difficult to cope with the requirements that are demanded of her in this present war. But it is gratifying to note that in spite of this great handicap, the Budget has made provision for making it as effective as possible to meet the dangers that India is facing at the present moment. But I am not going to enlarge on the aspects of the Budget so far as the war is concerned. There are, however, one or two things I am interested in knowing from the Honourable the

Finance Member—it is not so much as a matter of criticism as it is for eliciting information.

First of all, about the Lease-Lend system. I really do not know,—not being well versed in the art or science or whatever people call it, of finance,—I really do not know the financial implications of the Lease-Lend system, and even at the present moment I am not able to gather what benefit India has so far derived from the Lease-Lend system. But I personally feel on reading a few sentences in the Budget that the Lease-Lend system has been introduced merely in place of a system like the Cash and Carry basis. It is because we cannot afford to pay cash that the Lease-Lend system has been introduced. That is my view, but it is there that I cannot understand why the Honourable the Finance Member should treat it as on cash basis. This is what he says at page 9 of his Budget speech:

"We have not yet been informed"—*he himself does not know*—"of the precise nature of the obligation that these Lease-Lend facilities will impose on the Governments making use of them, and it is, therefore, considered prudent for the time being to budget and account for these stores in the same way as though they had been obtained by cash purchases until the precise manner in which the Lease-Lend liability will ultimately be liquidated, becomes known."

I thought the Lease-Lend system was a substitute for cash purchases, and I personally feel that if it was not treated as cash purchase it might go to relieve the burden of taxation or otherwise improve the financial position of India. In any case I am anxious about one thing. Rightly or wrongly, due to historical reasons, India has hitherto been linked to the London sterling. I hope that this process of the introduction of the Lease-Lend system will not transfer India from what I might call the subjection to the sterling to the domination of the dollar.

Then, the second point is about the sort of semi-compulsory national savings scheme that is introduced, which is a feature of this Budget. I found so far that many speakers who adverted to the tax on those who draw sums between Rs. 1,000 and Rs. 2,000 were harsh on the Honourable the Finance Member. Probably they overlooked the fact that, after all, this tax is optional. Whatever people might say about it, the fact remains that it cannot be scientifically questioned by any one in spite of the fact that my friend, Mr. Jamnadas Mehta, tried to show that it does not affect the purchasing power of the people. There is no denying the fact that the more money in the hands of the people, the greater is their purchasing power, but a remedy might have been suggested to the Honourable the Finance Member. At the same time you restrict the purchasing power of the people, the Government ought to take care to see that more goods are produced and placed at the disposal of the people, and that is where the scheme will be useful. There is no use in making the life of a miserable people more miserable by withdrawing the purchasing power from them. What is really needed to relieve the suffering or the misery of these smaller people will be to produce more and place it at their disposal, particularly in the matter of food. There ought to be intensive cultivation of food crops, and a scheme must immediately be planned and adopted with the help of the Provincial Governments. So also in the matter of clothing, I feel there ought to be some kind of standard cloth which ought to be produced by the Indian mills. Whatever might be the work on which they are now engaged in the matter of producing textiles for war supplies, it is the bounden duty of the Government to see that the needs of the civil

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population in the matter of clothing are satisfied by some scheme, and I would personally suggest the introduction of a standard type of cloth to be available particularly to the poor people.

Then the third thing that I would suggest in order to escape from such rigours as the imposition of this tax on the poor people might imply is—what is called the extinction or extermination of what is known as the Black Market. There is no doubt about the fact that even today it is very difficult, whatever the system of price control may be, it is very difficult for the ordinary man to get his things. In my own case it was very difficult for me to get a bottle of medicine, because the moment I went—I am a knowing man—the shopkeeper said he had no medicine as he had to keep it ready for some one else. And my friend, the Honourable the Commerce Member, also knows that quite recently in Madras we had what is called the Firewood riots. The firewood merchants would not part with their firewood, because they wanted better prices in spite of the fact that there was price control in these directions. The Government ought to take steps to relieve the poor man from whatever suffering he might have to face from the imposition of this national savings scheme. I only hope that it will not be construed, that when a man, if he is not willing to pay his income-tax and he is forced to save, it will not be construed by the unkind critics of the Government, that it is compelling faith out of the ordinary man in the credit of the Government of India. I am really keen that the Government should take immediate steps to see that these two things in which I am interested are done, namely, intensive food production and also the placing of greater material for clothing at the disposal of the ordinary man. After all, Sir, even in these days of war, when armaments are certainly necessary, when tanks and ships are important to defeat the forces of aggression, it cannot be said that any nation can live and win the war by armaments alone. What is more important is food and clothing. With these words, I support the proposals in the Budget

Maulana Zafar Ali Khan (East Central Punjab: Muhammadan): Sir, it is a trite saying that he who pays the piper calls for the tune. Now, in our case this House of the elected representatives of India is the paymaster, and it has the right of calling for the tune. But who calls for the tune? Sir Jeremy Raisman. Half of this House is empty, the other half of it feels that however loud its harangues, nobody would listen to it. I wish, at this fateful hour when the whole world is being shaken by nerve racking incidents, the Budget should have been presented before a House which was fully responsible to the people of this country, but, unfortunately, it is not. They say that in another couple of days time England is going to make a historic decision and that that decision will affect the mentality of the people of India. Whether it proves to be a mere eyewash or whether it will be something in the nature of transferring real powers to the people of India I do not know. We will come to know in a few days' time. But for all that, I wish that this budget, which is a war budget and which must be discussed in the light of the events happening in the East and the West—I wish this budget had been presented before a fully representative House.

Sir, the second paragraph of the Honourable the Finance Member's speech deals with the question which has been analysed very scientifically by my Honourable friend, Dr. Sir Ziauddin. The Honourable the Finance Member seems to think that the purchasing power of those who buy the goods has proportionately risen. It is certainly not a fact. Who are the consumers? That is the question which ought to be answered. Are the consumers not the millions of peasants and labourers in this country, the million of the ministerial staff and Government servants? Are they not the consumers? Has their purchasing power risen? Before this war, wheat could be had at 20 seers to the rupee, but now we cannot have even at eight seers to the rupee. But has the pay of the clerk who buys the wheat risen proportionately? The pay of Sir Jeremy Raisman was Rs. 6,500, it came down to Rs. 5,500. (Interruption.) Has his purchasing power risen? No.

Lieut.-Colonel Sir Henry Gidney: It is not Rs. 5,500, it is Rs. 6,600 per mensem.

Maulana Zafar Ali Khan: Then I come down to the clerical staff. I hope the Honourable the Railway Member will permit me to point out that, though the surplus was Rs. 30 crores in the case of the railways, did any single pie go towards raising the purchasing power of the clerical staff and of the railway guards? Poor fellows! They are getting Rs. 60 or 70 or Rs. 30 or 40 a month. The salary remains the same, but prices go up. The consuming power of the Government has certainly risen steadily but not the consuming power of the peasant of the Punjab—I am speaking of the Punjab from which province I come. Three crores of men there are, mostly tillers of soil, not big Tiwanas and Noons, who have thousands and thousands of acres of land, but poor peasants who, on the average, do not possess more than five acres. What is their purchasing power? They are living a hand to mouth existence, they cannot keep their body and soul together. The Deputy Commissioner comes and says, pay towards the war fund. The peasant has already paid *abiana* and revenue, but he has to pay at the rate of Rs. 10 per *zaildar*, Rs. 5 a *safedposh*, Rs. 3 per *lambardar* and two annas for every member of the household. Where is all that to come from?

What is the average income of the people of India? Not more than Rs. 6 a month, even after the report of Dadabhai Naoroji, the great congressman. The miserable economic condition of the people has to be remembered in this connection. Government has the purchasing power, certainly they are the greatest consumers. For instance, they can buy wheat at Rs. 4-6-0 a maund, they can buy thousands and thousands of maunds of wheat and export them to Persia and there, they may sell at Rs. 8 or Rs. 10 per maund. What can prevent them? It goes on. Wheat is exported to other parts of the continent of Asia where the position of the British Government, so far as the war is concerned, is a little safe. Between Libya and Afghanistan where at least 800,000 of Indian soldiers are posted, the position is a bit safe, but how long it will remain safe nobody can say, because impossible things are happening at the present moment. Towards the East our flank has been uncovered. The fall of Singapore was a terrible blow to the British Empire. After the going of Malaya and after the going of Burma—half of it has already

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gone—what guarantee is there that events might not occur in the West which would place India in a jeopardy? Here comes the question of tanks, of aeroplanes, and other mechanised paraphernalia of the war. Supposing the enemy captures the Suez Canal what happens? It means that India will have to fight this war single-handed. The eyes of the Britishers were shut so far. They did not see. A long view of this war would tell them that, ultimately, the fate of the British Empire shall be decided in India and so India must be self-sufficient. Something, therefore, must be done as regards arms and ammunition and foodstuffs. Money must be immediately invested in the building of ships, tanks and aeroplanes, in the manufacture of ammunitions and shells, because without them you are nowhere, we are nowhere. We had no aeroplanes in Malaya and we had no mechanised forces, and what was the result? Remember the same fate can befall India if you do not open your eyes.

So, this budget is a war budget and must be looked upon and discussed in the light of these things that I am telling you now. Rs. 45 crores is the deficit. From 17 crores it has gone up to 45 crores. Now, on the face of it, if you have spent Rs. 133 crores on war, a deficit of Rs. 45 crores is not much. My Honourable friend, Mr Lalchand Navalrai, said that Rs. 400 crores is being contributed by the British Government towards the expenses of India. Is not that true? England and India have thus contributed altogether about 533 crores, but that is not enough. We will have to find more money. Where is that money to come from? We were told that we were fighting the battle of India. We were also told that India is for Indians just as Japan says that Asia is for Asiatics. We say that India is for Indians and if we are assured on that point, I think even this poor country could contribute a thousand crores and deal in astronomical figures just as America is doing. We can do it. We have got capitalists.

The Honourable Sir Jeremy Raisman: You have got Dr. Sir Ziauddin Ahmad who can deal in astronomical figures.

Maulana Zafar Ali Khan: The Honourable the Finance Member says that the purchasing power of the people has gone up. The fact of the matter is that the purchasing power of the capitalists, the contractors and the Government has gone up. The purchasing power of the ordinary man in the street has not gone up. The purchasing power of the clerical staff of the Government of India has not gone up. The salary remains the same and the prices of commodities have gone up by 51 per cent.

Major Nawab Sir Ahmad Nawaz Khan (Nominated Non-Official): What is your proposal to remedy it?

Maulana Zafar Ali Khan: Tax all the Nawabs and Rajas and all the capitalists. But the Finance Member is going to levy the income-tax on the poor man who is earning from Rs. 1,000 to Rs. 2,000 a year. I think he should reconsider his decision. I hope he will not lay himself open to the criticism that because the Congress is not here and because the Muslim Leaguers' Benches are half empty and because these Benches are half-hearted, he can carry things with a high hand. So, I ask Sir Jeremy

Raisman in the name of India and in the name of everything that is just and reasonable that when the deficit of 45 crores is to be met it should be met by borrowing money from America. Why do you add to the financial burden of poor people with small means by saddling them with an additional tax of 12 crores. Why are you for instance increasing the rates of postage from five pice to six pice? That will not do you much good. That is only a flea-bite. When you can borrow 85 crores of rupees and when your borrowing capacity is unlimited, why not borrow another 12 crores of rupees. Do away with these 12 crores of rupees and you will be doing a great service to the people of India and we will be grateful to you.

I do not wish to say anything more. I hope you will earn our gratitude by reconsidering your decisions and doing away with the 12 crores of rupees and borrowing it from America.

Major Nawab Sir Ahmad Nawaz Khan: Sir, I rise to congratulate the Honourable the Finance Member for the chief and important feature of this year's budget, namely, that it does not affect the poor man's pocket. At such a critical time it is very difficult to prepare such a budget that everyone should welcome it. It has been never the fate of any Finance Member ever since I have been in this House that the budget has been passed without any criticism nor has it happened in any other country. The chief feature of the budget which makes the masses and the classes equally grateful to the Finance Member is that it does not affect badly the poor man's pocket. If we look at the budget calmly, coolly and impartially we will see that in the present circumstances it can be called a well-balanced budget. No man has been able to suggest a better budget than that. It is easy and it has always been the fate of every budget to be criticised. There is nothing new in what we are hearing today. The Finance Member, in my opinion, has done a great service to the Government and to the classes and the masses of India by avoiding so far as lay in his power to touch the pocket of the poor man. Every Government tries to make the masses and the classes contented. Many members will criticise the budget and will bring forward suggestions for various improvements and many members will praise it from different points of view. But the chief feature of it is that it has not touched the poor man's pocket. This point should not be overlooked and it should be appreciated by the House. With these few words, I resume my seat.

Dr. P. N. Banerjee (Calcutta Suburbs: Non-Muhammadan Urban): Sir, the present budget is a war budget and it is the duty of all of us to consider the budget proposals with the seriousness which the gravity of the war situation demands. The expenditure of the country has enormously increased since the commencement of the present war. In the budget for the ensuing year, it will amount to no less than 187 crores. If we accept 80 crores as the normal expenditure of the Central Government, the excess of expenditure over the normal amounts to no less than a figure than 107 crores. Out of this 97 crores accounts for the excess of defence expenditure and ten crores represents the excess of civil estimates over the normal. Now, the civil estimates also are connected directly or indirectly with the defence expenditure. Therefore, we may take it that the excess expenditure over the normal will be well over 100 crores.

[Dr. P. N. Banerjee.]

This is a huge figure. But when we have to keep our enemy outside the country, we should not grudge any expenditure, however large it may be, if that expenditure is to be considered as essential for the war needs.

Sir, the deficit amounts to 47 crores. How does the Honourable the Finance Member propose to meet it? He proposes to meet this deficit by a combined method of taxation and borrowing. I agree to this principle, because the war is being fought not only for the benefit of the present generation but for the benefit of the posterity. Therefore, it is right and proper that posterity should bear a portion of this war expenditure as well as the present generation. It is thus quite justifiable that 35 crores of the deficit should be met by means of loans and 12 crores by means of additional taxation. It may be said that the greater part, that is nearly three-fourths, is being met by loans and only one-fourth by means of additional taxation. But the answer to that is that in the last two Budgets, the Honourable the Finance Member met the greater portions of the deficits by means of taxation and smaller portions by means of loans. Therefore, the time has come to adopt a system of counterbalancing. Taking it as a whole, I do not think it calls for any adverse comment.

But when we come to the Honourable the Finance Member's actual proposals for taxation, we must express our dissent in respect of some of the items. It is our incumbent duty to examine the proposals for additional taxation. We find that the burden of additional taxation will fall on all classes of population from the very rich to the very poor. So far as the surcharge on imports is concerned, it will affect adversely not only the rich, not only the middle classes, but also the poorer sections of the community. Perhaps this surcharge will affect the poorer sections of the community to a larger extent than the richer classes. Besides, it is my definite opinion that an all-round surcharge is a clumsy way of taxation. It is an undesirable method of raising money. It is not the correct method of taxation. It is wholly unscientific and the revenue raised is not in any way commensurate with the sacrifices which are undergone by different sections of the community. Then, I come to kerosene. This is an article consumed by the poorest people and it will be a severe blow to their financial position.

Coming to direct taxation, we find that the Honourable the Finance Member proposes to reduce the exemption limit from Rs. 2,000 to Rs. 1,000. This is not at all justifiable, because those who have an income of between Rs. 1,000 and Rs. 2,000 are persons who belong to the lower middle classes. This class has been hit very hard by the rise in prices and it has been subjected to various sorts of taxation during the last two years. Therefore, I would urge that this item of taxation should be removed from the Finance Bill as well as the item on kerosene.

Then, again, Sir, the Honourable the Finance Member wishes to enhance the price of the envelope. Who use these envelopes? Envelopes are used by the middle classes as well as by the rich, and even the poorer sections of the people use them for communicating confidential information. Therefore, Sir, this burden also falls on the poorer classes to some extent. I urge this item should also be omitted from the Finance Bill.

Now, a great deal has been said about the increase in the spending power of the people. I do not wish to add to what has been said, but I

wish to point out that this increase in spending power has not extended to all classes of the population evenly. Those who have fixed incomes have not obtained any accession to their spending power at all. In fact, their position has become much worse. We all read in the newspapers yesterday that there is wheat famine in Dehli. Reports of famine and scarcity are coming from some of the other Provinces. Therefore it is clear that the accession to spending power which the Honourable the Finance Member alludes to is not evenly distributed throughout the population. He will have to consider the hardships which certain classes of the population will have to undergo and he will have to come to their rescue.

Now, if these proposals of mine are accepted, the Honourable the Finance Member will ask: How to meet the remainder of the deficit? My answer is that the remainder of the deficit can be met in three ways. In the first place, his estimates of the receipts on account of direct taxation err on the side of over-caution. I am one of those who believe that the Budget should be framed on the basis of caution, but it has always been the practice of the Government of India to adopt too much caution in framing the Budget. It has been found time and again that their estimates of revenue have always been exceeded. I am sure this will happen in the coming year also.

The Honourable Sir Jeremy Raisman: What about estimates of expenditure?

Dr. P. N. Banerjee: Yes, I will answer that. Now, this will also happen because there have been very large arrears of assessment of excess profits. When the revenue from this source is brought wholly into account, it would be found that the estimates of revenue will largely increase:

My Honourable friend has asked me, What about estimates of expenditure? In war time, no one can say that the estimates of expenditure will not be exceeded. Estimates may have to be exceeded, if war needs demand such increase. But, then, he will come forward with further proposals for taxation and borrowing.

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

He need not be overcautious in the matter of either revenue or expenditure. He will have to trust this Assembly once more and ask for more funds.

My second suggestion is that, as I pointed out a few days ago, the railway estimates have also been framed on a very cautious basis and there also the estimates are likely to be very largely exceeded. The railways will be able to contribute a larger sum than 20 crores to the general exchequer.

Now, even if all these expectations are not realised, there is one expedient or rather a combination of two expedients which is sure to give him the necessary funds by which he may be able to meet the remainder of the deficit. I allude to economy and retrenchment. Last year and the year before I and many friends of mine urged this policy on Government, but I am sorry to have to say that no notice was taken of this

[Dr. P. N. Banerjee.]

suggestion. This, is, indeed, an outstanding defect of the present budget and the most unsatisfactory part of the Finance Member's speech. If measures of economy and retrenchment are adopted, it will not be at all difficult to find two or three crores of rupees for meeting the remainder of the deficit. In fact it may come up to much more and may give him a surplus with which to meet the further war needs of Government. Economy has two aspects. In the first place you will have to make savings in the administrative expenditure of the different departments of the country. It is well-known that a great deal of waste occurs in the various departments including the Department of Supply. Then, again, it cannot be denied that a large amount of avoidable expenditure is being incurred by the Government of India. Looking at the Public Works budget we find that buildings are being constructed during war time at very high costs in order to find accommodation for Government servants, at Simla and at Delhi. This, Sir, is not essential in a time of war, and such expenditure can easily be postponed till the termination of the war.

I now come to the other point, viz., retrenchment. It is very sad to find that even in the third year of war Government have not thought fit to adopt a system of cut on a graduate scale in salaries above a certain minimum, say, Rs. 250. If that is done, the Honourable the Finance Member will find a good few crores of rupees coming into his pocket. Government have no moral justification for putting forward proposals for fresh taxation before they have secured economies in administrative expenditure,—before they can show to the Assembly that they have avoided all unessential items of expenditure and before they have adopted a cut in the salaries of all their well-paid officers.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has one minute more.

Dr. P. N. Banerjee: I will say a word about repatriation. The policy adopted by Government in this regard is a sound one, but if Government had been more careful and had greater regard for the interests of the country, a few crores of rupees would have been saved. The manner in which the transactions were actually carried out were not very satisfactory.

Sir, before I resume my seat I should like to appeal to the Honourable the Finance Member to reconsider his budget proposals and to refrain from placing heavy burdens on the shoulders of the middle classes and the poorer sections of the population.

The Honourable Sir Jeremy Raisman: Sir, I am sorry that Sir Ziauddin Ahmad has had to go away to deliver a lecture on Elliptic Functions instead of remaining here to listen to the reply to his somewhat eccentric and devious expeditions into the sphere of economic theory. However, I regret that it was not open to me to go away and deliver a lecture on Greek Metaphysics which might have absolved me from the necessity of attempting to traverse the large number of points which have been raised during the discussion today. But, Sir, I am a humble man and I am grateful for small mercies, and I am appreciative on the whole of the tone of criticism in the House today. In particular, I recognise that nearly every Honourable Member has spoken with a full sense of

the difficulties of the situation with which we are faced, and has approached the budget from the point of view of the necessities of the war.

I think perhaps I might take up first the point raised both by the Honourable the Deputy President and by Dr. Banerjee about economy, retrenchment and cuts in pay. I do not think Honourable Members realise the extent to which what is called the civil side of Government is at the present time, equally with many of the Defence Services, part of the war machinery of Government. I do not think they realise, although they should, that the problems which arise in the portfolios of all my Honourable colleagues today are purely war problems; and, therefore, the staff of the Secretariat are almost entirely engaged the whole time on what is nothing else than the prosecution of the war. Professor Banerjee's attitude is, "I quite agree that in war time you have to spend more on the Defence Services." But I must ask him to carry his imagination a little further or, if he likes, to go into the Secretariat and see what the files which are being handled deal with. He will find that nine out of ten of those files are concerned with urgent war problems. In fact, as the war goes on, there is virtually no civil administration in the ordinary sense. Even our old civil problems take on an entirely new complexion owing to the impact of the war. My object in emphasising this is to point out that you cannot economise, you cannot reduce the size of the machinery which you require at a time when more and more problems are crowding in upon you. I have made this clear on previous occasions, but Honourable Members themselves know the extent to which there is now a public demand for all kinds of Government control,—not only price control but additional internal security, as Mr. Lalchand Navalrai pointed out, special action in regard to Indians overseas, etc. In every Department of Government new duties and new functions are called for, and it is quite impossible, at a time like this, to think that you can lop off wholesale sections of the administrative machine. From that point of view it would be not only a waste of time and energy but it would seriously upset the whole war effort of the Government if one were to think in terms of pursuing an active retrenchment policy. In fact, I make so bold as to say that a course like that is quite impracticable and impossible at the present time. But it is said:

"Even if you cannot retrench, even if you cannot reduce the number of your administrative posts and of your clerical posts, you can reduce their pay". Well, Sir, I want to deal with this rather carefully. Professor Banerjee said, "Well, take everybody from Rs. 250 a month upwards and apply a percentage cut."

Dr. P. N. Banerjee: On a sliding scale.

The Honourable Sir Jeremy Baisman: Yes, on an ascending increasing scale. Well, Sir, as one who has indulged in the doubtful pleasure of applying the axe to his own salary on a purely voluntary basis, I think I can approach this matter from a more or less detached and objective point of view and with no special desire to protect or shelter anybody from reasonable economy.

Now, we will take a man, say, whose income is Rs. 500 a month. His annual income is Rs. 6,000. Now, I suppose Professor Banerjee

[Sir Jeremy Raisman.]

will suggest that in addition to all the taxation which is levied on a non-official or a non-salaried person, he should also suffer a reduction of, say, Rs. 600 in the year in his income. Now, let us look at it from the point of view of equity. I am prepared to say from my observations of the effect of the war on the economic position in India that of all the individuals who may be occupying a particular income class—we will say between Rs. 5,000 and Rs. 7,000—that the ones who are most likely at the present moment to have suffered from the impact of the war will be your salaried people. Those are the individuals whose income has probably remained more stationary—probably less in excess of the pre-war figure—than that of any other occupants of that class. Well, you take a small merchant or a businessman. I am prepared to state categorically that 95 per cent. of businessmen whose income at this moment is between Rs. 5,000 and 7,000 were enjoying an income of not more than Rs. 2,000 or 3,000 before the war.

Dr. P. N. Banerjea: Not business alone. All sorts of people.

The Honourable Sir Jeremy Raisman: Well, here you have an income class which is composed, particularly, of certain types of individuals on a relatively fixed scale, and on the other hand you have the general mass of non-officials whose incomes are varying. At the present time, the incomes of non-salaried earners are subject to very great fluctuations and what I am asserting is that the vast majority of those incomes have been subject to very powerful upward fluctuation. Now, what Professor Banerjea would do is that he would carefully select the individuals in any income class who are most likely to be on the same income as they were before the war and he would subject them to a specially severe dose of taxation.

Dr. P. N. Banerjea: In the higher grades.

The Honourable Sir Jeremy Raisman: Where is the equity of that? Now, he says, not in the lower grades but in the higher grades. I would say to Professor Banerjea that I do not care where you pursue this argument through the whole scale (except that I do not know of any salaried occupants of the thirty lakh grade), but wherever you go through this scale I am prepared to say—and the further you go the more will this apply—I am prepared to say that, what I may call the occupants of these income classes, that the salaried occupants and, particularly, the Government members of those classes are people whose income has increased less, who have been more affected by the changes since the beginning of the war than any other occupants of those classes. Now, why in the name of justice or equity should you thereupon seize upon those particular individuals who, I may say, are very gladly bearing their share of the burden of the war both in the way of taxation and of additional heavy burdens of work, why should you select them and say to them, "Well! done, thou faithful servant. You will get a special cut in salary of 15 or 20 per cent in addition to the increase in the income-tax and the surcharge".

Dr. P. N. Banerjea: Because they are over-paid in comparison with the salaries drawn in any other occupation.

The Honourable Sir Jeremy Raisman: Now, I am afraid Professor Banerjea is being driven from pillar to post.

Mr. President (The Honourable Sir Abdur Rahim): Dr. Banerjea has had his say already.

The Honourable Sir Jeremy Raisman: He started off by criticising one thing—and now he is being driven from pillar to post—and he is now taking me into ancient history about the adequacy or the excessiveness of the scales of pay. I am afraid I cannot follow him there, but I think I have demonstrated

Maulana Zafar Ali Khan: Excuse me, Sir, for this interruption, but I should like to know that while the war is proceeding what right has a capitalist to earn Rs. 10,000 a month whereas the same privilege should be denied to a Government servant?

The Honourable Sir Jeremy Raisman: I understand that the Honourable Member is supporting my argument.

Maulana Zafar Ali Khan: Yes, I am supporting your argument.

The Honourable Sir Jeremy Raisman: Well, I welcome that.

Sir F. E. James (Madras: European): He has been driven from post to pillar.

The Honourable Sir Jeremy Raisman: Sir, I was saying that from my observation of the effect of the war on the position of various types of individuals, I can assure Dr. Banerjea that the cases which most excite my emotions as Chancellor of the Exchequer are not the cases of salaried officials or any other kind of salaried persons, and there are many types of cases that come to my knowledge in the course of my ordinary work and, in my opinion, it would be a monstrous thing—nothing short of monstrous—that at the present time we should select the salaried official for a specially heavy dose of sacrifice. I would only like to add that although the position of the official has certainly not improved since the beginning of the war, it is my experience that in contributions to various kinds of war funds and so on, he has played a noble part.

I must come now to my friend, Mr. Jamnadas Mehta. He accused me of living in a world of dreams. I thought that was a peculiarly appropriate phrase because in relation to his observations on the subject of repatriation it was exactly the word which I needed in order to hit off his own position. He was living in a world of dreams. But he finds that I am obsessed by a sort of complex about the question of purchasing power and the effect on the price level, and Sir Ziauddin Ahmad, who at this moment is dealing with elliptic functions also had something to say about my views on this matter. Now, I do not wish to outline any recondite theory on this subject—I do not pretend to be a metaphysical economist. I think that this question can really be studied in very simple terms, and in a manner which must come home to every one of us who is familiar with the ordinary transactions of buying and selling every day.

[Sir Jeremy Raisman.]

The position is, as we all know, that certain types of goods are more and more difficult to get. The supply of them gets less and less. Now, even if there had been no change whatever in the incomes of any class of people, that in itself would clearly tend to cause a rise in prices because the volume of demand would remain the same as before, and the supply would be less and would be inadequate to the demand. That is why, as my Honourable friend, Mr. Jamnadas Mehta, quite rightly points out, the index figures of the cost of living have risen. It does not matter whether people have been receiving larger incomes or whether the goods which they wish to buy have been growing less in quantity or whether both those things have been happening at the same time. But what is clear is that in a situation like that prices will tend to rise. The fact is that there are not enough goods there for people to buy, who want to. What shall you do? Mr. Jamnadas Mehta says: "You are suffering from an illusion. You are dreaming a bad dream". I say to people in that position: "You will consult your own interests best if you try and postpone your claims for certain kinds of goods, if you do not continue to buy, to scramble for a constantly dwindling supply of certain types of commodities"

Mr. Jamnadas M. Mehta: Even about food?

The Honourable Sir Jeremy Raisman: Even in the case of food, supposing for the sake of argument that the amount of wheat that is available is three-fourths of what the people require, will it do you any good if you give the people twice as much money? Will it make any more wheat? Would it not be better to make people realise, in a situation like that, that for the time being they had better try and consume three-fourths of the quantity of wheat and put their money aside? Is not that a sensible, the only sensible thing to do? I do not care how many labour unions Mr. Jamnadas Mehta may represent, or what may be his care for the workmen of India, he cannot get away from that simple fact, that you cannot do anything for those people, it is no use giving them more and more dearness allowances: the wheat is still 75 per cent of the amount which they require; and no amount of coin will make that wheat any more.

That is really the point at issue; it is a perfectly simple point and it does not involve any very elaborate economics and when Mr. Jamnadas Mehta says that I am possessed by an illusion, I can only reply that he is living in a world of dreams. The same point was raised by other speakers and I do not think it is necessary for me to go over the same ground. It is a matter which, unfortunately, is as plain as it could possibly be, and I claim that in this as in other matters I have always had regard to the interests of the small man and that I still am consulting his best interests when I say that he should be assisted at this time to save and put his purchasing power aside for the time and try and adjust himself to the situation in regard to the supply which exists. I entirely agree with Mr. Sivaraj that what we want is to increase production as far as we can of food grains and also of the simpler types of cloth. But we have to remember that we also have to deal with the question of production for the war effort. We have to feed the soldiers, we have to

clothe them, we have to house them. As I pointed out in my Budget speech, that is a tremendous task; and it is entirely in addition to all the things we had to do before, and you cannot maintain the standard of supply for civil purposes at the same time as boost up and sustain your war effort; there must be a shortage somewhere and it is in relation to that that the necessity of restricting civil consumption arises.

Now, the Honourable the Deputy President and other speakers touched on the question of industrialisation. Mr. Lalchand Navalrai, for instance, wished to know what expansion there was in non-defence industries. So far as the war is concerned, I am surprised to find that the list which was given to him in answer to his question contained as many as 62 examples of industries which had been established, which were not directly for war purposes

Mr. Lalchand Navalrai: Too small.

The Honourable Sir Jeremy Raisman: On the contrary, I entirely disagree with my Honourable friend. The paramount need of the moment is to gear the industrial potential of this country to the war effort, and I should have thought that with the setting up of other industries, although they might be possible without diversion of machinery or man power or skill, that diversion would tend, if anything, to obstruct the maximum war effort. But he asked another question. He wished to know to what extent the defence industries which are now being built up will survive in the post-war period. Well, I cannot now attempt to indicate a solution of the problems which will arise after the war. But I think it is clear that if India is in a position now to produce certain types of goods, then she should be in a better position, after the war, to switch over to the production of goods of civilian demand than she would be if she had not undergone an industrial expansion during the war. After all, to take the simplest type of case, supposing your supply of electric power in a particular place has been doubled for the purpose of war industry, you will still have that doubled supply of electric power after the war. And it means that you are half way at any rate, towards the establishment of your civilian industry, because if you did not have the extra power, you could not begin with your civilian industry. That is merely an example. For the present, we have to concentrate on industries which are of importance for the war effort, but that is not inconsistent with post-war industrialisation. On the contrary, it cannot, in my opinion, but help that process.

Mr. Lalchand Navalrai also asked whether the whole of the defence expenditure of 188 crores was being spent on the defence of India, or whether a good deal of it was being spent in defence in what he called the extended boundaries beyond India. I can assure Mr. Lalchand Navalrai, in fact I have pointed it out in my Budget speech, that not only the whole of the 188 crores, but a very great deal more than that is being spent in the defence of India.

Mr. Lalchand Navalrai: Is that within India or within the extended boundaries?

The Honourable Sir Jeremy Raisman: Within India proper, not within the extended boundaries.

[Sir Jeremy Raisman.]

Now, Sir, there has been criticism apart from the doubt about what I might call the point of economic theory. It has been suggested that this is a Budget which bears hardly on the poor. Sir, I claim that that is entirely incorrect. I do not know whether Honourable Members have studied the table which has been put at the end of the Explanatory Memorandum and which shows the percentage which the new direct taxation bears to the scale of income in each case. That is a highly progressive scale. It starts with a very modest percentage and it proceeds to a very formidable height. It is a scale which in normal times would have been regarded as very advanced even in the most, well, I might say, socialistically inclined countries. I doubt whether taxation so steeply progressive as that existed in any country a few years ago except perhaps in Soviet Russia,—I doubt whether anything as this would be found anywhere else,—and the remarkable thing is not merely the height at the top end, so to speak, but the extreme lightness of the percentage in the lower reaches. I do not know how Honourable Members who make the criticism conceive that the war could continue to be financed to the extent that it has to be financed by taxation. A careful study of this table will show that the scope for what is called 'soaking the rich' has now practically disappeared, and that further advances in taxation must inevitably take the effect of calling for greater sacrifices from the middle classes, the lower middle classes and even the poor.

Now, I understand that the poor man in this country is not a man whose income is between a thousand and two thousand rupees. I understand that the poor man in this country has an income which is not even between one hundred and two hundred rupees a year. We have to remember the background of that scale when we are talking about taxation lying heavily on the poor in relation to the economic structure of India, and persons in the scale of incomes between a thousand and two thousand rupees a year are very definitely in the middle class, and if we are not to call upon people at that stage to make a contribution in a time of intense national emergency, then I don't see how you are to make a broad based scheme of taxation at all. And here I would remind critics that, in dealing with the Budget, they should take into account what has not been done as well as what has been done. There are types of taxation to which one's mind inevitably turns, to which resort can justifiably be had in times such as these. We have not resorted to such taxation. We have not, for instance, increased the salt tax, because we felt that the increase in the national income has taken place in classes and in reaches which should be called upon first before we thought of increasing the cost of an absolute necessity of the very poorest. It is true that there are certain features of this Budget which must bear on the income even of the poorest classes, but that is inevitable if any attempt is to be made to deal with the problem in a comprehensive way. Now, various Members have hinted or referred explicitly to other kinds of taxes. I can assure Honourable Members that every kind of possible tax has come under review, and that if we have not adopted other alternative means of taxation, it is not because we have not thought of them, but because they are less suitable at the present time. I can hardly discuss the merits of particular suggestions, because I don't wish to queer the pitch, so to speak, for myself at any future date, but one

of the things that you have to bear in mind is this. The taxation of certain commodities merely means the transfer of money from one pocket of Government to another. If the far greater part of the production of a particular commodity is already being used by the Government, then to put an excise duty on it merely means that you increase the price of it for yourself and you swell the accounts, but you receive very little revenue. If in addition a tax of that kind is a new one difficult to administer, if it involves the jurisdictions of States as well as of British India, then a little reflection will show that it may not be worth while to do anything about it.

Sir Henry Gidney referred to alternative taxes. I hope he does not think that liquor has not been touched in this Budget because he himself will get an unpleasant shock when he buys his next bottle of whisky . . .

Lieut.-Colonel Sir Henry Gidney: I don't drink whisky.

The Honourable Sir Jeremy Raisman: We will find the same thing applies—I do not know whether he smokes . . .

Lieut.-Colonel Sir Henry Gidney: No cigarettes.

The Honourable Sir Jeremy Raisman: I am glad that he has reached a highly abstemious and ascetic stage. Since he has no vices, no taxable vices, since he indulges in no objective luxuries, I cannot reach him. But I can assure him that the suggestions he has mentioned are suggestions which we have borne in mind and that if we have rejected them it is for good and sound reasons. He mentioned death duties. That is a form of tax which we very carefully investigated before the war. I may say that actually the revenues from death dues would be I think almost entirely, if not entirely, provincial, and therefore it would do nothing to solve my particular problem. But there are very many other factors in that problem. It is a very complex problem, and we looked into it very carefully before we put it aside at the time when the examination was made. I can assure Sir Henry Gidney that one of the last things that I would take on in the middle of my wartime preoccupations would be the introduction and administration of a new tax such as death duties.

Sir F. E. James: The Honourable Member can now expire!

The Honourable Sir Jeremy Raisman: He can expire with complete equanimity!

Lieut.-Colonel Sir Henry Gidney: I suppose you will then perspire!

The Honourable Sir Jeremy Raisman: I am already perspiring. Mr. Jamnadas Mehta and Prof. Banerjea both had some criticism to make of the scheme of repatriation. Well, Sir, I hope I am not a conceited man, but I would like to invite Mr. Jamnadas Mehta and Prof. Banerjea to a conference at which they would show me how these transactions could have been carried out on an economy of even Rs. 10 over the way they were carried out, or how they could have been done in any other way

[Sir Jeremy Raisman.]

more to the advantage of this country. In fact, I will say, so far from claiming full credit for it—I would say as regards the transactions, that there is a good deal connected with them which can only be attributed to good luck. It has been possible to carry out these enormous transactions in a way which is so satisfactory from the point of view of India that nobody can claim the whole credit and a certain amount must definitely be assigned to the goddess of Fortune, but I am quite certain from my inside knowledge of all the details of these transactions that neither Mr. Jamnadas Mehta nor Prof. Banerjee nor a committee of fifty of such sitting together could possibly have done it any better.

Mr. Jamnadas M. Mehta: I am a candidate for that Conference Delegation.

The Honourable Sir Jeremy Raisman: I am afraid I cannot offer you any accommodation in the Finance Department.

Mr. Jamnadas M. Mehta: When did you then challenge a conference?

The Honourable Sir Jeremy Raisman: I am prepared for any private research by yourself.

Mr. Jamnadas M. Mehta: You wanted a conference

Mr. President (The Honourable Sir Abdur Rahim): Order, order. The Honourable Member is not in his seat.

Mr. Jamnadas M. Mehta: He challenged me, Sir

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member must go back to his seat.

Mr. Jamnadas M. Mehta: I am sorry. I am very sorry.

The Honourable Sir Jeremy Raisman: I am sorry that I cannot resolve my Honourable friend, Mr. Sivaraj's perplexities on the subject of lease-lend. I am afraid that nobody, not even the most exalted personages in the highest circles in the country where this idea originated, could entirely solve those perplexities at this moment. The simple fact is that a good deal has been left to the good sense of the future, and, therefore, whilst we hope that this may not arise in an embarrassing form at a later stage, we cannot say exactly what form the obligation may take. But we are surely at this moment in the position that we cannot look a gift horse in the mouth. If we are offered planes or tanks or aviation spirit or anything of that kind at the present time by somebody who says, "Well, we will talk about it afterwards", we surely cannot say, "Oh, no. I am not going to take these aeroplanes or tanks because I do not know what it means or what you will want from me". Actually, sufficient public announcements have been made on the subject of the intention of lease-lend, I think, to safeguard us from the most embarrassing possible consequences. Mr. Sivaraj questioned why the value of the articles received should not be treated in effect as a reduction of revenue expenditure

That is quite a reasonable suggestion, but at the present time, in addition to other uncertainties there is the difficulty of allocating the value of these goods between ourselves and His Majesty's Government. Although goods which are the subject of lease-lend may come to India, it does not mean that they are necessarily a credit against that portion of the defence expenditure in India which is debitable to the Government of India. It may be that they may have to be settled against the much larger defence expenditure which is incurred by His Majesty's Government. For these reasons, I do not think that, even if I were to set out to take credit for the value of the lease-lend articles used entirely in India's defence, it would make at this moment an appreciable difference to the budget prospects, nor—and this is the point at issue—will it enable me to relax any of the burdens which I am, unfortunately, compelled to lay upon the country at this time.

Sir, I think that I have touched on most of the main points which were raised in the discussion. I once more thank the House for the satisfactory reception which they have given to my budget speech.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 5th March, 1942.