

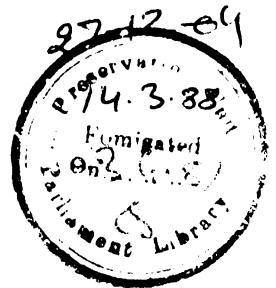
Wednesday, 5th March, 1941

# THE COUNCIL OF STATE DEBATES

VOLUME I, 1941

*(19th February to 4th April, 1941)*

## NINTH SESSION OF THE FOURTH COUNCIL OF STATE, 1941



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# COUNCIL OF STATE

*Wednesday, 5th March, 1941.*

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

## MEMBER SWORN :

The Honourable Mr. Evan Meredith Jenkins (Nominated Official).

## QUESTIONS AND ANSWERS.

### COAL MINES STOWING BOARD.

39. THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA (on behalf of the Honourable Raja Yuveraj Dutta Singh) : Will Government state—

(a) Who has been appointed the Inspecting Officer for the Coal Mines Stowing Board in Calcutta ?

(b) The names of the members of the Stowing Board ?

THE HONOURABLE MR. H. C. PRIOR : (a) No appointment has so far been made.

(b) A statement is laid on the table.

### *Names of members of the Coal Mines Stowing Board.*

Mr. N. Mahadeva Ayyar, C.I.E., I.C.S. (*Chairman*).

Mr. W. Kirby.

Mr. J. B. Ross.

Mr. C. A. Innes.

Mr. A. I. Ojha.

Mr. M. N. Mookherjee.

## QUININE PRICES.

40. THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA (on behalf of the Honourable Raja Yuveraj Dutta Singh) : Is the present price of quinine almost double its pre-war price ? Do Government propose to take necessary steps to reduce the price to a reasonable figure ?

THE HONOURABLE SIR GIRJA SHANKAR BAJPAI : The wholesale price of quinine has gone up by about 80 per cent. The Honourable Member's attention is invited to the Press Note, dated the 24th June, 1940, in which it was stated that steps had been taken by Government to ensure an adequate

supply of quinine sulphate in India for all Government purposes during the next four years. Provision has thus been made to supply quinine at reasonable rates to all hospitals under Provincial Governments and States, including local fund and municipal dispensaries, to which the poor people generally have recourse. The question of controlling the price of quinine sold in the local markets is for the Provincial Governments.

**THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA :** At what rate is it supplied to Provincial Governments ?

**THE HONOURABLE SIR GIRJA SHANKAR BAJPAI :** I am speaking from memory, but I think it will be somewhere about Rs. 25 a lb.

**THE HONOURABLE MR. HOSSAIN IMAM :** What was the pre-war price ?

**THE HONOURABLE SIR GIRJA SHANKAR BAJPAI :** The pre-war price—again I am speaking from memory—was about Rs. 22 a lb.

#### GENERAL REDUCTION IN CLASSIFIED RATES FOR DRUGS AND MEDICINES.

41. **THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA** (on behalf of the Honourable Raja Yuveraj Dutta Singh) : Will Government state whether they have received any representation to make a general reduction in the classified rates for drugs and medicines ? If so, do Government propose to take steps to reduce the rates, or to reduce the railway freight rates for such articles ? If not, why not ?

**THE HONOURABLE MR. L. WILSON :** The reply to the first part of the question is in the affirmative. Regarding the second part, Government do not consider that there is justification for a general reduction in the existing classified rates for drugs and medicines, as there is no evidence to show that these are not moving freely. Associations and others interested in the pharmaceutical industry have been recommended to approach the Railways concerned whenever they consider individual freight rates are too high.

#### ORDNANCE FACTORIES.

42. **THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA** (on behalf of the Honourable Raja Yuveraj Dutta Singh) : (a) Will Government give the main outlines of the Defence Department scheme for the expansion and modernization of the Ordnance Factories in India, and the approximate cost of installation ?

(b) Has specially selected staff from Indian Ordnance Factories been sent to England to study the latest production methods ? If so, how many of those who have been sent are Indians and how many are Europeans ?

**THE HONOURABLE MR. E. M. JENKINS :** It would not be in the public interest to give the information asked for by the Honourable Member.

**THE HONOURABLE MR. HOSSAIN IMAM :** May we ask who is paying the cost of the expansion ? Do His Majesty's Government pay part of the cost of expansion or is it met by the Government of India alone ?

**THE HONOURABLE MR. E. M. JENKINS :** His Majesty's Government are paying part of the cost.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Did the Honourable Member say that it was not in the public interest even to reply to part (b) of the question ?

**THE HONOURABLE MR. E. M. JENKINS :** Yes, Sir.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** What harm would be done if we knew how many men had been sent to England to study the latest methods of production and how many of them were Indians ?

**THE HONOURABLE MR. E. M. JENKINS :** I have nothing to add to the reply I have already given, Sir. •

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** You have no reason to give for not giving the information ?

**THE HONOURABLE THE PRESIDENT :** You must leave the discretion to the Honourable Member. It is his choice whether to give any explanation or further information or not.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** We know that. These must be some reason for their attitude.

**THE HONOURABLE THE PRESIDENT :** He has given his reasons.

#### AEROPLANE FACTORY.

**43. THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA** (on behalf of the Honourable Raja Yuveraj Dutta Singh) : Will Government state when the aeroplane factory is likely to be established in India, and is likely to begin operation as a measure for intensifying war efforts ?

**THE HONOURABLE MR. E. M. JENKINS :** An aeroplane factory is now under construction and it is expected to begin operations in a few weeks time immediately it is completed.

**THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA :** Where is that going to be ?

**THE HONOURABLE MR. E. M. JENKINS :** I do not think that it would be in the public interest to give details of the location of the factory.

**THE HONOURABLE MR. HOSSAIN IMAM :** May we know, Sir, whether this company is a private company or a public company ?

**THE HONOURABLE MR. E. M. JENKINS :** It is a private company, Sir.

#### EMERY PAPER.

**44. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** (a) Is it a fact that the Superintendent of the Ishapore Rifle Factory recently wrote as follows to the Assistant Director of Contracts regarding an Indian firm's tender for emery paper :—

“ This firm's products are acceptable due to the present emergency : if, however, British made products can be obtained they are preferred ” ?

(b) Have Government issued secret instructions that articles of British make should be preferred to those made in India? If not, what action have they taken or propose to take in regard to the anti-Indian bias shown by the Superintendent of the Ishapore Rifle Factory?

THE HONOURABLE MR. E. M. JENKINS : (a) I place a copy of the letter in question on the table of the House. It will be observed from it that the products of the firm in question were not up to the standard of the imported article and were to be accepted only if the better article was not available. This is in accordance with the Stores Purchase Rules which enjoin preference in respect of indigenous products only when quality is sufficiently good for the purpose. As a matter of fact this particular firm owes a good deal to the advice and assistance given by Government officers in the manufacture of enemy discs.

(b) *First part*.—No. Government strongly [deprecate the insinuation. *Second part*—Does not arise.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Sir, what was the need for the observation since it is known that at the present time imports are greatly restricted and that substitutes have to be found in this country for articles that were formerly imported?

THE HONOURABLE MR. E. M. JENKINS : The fact was that these particular enemy discs of a certain quality have in the past always been imported. When imports became difficult, the officers in the Ordnance Service took steps to obtain substitutes in British India. As soon as the substitutes were good enough for use, they placed orders for them, but they intimated at the same time that they were not yet up to what they regarded as the proper standard.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Did they say so? Did they say clearly that they would like some improvement to be made and was that conveyed to the manager of the factory in question?

THE HONOURABLE MR. E. M. JENKINS : I have no doubt that it was, because it was largely owing to the efforts of the officers of the factory concerned that these enemy discs were made at all.

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*Copy of the Memorandum No. 6163/1, dated the 10th January, 1941, from the Superintendent, Rifle Factory, Ishapore, to Messrs. Krishnalal Thirani and Co., 8, Royal Exchange Place, Calcutta.*

*Subject* :—A. D. of C. Tender No. 5E/29/428, dated the 19th December, 1940.

*Reference* :—Your letter No. 52005/40, dated the 27th December, 1940.

The sample Emery Paper Discs No. 1½ and 2 are acceptable but you should still try to improve your supplies to conform more closely to Goldsworthy.

2. Please arrange for the bulk supply as early as possible.

---

Copy forwarded to—

The Assistant Director of Contracts,

6, Esplanade East, Calcutta.

For information. This firm's products are acceptable due to the present emergency. If however British made products can be obtained they are preferred.



**EAST INDIAN RAILWAY RENT RULES.**

**45. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** (a) Is the staff appointed on the E.I.R. prior to 1st January, 1925 governed by the old East Indian Railway Rent Rules ?

(b) If so, is the entire permanent way line staff under those rule from gang coolies to permanent way inspectors allowed the privilege of rent-free quarters ?

(c) Do mistries in the line staff hold a position midway between the inspectors and coolies and are required to work during the day or night as required on the line and are they the only class in the permanent way line staff who are now required to pay rent on the ground that their designation is not specified in the list of persons entitled to rent-free quarters ? Do Government propose to rectify the omission ?

(d) Were most of these men not charged rent for their quarters for years and are they now required to pay the rent for that period ? Are Government aware that this is causing great hardship to them ? Do Government propose to forego the rent for the past years and to treat them in future in the same way as the rest of the permanent way line staff ?

**THE HONOURABLE MR. L. WILSON :** I am obtaining information from the E.I.R. Administration and shall lay a reply on the table in due course.

**RETRENCHMENT OF STAFF IN THE ALLAHABAD DIVISION, E. I. R.**

**46. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** (a) With reference to the reply to my question No. 73 of the 2nd April, 1940 laid on the table on the 22nd November, 1940, are Government aware of the complaint that in certain departments in the Allahabad Division of the East Indian Railway the subordinate staff are not infrequently retrenched without a prior enquiry into the number of vacancies which are likely to occur in the near future owing to the superannuation of the senior men and that the retrenched hands are re-employed on a much smaller pay and after only a few weeks' or months' break in their service ? If so, do Government propose to look into the matter ?

(b) Is it also a fact that in the same division of the same Railway the surplus staff in other departments was either compelled to go on leave without pay till vacancies occurred to absorb them or actually retrenched and was re-employed when vacancies occurred and that the break in their service was adjusted as leave without pay so that they might not suffer either in pay or in prospects ? If so, why was not a similar procedure adopted in the case of the staff retrenched in 1935 and 1936 ?

**THE HONOURABLE MR. L. WILSON :** I have called for the information and will lay a reply on the table of the House in due course.

**TELEPHONE OPERATORS.**

**47. THE HONOURABLE RAI BAHADUR SATYENDRA KUMAR DAS :** (a) Are Government aware that the work of telephone operators has increased after the outbreak of the war ?

(b) Are Government aware that the telephone operators are required to be specially alert owing to these extraordinary circumstances ?

(c) Are Government aware that the nature of the duties of the telephone operators is different from that of the postal clerks ?

(d) If so, do Government propose to provide further facilities to the telephone operators by sanctioning suitable house rent ?

THE HONOURABLE MR. S. N. ROY : (a) Yes, in some places.

(b) They are always expected to be alert.

(c) Yes.

(d) No.

#### TELEPHONE OPERATORS.

48. THE HONOURABLE RAI BAHADUR SATYENDRA KUMAR DAS :  
(a) Will Government lay on the table a statement showing the Rules and Regulations regarding telephone operators made at the International Labour Conference (League of Nations) at Geneva ?

(b) Are Government following those Rules and Regulations in India ?

THE HONOURABLE MR. S. N. ROY : (a) I am not aware of any rules or regulations relating specifically to telephone operators.

(b) Does not arise in view of the reply to part (a).

#### TELEPHONE OPERATORS.

49. THE HONOURABLE RAI BAHADUR SATYENDRA KUMAR DAS :  
(a) Is there any classification among the telephone operators ? If so, what are the different classes ?

(b) What are the features of each of these groups ? To what group do the telephone operators of Narayanganj belong ?

(c) To what group do the telephone operators of Dacca and Mymensingh belong ?

(d) Do Dacca and Narayanganj belong to the same system of Telephone Service ?

(e) Are the telephone operators of Narayanganj and telephone operators of Dacca treated alike in the matter of pay and emoluments ? If not, why not ?

THE HONOURABLE MR. S. N. ROY : (a) The Honourable Member is apparently referring to classification of stations for fixing scales of pay. For this purpose there are three classes, A, B and C.

(b) The classification is based on the general cost of living in various places. Narayanganj belongs to class C.

(c) Dacca and Mymensingh are in class B.

(d) Dacca and Narayanganj are on different telephone exchanges but no toll charge is made at present for calls between the two places.

(e) No, because Dacca is a B class station and Narayanganj a C class station.

**NET EXPENDITURE DEBITABLE TO INDIA ON ACCOUNT OF DEFENCE SERVICES.**

**50. THE HONOURABLE MR. HOSSAIN IMAM :** Will Government lay on the table a statement showing the monies debited to His Majesty's Government and the Government of India relating to the expenditure incurred on account of Defence in 1939-40 and nine months of 1940-41 ?

**THE HONOURABLE MR. C. E. JONES :** A statement of Defence expenditure debitable to the Government of India in 1939-40 and nine months of 1940-41 is placed on the table. It is not in the public interest to supply the same information regarding expenditure debited to His Majesty's Government.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** May we know, Sir, why that information cannot be disclosed since the public has been allowed to know what are the special expenses incurred on account of the war by the Government of India ?

**THE HONOURABLE MR. C. E. JONES :** My instructions, Sir, from the authority who is in the best position to know and on whom rests the responsibility for decision is that it is not in the public interest that this information be divulged.

**THE HONOURABLE MR. HOSSAIN IMAM :** Can we get some relative idea ?

**THE HONOURABLE THE PRESIDENT :** When the Government Member says he cannot give the information, there is an end of it. You cannot pursue the matter any further.

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*Net expenditure debitable to the Government of India on account of Defence Services.*

	Rs. (In lakhs.)
1939-40 . . . . .	49,53
1940-41 (first 9 months)	42,18

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**COST OF THE CHATFIELD MEASURES.**

**51. THE HONOURABLE MR. HOSSAIN IMAM :** Will Government state the amount of payment made by His Majesty's Government in each financial year as a result of the Chatfield Report ?

**THE HONOURABLE MR. C. E. JONES :** Under the War Expenditure Plan outlined in the Budget speech, 1940, it is neither essential nor practicable to segregate the cost of Chatfield measures.

**THE HONOURABLE MR. HOSSAIN IMAM :** Do we take it, Sir, that the Chatfield recommendation has been dishd now ?

**THE HONOURABLE MR. C. E. JONES :** No, Sir.

**COST OF THE CHATFIELD MEASURES.**

**52. THE HONOURABLE MR. HOSSAIN IMAM :** Has Government considered the fact that the cost of mechanization has greatly increased on account of war ? (b) If so, have they asked His Majesty's Government to increase its contribution, and (c) if not, why ?

**THE HONOURABLE MR. C. E. JONES :** As pointed out in the Budget speech, 1940, there has been a great increase in the cost of the Chatfield scheme and under the War Expenditure Plan this increase is automatically debited to His Majesty's Government.

**CONSTRUCTION OF A BROADCASTING STATION AT NAGPUR.**

**53. THE HONOURABLE MR. V. V. KALIKAR :** (a) Did the Provincial War Committee, Central Provinces and Berar, make representations to the Government of India to construct a Broadcasting Station at Nagpur ?

(b) Will Government state—

(i) the cost that will be incurred for constructing a Broadcasting Station at Nagpur ;

(ii) when funds will be available for constructing the Broadcasting Station at Nagpur ; and

(iii) when Government propose to undertake the next programme of development ?

(c) Are there Broadcasting Stations at mofussil centres like Dacca and Trichy ? If so, do Government propose to have a Broadcasting Station at a provincial capital like Nagpur as early as possible ? If not, why not ?

**THE HONOURABLE MR. S. N. ROY :** (a) Yes, such a representation was made to the Provincial Government, who forwarded it to the Government of India.

(b) (i) The cost of a station depends, amongst other things, on the power and type of the transmitter.

(ii) and (iii). In present circumstances I regret I am not in a position to make any statement.

(c) Yes. The claim of Nagpur to have a broadcasting station will be considered in connection with the next programme of development to be undertaken when funds become available.

**TOTAL RECEIPTS FROM INCOME-TAX EXPECTED FROM ANGUL (ORISSA).**

**54. THE HONOURABLE MR. N. K. DAS :** Will Government state the total receipts from income-tax (including surcharge, 'super-tax, and excess profits tax) expected from Angul (Orissa) in the year 1940-41, as a result of the withdrawal of the exemption granted to this area in 1923, under section 60 of the Indian Income-tax Act, 1922 (XI of 1922) ?

**THE HONOURABLE MR. C. E. JONES :** I have called for information and the reply will be laid on the table of the House in due course.

**EXTENSION OF CERTAIN CENTRAL ACTS TO THE PARTIALLY EXCLUDED AREAS IN ORISSA.**

**55. THE HONOURABLE MR. N. K. DAS :** Will Government state whether the following Acts of the Indian Legislature have been extended to the partially excluded areas in the Province of Orissa as required by section 92 of the Government of India Act, 1935 and if so, what are the dates and Nos. of the respective notifications made by the Provincial Governor :—

(a) The Indian Income-tax Act, 1922 (XI of 1922) ?

(b) The Indian Income-tax (Amendment) Act, 1939 (VII of 1939) ?

(c) The Indian Finance Acts, 1937, 1938, 1939 and 1940 ?

**THE HONOURABLE MR. C. E. JONES :** (a) No. This Act being an "existing Indian Law" and not an Act of the Federal Legislature, section 92(1) of the Government of India Act, 1935, has no application.

(b) Yes. Notification of the Government of Orissa in the Finance Department No. 7890-F., dated 6th August, 1940.

(c) The Indian Finance Acts of 1940 have been extended, *vide* Notifications of the Government of Orissa, Nos. 333-F. and 341-F., dated 28th January, 1941. Those of 1937, 1938 and 1939 have not been extended.

#### REDISTRIBUTION OF CHARGES OF COMMISSIONERS OF INCOME-TAX.

**56. THE HONOURABLE MR. N. K. DAS :** Is Government contemplating to change the existing arrangement of Orissa with Bihar and attach Orissa to Madras, for the purpose of Income-tax administration? If so, has Government ascertained the public opinion on the proposed change?

**THE HONOURABLE MR. C. E. JONES :** The general question of redistribution of charges of Commissioners of Income-tax with a view to improved administration is under consideration. Government will consider the interests affected before arriving at a decision.

#### ADMINISTRATIVE DUTIES OF COMMISSIONERS OF INCOME-TAX.

**57. THE HONOURABLE MR. N. K. DAS :** (a) What are the duties under the law left for the Commissioner of Income-tax to discharge after Part II of the Indian Income-tax (Amendment) Act, 1939 (VII of 1939) came into force?

(b) What are his administrative duties left over after those assigned to the Inspecting Assistant Commissioner?

**THE HONOURABLE MR. C. E. JONES :** (a) The Honourable Member is referred to sections 2(II)(b), 5(5), 5(7), 33(2) as amended, 46(3), 46(4), 54(5), 58B, 58D, 58G, 58J, 64(3), 66(1), (2) and (3) as amended and 66(7) of the Indian Income-tax Act, 1922, as amended by the Amendment Act of 1939.

(b) The Commissioner is the head of the Income-tax administration in the province, and as such his administrative duties cover general control, organization and conduct of the work in the province. The fact that the Inspecting Assistant Commissioner, who is subordinate to the Commissioner, performs certain administrative functions does not minimize the responsibility of the Commissioner.

#### RULES FOR DEPARTMENTAL EXAMINATIONS OF INSPECTORS AND ACCOUNTANTS IN THE INCOME-TAX DEPARTMENT, BIHAR AND ORISSA.

**58. THE HONOURABLE MR. N. K. DAS :** (a) Has there been a change in the Rules for Departmental Examinations, for the Income-tax Department for Inspectors and Accountants in Bihar and Orissa since 1940, prescribing an age limit?

(b) How many officers in Bihar and Orissa have been affected adversely by this change?

(c) Do Government propose to allow the old recruits the benefits of the old Rules?

**THE HONOURABLE MR. C. E. JONES :** (a), (b), and (c). The information is being obtained and will be laid on the table of the House in due course.

**MAXIMUM AMOUNT OF PENALTY IMPOSED FOR CONCEALMENT OF INCOME IN BIHAR AND ORISSA.**

59. **THE HONOURABLE MR. N. K. DAS :** (a) Will Government state what is the total amount of penalty under section 28 (for concealment) of the Income-tax Act, 1922 (XI of 1922), imposed in Bihar and Orissa for the assessment years 1938-39, 1939-40 and 1940-41, respectively ?

(b) In how many of them were the maximum amounts imposed and how many of them were over ten thousands ?

(c) Is it a fact that penalties for the assessment year 1938-39 are charged under the Indian Income-tax (Amendment) Act, 1939 (VII of 1939), at one and half times the tax avoided (including super-tax) ?

**THE HONOURABLE MR. C. E. JONES :** (a) and (b). I have called for information and the reply will be laid on the table of the House in due course.

(c) Penalty up to a maximum of one and a half times the tax avoided can be imposed if the offence was committed after the Amendment Act came into force.

**APPRENTICES IN ORDNANCE FACTORIES.**

60. **THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** (a) How long has the present system of training apprentices in the Ordnance Factories been in force ?

(b) What is the total number of apprentices trained so far ? How many of them have been employed permanently and how many are temporarily employed ?

**THE HONOURABLE MR. E. M. JENKINS :** (a) The scheme of apprentices training in Ordnance Factories has been in operation since 1924.

(b) The total number of apprentices trained is 365. Out of these 83 hold permanent and 167 temporary appointments in factories. Seventeen are employed in other Government Departments and 45 have secured private employment or are under training in the United Kingdom. Nine have died and one has been invalided. Particulars of the remaining apprentices are not available.

**THE HONOURABLE MR. HOSSAIN IMAM :** Will the Honourable Member give particulars about those who are in England—how many are Europeans and how many Hindus or Moslems ?

**THE HONOURABLE MR. E. M. JENKINS :** I regret I have not the information on that point, Sir.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Have any of those who were not formerly employed been absorbed since the war broke out ?

**THE HONOURABLE MR. E. M. JENKINS :** I regret I have no specific information on that point, Sir.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Is any effort being made to absorb such of them as are not employed at present ?

**THE HONOURABLE MR. E. M. JENKINS :** Well, it is clear from the figures I have given that out of a total of 365 apprentices, 43 are not accounted for.

In view of the present state of the labour market, I should say they would have no difficulty in securing appointments in the Ordnance Factories if they are still unemployed.

**ASSISTANT FOREMEN AND FOREMEN IN ORDNANCE FACTORIES.**

**61. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** What is the total number of assistant foremen and foremen in the Ordnance Factories ? Excluding Anglo-Indians, how many of them are Indians ?

**THE HONOURABLE MR. E. M. JENKINS :** The total number of assistant foremen and foremen in the Ordnance Factories is 443 of whom excluding Anglo-Indians 86 are Indians.

**METHOD EMPLOYED IN SELECTING APPRENTICES FOR ORDNANCE FACTORIES.**

**62. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** (a) Will Government state whether apprentices for Ordnance Factories and special class apprentices for the State Railways are selected by the Federal Public Service Commission by means of one and the same examination ?

(b) Are the railway apprentices appointed to the Superior Revenue Establishment and are the apprentices selected for employment in the Ordnance Factories appointed to subordinate posts on small salaries ? If so, why are the latter not appointed after suitable training to the superior grade ?

**THE HONOURABLE MR. E. M. JENKINS :** (a) Yes.

(b) Yes. The apprentice scheme for Ordnance Factories is necessarily devised for securing a supply of suitable candidates for the subordinate appointments in Ordnance Factories. There is however no bar to the promotion of ex-apprentices to the superior (gazetted) ranks if their work justifies promotion.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Why are they not appointed to the superior posts straight off ?

**THE HONOURABLE MR. E. M. JENKINS :** The difference is this, that in the railway services, to which reference has been made, the number of gazetted posts is very much larger, whereas in the Ordnance Factories the main problem is limited to foremen and assistant foremen.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Have there been no vacancies in the superior grades during the last 16 years to which any of them could be appointed ?

**THE HONOURABLE MR. E. M. JENKINS :** I regret I have not the information on that specific point, Sir.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Can you tell me whether any of these apprentices has been promoted to a superior post ?

**THE HONOURABLE MR. E. M. JENKINS :** No, Sir, I cannot give that information.

**EMPLOYMENT OF INDIANS IN THE SUPPLY DEPARTMENT.**

**63. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** (a) Is it a fact that the Resolution moved in the Council of State regarding the Supply

Department which was accepted by Government on the 26th November, 1940, asked among other things that "early steps be taken to secure that the Supply Department is so organized as to safeguard and promote industries by the employment in important posts of an adequate number of Indians drawn from the services and from the business organizations" ?

(b) What steps have Government taken to implement this demand and with what results ?

THE HONOURABLE MR. E. M. JENKINS : (a) Yes.

(b) The question of employment of Indians is always borne in mind and an attempt is made to find a suitable Indian for each vacancy as it occurs. The Resolution itself has been brought to the notice of the officers of the Department and except in the Munitions Production Branch, where it has proved impossible to find suitable Indian mechanical engineers, the appointments of Europeans and Indians made since 26th November, 1940 are fairly equally balanced.

THE HONOURABLE MR. HOSSAIN IMAM : Is it a fact that in the Munitions Production Branch, out of 50 there are only three Indians ?

THE HONOURABLE MR. E. M. JENKINS : I have not the exact figures before me, but the number of Indian appointments in the Munitions Production Branch is admittedly small.

THE HONOURABLE MR. HOSSAIN IMAM : Have all the employees in that Department engineering qualifications ?

THE HONOURABLE MR. E. M. JENKINS : Most of the officers in the Munitions Production Branch are necessarily engineers and a high proportion of them are mechanical engineers.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : How many of the new officers appointed under the Director General of Munitions Production are Indians ?

THE HONOURABLE MR. E. M. JENKINS : I have not the figures with me, Sir, but I think that they will be placed before the House, if I remember rightly, in reply to a question which will be coming up on a later date.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Would I be, generally speaking, correct in saying that there has not been an increase of more than one or two Indians since November last ?

THE HONOURABLE MR. E. M. JENKINS : I should hesitate to give any exact figure, Sir.

#### CHARGES RECOVERED ON PURCHASE OF STORES MADE FOR FOREIGN AND EMPIRE GOVERNMENTS.

64. THE HONOURABLE MR. HOSSAIN IMAM : Will Government state whether any charge is made from His Majesty's Government and other foreign or Empire countries on account of the cost of the Supply Department ? If so, how much and if not, why ?

THE HONOURABLE MR. C. E. JONES : A departmental agency charge of per cent. is recovered on all purchases of stores made for foreign and Empire



Governments except His Majesty's Government. As regards His Majesty's Government the attention of the Honourable Member is invited to the Honourable the Finance Member's reply to question No. 218 in the Legislative Assembly on the 22nd November, 1940.

**RURAL DEVELOPMENT FUND.**

**65. THE HONOURABLE MR. HOSSAIN IMAM :** Will Government lay on the table a statement showing the unspent balances of the Rural Development Fund, with each Provincial Government and the Central Government on 31st December, 1940 and how and when they propose to spend them ?

**THE HONOURABLE MR. C. E. JONES :** The balance in the Fund as on the 31st December 1940 was Rs. 59,46,897.

This included a sum of Rs. 51,79,240 earmarked for the provinces and centrally administered areas but not yet allotted, and Rs. 7,67,657 earmarked for certain approved schemes which are being administered by the Government of India. The details of the former item are given in the statement which I lay on the table.

Information regarding the balances with the Provincial Governments on this date is not available. The details of the accepted schemes on which the Provincial Governments are spending their allotments and the rate of progress of their schemes may be seen in the " Report on the progress of the schemes financed from the grants for Rural Development " which was placed on the table of the House on the 19th February, 1941.

**THE HONOURABLE MR. HOSSAIN IMAM :** May we ask why this delay that we get the information about November, 1939 in February, 1941 ?

**THE HONOURABLE MR. C. E. JONES :** Because of delay in receipt of that information by the Government of India, Sir.

*Fund for the economic development and improvement of rural areas.*

	Total grants earmarked.	Total allotment made up till 31st December, 1940.	Balance available with the Govern- ment of India on 31st Decem- ber, 1940.
	Rs.	Rs.	Rs.
Madras	28,73,000	20,42,100	8,30,900
Bombay	10,62,000	7,63,015	2,98,985
Bengal.	34,00,000	30,23,600	3,76,400
United Provinces	32,00,000	20,70,556	11,29,444
Punjab	17,00,000	14,61,000	2,39,000
Bihar	21,68,000	11,23,000	10,45,000
Central Provinces and Berar	11,00,000	8,52,267	2,47,733

*Fund for the economic development and improvement of rural areas--contd.*

	Total grants earmarked.	Total allotment made up till 31st December, 1940.	Balance available with the Govern- ment of India on 31st Decem- ber, 1940.
	Rs.	Rs.	Rs.
North West Frontier Province.	6,00,000	3,94,405	2,05,595
Assam	10,00,000	7,40,000	2,60,000
Orissa . . . . .	7,09,000	4,86,000	2,73,000
Sind . . . . .	4,38,000	1,74,000	2,64,000
Delhi . . . . .	1,00,000	1,00,000	..
Ajmer-Merwara . . . . .	1,00,000	90,817	9,183
Coorg . . . . .	1,00,000	1,00,000	..
	1,85,50,000*	1,33,70,760	51,79,240

\* Exclusive of Rs. 10 lakhs allotted to Burma.

**BROADCASTING CAPITAL FUND.**

66. **THE HONOURABLE MR. HOSSAIN IMAM :** Will Government lay on the table a statement showing the amount of unspent balances of the Development of Broadcasting Fund on 31st January, 1941, and the amounts sanctioned for expenditure in 1940-41 ?

**THE HONOURABLE MR. S. N. ROY :** The amount of unspent balance on the 31st January, 1941 in the Broadcasting Capital Fund was Rs. 6,52,789. The amount sanctioned for expenditure out of the Fund in 1940-41 was Rs. 4,83,000.

**THE HONOURABLE MR. HOSSAIN IMAM :** On what was that expenditure incurred, Sir ?

**THE HONOURABLE MR. S. N. ROY :** There are so many items covered by it that I cannot very well take up the time of the House by reading them out. If the Honourable Member wishes, I shall lay a statement on the table.

**THE HONOURABLE MR. HOSSAIN IMAM :** Yes, Sir, I desire a statement to be laid on the table.

**CONTRACTS PLACED BY THE SUPPLY DEPARTMENT.**

67. **THE HONOURABLE MR. HOSSAIN IMAM :** Will Government lay on the table a statement showing separately the contracts placed by the Supply Department for each of the following classes (a) one to ten lakhs in value, (b) ten to fifty lakhs in value, and (c) above fifty lakhs in value :—

- (1) Commodity.
- (2) Name of contractor.
- (3) No. of tenders received.
- (4) The name of the firm or person and the rate of the lowest tender.
- (5) How tenders were invited.
- (6) If no tender was invited, the reasons therefor ?

**THE HONOURABLE MR. E. M. JENKINS :** (a), (b) and (c). I regret I cannot give a detailed answer to this question. The number of orders over Rs. one lakh in value runs into hundreds and it would require a considerable amount of labour to collect and tabulate the information asked for by the Honourable Member. Moreover, in a number of cases, it would be inadvisable, for reasons of secrecy and military necessity, to disclose the quantities of certain stores purchased.

**RUPEE NOTES.**

**68. THE HONOURABLE MR. HOSSAIN IMAM :** Will Government state the number of one rupee notes issued by Government in each month and the number withdrawn each month up to the end of February, 1941 ?

**THE HONOURABLE MR. C. E. JONES :** As I stated in reply to the Honourable Member's question No. 91 on the 2nd December, 1940, no distinction is maintained in the accounts of the Reserve Bank between silver rupees and one rupee notes.

**THE HONOURABLE MR. HOSSAIN IMAM :** May we ask, Sir, whether the notes are issued in the first place to the Reserve Bank or to the public by the Government ?

**THE HONOURABLE MR. C. E. JONES :** The notes are issued by the Government to the Reserve Bank which issues them to the public.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Does the Reserve Bank keep no account of the number of notes received from Government ?

**THE HONOURABLE MR. C. E. JONES :** It is quite possible that they do, Sir.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Then what is the difficulty in giving the information asked for by the Honourable Mr. Hossain Imam ?

**THE HONOURABLE MR. C. E. JONES :** One reason is that Government have no intention of commencing to make in practice a distinction which is not recognized by the law.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Then Government are unwilling to supply the information asked for ?

**THE HONOURABLE MR. C. E. JONES :** I have nothing more to add to what I have said, Sir.

**THE HONOURABLE MR. HOSSAIN IMAM :** May we know whether the fact, as stated in Statement C that only 10 crores of one rupee notes have been issued—is that correct up to date, Sir ?

**THE HONOURABLE MR. C. E. JONES :** I think not, Sir.

# INFORMATION PROMISED IN REPLY TO QUESTIONS LAID ON THE TABLE.

**THE HONOURABLE MR. H. C. PRIOR** (Labour Secretary): Sir, I lay on the table the reply promised to question No. 34 asked by the Honourable Mr. M. N. Dalal on the 25th November, 1940.

## ESTABLISHMENT OF NEW INDUSTRIES IN CONNECTION WITH THE TRANSPORT SYSTEM OF THIS COUNTRY BY RAILROAD, WATER AND AIR.

It is understood that by industries in connection with the transport system the Honourable Member means industries for the manufacture of the means of transport. On this understanding, the answer to his question is as follows :—

- (a) None in connection with railroad transport; as regards water transport a private company has been given some acres of land in the Vizagapatam Harbour on long term lease for the construction of shipbuilding yard. In respect of air transport, the Hindustan Aircraft Company have started the construction of an aircraft factory and hope to complete it and begin the construction of aircraft in a few weeks time. Government have placed a contract with this Company for the supply of military aircraft.
- (b) The Government of India have done nothing that would conduce to the establishment of any monopoly as regards the manufacture of aircraft and ships, though they are not in a position to compel industrialists to set up competitive establishments. As regards the manufacture of locomotives, the question does not seem to arise as it is not expected that the manufacture of locomotives will be undertaken by a private company.

**THE HONOURABLE MR. L. WILSON** (Chief Commissioner for Railways): Sir, I lay on the table the information promised in reply to question No. 93 asked by the Honourable Haji Syed Muhammad Husain on the 2nd December, 1940.

## NAMES OF MUSLIM AND OTHER CONTRACTORS REGISTERED ON THE F.I.R., E.B.R. AND G.I.P.R.

(a).

Railway.	Total No. of contractors registered.		No. of Muslim contractors who actually got work.					
			Over Rs. 5,000.			Under Rs. 5,000.		
	Non-Muslims.	Muslims.	1938.	1939.	1940.	1938.	1939.	1940.
<i>G. I. P. R.</i>								
Bombay Dn. . .	36	3	..			1	..	..
Poona ..	22	2				1	..	..
Jhansi ..	47	13				11	8	9
Nagpur ..	..	15				1	..	..
Jubbulpore ..	28	7	..			4	6	9
Bhusawal ..	7	2					1	..

Railway.	Total No. of contractors registered.		No. of Muslim contractors who actually got work.						
	Non-Muslims.	Muslims.	Over Rs. 5,000.			Under Rs. 5,000.			
			1938.	1939.	1940.	1938.	1939.	1940.	
<i>E. I. R.</i>									
Howrah Dn.	25	17	2	1	1	17	17	17	
Asansol „	42	11		1	1	6	8	11	
Dinapore „	18	2	..	..	3	2	2	2	
Allahabad „	25	11	4	4	6	7	7	5	
Lucknow „	21	10	..	..		10	10	10	
Moradabad „	48	27	2	1	..	17	27	26	
<i>E. B. R.</i>	320	44	9	7	7	..	..	..	

NOTE :—

- (a) Information is given as far as is readily available.
- (b) On the E. I. R. and G. I. P. R., public tenders are called for in the case of works costing over Rs. 5,000. No registers of approved contractors are maintained.
- (c) On the Dinapore, Moradabad and Lucknow Divisions of the E. I. R. registers of approved contractors are not maintained and the figures given above relate to working contractors only.
- (d) Of the total number of contractors registered on the E. B. R. the figures for Muslims and non-Muslims divided in accordance with the value of works are as follows :—

	Non-Muslims.	Muslims.
No. of contractors for works costing over Rs. 5,000 .	153	19
No. of contractors for works costing over Rs. 5,000 and under . . . . .	167	25

(b)

Railway.	No. of Muslim contractors who applied to be registered during 1938, 1939 and 1940.	Number registered during this period.	Number of contractors who actually got work.	Remarks.
1. E. B. R.	21	19	10	* These figures do not include those for Dinapore, Lucknow and Moradabad Divisions which do not maintain any register of approved contractors.
2. G. I. P. R.	35	21	10	
3. E. I. R. .	44	14*	14*	

## INFORMATION PROMISED IN REPLY TO QUESTION LAID ON THE TABLE.

(c)

Railway.	No. of refreshment rooms.		No. of dining cars.		Remarks.
	Total.	Muslim.	Total.	Muslim.	
1. E. B. R.	26	12	..	..	
2. G. I. P. R.	15	7	1*	..	* Indian dining car service is provided only on the Grand Trunk Express trains between Baharabab and Delhi. The car supplies meals for all communities, no portion of the car being set aside for any one community.
3. E. I. R.	30	18	4†		† These cars are used jointly by the Hindu and Muslim dining car contractors.

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

## FINANCE ACCOUNTS, 1939-40 AND THE AUDIT REPORT, 1941.

THE HONOURABLE MR. C. E. JONES (Finance Secretary): Sir, I lay on the table a copy † of the Central Government's Finance Accounts, 1939-40 and the Audit Report, 1941.

## BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL: Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which were passed by the Legislative Assembly at its meetings held on the 28th February, and 3rd March, 1941, namely :—

A Bill to extend certain Acts to Berar.

A Bill to provide for the regulation of and the maintenance of discipline in the Assam Rifles.

## MESSAGE FROM THE LEGISLATIVE ASSEMBLY.

SECRETARY OF THE COUNCIL: Sir, a message has been received from the Secretary of the Legislative Assembly. The message runs as follows :—

"I am directed to inform you that in accordance with rule 36 (1) of the Indian Legislative Rules, the amendments made by the Council of State in the Bill further to amend the law relating to fraudulent marks on merchandise were taken into consideration by the Legislative Assembly at its meeting held on Monday, the 3rd March, 1941 and that the Assembly has agreed to the amendments."

† Not printed. Copy placed in the Library of the House.

## GENERAL DISCUSSION OF THE GENERAL BUDGET FOR 1941-42.

**THE HONOURABLE THE PRESIDENT:** Honourable Members, we will now proceed with the discussion of the Budget, Part II. I do not wish to depart from the usual practice which I have followed for many years in this House of allowing Honourable Members freedom of speech provided they do not extend their speeches to such a length as to be little more than cumbersome to Honourable Members. But the debates in this House are becoming more interesting and many more Honourable Members take part in these debates. I find that the time which is generally allowed by His Excellency the Viceroy for the discussion of the Budget in this House is small. But there we have no remedy since the matter rests with His Excellency the Viceroy. But I must bring to your notice that it is becoming the tendency in this House to lengthen out the debates and that many Honourable Members actually repeat the arguments and points raised by previous speakers and thus a considerable amount of time is wasted in these debates. In proceeding in such a manner all interest is lost in the debates at a later stage of the day ; members leave the House and the debate becomes uninteresting. I would therefore commend to your attention the practice which prevails in the House of Commons, and I think this is the right time now that we should resort to that practice, which I may briefly explain to you. There the Leaders of the different Parties make it their duty to select the members of their Parties who are to participate in the debates. Not only does the selection rest with them, the Leaders also assign the subjects with which each member should deal. The result is that the debates become very interesting as the various speakers have studied their subjects thoroughly without repeating the arguments of members who have spoken before. The debates are not tiresome and uninteresting. If you would adopt that practice before a debate takes place on the Budget, of selecting the speakers and the subjects they are to deal with, our debates will be entitled not only to the respect of the House but will be read by the public with great interest. I commend this practice to you. Meanwhile, I do not wish to make any alteration in the practice we have followed. Perhaps you will give this matter your attention as early as possible. I will only request Honourable Members to bear in mind that half an hour has already gone in question time and there are many Members who are anxious to speak on the Budget, and therefore I hope you will exercise your good sense and discretion and limit your speeches to a reasonable extent.

**THE HONOURABLE SIR A. P. PATRO (Nominated Non-Official):** Sir, after the clear and informing statement by the Honourable the Finance Secretary in this House there is very little room for controversial points on the civil estimates. The increasing and colossal expenditure and consequent deficits are the real vital points in the Budget, and they have to be dealt with along with the place of industries in the organization of the war effort and afterwards. These are the two points which I propose to touch on in the course of the brief remarks I propose to make.

Sir, this second war budget is not a surprise one to the country. The country was warned last November by the Honourable the Finance Member in discussing the emergency budget that India must be prepared for a large deficit and the consequent liability to make up that deficit. But the surprise is that in making up that deficit the Honourable the Finance Member has made the

[Sir A. P. Patro.]

burden as slight as possible. Many sections of the people thought it would be much heavier. The current deficit of Rs. 8.42 crores and the prospective deficit of Rs. 20 crores is sought to be made up by taxation as well as by loan. It was at one time thought that the present burden should not be shared by the future. In fact when I advanced that theory of meeting the deficits by loans and not wholly from Taxation the Finance Member treated it with scant courtesy and said it could not be accepted. But I am glad now that the gap between revenue from taxation and the uncovered deficit is to be covered by means of loans, that the future also has to share in the burdens of the present. That is really a welcome feature of the Budget. I am glad to say that the increased rates of excess profits tax and super-tax and the other indirect taxes are such that they do not affect the masses and the lower middle classes of the people. Those only are affected who make large profits out of the war and they must necessarily contribute a portion of their profits towards the war effort. The taxation proposals have in fact been described as a "painless extraction" from the people with a view to helping the war. A noteworthy feature of the Budget is also this, that the taxation proposals leave the country prepared to be able to meet future contingencies. It is obvious that this is not all that will be needed. Circumstances are moving rapidly and the international situation has become so very alarming it may be necessary for the Finance Member to bring in another emergency budget in a short time. We can see the indication in the news. Things are not at all satisfactory. Therefore the Finance Member will be perfectly justified in asking us again to make additional sacrifices in the interest of the defence of India and in order to defeat Nazism, and it is not easy to say how great that additional burden may be.

The second point I wish to place before this House is the relief which we obtained from the repayment of the sterling loan. India's sterling debt having been relieved, the explanation offered by the Honourable the Finance Secretary here in this House really clears many suspicions and doubts which had been given vent to in the press and on the platform in regard to this aspect of the Budget. In wiping out the external debt our financial credit has thereby been enhanced. Another thing it has done is to knock on the head the oft-repeated charge of the drain on India. This freedom from external debt is a strong factor in regard to India's capacity to manage her own affairs hereafter. That is the point I wish to press before this House, that this is a relief to us, not only in the matter of immediate reduction of interest charges, but it is a real indication of the capacity of India to manage her own affairs hereafter.

Now, the third point which I wish to refer to is the inordinate expenditure on Defence. Of course compared with other countries, and the conditions of other countries, we are comparatively free from heavy burdens; in fact we enjoy comparative peace and happiness but what is it considering the economic condition of our country? We cannot look upon the alarming rise of expenditure with equanimity. What was Rs. 38 crores of defence expenditure in the Budget of 1939-40 has now come to Rs. 84.13 crores—an enormous rise of more than Rs. 40 crores in the course of a few months. We do not complain of this expenditure nor of the necessity for such heavy expenditure. It is the primary duty of India to defend herself and to assist Great Britain in defeating Nazism. We are all bound to work whole-heartedly to crush Nazism. Any sacrifice that India can make in the matter is not too much and therefore it should be the endeavour of India to be able to defend herself and to assist Great Britain in defeating Nazism. This morning I saw a message from the A. P. I. from Wardhaganj that permission has been granted to



Satyagrahis to go from door to door and to preach against the war in the villages and in the towns. If this is the attitude of certain classes of people, I am sure that Government have to take strong measures to prevent such a disaster taking place in the mofussil areas. Within the last few days I have been going about in the villages and I have observed the mentality, the attitude, of the rural population. They are not in the least concerned with anti-war agitation. On the other hand there have been such voluntary contributions not only to the funds opened by the Governor of Madras but also in the matter of loans. Even village officers and the rich ryots have been investing their money on loans. Therefore, it was very interesting to me to observe how in the rural areas people have been responding to the call of duty, to the call of the country, to defend themselves and to defeat Nazism. While this is the feeling now prevailing, it is a surprise that from Wardhaganj a message should issue that from door to door anti-war propaganda should be carried on and I am sure that no one here in this House will sympathize with such an attitude that has been taken up. It is all disaster—disaster from the beginning to the end—and not in the interests of the country or the people ; it is suicidal. Every form of activity which helps Nazism ought to be summarily dealt with. Let it be understood by all that the destiny, political and economic, of India is bound up with the success of Great Britain. When Great Britain succeeds with our help and assistance, when we defend ourselves ably and courageously, then is the occasion for us to fight for Swaraj. Then no one will be behind the times. Swaraj is our birthright and we have to fight for it ; but this is not the occasion when we have to assert any such demands. Our present duty is to see that the enemy at the door is driven out, defeated and crushed. That is the urgent duty that lies before us. Therefore we must all realize that the success of Great Britain is very necessary in the interests of India herself. Now, Sir, it is no doubt very satisfactory to note that in fact the military conscience of Army Headquarters has been roused to the necessity of being more active and a little more frank in the matter of its dealings, but yet the whole question remains. What is the policy which Defence has got in regard to India and what is the role the Indian Army occupy in the dispensation of the army ? These are questions which have not been solved and it is therefore necessary to evoke greater interest in the war effort, an abiding interest among the people that Defence is their own business and not that of the foreigner. The old theory is that it is the duty of India to guard the frontiers and to have internal peace, and the rest, all external defence, is to be carried out by Great Britain for India. Four hundred millions of people have to be defended, not by themselves, not by their own sons, but by outsiders ; the Imperial Army of Great Britain has to undertake the responsibility of protecting Indians and the duty of Indians is only to guard the frontier and to maintain internal peace. This has been the principle of Defence. But where is the policy laid down ? The policy has not yet been laid down with regard to Defence in India. We demand that the Defence Department ought clearly and unambiguously lay down what is its position. In the Draft Instructions to the Governor General, Parliament has stated that the Defence of India must to an increasing extent be the concern of the Indian people. That was clearly stated in the Instrument of Instructions. What has been done since ? Every year Rs. 38 to Rs. 45 crores have been spent, tragic expenditure without a corresponding benefit to the Indian Army. The Defence Department has been spending all this money extravagantly. What is correspondingly the improvement effected in the Indian Army ? Until the eyes of the Army Headquarters and Defence Department were opened by the expert committee, the Chatfield Committee, we have had no scientific equipment, no equipment of any sort for modern requirements, but we had only the

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old instrument, antedeluvian machinery, and 400 millions of people to be defended. What is it then that this vast sum of Rs. 45 crores is utilized for ? The Chatfield Committee recommended that the old principle of allowing India to defend only the frontiers and to maintain internal peace, and the rest to be undertaken by the British Government, ought to be scrapped ; it is no longer desirable both in the interests of India and Great Britain. While they recommended that the limits of Indian protection should be extended both in the East and in the West, they have also made a comprehensive statement as regards the development of the army, navy and air force, all to be completed within a period of five years. No doubt with regard to the navy they have fixed a longer period. But then this comprehensive scheme which they have recommended is also to be supported by the British exchequer. £34 millions have to be provided by the British exchequer, three-fourths of which would be granted free and one-fourth would be interest-free. Now this financial responsibility was undertaken by the British exchequer because the Committee laid down the joint responsibility of India and Britain for the defence of India. It is not only that Great Britain should protect India but Great Britain and India should jointly be responsible for the defence of India. Hence, Sir, if there is an enhancement in the expenditure on the defence of India and if there is a contribution by the British exchequer, it is a necessary one and joint responsibility therefore has been established by the recommendations of this expert committee. But the expert committee reported in February, 1939 and the war broke out in September, 1939 and now we do not know where we are with regard to these recommendations of the Chatfield Committee. Nevertheless there is one thing certain, that a certain amount of reform has been inaugurated, that the changes that have been introduced are such that, while the enemy is at the gate knocking with sword in hand, and while aeroplanes are threatening everywhere, we have begun last-moment preparations. Last moment preparations necessarily involve hurried expenditure, waste of the Indian taxpayer's money, and inevitably so. Therefore, Sir, I plead in all earnestness that the Defence Department should not hereafter sit behind closed doors. This mystery and this reticence of the Defence Department must disappear. What is necessary is that the public must be taken into confidence, either a standing committee or an advisory committee or any other form of committee should be set up, not with reference to political parties. If you associate political parties with it, I am sure you will not be able to form a committee of that type. There will be conflict. But if you have got independent men of administrative experience and knowledge and who have gone through the discipline of action, they will be able to help the Government in this matter and act as advisers to the people themselves. The public at present feels they have no interest in defence matters. What have they got to do in order to support the proposals of the Government ? We have not been asked, we have not been consulted, we do not know what is taking place. That is the attitude I find in several places during my tours. And if this is the attitude of mind that is developing and deepening in the country, then, Sir, it is not at all safe for the British Government. It should not be a permanent feature. Even now it is not too late. The Government must wake up and take the people into their confidence and have some sort of organization by which there will be some communication between the Government and the people. In that case there will be no difficulty in the Government enlisting the wholehearted sympathy and support of the people. And therefore I very earnestly urge that the Government should lose no time in establishing relationship between the people and the Defence Department. Failure to do so will be fraught with serious consequences hereafter.

Now, Sir, the last point which I wish to refer to is the position of industries in India. The war no doubt has given a stimulus to many industries to help in the war effort. New factories, new workshops, have all been started. But then what will be the effect of these activities after the war? Now it is time that the Government made an intensive effort to promote industries and they should lose no time. There should therefore be an agency established which would be in existence to assume responsibility and continue to foster these industries after the war. If that is not done in regard to the major industries, that is the heavy industries, with a long-range policy, I fear that those industries to which impetus has been given now may not continue to flourish. I quite agree that it is necessary that there should be greater organization among the people and a greater co-operative spirit shown among the people themselves with a view to assist the Government in the matter of organizing the industries, but at the same time the Government must establish some agency by which the industrial development which has been inaugurated may be continued. And I am sure the Government will not be at all behind the times in establishing such an agency. What is necessary is to continue the stability and continuance of the industries now started. We do not want industrial stagnation which has been too much in evidence heretofore. Possibly it will be not stagnation but actual decline after the war. India's progress depends not so much on forms of government and constitutional changes as on sound economic foundations and that is what is necessary for all thoughtful Indians to consider at present in regard to industry. Meanwhile, it is our duty as citizens of India, our duty as public men, in our own interests and in the interests of Great Britain, that we should wholeheartedly work and co-operate for the successful defence of India and for the success of Great Britain and the defeat of Nazism. Crush the enemy by all means possible, by the high courage and resources which India could place at the disposal of Great Britain to defeat Nazism.

**THE HONOURABLE MR. SHANTIDAS ASKURAN** (Bombay: Non-Muhammadan): Sir, in offering a few comments on the Budget for this year, an outstanding fact which has to be borne in mind by everyone concerned in the welfare of this country is the grave warning issued by the Prime Minister a few weeks ago. He declared in a broadcast speech that though a British victory was certain as the final outcome of this war, one must be prepared to see during the current year Nazi legions near the gateway of India.

I believe, Sir, that the extremely heavy defence Budget announced last week is an indication that the authorities have taken fully into account the gravity of the international situation as disclosed in this statement by the Prime Minister.

The total expenditure on the Defence Services, both effective and non-effective in 1939-40 was estimated at Rs. 45 crores. This increased to about Rs. 50 crores by the end of the year. The revised estimate for 1940-41 is Rs. 72 crores, or an increase of Rs. 27 crores on the pre-war budget; and the budget estimate for 1941-42 is Rs. 84 crores, or an increase of Rs. 39 crores over the pre-war figures. The excess in these years will thus amount to more than Rs. 70 crores, and even this huge figure may be further increased during the course of this year. Apart from the valuable assistance India is giving in regard to supplies of all kinds to His Majesty's Government, the burden on India must be measured by this amount of Rs. 70 crores.

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Sir, to finance this expenditure, new taxation, estimated to bring in Rs. 11.8 crores was imposed in the Budget for 1940-41; this was supplemented by further taxation in the middle of the year, amounting to Rs. 6 crores. Out of this total additional taxation of Rs. 17.8 crores imposed last year, I estimate that more than Rs. 14 crores was realized during the year, as some of the new measures were in operation for only part of the year. To this increase of Rs. 17.8 crores of new taxation which will be fully effective in the coming year, we have a further addition of Rs. 6.6 crores, making a total of Rs. 24.4 crores. If we take the realized amount of additional taxation of last year at Rs. 14 crores, and the full effect of all the war taxes in the coming year at Rs. 24.4 crores, we find that more than Rs. 38 crores will be raised by new taxation from the people in two years to finance the war burden of Rs. 70 crores, the remaining coming out of loans. I shall be glad if these figures are corrected by the Government. I am sure, Sir, that even if there be small changes in detail the main features of the entire position will not be altered.

Sir, I have no wish to be critical at this juncture of the proposals placed before this House by the spokesman of the Finance Department last week. But I earnestly hope that I will not be misunderstood in repeating the remark I had made in the course of my speech on the Finance Bill in November last, namely, that the taxpayer should have an assurance that he gets full value for the money collected from him for the defence of the country. Sir, the Honourable the Supply Member earned the gratitude of the House by announcing in November last the formation of a special Committee consisting of elected Members drawn from both Houses to scrutinize the expenditure of the Supply Department. I venture to suggest, Sir, to the new Commander-in-Chief, whose first speech in this House the other day gave so much cause for satisfaction that he too should follow the example of the Honourable the Supply Member and set up a similar Committee to scrutinize all defence expenditure. Nothing, I venture to submit, will infuse so much confidence into the public that there is no extravagance or waste as such a step on the part of His Excellency the Commander-in-Chief.

Two other suggestions I would respectfully commend to the attention of His Excellency. I am confident, Sir, that I am voicing the opinion of a large section, not only in this House but outside, in saying that the suspension of the work of the Army Indianization Committee soon after the commencement of the war created widespread disappointment. We were all gratified when the Defence Secretary declared in the other House that the distinction between martial and non-martial races is no longer operative. Everyone will support the efforts of the Defence Department to secure the best material, whether for the Army, the Navy, or the Air Force. No one, I am sure, wants to see the defence forces recruited predominantly from any one community or any one province. Sir, I would go further and say that in a grave emergency like the present one, all distinctions, including that between British India and the States, should be dropped. His Excellency the Viceroy, in his offer to expand the Executive Council, made in August last year, had suggested the creation of a War Advisory Council, representative both of British India and of Indian States.

Sir, we all deeply regret the tragic fact that so far no political settlement has been reached, so that India as a whole could devote her entire attention to the active prosecution of the war. Speaking as a businessman, Sir, I cannot but deplore the tendency on the part of the major political parties in this

country to concentrate on party cries and slogans which cannot lead to a harmonious solution of the complex political problems of this country. Sir, if I may be permitted to make the remark, this is not the time for raising the cry of independence or of Pakistan. What the country needs is peaceful, internal adjustment, so that we may have a Government at the centre and in the provinces representative of the people and determined to play a worthy and noble part in the world fight for freedom and democracy. I only hope, Sir, that His Excellency the Viceroy, who has already given many proofs of his interest in the abiding welfare of this country, will not be deterred by the failure of political parties in this country to come together in a spirit of mutual accommodation. This is not a time when either the Government or the people should lose heart and despair of a solution.

But, Sir, whenever a political settlement may come, sooner I hope rather than later, the establishment of a War Advisory Council should not be delayed any further. There must be set up without any delay a Council which would command the confidence of the Princes and the people of India to co-operate with His Excellency the Commander-in-Chief and the Defence Department in all measures which have a direct or even indirect bearing on the prosecution of the war.

After these general remarks, I will now proceed to make a few comments on the budget proposals placed before this House.

Sir, what is disquieting about the Finance Member's statement is the frequency with which he imposes new burdens on industry even before it has had time to recover from his previous impositions. The excess profits tax was levied at 50 per cent. only three months ago. And yet he has now come forward with the decision to raise it to 66  $\frac{2}{3}$  per cent. No doubt, we shall be told that the industrialists in this country are more fortunate than in Britain where the entire proceeds of excess profits tax are taken by the Government. Conditions, Sir, are very different in the two countries; and there can be no fair comparison between the capacity of British industry well developed over a period of centuries and industry in this country, a great deal of which is new and cannot therefore bear the same shocks. But, Sir, even in Britain, the Government is now actively considering a proposal to set aside half the proceeds of excess profits tax, not for the purpose of meeting war expenditure, but as a reserve fund to assist the various industries in changing over to peace conditions at the end of the war. It was stated recently that this proposal arose from complaints from industrialists that a levy of a hundred per cent. of excess profits tax would not allow them to make any provision for this essential purpose. I put it to the Honourable the Finance Member whether Indian industrialists, even though they may be paying only 66  $\frac{2}{3}$  per cent., are not in an even more helpless position. It is, I maintain, the duty of the Government to take every possible step to see that industry can without suffering damage bear such heavy taxation.

Sir, during the last war, the Government of India of that time saw the necessity for appointing an Industrial Commission under the Chairmanship of Sir Thomas Holland. That Commission made a comprehensive report, though it deliberately ruled out from the scope of its inquiry the question of fiscal policy. I put it to the Government today whether something should not be done at once to review the entire industrial position in this country, both as regards industries which are already in existence and those which it would pay the country to start under war conditions. Men like Dr. John Matthai, President of more than one Tariff Board and for many years the Director General of Commerical Intelligence with the Government of India, have

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advocated a complete overhaul of our protective policy. Dr. Matthai pointed out in a recent statement that the conditions laid down by the Fiscal Commission almost two decades ago for discriminating protection being granted to an industry are too stringent and somewhat difficult to work. Speaking from personal experience, he suggested that for the purpose of speedier work there should be a Tariff Commissioner, who, for more important or more elaborate inquiries, should be assisted by two colleagues, co-opted for the purpose.

Whether the Government of India find this suggestion the most effective for the purpose in view or not, the point I wish to make, Sir, is that there should be a thorough-going review of our fiscal policy inaugurated under very different conditions in 1923. I would, therefore, earnestly commend to the notice of the Government of India for their acceptance the appointment of an Industrial Commission which would also review the working of our fiscal policy.

Sir, if I had the time, I could have gone into the details of the needs of industries like chemicals and those connected with heavy engineering and electrical works, not to mention aircraft, ship-building and motor car manufacture. All these are bound to play a most important part in the future development of our industrial organization. It is satisfactory to note from the speech of the Honourable the Finance Member that the number of items of medical stores imported into India has dropped considerably and that many items which were imported until recently are either now manufactured in India or substitutes are being found for them in this country. Sir, if I am not going out of my way, I would like to suggest that there should be an inquiry into patent drugs originating from enemy countries with a view to starting the manufacture of such drugs in this country. The war gives this country a unique opportunity which I consider should not be lost.

Sir, this brings me naturally on to an aspect of the work of the Eastern Group Council which has just commenced its work in Delhi. Some of the Dominions also will be represented on this Council. This House is under a handicap in referring to the work of the Supply Council, because no authoritative statement has yet been made to indicate the scope and nature of its activities. But, Sir, it would be relevant to point out the attitude of the Dominions in this matter. When Canada was told at the commencement of the war that she should produce only those articles for which she has natural facilities, in other words that she should concentrate on fewer materials but produce these in larger quantities, she insisted on a self-sufficient and well-rounded military establishment. The result, Sir, is that Canada produces today practically everything she requires—warships, ordinary ships, motor trucks, cars, tanks, air-frames and explosives. I believe that nearly three-fourths of the new factories in Canada are on British account. Both Canada and Australia control their foreign exchange and shipping, in order to give effect to this policy of self-sufficiency. Australia has obtained Britain's consent for using up all her dollar resources in a manner most useful for her internal development. Sir, the contrast between the position of the two Dominions that I have mentioned and India is too obvious to need further comment. In regard to the surcharge on income-tax, I consider it unfortunate, particularly from the point of view of those whose income is in the lower grades and those who have fixed incomes. These persons are already hit by higher prices to some extent; they also contribute to the enhanced indirect taxes on sugar, petrol, railway rates, postal rates, matches, and so on; in

addition to these, they are now asked to pay the high figure of 33 1/3 per cent. as a surcharge on their existing income-tax. From the point of view of the total burden of taxes, if an inquiry were made, it will be found that the middle classes and persons with fixed incomes of moderate dimensions are treated more severely than other sections of the people.

Regarding matches, prices have already gone up partly because the stocks have gone low. The sudden and further increase in the price of this article of common necessity will be, I fear, a great hardship for everybody. In my opinion, Sir, the increase in prices will be so great that there will be a reaction on the match industry, because consumption is likely to go down.

So far as the new duty on tyres and tubes is concerned, at first sight it may appear to fall only on the well-to-do. But this is not the whole truth. Motor transport has been taxed heavily, both by the Central and Provincial Governments, and this further addition to it may prove more burdensome than the Honourable the Finance Member appears to think. In a vast country like ours, where railway facilities are so inadequate, motor transport should be encouraged in all possible ways, instead of being taxed in this way. I cannot help remarking that the outlook of the authorities on this question is short-sighted and requires urgent revision.

Sir, the import duty on artificial silk yarn and thread is also treated as a small measure, along with the duty on tyres and tubes. It may be small in comparison to other and heavy taxes. But it has a great significance from another point of view. The artificial silk industry is an infant industry in the country. It meets with severe competition from imported goods chiefly Japanese. The new duty will increase the cost of production of this industry which is dependent on imported yarn and thread. I am not able to understand why the Honourable the Finance Member has overlooked this obvious difficulty which will be created by his proposal. Why has this new industry been selected for this sacrifice? The Government of India is loud in its professions to help industries in this country. I am surprised that the Government should inflict such an unwarranted blow on a new industry given in this way in the name of war effort. I do appeal to the Honourable Member to reconsider his decision and drop a proposal, which, after all, will add only a few lakhs to his revenues, but may deal a heavy blow to such a small newly started industry and to handloom weavers spread all over the country and earning a precarious livelihood.

Sir, I listened to the criticisms of this proposal and to the reply of the Honourable the Finance Member in the other House yesterday in justification of his proposed duty. Sir, the Honourable Member seems to have overlooked the circumstances under which art silk cloth has been growing in popularity in this country. In times of comparative prosperity a large number of even poor people were in the habit of purchasing silk for occasions like marriages and religious festivals. But with the fall in commodity prices and the consequent reduction of the purchasing power in the masses on the one hand, and increase in the general cost of living on account of taxation and enhancement of railway freight on the other, art silk, being cheaper, took the place of genuine silk particularly during the last five years. As a result of this demand for art silk cloth, textile mills have been using silk yarn to a certain extent and handloom weavers have been producing art silk cloth. Thousands of handloom weavers have thus found work and a means of livelihood in several parts of India. There are today at least 6,000 looms in the country producing art silk cloth and at least 25,000 families are earning a living from this new industry. Now, Sir, with the two annas extra duty I calculate that the handloom worker who consumes on an average one and a half to two lbs. of yarn

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will sacrifice three to four annas a day out of his earnings. I may point out that this industry is not competing with the cotton textile industry because the price of cotton yarn is between four to seven annas a lb. whereas art silk yarn prices range between fourteen annas and two rupees a lb. The Honourable the Finance Member's imposition of an extra duty without a corresponding duty on imported art silk cloth is therefore likely to kill this new industry in its infancy and throw thousands of poor hand-loom weavers out of employment.

**THE HONOURABLE SIR JEREMY RAISMAN :** Why don't you mention the existing rate of duty on the imports of art silk fabrics ?

**THE HONOURABLE MR. SHANTIDAS ASKURAN :** That is the reason why this industry has come into being.

**THE HONOURABLE SIR JEREMY RAISMAN :** Why don't you mention such an important fact ?

**THE HONOURABLE MR. SHANTIDAS ASKURAN :** It is a well known fact, Sir.

There is also the possibility, perhaps I should say the certainty, of this industry being transferred to the Indian States, especially the maritime States. Should such a transfer take place, the Honourable the Finance Member instead of increasing his revenue by Rs. 35 lakhs will lose in course of time the customs duty and the income-tax ; because it may be more economical to transfer the machinery which is light and cheap to a neighbouring State. I do not believe, Sir, that the Honourable the Finance Member will do anything to prevent such a transfer to the States from taking place, since the Princes are at present throwing their energies and resources wholeheartedly into the prosecution of the war. Therefore, I feel bound to warn the Honourable the Finance Member that the effect of this duty may ultimately be to drive a new industry into the States, without bringing any benefit to the revenues of the Central Government.

There is another aspect of the Budget speech which merits a reference. The Honourable the Finance Member has indicated that the uncovered deficit this year will Rs. 1,385 lakhs. There is one consolation for some of us who urged him last year that war expenditure being abnormal, it would be right for him to resort to borrowing to meet at least a portion of such expenditure. I am glad, Sir, that he has seen the wisdom of adopting such a course this year. At the same time, there is a disquieting suggestion in his speech that heavy as defence expenditure is, more than Rs. 84 crores, there may be unforeseeable items cropping up in the course of the year. Remembering a similar warning he gave us a year ago and the fact that in November he came forward with fresh proposals for taxation, one cannot help fearing that he may come to us twice a year for so long as the war lasts. I would beg him to realize that it would be better for industry and the country's economic life generally, that he should reveal the whole truth in the normal budget session and not in stages. There is a reference in his speech to the possibility of reducing the deficit as a result of modifications in the Indo-Burma trade agreement. Sir, I must warn him in advance that if he implies thereby that he will impose a duty on the goods that Burma sends to this country he must at any rate leave rice out of account. Burma rice is the staple article of food



for the poorest classes in India. This year we have a shortage of the rice crop in Bengal. Prices, as the Honourable the Finance Member is aware, have already begun to go up because of shipping difficulties. If, in addition, there should be a duty on the imports of Burma rice the Finance Member will be taxing the food of the poorest classes in India at a time when they can least afford to bear the burden.

Sir, I make no apology for making this appeal to the Honourable the Finance Member. I have already referred, in an earlier part of my speech, to the measures that are being contemplated by the British Government for comprehensive planning, not only of industrial reconstruction after the war, but also of agriculture. Let the Government here similarly prove that they too are taking a long view of things. Incredibly large sums of money are, of course, wanted for the prosecution of the war. But the collection of the revenue is not the only business of a modern Government. In making these heavy demands upon the people of the country, let the Government come forward with well considered plans for industrial co-ordination and planning. Sir, the Honourable Member in charge of Commerce and Industry has been trying to do his best to assist Indian industries, but he bears at present far too heavy a burden on his shoulders. Industrial co-ordination and planning should receive his full and undisturbed attention so that at the end of the war an era of reconstruction may be ushered which will mean prosperity for all classes of people.

THE HONOURABLE MAHARAJADHIBAJA SIR KAMESHAR SINGH OF DARBHANGA (Bihar : Non-Muhammadan) : Mr. President, more than once I have made it clear what my attitude is towards war measures, and I shall be doing so once again when I say that I consider no sacrifice too great for vindicating the honour of my King and Country. The present war is a deadly struggle between diametrically opposite forces for having the upper hand to shape the future of mankind. It is going to decide whether civilization or barbarism, whether the idea of free growth of nations or that of racial domination, whether humanity or brute force is to predominate in the world to come. I have no doubt whatsoever that the cause championed by the British Empire will ultimately triumph but at the same time I am convinced that the struggle will be a long one and it will put every man and woman of the present generation to the severest test. I am sure that, generally speaking, the whole of India wishes that Britain may win the war and feels more or less confident that she will win the war. Had it not been so, there would not have been so much agitation about the status of this country, so many claims and counter-claims to the position and privileges of this community and that and so much fuss about the conditions on which this section or that will join in war efforts. All these presuppose that it will be Britain with whom India shall have ultimately to settle her accounts and the hour of her need is the best time to strike the bargain. This is my reading of the situation and I shall be lacking in candour if I do not say with due respect that to me and to the people of my way of thinking the methods employed by parties that dominate in the political field today are highly improper. Issues much larger than those put forward by the leaders of these political parties demand immediate solution by the world. They are talking of definition of their rights in a property when the property itself is in the danger of being snatched away from one who claims to hold it on trust. They are disputing the rights of the trustee when an outsider claims by the right of his might the absolute ownership of the trust property. They are arguing about unfulfilled promises when the question is whether they will remain in a condition to have what they have got. In my opinion they should have kept

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these considerations aside till the world becomes free from the Nazi, the Fasist and I hope also the Bolshevik menace for Britain needs our fullest support in putting an end to them and our non-co-operation at this juncture amounts to our helping those whose defeat we earnestly desire—nay, whose defeat some of us have taken for granted. So far, therefore, as the present war is concerned, our duty is clear and that is to forget our differences with the British Government for the time being and stand by it loyally and steadfastly, as other units of the British Empire have done, in the life and death struggle that is shaking the world.

*Unimaginativeness of Government.*—Sir, but I can not help thinking that the Government has failed to produce the war atmosphere. It is true that taxation is mounting up and donations to War Funds are coming in but there is a lack of that feeling of making the cause one's own which is so very essential for the success of a struggle such as this. The non-officials who finance the war do not count at all. They have no position or status. As a result of this attitude people in general do not realize that it is their own battle that they are fighting. There is a feeling of distrust, and I am afraid it is growing. The officials feel that every thing is done by them and it will be dangerous to transfer any real responsibility to the non-officials irrespective of their attitude towards the war. The political parties, we know, have made no secret of their intentions. They are in a bargaining spirit and I do not minimize the difficulties of Government in striking a bargain at a time like this. But there are other people who have pledged their unconditional support to Government in their war efforts and I wonder why they are treated with such cold neglect. The question of expansion of Viceroy's Executive Council and the constitution of the War Board was shelved on account of the failure of the Congress and the Muslim League Parties to come to a working arrangement. After all, there are quite a number of eminent men in India not belonging to these political parties who can render valuable services and guide the affairs of their country during these troublesome times and yet they are not considered fit even to be consulted. They are not allowed to share the responsibilities for the defence of their country. They are expected to put forth money, men and resources but are denied any voice in the utilization of it. It looks that there is no other element in India in the eyes of the powers that be except the Congress and the Muslim League and when there is no harmony in them British element alone can replace them. If such a policy is going to be pursued my apprehension is that even most of those who consider it to be a patriotic act to help Britain to win the war will lose all interest. What interest can they have in the matter when they get the idea that those whom they support can only humiliate them? I hope, however, that Government will not commit the blunder of alienating the sympathy and support of those who are standing by it even at the risk of being misunderstood, and act in such a manner as may give the impression that friendship is reciprocated, support is appreciated and the collaborators in this hazardous enterprise have free and equal status. It is true that War Committees have been formed throughout India and they are doing good work. But the scope of their activities is so limited, the nature of their work is so one-sided, and the prospect before them is so hazy that one would really marvel at what they have been able to do.

What message has the Secretary of State or His Excellency the Viceroy given to the 400 million people of this country except that they are naughty children and unless they cease quarrelling they cannot have any place in the household? Is that the way to ward off aggression? This simply shows mutual distrust and unless there is the feeling that the home is theirs and shall

be theirs if they drive out the aggressor how can they be expected to take any interest in protecting it ? The Prime Minister unhappily has chosen to be discreetly silent about us. We are left to guess things for ourselves and I think that it is the deep-rooted traditional loyalty of Indians to the Throne and person of the King Emperor that alone is responsible for the response this country has given.

Sir, if the Governments both in England and in this country would have been practical and imaginative Hitler would never have dared to cause the catastrophe. The period between 1918 and 1938 was wasted. So far as India was concerned distrust between the Britishers and the Indians continued, disunion between various elements in Indian life was fostered by the Government of India Act of 1935 and numerous barriers were put in the way of her progress towards self-sufficiency. Even when the war is on, it is surprising that offers of help are sometimes refused and acts are done by which people are led to think that India is deliberately prevented from occupying the position of equality with other countries. While sinews of war are provided by non-official India it is the official India and that too predominantly of the British variety which decides as to how they should be utilized. When at a time like this the level of taxation is steadily rising and utmost economy should have been effected in administration, extravagances are clearly visible and the criticisms of the representatives of the taxpayers do not seem to have any effect on Government.

*The new world order.*—We are told of a new world order ! What is that world order going to be ? What will be the position of those who are helping Britain to win the war in that world order ? It has been demonstrated that the order which emerged out of a world war in 1918 was disorder of the worst type. Forces were let loose on earth which delighted in the destruction of all those ideals for which people used to lay down their lives in the past. New ideals sprung up but equipments to defend those ideals were wanting. Human weaknesses manifested themselves. The remedies prescribed were worse than the disease. The institutions that arose on the ashes of the old were of much inferior kind and the result has been the devil's dance which we witness today. The question that we have to ask today is whether all this suffering and sacrifice will give us the wisdom to see things in their true perspective and the strength to act with courage and determination for a lasting peace and prosperity, or they will all go in vain. As we are primarily concerned with our own country, I crave the indulgence of the House to permit me to recapitulate some of the events that the history of our country has recorded and discuss this important question in the light of such events.

There have been three main conquerors of the territory called today by the name of India. They were the Aryans who held sway for thousands of years—we do not know yet whether their predecessors were conquerors or original settlers—the Muhammadans, who ruled a large part of the country for nearly 800 years and the British, who in one shape or the other are guiding our political destiny for over a century and a half. The difference between the extent of the conquests of these three varieties of conquerors has been that the first was able to fulfil its mission, the second tried but failed and the third has found conquest by the first too complex to meddle with it in a direct manner. Long subjection of political nature has weakened the vitality of the body brought into being by the most successful of these conquerors ; but the spirit still pervades the land and their mission has the same appeal to the hearts of mankind as it had when it was taken up. Diverse religious dogmas and practices, clash of cultural peculiarities, social vagaries and political accidents do not touch the fringe of the mighty achievements of these redoubtable conquerors.

[Sir Kameshwar Singh.]

If we have not today the power of assimilation and the energy for evolution it is simply due to the fact that our long political subjection makes it difficult for us to develop in the line which is most congenial to us. When the Muhammadan conquerors came they found that they could not rule India without the co-operation of the people of this country and the vast majority of them were Hindus. Campaign of conversion and policy of preference to Muhammadans did not show quick results. Reaction was very great. When the Hindus were given positions of trust and honour and attempt was made for the natural fusion of culture the Muhammadan power was at its zenith. It declined with the reversion of the policy and the country knew no peace till by her historic Proclamation Her late Imperial Majesty Queen Victoria of blessed memory assured the people of this country that Her Majesty's subjects, of whatever race or creed they may be, will be freely and impartially admitted to offices in Her Majesty's service the duties of which they may be qualified by their education, ability and integrity, duly to discharge. In the same Proclamation the great Queen assured the Indians that they would be treated in the same way as other subjects of Her Majesty were treated and perfect neutrality will be maintained in religious matters. The gracious message of Her Majesty did its work. It allayed the highly strong feelings of the Indian people at that time. In the reigns that followed attempts were made towards the fusion of Eastern and Western culture by peaceful means. But time has shown that those responsible for carrying out her instructions have, while paying lip homage to them and willy nilly succumbing to the pressure of public opinion, tried to kill the spirit in which the message was given. The present unrest and desperation on the part of the Indian public men are due to the narrow-mindedness of those who have shaped the trend of British administration in India and I have already said they never understood India. The system of their administration is too mechanical to allow them to know the country and its people. And yet, they have all along thought that they know much more about Indians than Indians themselves and had it not been for them we would have been worse than savages and the country would have known nothing but anarchy. It is true that when they established a hold on this country, this country was engaged in internecine warfare. The weakening of the central political authority was the chief cause of that state of affairs. But which country with the size and population of India has been immune from occasional upheavals of that kind? It is true that with tact, diplomacy, ability, character and good luck the servants of the East India Company managed to establish Indo-British relationship which if fostered in the right spirit would have and can even now produce marvellous results; but is equally true that by their lack of imagination, lack of trust and false notion about Indians the British administrators from the very beginning poisoned the fountain of a relationship which could have otherwise been very sweet.

Sir, Indians were never given free hand to evolve their own system of administration. They were made to believe partly by the western mode of thought which English education has bred in them partly by the contact which science has established between different parts of the world and partly by the domination of Western powers that the best thing to do was to faithfully copy the British system of government. But events have proved that even the Britishers are not prepared to allow India to do so. If that would not have been the case, there would have been no communal electorates, no weightages and no dictation from Whitehall. They are considered necessary because India has not moved along the path of Britain and she has problems peculiar to her own. Events have also proved that such a patched up constitutional

structure will not suit this country. It will tear her up in bits and destroy her integrity. She has to build up her constitutional structure on her own traditional foundation in accordance with her own needs. While I do not minimize the importance and utility of Indo-British connection I want it like all others in my country on the basis of free will and equality. India cannot be happy unless she is the mistress in her own household in which every child is treated with justice, fairness and love according to position, development and aptitude and given the necessary protection from molestation of any kind violent or non-violent. The British Parliament which has shaped the destiny of this country during the last century has never understood this country. It has no doubt maintained internal tranquillity to an appreciable degree but it has sapped the vitality of the country and prevented its natural growth. It is responsible for killing that unity in diversity which was the special feature of Indian life and culture. It has magnified diversity and killed the spirit which made India great. We are governed today by head and not by heart as we used to be. It is not love, it is not social duties and obligations, it is not the fear of God but it is the definition of legal rights that regulates our conduct today. We have drifted far apart from the shore with which we were familiar for such a long time and in the mid-ocean we are overtaken by a mighty storm and do not know what the future has in store for us. We shall have to lift ourselves to the higher plane of spirituality as Aryans had done to achieve the unity we desire and with that background can we evolve our political constitution by harmonizing our differences basing it on justice and security and cementing them with territorial patriotism. Although uniformity is not the essential feature of the scheme, it will necessitate well planned division of work in the service of our country so that every man and woman of this land without being divested of his or her possessions may develop without any hinderance and fully contribute according to his or her ability to the well being and progress of India.

I wish to see the day when the Britishers will be no longer distrusted or accused of breaking their pledges, when imperialism will be the symbol of the system of collective security and not taken to be a system of exploitation, when the ultimate aim of democracy will not be dictatorship but real freedom and security and when India will in a real sense be a free and equal partner in the Empire of the Commonwealth of Nations.

It is due to the hope of the fulfilment of this wish and the sense of duty towards our beloved Sovereign that I grudge no sacrifice and my support to the taxation measures should be considered purely in this light.

**THE HONOURABLE MR. J. H. S. RICHARDSON** (Bengal Chamber of Commerce): Sir, I do not wish to take up the time of the House with a long speech dealing with various details of the Budget many of which have already been discussed by previous speakers. There are, however, one or two points which I wish to bring forward but before doing so, I would like to express my general approval of the Budget subject to the remark that since the same sources of revenue are being further taxed, it is obvious that the time is approaching when serious consideration will have to be given to raising further sums which will undoubtedly be necessary by other means and especially by broadening the basis.

Sir, my Honourable friend Mr. Shantidas Askuran referred to the fact that the Honourable the Finance Member has presented us with two budgets in the last year and he advocated that the Finance Member should disclose the whole position in one go. Well, my Honourable friend is evidently one of those persons who is able to take his strong medicine in large doses. Personally

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I prefer the Finance Member's method of administering his medicine to us in small doses as it becomes necessary from time to time.

I have nothing to say against the increase in the excess profits tax since I accepted the main principles of the Bill when it was passed and I believed that certain clauses in the Bill very fully provided for those cases requiring special consideration if hardship is to be avoided. It is perhaps regrettable that the delay in the excess profits tax assessments to which I shall again refer later, has prevented commerce and industry having actual experience of the working of the Act and in particular actual knowledge of how such hardship cases are to be treated. In the absence of such experience naturally it is not possible for any criticisms or suggestions to be made at this stage ; but I should like to say that according to the information given to me, in the various discussions which business interests have had with Mr. Ayres it is evident that he has been most helpful and friendly, and industry is grateful to him for the trouble he has taken in explaining the various points and for the attitude which he has, I understand, instructed his department to take up on them.

On the question of the degree of the tax, whilst as I have said it has my approval, I think that if and when any further increase is contemplated all the factors should be very carefully taken into consideration. My Honourable friend Sir A. P. Patro just now said that we were very lucky that the tax was not higher than 86 2/3 per cent. Well, whilst even 100 per cent. excess profits tax might be alluring in so far as its prospective return is concerned, I am sure it will be appreciated that such high taxation brings with it an incentive in certain quarters and circumstances to excessive expenditure which may eventuate in post-war difficulties and other problems. I therefore say that these and other factors should be borne in mind and it is a question whether the limit has not now been reached in respect of this tax.

I would like to refer to the Honourable Finance Member's remarks made in his Budget speech regarding the very slow progress in the excess profits tax work due to the assessment proceedings bristling with practical difficulties owing to the complexity of the computations. He also stated that the extent of the preliminary work had proved even greater than had been expected, which had resulted in returns from assesses not being due before the end of November.

Sir, a year ago in this House I endeavoured to draw attention to those very difficulties which business interests foresaw, and in asking for the assurance that additional and expert staff would be posted to the Department which would have to operate the Act. I stated that the delay and inconvenience which would otherwise ensue could well be imagined, if that was not done.

In his reply last year the Honourable the Finance Member promised to do his best to secure that the machinery which was set up for the administration of the Excess Profits Tax Act was satisfactory and efficient and that it did not reduce the efficiency of the existing machinery for the collection of income-tax within the limitations which faced him.

Sir, in view of the present position, as has been described by the Finance Member himself in that portion of his Budget speech to which I have already referred, I am afraid that neither he nor business interests have any reason today to feel very happy at the arrangements which have been made, and consequently I desire once again to stress the necessity for adequate staff coupled with some investigation into other factors which contribute to the delay in making assessments, not only in regard to excess profits tax but also in regard to income-tax assessments ; and it is not only to lighten the burden

which at present falls on the shoulders of depleted staff in commercial offices for which I make this plea. It is equally in the interests of the Income-tax Department itself, since the very fact that recently they requested several companies whose assessments were not completed to make advance payments on account of income and excess profits taxes shows that all is not well behind the scenes.

**THE HONOURABLE SIR JEREMY RAISMAN:** That is the common practice in the United Kingdom.

**THE HONOURABLE MR. J. H. S. RICHARDSON:** It may be the common practice, and I do not deny that it is possibly necessary; but the fact remains that there is something that makes that necessary here, whereas previously it was not necessary. Anyway, Sir, the Honourable Member has, as I have already stated, stressed the practical difficulties which it is obvious are being keenly felt within the Department itself. He has not however made any references to the repercussions of these difficulties on commerce and industry itself. Companies are, I know, only too willing to meet the desire of the Central Board of Revenue to make advance payments on account of taxation; but, whilst they are willing to assist in this and any other manner possible, it is only fair and reasonable that the difficulties which are being experienced on their side should be brought to light and that the Central Board of Revenue should give careful consideration to these matters and take urgent steps to effect some improvement. Besides the heavy work often entailed by the present system, the result of delay in completing the assessment of a company involves intricate and complicated calculations in order to make the necessary provision for taxation in subsequent balance, sheets, and this at a time when staffs are seriously depleted owing to members having joined up for military service. The taxation departments of most large offices have now to deal with an ever-increasing number of matters; for instance, my own office in Calcutta has at least ten different tax returns to prepare—Indian income-tax and super-tax, Indian excess profits tax, United Kingdom income-tax, United Kingdom excess profits tax, Ceylon income-tax, Burma income-tax, Bihar agricultural income-tax, Assam agricultural income-tax, Indian States income-taxes, the Bengal employment and professions tax.

**THE HONOURABLE SIR JEREMY RAISMAN:** You should not have income in so many places.

**THE HONOURABLE MR. J. H. S. RICHARDSON:** May be, Sir, but it is a fact that these things have to be dealt with; and I may also mention that of these all except three involve claims for double taxation reliefs.

Sir, when dealing with the defence services in his Budget speech the Honourable the Finance Member remarked that it was impossible to exaggerate the importance of adequate training establishments in an expansion of the scale of that which was now being carried out. From what I have said it is I think equally obvious that this remark is applicable to several departments of Government today, not the least of which is the Income-tax Department itself. I am aware it is not easy to obtain expert staffs at short notice, but I would like to know what is being done in regard to the training of the necessary personnel who will be required to deal with the inevitably increased taxation which will follow as the war proceeds. I would also like to know what it is proposed to do to speed up the work under the present circumstances? In this connection the shorter hours of work in Government offices are often unfavourably compared with those of commercial

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establishments ; and this is but one of several ways in which I suggest there are possibilities for at least doing something towards accelerating the work in the absence of the necessary staff.

Sir, I do not wish unduly to labour this point ; neither do I wish by my repeated references to appear as casting any reflection or harbouring any grievance against the department, as this is not so. I hope the Honourable the Finance Member will believe me when I say that I know the difficulties and concern which I have voiced have justifiable ground and that in these days when we are all heavily over-worked with depleted staffs it is absolutely essential that as far as possible peace-time regulations should be set aside in the interests of all concerned, not the least of which is the avoidance of impeding our mutual war efforts.

(At this stage the Honourable the President vacated the Chair, which was taken by Sir David Devadoss.)

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan): Sir, it is a matter of serious concern for all of us to find an

enormous increase in the Budget which the Honourable the Finance Member estimates this year that the expenditure has gone up to Rs. 84 crores from Rs. 45 crores figures an unprecedented level of expenditure should be only partially met by taxation from the people. I, however, hold that all the non-recurring charges should be met as far as possible by loans as the Indians cannot bear such a big burden. We cannot compare ourselves with Britain where the average income per person is about Rs. 1,800 a year. In India the yearly income is about only Rs. 80. It is evident therefore that the Indian masses, whose income as I have already stated is about Rs. 80 per head per year cannot compare with those persons whose average income ranges from Rs. 1,600 to Rs. 1,800 a year. Sir, the unprecedented expenditure of Rs. 84 crores can be allowed to be met by additional taxation measures. We all wish that the war should be won and we are prepared to make sacrifices for it, but there is a limit to that sacrifice and I must say that one must cry halt in the matter of the additional taxation. Sir, the increase in super-tax and increase in excess profits tax was seriously considered by the Indian Chambers of Commerce and they came to the conclusion that this high taxation will be detrimental to the growth of industry, because after the war is over there would be no reserves left with the industrial concerns to stand the slump. Even in Great Britain the Government have provided for making up of these reserves for industry. What do we find here in India, Sir ? Certain small industries which developed during the last war—practically most of them—went into liquidation after the war was over owing to slump and owing to there being no demand from Government for articles which they produce. The imposition of excess profits tax on industries has not been considered in the same light in India as it has been considered in Britain. Therefore I respectfully request the Finance Member to reconsider his decision. Certain industries, for instance, the cotton textile industry, have been suffering for the last many years from the keen competition of other countries and particularly from Japan. Perhaps the intention of the Indian Government was to please Japan anyhow, but from the press we find that Japan is feeling ungrateful for the concessions which the Indian Government did give to that country in the way of import and other duties. The sooner this is put right the better.

Then, I come to the question of the public demand for the establishment of an Advisory Defence Council. It is now evident and it needs no further explanation from me that the Indian public does require that its chosen representatives



and its established leaders should have a voice in the expenditure on Defence services. More the taxation, more the representation. That is the British motto and I hope that the Government will always bear that motto in mind. We do not grudge taxation up to the limit that we can stand. But when we are prepared to make sacrifices it behoves the Government to consult the leaders of public opinion and the Members of the Central Legislature in the matter of Defence expenditure. As far as the Defence services are concerned, we still find racial discrimination as far as the salaries and allowances of the superior Defence services are concerned. People have been crying that Indian officers have to incur more expenditure than European officers; they have to entertain Europeans as well as Indians and I have always been impressed by the fact that Indians have more obligations to meet than Europeans. They have to support their near and distant relations. They have to give them presents in cash and kind at certain festivals every year which the Europeans have not. My own information is that as far as family matters are concerned the European only recognizes the relation of the wife and children and beyond that matter of support begins to diminish. Sir, I want contentment in the service and particularly in the Defence service contentment is of paramount importance. British officers of the same rank and service drawing better scales of pay and better allowance than Indian officers is certainly a matter of discontent to Indian officers who work side by side with them carrying same responsibilities. I myself advocate giving British overseas allowance because they come and live in a country which does not suit their convenience. That I admit, but as far as other allowances and scale of salaries are concerned, they must be the same and there must be no racial discrimination. I am very glad and thankful to the Government for having removed the segregation of Indians from Britishers by abolition of Indianized units. That policy Indians very much resented because of the remark of a certain official of the British Government assuring his cadets for the army that Britishers would never be commanded by blackies. I take that statement, Sir, from the Skeen Committee's Report. That is not a newspaper report which may or may not be trusted. I am very glad, Sir, and thankful to Government that that colour bar which Indians have been suffering from has been removed and hope that in the near future in the matter of salaries and allowances Indians holding commissions will be put on a par with Britishers excepting that Britishers should be allowed an overseas allowance. It is a matter of great satisfaction to us that army recruitment is proceeding so satisfactorily. As far as my information goes, the demand is less than the supply and people are coming forward in large numbers to offer their services for the war. I know, Sir, that this question of martial and non-martial classes has been now definitely decided. As far as I remember, the Honourable the Defence Secretary on the floor of the other House said that this distinction and this terminology of martial and non-martial was not the invention of the Government but of Indian politicians. Sir, we test these statements by the real action which the Government takes. Nowadays, Sir, it has been established, and as far as my information goes, it is the opinion of the very experienced Generals and Commanders that in these days of mechanization and modernization of army, sheer physical force is not so useful as the intellect and the brain and so there must be some change in the policy of recruitment. Nowadays horses for all the cavalries are being abandoned and replaced by mechanized transport. And the Air Force is the leading arm in warfare at the present time. Therefore, Sir, I wish that a definite policy be laid out as far as the recruitment of men with poor commonsense or with strong commonsense is concerned and that such decision be published in a communique by the Government to avoid misunderstanding. By making these remarks I am not casting any sort of reflection upon those who have served so

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well in the past. The policy of the Government in abolishing the Viceroy's commission to me was wrong because the classes who made great sacrifices for the Government for generations were with one stroke of the pen deprived of their privilege. My information is from a rumour—I hope the Honourable Mr. Williams will put me right if my information is wrong—I heard that the Government has revived Viceroy's commissions.

Another point, Sir, which I wish to touch upon is regarding the way in which military officers have been asked to resume war duty, those officers who have been lent to civil departments as well as on the railways. The employment of Defence officers in non-Defence Departments is mainly meant that in case of war they must revert to their duty in the Defence services. On the N.W.R. the apothecaries, the lent military I.M.Ds., have not been requisitioned for war. I do not know exactly why. Some people are under the impression, rightly or wrongly, that these I.M.D. officers were not considered fit in the present time to take up medical duties in the war. I understand, Sir, that, as far as the apothecaries are concerned, until they take a medical degree of L. R. C. P. or L. M. S. or a higher degree, they are not allowed to practice in Britain. But here I.M.D. with only apothecaries' qualifications are allowed to practise. I am glad that Government by this action has proved that those I.M.Ds. who do not possess sufficient higher qualifications were not selected for the war but were left to remain where they were for those unfortunate civilians whose lot was to get themselves treated by them. Exceptions prove the rule. A very small percentage of such officers may have obtained medical degrees but generally speaking Indians have little faith in the I.M.D. and I know of a case where an I.M.D. officer was appointed civil surgeon in a Punjab district, a Government official fell ill and for four months that I.M.D. doctor was not able to diagnose his disease and so he was wrongly treated. Fortunately for the patient, an I.M.S. officer relieved him on transfer and the patient was cured in a week or so.

Sir, I must congratulate the Government on giving some key posts to Indians in the Supply Department and I must say that the appointment of Indians to these key posts has now proved a great success.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Which are the key posts given by Government to Indians ?

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** They are the Chief Controller of Stores, the Controller General of Purchase. These are the key appointments on which for the first time Indians were appointed and they proved a great success. Through the formation and working of this new Department, i.e., both branches of the Supply Department, the Contracts Directorate and the Indian Stores Department, have made savings so far of many crores, as compared to such expenditure during the last great war by greatly reducing the margin of profit of supplies.

Then I come, Sir, to the question of civil aviation. I must congratulate Mr. Tymms and his colleagues upon the rapid development of civil aviation which has resulted in many Indians becoming air pilots and I know it as a fact that more airmen and Indian air pilots offered themselves for the war than there was a demand for. I give credit where credit is due and I hold civil aviation authorities deserve congratulations on the signal success they have achieved. As far as recruitment is concerned, few appointments of commissioned officers have been made from the U.T.Cs. The U.T.Cs. deserve more

encouragement, and therefore I request that as far as emergency and other commissions are concerned, there must be larger recruitment from the U.T.Cs.

My friend the Honourable Sir A. P. Patro observed that on the Defence Advisory Council there should be officers who had executive experience in the past. That to me sounds that the Advisory Council should consist of Government servants and ex-Government servants. I might tell the Honourable the Finance Member that that will not give satisfaction to the public. The public do not want that such Councils should consist or be dominated by Government servants and ex-Government servants.

Then I come to the observation of the Honourable the Finance Member in the other House where he said that India was benefiting by war profits. The exact words he used were that "the tide of war prosperity was ensuing". In this connection I might inform the House and the Honourable the Finance Member that the index of commodity prices which rose to above 40 per cent. of the pre-war level has now gone down to 15 per cent. Therefore, Sir, how can the Honourable the Finance Member justify his remark that the tide of war prosperity has maintained itself if it ever began?

THE HONOURABLE SIR JEREMY RAISMAN: I did not say it. I did not use the words "tide of war prosperity" in this year's Budget.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: What did the Honourable the Finance Member mean by that? Does he mean that India is benefiting or not?

THE HONOURABLE SIR JEREMY RAISMAN: What I said was this. I admitted that there has been a very marked recession but I said that in some quarters it had been exaggerated and then I gave some figures to show that the level was still above the pre-war level in many respects.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Does the Honourable the Finance Member mean that the commodity index which rose 40 per cent. above the pre-war level has not fallen to 15 per cent.?

THE HONOURABLE SIR JEREMY RAISMAN: I admit that it has. But my point is that it is still above 100, taking 100 as the immediate pre-war level. That is all.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Even in what the Honourable the Finance Member now says he admits that the prices have gone down, although they have not gone down as much as they could. That shows that there is no tide of prosperity, and when we have not got it, how shall we be able to meet the slump after the war? The Honourable the Commerce Member is pushing industry by formation of the various Research Boards, i.e., the Industrial Research Boards. The Government Commerce Member is on the one hand trying to encourage industries, and on the other hand Government Finance Member is over-taxing industries in such a way that their prosperity may become a question of doubt. As far as this is concerned, I want to refer Honourable Members to the sugar industry. What is the plight of the sugar industry? How big a capital have Indians put in the sugar industry and what is their plight now? I mentioned on the floor of this very House that when I was in Java the Dutch East Indies, I was told by many Indian friends in Batavia that because the British Government wants Dutch East Indies to help them in the war in the near future they are going to give

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them concessions as far as import of sugar to India is concerned. Whether that was right or wrong, I do not know. But now events seem to have proved that there was something of the sort and that Dutch East Indies was given preference.

THE HONOURABLE SIR JEREMY RAISMAN: If the Honourable Member is suggesting that heavy imports from Java are in any way responsible for the present plight of the sugar industry, he is guilty of a gross mis-statement of fact.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: No, Sir. If I tell the Honourable the Finance Member that it was the profits of the Java sugar concerns which induced Indians to put up sugar mills—

THE HONOURABLE SIR JEREMY RAISMAN: That is quite a different matter.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I know it is a fact. The proportion of sugar in the Java cane and Indian cane does vary as much as 50 per cent. but, thanks to the Government of India, in their Sugar Research Institute at Coimbatore, they have introduced certain improved varieties of cane that are giving much better results.

THE HONOURABLE MR. HOSSAIN IMAM: And that is why there is a reduction in the grant to the Imperial Council of Agricultural Research from the Finance Department.

THE HONOURABLE SIR GIRJA SHANKAR BAJPAI: But, as against that, my Honourable friend is aware that the revenues of the Imperial Council of Agricultural Research have been raised to something like Rs. 15 lakhs by the imposition of the cess.

THE HONOURABLE MR. HOSSAIN IMAM: Self-taxation, Sir; no thanks to the Government of India and the Finance Department.

THE HONOURABLE SIR GIRJA SHANKAR BAJPAI: What matters is resources and not the means of securing those resources.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I must give credit to the Agricultural Research Board for the benefit that has accrued to Indian agriculture. It is mainly their effort which has produced a better variety of cane which increased the proportion of sugar in the cane. It is their effort which has brought about better varieties of cane being grown and we should not be thankless for the good work which this Board has done to the Indian cultivator in general. But, Sir, my point is that this plight of the sugar industry will tell upon the resources of the poor cultivator. My information is—one of my friends on the Sugar Board told me—that this year's produce of sugar cane from many thousands of acres of land will be burnt, because that was the decision arrived at. I do not know if my information is right or wrong. I hope the Honourable Member for Agriculture will correct me if I am wrong. That was the information which was given to me in the United Provinces. Owing to the quota system introduced by the Sugar Board, the plight of the cultivator in certain areas was the reason for great grouse on the part of the poor cultivators.

Sir, I now come to air raid precautions. There are estimates before us, but I at least have not been able to find out what measures of protection the Defence Department are providing for. I know that the Defence Department will not be able to say openly what they have done for the various big cities

and industries. But at least we Members of Central Legislature ought to know. Sir, we are entitled to know that there are sufficient shelters and anti-aircraft guns, gas masks, etc., for protection of cities and industries and railways against enemy air raids. At present we are in the dark as to what preparations the Defence Department has made for the protection of big cities, towns and industrial areas from aerial bombing. People expect some sort of information from Government in this matter and they are getting restless. They ask us, as their representatives in the Central Legislature, to satisfy them about it. This is an important question and it affects the help that we are trying to get from citizens in the form of gifts and donations, and I hope some light will be thrown on it by the spokesman of the Defence Department to put the people's minds at rest.

Then I come to the excise on rubber tyres and tubes. Sir, owing to the import policy of the Government of India many firms from abroad did establish themselves in India. These tyre and tube concerns are as far as I can gather mainly due to American enterprise. I know they have some Indian directors and Indian capital has been invited and subscribed. The additional duty now proposed will be a great blow to these foreign industries set up in India, and if it is necessary to put an excise on the local produce I hope that an equivalent duty will be imposed on the imported tyres and tubes. The Indian companies are employing mainly Indian labour and this excise seems to me to be a great discouragement to foreign capital wishing to set up industries in this country.

My friend the Honourable Mr. Shantidas Askuran has dealt at length with increased duty on artificial silk and yarn and I need not waste the time of the Council on that subject. I hope that the Honourable the Finance Member will be good enough to reconsider his decision on this matter and see that measures are taken by which the Indian industry is not put to a loss. In the Punjab near Amritsar there are a number of artificial silk factories which are very well competing with foreign countries, but now this increase in duty will give them a setback.

Then, Sir, I turn to the repatriation of the sterling debt. This has created unrest in the Indian money market and it is feared that it will result in deflation. I also understand that in deciding this important question of policy the Government of India did not consult the Directors of the Reserve Bank.

**THE HONOURABLE SIR JEREMY RAISMAN:** There are obvious reasons why an operation of that kind had to be carried out in the greatest secrecy; but the fact the Honourable Member has received information on this subject gives me no assurance in considering whether consultation of that kind should take place in future.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** Well, Sir, that is a matter of opinion of the Government of India, but as far as the general public is concerned, Reserve Bank ought to be allowed to play a great part in the financial policy of the Government and its Directorate ought to have been consulted. However, if the Government has decided that such consultation was not necessary, they will reconsider the matter.

Then I come to the census operations. As regards the Punjab, Sir, up till yesterday I was hearing rumours that the enumerators have not been rightly doing their duty.

**THE HONOURABLE THE CHAIRMAN** (the Honourable Sir David Devadoss): How is that relevant to the Budget? Unless it be in regard to the cost of the operations.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Sir, my impression so far has been that the discussion on the General Budget is a debate on every matter possible.

**THE HONOURABLE THE CHAIRMAN** (the Honourable Sir David Devadoss) : Well, there must be some limit to irrelevancy. If you are not going to be very long I will allow you.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Why I mentioned this subject is because at this time of war when we are asking for co-operation from all loyal subjects there should be no discontent among them. This matter is now creating discontent. I have been informed by responsible persons in the last two days that they have serious proofs to offer against the utterly inefficient action of the enumerators. I say that at this time of war there must be some authority set up to inquire into vagaries or conduct of those enumerators who have miserably failed in their duty because it is at this time only possible to check the information of the actual occupants in any given house. Once this machinery is available it will stop such mistakes and alleged intrigues behind it. All those persons who have not been counted should be allowed to send their names and details to the Census authority for inquiry and verification.

With these words I conclude my remarks and I hope that the Honourable the Finance Member, great personality as he is, will see his way to reduce the taxation and follow the policy of live and let live.

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

The Council reassembled after Lunch at Three of the Clock, the Honourable the Chairman (the Honourable Sir David Devadoss) in the Chair.

**\*THE HONOURABLE MR. HOSSAIN IMAM** (Bihar and Orissa : Muhammadan) : Mr. Chairman, the Budget of this year has been overshadowed by two gigantic items, one a pleasant surprise and the other an unpleasant expectation and a great burden. The first which I characterize as a pleasant surprise is the scheme for the repatriation of our sterling debts. It is a subject on which Indians have expressed their opinion in no uncertain terms that it should be got rid of as quickly as possible. I had some personal interest in the matter too, because, as the House will remember, I have moved more Resolutions on this subject than any other Member of the two Houses. Sir, there might be differences of opinion about the final disposal of these repatriated sterling debts, but there is almost unanimity in the whole of India and I think the Finance Department deserve thanks from Indians for having taken this welcome step. It was only in the last session, on the 29th of November, that I moved a Resolution on this subject in which I had suggested that the present limit on the holding of the rupee securities of the Government of India should be enlarged. I had suggested that instead of 25 per cent. it should be increased to 33 per cent. Although the Honourable the Finance Secretary saw no theoretical objection to that, he raised the plea that it was not necessary and he had ample margin.

**THE HONOURABLE MR. C. E. JONES :** For the time being, Sir.

**THE HONOURABLE MR. HOSSAIN IMAM :** But within two months, Sir, he was convinced not only of the necessity of making that change but he went all out and he has got no restriction now on the Reserve Bank. I do not

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\*Not corrected, by the Honourable Member.

object to it. I think he has taken the right step and in the right direction. My only fear—

THE HONOURABLE MR. C. E. JONES : On a question of fact, Sir, as has been pointed out in the Press Communique, there is still a restriction operative.

THE HONOURABLE MR. HOSSAIN IMAM : The restriction of the 40 per cent. of external assets will remain, but for 60 per cent. you are free.

Sir, I was saying that my only fear is that the syren songs of the money markets may induce him to place those sterling bonds in the shape of rupee counterparts on the market before they are required to be placed. I should like to warn him—I think he does not require any warning because the Finance Member was clear on this fact yesterday—that the placing of that amount of loan on Indian markets or even a good portion of it would have two bad effects. Firstly, it will raise the money rates which is so essential and which I know the Finance Department itself realizes ; and secondly, it will have the effect of reducing prices of primary products. Formerly, Sir, they used to be afraid of inflation, now the tables have been turned and we are afraid of deflation. While on this subject, I should like to know why the Finance Department is not bringing forward a Bill to amend the Reserve Bank of India Act and rely only on the Ordinance for this purpose. Is it the purpose of the Finance Department that within a short time they will restore the *status quo* and return back to 25 per cent. ; but if it is a long range policy it would be better if they brought forward a Bill to amend the Reserve Bank of India Act. May I suggest, Sir, that as a permanent arrangement they should consider the feasibility of replacing these loans by three kinds of bonds—5-year bonds at 2 per cent. , 10-year bonds at 2½ per cent. and 15-year bonds at 3 per cent. Of course this kind of thing cannot be suggested or decided upon without consulting the Reserve Bank authorities and here I should like to agree with the Finance Department that the previous consultation of the Reserve Bank was not essential in the temporary arrangement which they have made. Of course for the final arrangement, the Reserve Bank does come into the picture and I hope they will be consulted as to the permanent arrangements that will be made for these things. I find, Sir, an indication towards the end of the Finance Member's speech that he was attracted by the possibility of netting through the income-tax authorities a part of the interest that would be paid to the private taxpayers. But I think the Indian tax dodgers are quite competent to evade it by means of transactions in the name of those who will not be subjected to high rates of taxation. You can easily buy stock in the name of your son or brother or others. He will not be netting that amount of income-tax which he fondly believes he will net, and for these reasons, it will be better if it is held in the Reserve Bank as a Government security. Sir, in this connection I should like to ask the Finance Department to enlighten us why a head of income which used to feature in our budgets formerly has now disappeared. I refer to the profits from the Silver Redemption Fund. Nowadays it does not feature in our revenue accounts. It is found only in our capital account. Why this change in policy has been made is not quite clear to me—the reasons which induced the Department to transfer it from a revenue account to capital account.

Then, Sir, there is this policy of holding this Silver Redemption Fund in sterling. Well, formerly the obligations of the Government to the Reserve Bank were such that it was essential to have this Fund in the shape of sterling securities. But the circumstances have changed materially. Now, Sir, according to the Finance Member, in the coming year, instead of having to find

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sterling we are likely to get back from the Secretary of State Rs. 40 crores in the shape of sterling.

Then, Sir, there is another change, that we have reduced the silver content of the rupee. We have also, Sir, reduced our sterling liability. All these factors are such as would justify us in reducing our sterling reserves, and therefore I suggest to the Finance Member that he might consider the feasibility of holding the Silver Redemption Fund in Government securities and thereby get for his own Department that amount of income-tax which is now going to the British exchequer. In our sterling securities we cannot tax the people who get the interest from there. I would therefore suggest that it might be held, even if it is held in sterling, it should be held in Government of India sterling non-terminable bonds.

Sir, there is another item in which I cannot blame the Finance Department alone because part of that blame should be shared by the Standing Finance Committee as well. I refer, Sir, to the report that the Government is going to embark on the scheme of a new mint for Calcutta, on which the expenditure of a crore of rupees is expected. We are told, Sir, that we shall be able to get back about Rs. 50 lakhs from the sale of our Mint.

THE HONOURABLE SIR JEREMY RAISMAN : Not a crore. Rs. 60 lakhs is the scheme.

THE HONOURABLE MR. HOSSAIN IMAM : Sir, the estimates of the Government about their future gains have proved mostly incorrect, as will be borne out by the Member in charge of Communications. On our schemes of railway expansion we were promised 10 per cent. and 8 per cent. and then we found we would not get even 2 per cent. and the railways have been taken up. One or two of the lines which were opened after the separation convention was started. So I do not place much reliance on the prospect of getting Rs. 50 lakhs from the sale of our property. There is this thing to be said, Sir, that this is such a long-term investment that he will not be able to mint new money in his Mint till about 1943 or 1944. For this year Rs. 6 lakhs only has been sanctioned. He has budgeted for an expenditure of Rs. 6 lakhs only and that is probably for the acquisition of land and for part of the building. A 10 per cent. expenditure has been proposed in the year for which he has budgeted.

THE HONOURABLE SIR JEREMY RAISMAN : That is because the plant cannot arrive this year.

THE HONOURABLE MR. HOSSAIN IMAM : Well, Sir, if the plant cannot arrive, what is the good of embarking on it now ? What I was suggesting, Sir, is that this is an item of expenditure which can very easily be avoided and for that reason it need not be embarked on just now. And he must not lose sight of the fact that for 20 years our mints did not coin silver rupees and we were working only on bronze coins and small silver coins and the mints were at half time.

THE HONOURABLE SIR JEREMY RAISMAN : They are not at half time now.

THE HONOURABLE MR. HOSSAIN IMAM : They might not be. But this is not a permanent state of affairs. At the present moment you require the mint to coin money because you have reduced your silver content. This is a



right step. You have been tardy in taking this step. You have erred in delaying it too long. But I suggest, Sir, that even in the present premises you can install one or two additional machinery for minting if you so desire. It is not quite right that you should spend Rs. 60 lakhs which will only fructify in two years' time. And then, Sir, whenever we ask for machinery to manufacture locomotives, we are told that we cannot get the machinery. When we ask for other things, we are told that the machinery is not available. But you are planing one year ahead to get this machinery and you cannot stop it. What is the urgency? Do you think the demand will continue till 1942-43? Do you forget that after 1919 you had no minting?

THE HONOURABLE SIR JEREMY RAISMAN: Even then we shall need it.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, while on the head of currency, I should like to ask a few questions from the Honourable the Finance Member. I refer, Sir, to Statement VI in the Explanatory Memorandum which still remains an unfathered child of the Finance Department. The Explanatory Memorandum of the Railway Department is fathered by the Chief Commissioner and the Financial Adviser but the Explanatory Memorandum of the Finance Department remains an orphan. I was referring, Sir, to Statement VI in which profits from circulation of bronze and nickel coins was cited. In the Explanatory Memorandum of last year, Sir, I found that the amount to be credited to Burma was different from what we are told this year. Last year we were told, Sir, that Rs. 18,98,000 would have to be paid to Burma on an estimated profit of Rs. 69,86,000. Well, this year we are told (I am speaking about the year 1940-41) that we will have to pay Rs. 14,67,000 on an estimated profit of a crore and 65 lakhs. And for the next year, when the profit is going to be Rs. 45 lakhs we will have to pay to Burma Rs. 16,12,000. Now, on what basis do you divide up? It is not dependent on the quantum of the profit. It is dependent on the actual return from Burma made through the Reserve Bank and the actual disbursement there. Now there is no record kept as to whether the disbursements made in Burma are retained in Burma. You might give a crore of rupees worth of small coins but that may come up to this country as it is usually doing because there are so many Indians there who send remittances to India. Well, that, Sir, is not a correct basis.

THE HONOURABLE SIR JEREMY RAISMAN: I do not wish to interrupt the Honourable Member unnecessarily but I think it would save the time of the House if I pointed out that Burma's share of this kind of profit is regulated by an Order in Council and is a matter of strict mathematical calculation to be verified by the Auditor General. It is not a matter which could be the subject of impassioned debate.

THE HONOURABLE MR. HOSSAIN IMAM: I am not making an impassioned debate. I am suggesting that you might adopt an easier method of dividing up on the same principles as you are dividing up the note circulation. That is a tangible thing. Whether rightly or wrongly you have made an award of  $7\frac{1}{2}$  per cent. of the profits or the notes in circulation should be the basis of dividing up the profits at the end of the year. Similarly, if you could adopt a method of that nature, it would be easier. Sir, we do not find any mention of the actual payment made to Burma. I have hunted up all the accounts. But a sum which is so much liable to fluctuate ought to be mentioned somewhere. But there is no mention of the actual amount paid to Burma. So it

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is only guess work. Last year you guessed it at Rs. 18 lakhs on a profit of Rs. 69 lakhs and this year you guess it at Rs. 40 lakhs on a profit of Rs. 165 lakhs. But what are the actual facts ? This I have not been able to find although I have hunted up your Audit Report of this year too. I have been unable to find it anywhere.

The Honourable the Finance Member, in paragraph 26 of his speech, has stated that for the future they are going to get a credit of only Rs. 45 lakhs from this head and the rest of the profit is to be credited to a Suspense Account. But I have hunted up Statement C and I have been unable to find a single Suspense Account in which this amount may be shown as to what estimates to be the profit from this source. We also do not know whether that Suspense Account will be the private property of the Government of India alone or whether Burma also will share in it. We are told that Burma will get such a share, but we do not know exactly what will be done with the rest, and what the rest of the amount is. Sir, this morning I put a question to the Honourable the Finance Secretary about our one rupee note. He was unable to give me a satisfactory reply. When one rupee notes were first introduced by the Government, we were told that the Government had in stock one rupee notes printed in 1935 and therefore it cost them nothing to introduce those one rupee notes. But we are now told that one rupee notes of the value of Rs. 25 crores were printed in England at the cost of Rs. 12 lakhs. We ask, Sir, when the Indian Security Printing Press is able to transact business for other Governments, why could it not print one rupee notes for ourselves ?

THE HONOURABLE SIR JEREMY RAISMAN : They do.

THE HONOURABLE MR. HOSSAIN IMAM : You had Rs. 10 crores of one rupee notes, and your Statement C says—

THE HONOURABLE SIR JEREMY RAISMAN : Sir, it is unsuitable that the time of the House should be wasted with technical details based on information which is grossly incorrect. The fact is that not a single one rupee note has been printed in England since our own Currency Press was able to print. The figures which the Honourable Member mentioned relate to the cost of printing in 1935. But subsequent printing of one rupee notes has been done in our own Currency Press. But I do suggest, Sir, that these technical details are hardly suitable for a general debate of this kind.

THE HONOURABLE MR. HOSSAIN IMAM : Sir, I was citing what I found in the Standing Finance Committee Report. The Standing Finance Committee Report, Volume II, contains on page 46 this statement which I am making. I do not know that the Finance Department has given us wrong information. You will find it in your own Report, Volume II, of 10th September, 1940. I am not in the habit of making allegations which are not substantiated by facts. For his information I may mention that there is absolutely no indication that this cost was incurred in 1935. If he suppressed this information, he has done us an injustice. He ought to have informed the Committee that this referred to 1935. I cannot understand how this expenditure, incurred in 1935, should have remained in suspense for such a long time.

THE HONOURABLE THE CHAIRMAN (The Honourable Sir David Devadoss) : I think if the Honourable Member will devote more attention to the main points, he will be able to finish his speech within time.

**THE HONOURABLE MR. HOSSAIN IMAM :** I shall finish in my allotted time, Sir. I have a host of other things to say, but as the time allotted to me is about to expire, I would run over the important parts of my criticism.

**THE HONOURABLE THE CHAIRMAN (The Honourable Sir David Devadoss) :** I may say that if you avoid details, you might be able to make a better speech.

**THE HONOURABLE MR. HOSSAIN IMAM :** I would have avoided details, but the Honourable the Finance Member questioned me and so I had to go into greater detail.

I said there were two huge items. One was the repatriation, and the second was the war expenditure. That, Sir, is an accepted policy. But although we accepted it and were prepared to allow a higher sum for defence expenditure, we cannot be willing parties to the manner in which this expenditure is being incurred. We are refused all information. Even this morning in reply to the very partial information which we asked for as to the amount contributed by His Majesty's Government in the year which ended on the 31st March, 1940, we were told that it is not in the public interest to give this information. Now, I ask, can a self-respecting man be a party to expenditure of this kind? You might be honestly carrying out—we do not doubt it—but why don't you take us into your confidence? If you are unable to give information publicly, although I do not think that there is anything which would benefit Hitler in any way by knowing whether the expenditure of His Majesty's Government was Rs. 10 crores or Rs. 100 crores—that will not help them—nevertheless even if you are not prepared to give the information publicly, what is the drawback in having a Committee of the Legislature as you have in the case of the Supply Department? Is there any special difficulty in creating an Advisory Committee of that nature? The Government ask us to co-operate. In what are we to co-operate? We are unable to know anything. We cannot be consulted. We cannot even be informed. It is only a one-sided bargain of this nature that gives Hitler and others inside and outside the country to say that the British Government is out for Imperialism and it does not contemplate ever parting with power or in any way associating Indians in the defence of India. We were told at the Round Table Conference that this will be increasingly the concern of Indians. How have you carried it out? In what manner have you associated Indians? Is it the way in which you can carry on the government? We do not ask for power. Even information is denied to us and this sort of agreement cannot go on for long.

Now, Sir, the Government has been charged with having placed too much reliance on tax sources instead of relying on borrowed capital for meeting their war expenditure. I think those who are impatient for the war expenses to be financed by loans need not be, because the time will come, if we have to embark on a greater effort, when our taxable resources will be exhausted; and until that time comes I agree with the Honourable the Finance Member that he has made a correct distribution between the present-day taxpayers and future generations.

Sir, in conclusion I should again appeal to the Finance Department to be a little less stony-hearted towards the Imperial Council of Agricultural Research. Our grant even for Marketing is being reduced every year, while the Government can find money for expansion of broadcasting, for civil aviation, for tribal areas and a special head has been created for war expenses. In all I find that the expenditure chargeable to the war directly or indirectly in the shape of extra expenses comes to Rs. 89 crores, a sum which is greater than the total

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income of the Government of India during the last eight pre-war years, the net income. We are spending that huge amount on the war, but he cannot find Rs. 50,000 for the Imperial Council of Agricultural Research and he needs must reduce his grants to us.

Sir, I have reached the limit of my time and in the end I should like to say that you can have co-operation from Indians on terms of equality. You can ask us to bear a greater burden, provided you part with part of your control and power. We are willing to share the burden together with prospects of control. Without that, Sir, it would be difficult for any one to give his support to the war at all.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadan) : Sir, the most obvious feature of our Budget is the large increase that has taken place in our expenditure on account of the war. Comparing the expenditure proposed for the year 1941-42 with the last pre-war year, that is 1938-39, I find that our civil expenditure has risen by nearly Rs. 3½ crores and our military expenditure by nearly Rs. 38 crores. And how has the Honourable the Finance Member tried to meet the increasing burden of military expenditure? At the commencement of the current year he imposed the excess profits tax, increased the sugar excise duty from Rs. 2 to Rs. 3 per cwt. and raised the duty on motor spirit from 10 to 12 annas a gallon. He expected these three duties to yield about Rs. 6½ crores. Finding that the additional money placed at his disposal by the Legislature was insufficient to enable him to meet his obligations, he came to us in November and asked us to agree to the enhancement of certain postal rates, the enhancement of telegraphic rates and to a surcharge on income-tax including corporation tax and super-tax. He expected that these three taxes would yield about Rs. 6 crores in a full year and about Rs. 2 crores only in the current year. Needing more money still, he has come to us again asking us to vote taxation amounting to about Rs. 6½ crores. Thus, every six months he has come to us asking us to add about Rs. 6 or Rs. 6½ crores to our taxation. Even so he is unable to make both ends meet. The existing year, in spite of the good fortune of our railways which have made more than their stipulated contribution to our revenues, will close with a deficit of about Rs. 8½ crores, and the next year is expected to end with a deficit of nearly Rs. 14 crores. Our total deficit for these two years will therefore amount to about Rs. 22½ crores. Now, while new burdens are being placed upon us we cannot but be acutely conscious of the fact that they are the result entirely of the decisions arrived at by Government in the shaping of which we have absolutely no part. The country is called upon to meet the demands made on it in connection with the war from time to time without the slightest change in the present constitution system. I do not want to develop this theme today for I shall have sufficient opportunity to do it in connection with the Finance Bill. It was impossible however for me to overlook this question of policy even during the discussion of the Budget when we are expected mostly to concentrate our attention on financial matters.

There are two or three points of a financial nature which I should like to bring forward before I refer to one or two questions of a more general character, reserving other questions of policy, for instance the question of the industrial policy that Government ought to adopt, for discussion in connection with the Finance Bill. The first point that I should like to inquire about is the arrangement made with His Majesty's Government for the disbursement of their obligations to this country. A question was put about it this morning

but the Finance Secretary declined to answer it. He said it was contrary to the public interest to give the information asked for. Now I for one fail to understand the cogency of the reply.

**THE HONOURABLE MR. C. E. JONES :** As a matter of fact that answer of mine related to the amount of expenditure incurred by His Majesty's Government and not as to the policy of allocation of expenditure between the two Governments.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** I did not say one word with regard to the policy of allocation of expenditure. I was speaking about a different matter altogether, about the total amount received by us from His Majesty's Government and the place in our accounts where it is shown. I believe my Honourable friend Mr. Hossain Imam's question related to this matter but the Finance Secretary refused to answer it.

**THE HONOURABLE SIR JEREMY RAISMAN :** On a point of fact, Sir, I feel I cannot allow this point to go misunderstood in this way. The question that was asked of the Finance Secretary related to the expenditure of His Majesty's Government in India. That is not necessarily expenditure paid to the Government of India. It is information which is not even laid before the British Parliament and therefore it is unsuitable that that information should be disclosed in any other Legislature.

**THE HONOURABLE MR. HOSSAIN IMAM :** May I ask whether he will inform the House what was the amount given to the Government of India by His Majesty's Government during that period ?

**THE HONOURABLE THE CHAIRMAN** (The Honourable Sir David Devadoss) : You may put a question to that effect if you like.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** I do not deny the importance of the question put by Mr. Hossain Imam, but my question is of a more limited character. I should like to know how much money we have received from His Majesty's Government in payment of the expenditure incurred by us in connection with the raising, training and equipping of new units and in connection with any troops that might have been despatched to different theatres of war outside India in excess of Government's obligations under the Chatfield scheme. I should like to know where the money received from His Majesty's Government for this purpose is shown in our accounts. Mr. Hossain Imam's question might have been wider than I thought it to be, but I gather from the Finance Member's interruption that he would now have no objection to supplying information of the more limited kind that I have asked for.

The second question, Sir, that I should like to consider relates to the stoppage of the commission which we used to charge His Majesty's Government on the orders executed for them. When the Supply Department was established, the Finance Member stated—I think he stated this in his Budget statement for the current year—that the cost of the Department would be recovered from His Majesty's Government. Later on Mr. Dow in answering a question of mine on this subject said :—

“No direct contribution is made by His Majesty's Government towards the cost of the Supply Department. The Department, however, levies departmental charges on all supplies made to overseas authorities, including His Majesty's Government. There is no reason to suppose that these charges will not completely cover the cost of work done on behalf of His Majesty's Government and indeed the charges will if necessary be adjusted so as to ensure that the cost is completely recovered.”

**THE HONOURABLE MR. HOSSAIN IMAM :** On what date was this reply given, Sir ?

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** On the 4th March, 1940. It is rather surprising, Sir, that after having committed themselves in this manner, Government should subsequently have decided not to charge any commission on the orders placed in India by His Majesty's Government. The reason given for this in the other House was that the War Office and the Ministry of Supply were not charging any commission on orders placed in England on behalf of the Government of India and that the greatly increased orders placed in India by His Majesty's Government and the economic advantage that would thereby accrue to India made it desirable that the Government of India should forego the commission of 3 per cent. which they formerly charged. So far as the first point is concerned, Sir, the Government of India must have been aware of it, I should think, when Mr. Dow gave the reply that I have already read out to the House. So far as that point is concerned, it is nothing new and to the extent that the Government of India rely on it their reply is unconvincing. As regards the second point, one has to bear in mind the relations between India and England. We have for years and years been placing large orders for our requirements in England. They must have considerably benefited British industries, but I do not think that that consideration has in any way influenced the relations of His Majesty's Government with the Government of India in financial matters. I am therefore sorry to say that even in regard to this matter it seems to me that the Government of India are on very weak ground. Another consideration that weighs with me is that when the current year began the expenditure of the Supply Department was I believe only about Rs. 23 lakhs.

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

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** It was estimated to be Rs. 23 lakhs and it is now estimated to be Rs. 58 lakhs. In the course of a year it has increased by Rs. 35 lakhs. If more orders are placed with us I have no doubt that the expenditure on the Department will further increase. If the increase in the coming year is of the same order as that in the current year, our expenditure may amount to between three-quarters of a crore and a crore. Surely this sum is big enough for us to recover from His Majesty's Government. Let me say in order to remove any misunderstanding that I have no desire whatsoever to make any profit out of the perilous situation, the most regrettable situation, in which His Majesty's Government find themselves. But I do not think I can be accused of making any improper demand when I ask that the matters relating to the supply of stores to His Majesty's Government should be placed on a business basis. I think that the matter requires reconsideration and that the Government of India, seeing how limited the financial and economic capacity of India to bear new burdens is, should revise their policy and inform His Majesty's Government that they have come to the conclusion that in the present situation they could not adhere to the decision which they announced in November last.

My third question, Sir, is of a different kind. The Railways have, I admit, made a handsome contribution to our revenues. But I am afraid that the separation of railway from general finances has made many even of those who devote considerable attention to financial matters think that the Railway Budget is somehow an entity by itself and that financially it must continue to occupy a special position even at this time. The Government of India have

done something themselves to remove this illusion by calling upon the Railways to make a larger contribution, a contribution which, strictly speaking, they could not have been asked to make under the terms of the agreement arrived at in 1924-25. But in my opinion they have not gone far enough as yet. I find that, if the anticipations of Government are realized, the balance in the Railway Reserve Fund will, at the end of next year, amount to Rs. 5½ crores. Now, suppose that that money had been a part of what we call the General Budget. Suppose it had been a part of the general balances of Government. Would it not have been utilized at the present time in order to meet our needs? I may be told that our Railways have passed through a very difficult period recently and that with the experience of that period fresh in our minds we ought not to deplete the resources at their disposal, for we should bear in mind that they might be called upon to bear heavy burdens after the war. Sir, there is a great difference between the circumstances of the Railways now and their situation during the last Great War. At that time there was no depreciation fund and consequently at the end of the war the Railways found themselves in a hopeless condition. They cannot be reduced to that condition now in view of the steps taken to provide them with a depreciation fund. But I do think, Sir, that at the present time the money placed in the Reserve Fund of the Railways, which will be larger, I believe, than that shown here by about a crore, should be regarded as a part of the general balances. We have to meet a deficit of nearly Rs. 22½ crores. People ask the Honourable the Finance Member to meet a part of the cost of the war by means of loans. Well, so far as the deficit is uncovered, I take it that it will have to be met with the help of the Defence loans that the Government of India are raising. I do not see that there is any other way in which they can meet this deficit. In this state of things, I think that the suggestion that I have made today deserves their serious consideration. I see no objection on principle to the course that I have suggested.

Apart from this, Sir, there is the question of the provision made for the reduction or avoidance of debt. The Finance Member has himself referred to it in his statement. While pointing out that the deficit for the current year would be about Rs. 8½ crores he said that, as the provision made for the reduction and avoidance of debt was about Rs. 3 crores, the real deficit was only about Rs. 5½ crores. I take it that this means that the Finance Member has made up his mind, whether he technically omits this provision or not, to utilize this money for meeting his obligations. Perhaps that remark is superfluous because the money would go into the general balance of the Government of India and thus be available for meeting their obligations. But I venture to suggest that this provision should be done away with during the currency of the present war. There seems no advantage in retaining this provision even as a matter of form.

Sir, there are other matters too, but I think these are the most important matters which in my poor judgment require consideration at the hands of Government. I should like, before I sit down, however, to refer to two matters, one of a general kind and the other of a complimentary character. Let me deal with the second point first. I heartily congratulate Government on their decision to repatriate £90 million of the sterling debt and to acquire the telephone companies in Bombay, Calcutta and Madras. I approve of the latter decision on the same grounds on which I approve of their decision to purchase certain railways.

[Pandit Hirday Nath Kunzru.]

As regards the first point, I attach considerable importance to it both on economic and on political grounds. On general grounds, Sir, I should have no objection to the utilization of British capital in this country.

(At this stage the Honourable the President resumed the Chair.)

But if British capitalists, because they have lent money to this country, want to control our constitutional system, want to have a stranglehold on our constitutional development, then I say the time has come for us not merely on financial but also on political grounds to reduce the sterling debt as much as possible and as quickly as possible. For these two reasons I heartily welcome the decision which Government have arrived at. I hope that, as more sterling accumulates in their hands in course of time, they will use it in the same manner in which they have used their existing resources. I do not know how they are going to finance this operation in India. It is a matter of considerable importance. Perhaps the Honourable the Finance Member

4 P.M. might like to enlighten us in regard to it. I attach importance to it because the manner in which the operation is gone through might have some effect on the development of the defence loans. In so far as contributions are made to it by small people the subscriptions to it will not be affected. But the bigger contributions might be affected by the manner in which Government decide to replace sterling by rupee securities.

There is only one other point that I should like to deal with, and that is of a very general character. I have already referred to the present constitutional position and the feeling that is produced in the country by the fact that its representatives have no hand in deciding questions of policy at present. Another factor which weighs with us is the fact that information on questions relating to Defence, External Affairs, and the development of our industries, on which both our economic prosperity and our ability to prosecute the war depend, is not supplied to us. In spite of our protests year after year, Government have chosen to remain practically silent on these vital questions. They think that our only business is to carry out their orders. They are well aware of the exasperation which has been caused by their policy. But they are unable to conquer their obstinacy. So far as the Defence Budget and External Affairs are concerned, Honourable Members are well aware that hardly any information is supplied to us. Even as regards industrial development, we are given the minimum of information possible and sometimes refused information that we can justifiably ask for. I will give only one illustration. The Eastern Group Conference met here recently. The Eastern Group Supply Council has been established in consequence of it and will act as its permanent organ here. But does any Honourable Member of the House know what the decisions of this Conference have been and how they will affect our future industrial development? I can understand that it is not possible for Government to give full information on all these subjects to the Legislature. But I am convinced that they can supply appreciably more information than they are inclined to give at the present time. Take the question of the war purchases by His Majesty's Government here. Some secrecy is being observed about it. But I gather from newspapers that both British and American officers refer publicly to the value of the orders placed on behalf of His Majesty's Government in the United States of America. If information of this character can be published without detriment to British interests in the United States, I see no reason why it cannot be given us without injuring our interests—



**THE HONOURABLE SIR JEREMY RAISMAN :** It has been given, Sir in my Budget speech. I mentioned the value of the orders placed by His Majesty's Government up to the middle of January in my Budget speech.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** You said about Rs. 82 crores. I asked for information on a different subject altogether. If, however, Government are unable to move from their present policy, I suggest, as other Honourable Members doubtless have suggested before, and have suggested today, that a Defence Committee of the Legislature should be established which could be confidentially given a great deal of the information that cannot be supplied to the House. This demand was, I believe, first made by my Honourable friend Mr. Sapru in this House. I should think that no demand could be more moderate. We have never said that we would not like to do all that we can in order to defeat Fascism and Nazism. But Government have always and consistently loved to place themselves in the wrong by turning down every request of ours, however moderate it might have been for the satisfaction of our rights. I hope, Sir, that it is not yet too late for Government to think over the matter once more with an open mind and to arrive at a decision which would give satisfaction not merely to this House but also to the country. Constitutionally they are undoubtedly not responsible to us for the government of India. But they ought to realize how weak their moral position is and that it is neither prudent nor just that they should utilize to the full the power that the Constitution vests in them to act without reference to our wishes. Even a mighty Government like the Government of India, which in the last resort is not answerable to the people of this country, should not act arbitrarily. Even such a Government should try to carry the people, as far as possible, with them, and this is more necessary now than ever. This consideration will become increasingly more important in future. Developments are taking place both in Europe and in the Far East which, it seems to me, will greatly increase the importance of India to the Empire. Surely, then, it ought to be Government's effort to think of every means by which they might give satisfaction to India in order that you may get full and whole-hearted support in the prosecution of the war.

Sir, I have nothing more to say. There are questions relating to the Army and the Supply Department which I wanted to raise today, but there is no time for them and I hope that you will indulgently allow us to raise them in connection with the Finance Bill.

**HIS EXCELLENCY THE COMMANDER-IN-CHIEF :** Sir, there are one or two points which have been mentioned today about which I think misapprehensions exist, at least so far as I understand them. My Honourable friend Lala Ram Saran Das mentioned, for instance, the elimination of the Viceroy's commissioned officers. Well, so far as I know, far from their being eliminated they are being reinstated. They were eliminated in those units which on the introduction of Indianization were called Indianized units. That state of affairs no longer exists, and in those units from which they had been eliminated they have now been replaced. Nobody knows better than myself the value of these officers and I can assure you that their interests are very close to my heart and I will be personally responsible that those interests do not suffer. (Applause.)

Another point mentioned by the Honourable Member was the use that is made of University Training Corps. Well, I am inclined to agree with the Honourable Member that perhaps more use might be made of these units, and the matter is already receiving my consideration.

[His Excellency the Commander-in-Chief.]

There are other matters mentioned by the Honourable Member which I think I would rather refer to at another time. But I think the main point with which I am concerned in my capacity as Defence Member, the main point which has emerged today is this universal and insistent demand for a closer connection between the Members of the Legislature and the Defence Department, both in respect of the giving of advice to the Defence Department and of the receipt of information from the Defence Department. Well, Sir, I can only say that this demand has my complete sympathy. It is not an easy matter to arrange. Varying suggestions have been made and these suggestions require careful consideration. I have no doubt whatever myself that before very long we shall be able to arrive at some suitable compromise which will not only assist me but will be of value to the Members of the Legislature in the execution of their duty. I propose therefore to give this matter my immediate and personal consideration. (Applause.)

THE HONOURABLE THE PRESIDENT: Would the Honourable the Finance Member like to speak at this stage, because I understand he has a Cabinet meeting and I can hear him first and then call on other Members?

THE HONOURABLE SIR JEREMY RAISMAN (Finance Member): Thank you, Sir. The debate today has touched on many issues naturally. It has ranged from the extreme political end to highly technical and detailed examination of some of our figures by my Honourable friend Mr. Hossain Imam, and perhaps I might deal first with him.

I wish my Honourable friend, if there are points in the accounts presented to this House which he does not fully understand, would come to us and obtain information. I do deprecate his getting up and emphasizing points regarding which his information is not accurate and which may have the effect of misleading this House. The figures which are presented to this House are intended to be sufficient to enable the average Member to understand the general structure of the Budget. I realize that some Honourable Members have a deeper interest in particular details and my Honourable friend Mr. Hossain Imam has always shown a great passion for following out some of the most technical parts of our financial transaction. Well, Sir, I can only say that for him nothing less than the complete Finance and Revenue Accounts of the Government of India could be of any use. But there was one point of policy on which I would cross swords with him and that is on the question of the construction of the Calcutta Mint, which he instanced as an example of our extravagance in time of war. Sir, the position in relation to the Mints is that we are almost approaching a desperate situation. Coinage at an unprecedented volume is going on night and day and plant which is at the moment irreplaceable is being rapidly worn out. Now it is absolutely vital that we should take steps to change over from the existing Calcutta Mint to another Mint. We must lay plans. You cannot stop minting suddenly. It is not one of those businesses where you can put up the shutters and say in twelve months time we will resume working. You must lay plans, so that you can pass over from one place of production to another, and it is bound to be a pretty difficult transaction to carry out. But our object is to meet all demands on the Mints without at any time having a serious lacuna, which as Honourable Members know can be a source of the most extreme inconvenience to the public. In the case of the Calcutta Mint, apart from the pressing necessity for a third mint, there is the fact that the site on which the existing mint stands is an extremely valuable one. It is of no particular value to us.

There is no reason why it should be situated at the end of the new Howrah bridge, and in all human probability it will be a valuable site when the time comes to dispose of it, and therefore the transaction is likely in the end to cost the general taxpayer very little. Even if it were to cost him the whole of the Rs. 60 lakhs I claim that we have no option at this time but to embark on it. And if the accusation of extravagance in this case is typical of the grounds on which we are accused of extravagance, then that comforts me greatly.

**THE HONOURABLE MR. HOSSAIN IMAM :** Will the Honourable Member cite the incorrect informations I have given to the House ?

**THE HONOURABLE SIR JEREMY RAISMAN :** There were several, and I do not think I should waste the time of the House. I give him one instance. He said the interest on the Silver Redemption Fund was being credited to capital instead of to revenue. That was not the case. It was mentioned last year in the Explanatory Memorandum because last year there was a drop in the market value of the securities and so any interest earned had first to go to make up that fall. But in the present year it is credited to revenue in the ordinary way, and therefore no statement has been made about it in the Explanatory Memorandum.

**THE HONOURABLE MR. HOSSAIN IMAM :** Under what head ?

**THE HONOURABLE SIR JEREMY RAISMAN :** Does the Honourable Member question the correctness of what I have said ?

**THE HONOURABLE THE PRESIDENT** (to the Honourable Mr. Hossain Imam) : You can only interfere in the debate when the Honourable Member is winding up the debate on the ground that your statement has been incorrectly represented or that the Honourable Member has not understood your point. Not otherwise.

**THE HONOURABLE SIR JEREMY RAISMAN :** I was going to say, Sir, having been the recipient in another place and in this House of many complimentary remarks, I am perhaps in the mood, if I may say so, to hand some to others and I would like to compliment the Honourable Pandit Kunzru on the moderate and interesting way in which he dealt with the main financial points which emerge from this Budget and points which, if I may say so, appear to me most suitable for a general debate of this kind. I would like first to attempt once more to dispel the misunderstanding which exists regarding the expenditure of His Majesty's Government in this country and the expenditure of the Government of India. As I explained in my Budget speech last year, the first main point to bear in mind is that the whole of the Defence expenditure that occurs in India is first debited to His Majesty's Government. The next thing that happens is that certain parts of that expenditure are debited to the Government of India and credited to His Majesty's Government. Now, what is debited, as I have explained, is at first a certain figure based on our normal peace time defence budget, and secondly, an addition for certain increases ; then, thirdly, the cost of what are called India's local defence measures, and, fourthly, there is the ordinary pensionary charge—or what is called the non-effective item. Now, that is the position. The whole of the residuum is debited to His Majesty's Government. The reason why it is unsuitable that the precise figure should be given in India has been explained by me. The

[Sir Jeremy Raisman.]

Budget of His Majesty's Government in England is not exhibited in sufficient detail to give that figure. If it were so exhibited, then there would be absolutely no reason whatever why I should not exhibit it here. But I submit that it is unfair and unsuitable; if His Majesty's Government for reasons of their own are not prepared to lay before their own Legislature details of that nature, then we cannot for our own purposes give publicity to them here. But in order to enable Honourable Members to have some idea of the magnitude of the expenditure, I did make certain allusions to its general size in the course of my Budget speech.

I come now to another point with which the Honourable Pandit Kunzru dealt and that is the question of commission on Supply Department purchases for His Majesty's Government. Now, Sir, I do not wish to introduce any sentimental considerations into this question. I deal with it purely on the business basis. The fact is that His Majesty's Government make on our behalf considerable purchases; or rather they make supplies of commodities and of products which are very difficult indeed to obtain—articles and equipment which as a matter of fact we could not obtain at all and which the peace time machinery which we had in the United Kingdom would be quite incapable of obtaining. The reason is that whole industries which produce articles and equipment of this kind are now completely under the control of the Ministry of Supply and it is useless for any other purchaser to attempt, so to speak, to go into the open market and pick up these things, just as useless as it will shortly be in America. In England the whole business now of obtaining certain types of article is completely in the grip of the Supply Ministry of His Majesty's Government. Now, we get our supplies of this type of article and of equipment directly from His Majesty's Government. They supply those things to us at exactly the same cost as they supply them to themselves. They charge us nothing extra, although in many cases the machinery of control which is involved is much more elaborate and expensive than our Supply Department in India. The Supply Organization in England is a tremendous organization, but they do not attempt to recover from us a proportion of the cost of that organization. So my main point is that on the ground of reciprocity it was impossible for us to go on charging His Majesty's Government when they in precisely similar circumstances were not charging us, and the moment they raised the point—whatever the Government of India had intended and had announced in regard to the intention of recovering the cost of the Supply Department as far as possible by a percentage charge on supplies—we realized that our position was untenable. It also, I may say, is the case as far as I am aware, that the Dominions do the same thing; they do not levy a percentage in order to cover the cost of their Supply Departments. Now, having stated the more business-like basis of this arrangement, I would like to go a little further. Some of the transactions between His Majesty's Government and ourselves are not ruled by the strictest business considerations. As I mentioned in my Budget speech, they have made supplies to us of certain equipment free of charge.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU:** If I may interrupt the Honourable Member. Was not that a part of the Chatfield recommendations?

**THE HONOURABLE SIR JEREMY RAISMAN:** In addition to and apart from the Chatfield basis, they have made supplies of certain things to which we are not entitled under the Chatfield arrangement. They have on being

requested placed certain material and equipment at our disposal without charge. Well, Sir, I know that it will be useless to put a point like this to anybody who entirely disapproves of India's collaboration and of co-operation in the war effort of His Majesty's Government. But, speaking as I am to Members of this House who I know do not take that attitude, I suggest that we should put ourselves in an unadmirable position if in the face of these facts we were to insist on continuing to collect our percentage on the supplies which we were purchasing for His Majesty's Government. It is clear that India is deriving great economic advantages from these supplies and it is also the case that His Majesty's Government is probably bearing the most tremendous financial burden which any Government ever bore in the history of the world. I said that I do not wish to introduce sentimental considerations, but in addition to the solid reasons which I have already mentioned, I suggest a background like that deserves to be taken into account.

The Honourable Mr. Kunzru then dealt with the question of our relations with the Railways and he thought that the railway contribution was in effect not sufficient and I think what his suggestion amounted to was that the whole of the railway surplus should be automatically appropriated to general revenues. Well, Sir, that is a point of view which can be argued. I myself think it is unnecessary to go back on an important decision of that kind—the decision to separate railway from general finances, merely under the stress of what we hope is a temporary emergency, and that we should endeavour to continue to maintain the separateness of the accounts for the reasons for which that system was introduced which still to a great extent hold good. It is not as if the money earned by the Railways were not at our disposal for the prosecution of the war. If that were so, the matter would be different. But the fact remains that, whatever the Railways earn is invested with us. We, the general revenues are, so to speak, the bankers of the Railways and therefore the surplus which they put in their Depreciation Fund and in their Reserve Fund are banked with us, are loaned to us, and are available to us for war purposes.

He touched on the Sinking Fund provision of Rs. 3 crores and asked why, since in effect I took the credit for it in casting up the results of the year's account, he asked what was the object in continuing to make this provision. Well, Sir, there is an object. Actually this sum of Rs. 3 crores represents the total of certain obligatory provisions which we have to make in respect of sinking funds attached to certain loans and of certain railway annuities so that we could not in any case abandon this provision. It would have to be made in order to fulfil obligations which we have. In the circumstances we continue to make this provision for the reduction and avoidance of debt, but I did take the liberty of pointing to it in order to mitigate the effect of the deficit.

On the subject of repatriation, my Honourable friend wished for further information on the method of financing the operation, of which I understood that he cordially approved. Well, Sir, I gave in my Budget speech such information as I could at the present stage and I explained why we could not go into further details because the exact figures of the amounts we shall have to deal with will not be precisely known to us until the 10th March. It will then be for consideration in what precise manner we should proceed to raise the rupee finance which will be necessary to cover the whole transaction.

I turn now to the Honourable Mr. Shantidas Askuran and I only wish to deal with one point and that quite briefly, and that is the matter of the enhanced duty on art silk yarn. The Honourable Mr. Shantidas Askuran

[Sir Jeremy Raisman.]

asked me whether I intended to change the duty on art silk fabric accordingly. Well, Sir, even if we did intend to change that duty, it would not be necessary for us to bring forward legislation because it is a protective duty in regard to which we have certain powers. But I would like to make the position clear to this House as I did in another place yesterday. The duty on art silk fabrics is a protective duty which was imposed in the interests of the cotton textile trade. That is to say a specially high rate of duty was imposed on artificial piecegoods in order to assist the cotton piecegoods manufacturer. Now what happened? The duty on art silk yarn still remained at its previous low level whereas the duty on art silk fabrics underwent a rise. The result was that an industry sprang up in this country, a curious industry which consisted in the weaving of art silk fabric out of imported art silk yarn. To that extent was exploited a weakness in the protective system, because these art silk piecegoods woven from imported art silk yarn were just as perilous to the cotton piecegoods industry as were the art silk fabrics imported direct from Japan. Now that I take a step which incidentally has the effect of partly removing that anomaly, I am asked why I do not protect the art silk fabric industry. It is really a most paradoxical position but as I indicated yesterday I do not regard the industry of weaving art silk fabric out of imported yarn as having any great claims to our consideration. At the same time, I do not admit that what I have done and propose to do, while reducing the lucrative margin which the industry has enjoyed hitherto, I do not think it will make it impossible.

There is only one other matter on which I would like to speak and that is the complaint of my Honourable friend Mr. Richardson regarding the administration of the excess profits tax, and I think the income-tax, in Calcutta. Well, Sir, I was perturbed to hear some days ago of the grievances which the Honourable Member entertained and I took the step of sending down to Calcutta a Member of the Central Board of Revenue as well as the Excess Profits Tax Adviser. They went down and got into contact with the representatives of many of the important firms in Calcutta and with their accountants.

THE HONOURABLE MR. J. H. S. RICHARDSON: There are only two representatives.

THE HONOURABLE SIR JEREMY RAISMAN: Well, Sir, the reports submitted to me indicate more than that. In any case, the representatives of the main firms of auditors in Calcutta are, I believe, in a position to speak about the state of the income-tax work in relation to most of the firms. Well, I am glad to say that I received a very reassuring report in comparison with the alarming state of affairs which I had apprehended might be found to exist. But I do wish to point out one thing and that is that in the present circumstances it is true that the Department is heavily overworked. It is not possible at a moment to call into being expert income-tax administrators. It is also the fact that our policy naturally at a time like this is to take up for assessment and to complete those cases where assessments are likely to result in tax having to be paid. If *prima facie* it is merely a matter of determining the amount of loss, then it is clearly at the present time not so urgent a matter as a case where the tax will be collected. So that it is possible to have quite an impressive arrears list with at the same time very little money outstanding in relation to these arrears. I do not say that these cases should not be completed, and of course it is the business of the income-tax officer to complete them as soon as possible. But it is a fact that for practical purposes they are not as urgent at the present time as are other types of cases.

My Honourable friend reminded me of the promise I made last year in regard to the administration of the Excess Profits Tax Act and the machinery of this Department. Well, Sir, I am fully conscious of that promise. I wish to detract nothing from it, and what is more, I have to say that I have taken steps this year to ensure that the administration of this tax was properly planned. I made efforts to secure an officer whom I consider as almost unique in the Empire in respect of excess profits tax. He occupied a very high position in the excess profits tax administration of the United Kingdom and I do not think anybody could question his competence or his zeal and energy. Well, I could not get more than one officer of that type, but at the earliest moment after his arrival he sat down to make out a whole scheme of instructions and forms and everything that was necessary in order to enable the Department to assess and collect this tax. There was a good deal of work involved. I knew there would be and the result was, as I mentioned in my Budget speech, that the first returns were not due till the end of November. There is one matter in regard to which I think I can claim the sympathy of the House, and that is, that when the Excess Profits Tax Bill was going through Select Committee, at every stage which involved a period of time, the Committee insisted on giving the assessee more time. You cannot do that and at the same time expect us to complete the assessments in a short period. If the assessee is to be given 60 days to make his return, if again the next thing which is to be done, instead of being one month later is two months, and so on, then the whole business must take a good deal longer and as this is the first year of the administration of an exceedingly difficult and important tax, I claim that we have done our best and gone ahead as fast as we can. The Honourable Member mentioned that in the circumstances we had asked firms to make advance payments of the estimated amount. That, Sir, I understand is a practice which is common in the United Kingdom in times like this. I do not wish to be misunderstood. I fully appreciate the patriotism of firms which have responded to that request. They are under no obligation to make any payment before the tax is actually assessed and the demand presented, and I am deeply grateful to them for responding to our request and in cases where it was clear that tax would be payable, for making an advance payment. But the fact that we did have recourse to this is not, I suggest, indicative of a parlous state of affairs in the Department.

I will not detain the House with any further points. I am very grateful for the reception which has on the whole been accorded to my Budget.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadan) : Sir, I do not wish at this stage to detain the House with a long speech. The main feature of the Budget is that it reflects the war situation. The increased expenditure for which the Finance Member is responsible and which is to be met by fresh taxation has been necessitated by the war. So far as we are concerned, we recognize the necessity of effectively strengthening the defence forces of this country. But the great difficulty here is a political and psychological difficulty and in determining our attitude towards the Budget we cannot ignore those psychological and political factors. We find ourselves not associated in any effective form with the conduct of the defences of this country and therefore we are always suspicious of the Defence Department. I am, therefore, Sir, very glad that His Excellency the Commander-in-Chief—I am sorry that he is not here just now, because I want to say that we, on this side of the House, appreciated his conciliatory manner very much ; we hope that he will inaugurate a new era here in this House.

[Mr. P. N. Sapru.]

We hope that we will be able to get rid of our past traditions and we will write a new chapter in our relationship with the Defence Department. He has indicated that he is prepared to consider sympathetically the demand for an Advisory Council on Defence. In fact, our demand now is for an Indian Defence Member, but I do not raise any political issues today. I am glad that he is prepared to consider the demand for an Advisory Council on Defence with sympathy. I think that on that Advisory Council the Legislative Assembly and the Council of State ought to be effectively represented by elected representatives. I hope that the conciliatory tone, which His Excellency adopted today, means that hereafter there will be greater co-operation between the Defence Department and the Opposition benches.

I will just refer to one other point to which reference was made by the Honourable Dr. Kunzru. He pointed out what I had indeed pointed out in my speech before on the Supply Department that we are foregoing supply charges for goods supplied to His Majesty's Government. The answer that the Honourable Sir Jeremy Raisman has made is that there is reciprocity in this matter and that His Majesty's Government are not charging us commission for purchases made by us in Great Britain. I would like to know, Sir, whether there is any real reciprocity in this affair. What is the volume of goods that we have purchased from the United Kingdom and what is exactly the volume of goods that the United Kingdom has purchased from us? Sir, we were charging in peace time this commission and I venture to think that if comparison is made, it will be found that we are purchasing much less from the United Kingdom than the United Kingdom is purchasing from us. The advantage lies with the United Kingdom and not with us. There is, therefore, little reciprocity in this affair—

THE HONOURABLE MR. C. E. JONES : Sir, if you will allow me to interrupt the Honourable Member at this stage, I should like to explain that the question is not so much the amount purchased by India from the United Kingdom as the amount supplied to India by the United Kingdom, and I can give the Honourable Member an assurance that the balance of advantage in this reciprocal arrangement is in favour of India.

THE HONOURABLE MR. P. N. SAPRU : Is any commission charged for purchases made for the Allies?

THE HONOURABLE MR. C. E. JONES : If they purchase in India, I think the 3 per cent. is charged.

THE HONOURABLE MR. P. N. SAPRU : Why is this distinction made between His Majesty's Government and the Allies?

THE HONOURABLE MR. C. E. JONES : It is simply a reciprocal arrangement between His Majesty's Government and India.

THE HONOURABLE MR. P. N. SAPRU : Well, Sir, I have pointed out that in my humble opinion I can see little reciprocity in this arrangement, and therefore I think the point remains where it was left by the Honourable Dr. Kunzru.

There are two or three other items to which I should like to make a reference. I find that there has been an increase of Rs. 21 lakhs in the case of



Broadcasting. The figure on page 11 is Rs. 29.77 lakhs and this year it has gone up to Rs. 50.04 lakhs, that is an increase of Rs. 21 lakhs. Now on page 15 of the Explanatory Memorandum the explanation given is—

“The budget provides for a block grant of Rs. 17 lakhs for development. There is also additional expenditure for the cost of the expanded services over a full year”.

Sir, why is there this increase in the Broadcasting Department? Is it intended for Indian troops abroad? Has this increase been necessitated by the fact that Indian troops abroad need more broadcasts? If that is so, then I would say that this item should be charged to His Majesty's Government, because they are not merely serving India; they are serving His Majesty's Government in Egypt also.

Then there is another item to which I should like to invite attention. That is on page 12, I find there is a big increase in “Miscellaneous expenditure connected with the war”. The explanation is:—

“The revised includes Rs. 25 lakhs and the budget Rs. 63 lakhs for payment of the premia collected under the War Risks (Goods) Insurance Scheme which is first taken to revenue as credit to the Insurance Fund. Omitting this amount the increase in the revised and the next year's budget over the current year's budget is mainly due to the following additional expenditure”.

And among the items I find “Training of skilled artisans”. The revised estimate is Rs. 7.21 lakhs, and in the budget it is Rs. 92.78 lakhs. Now these trained artisans will be necessary for the successful prosecution of the war in which His Majesty's Government is also equally interested, and therefore there should be a contribution by them towards this item of expenditure.

I would also like to refer to the increase in the expenditure on aviation. There is an increase of about Rs. 10 lakhs in aviation.

“The budget provides for a block grant of Rs. 35 lakhs for the development of civil aviation against Rs. 25 lakhs in the revised, as well as for additional expenditure on the normal running of the department in war time”.

I should have liked the increase in the grant for civil aviation to be larger than it is.

Passing on from these minor criticisms to the broader issues raised by the Budget, I may indicate my own point of view quite frankly. I have little fault to find with the mechanism of the Budget. As far as I can see Sir Jeremy Raisman has a deficit of over Rs. 22 crores to meet. He has met it partly by borrowing and partly by taxation, more by borrowing than by taxation. Therefore the burden is to be placed not only on the present generation but to some extent also upon the future generation. My own view is that the present generation is mainly responsible for this war and we should as far as possible finance this war by taxation. I do not say that the entire war effort can be financed by taxation. That is not my proposition. I think Sir Jeremy Raisman is right in the view that for the financing of the war effort we must rely both upon taxation and borrowing and that we cannot exclusively rely upon borrowing for financing the war effort. So far as this aspect is concerned I find myself more in agreement with Sir Jeremy Raisman than with his critics.

Coming, Sir, to the actual proposals, I recognize that they will need very careful consideration and I should not like to commit myself at this stage to any precise details. But I am rather worried about two items of fresh taxation. One is the duty on matches. I think that duty will fall on the poor man and it will be in the nature of the salt tax. It will fall upon people who

[Mr. P. N. Saprū.]

cannot afford to bear the burden. I should therefore like the case for increasing the duty on matches to be reconsidered. The second item about which I am a little doubtful is the surcharge on income-tax. I am not thinking of the super-tax but of the income-tax only. I believe that even those whose income is only Rs. 2,000 a year will have to pay this surcharge.

THE HONOURABLE MR. C. E. JONES : All income-taxpayers will have to pay.

THE HONOURABLE MR. P. N. SAPRŪ : I should like an exemption limit, Sir. I think the surcharge should be levied on persons who have an income of something like four to five thousand rupees a year and more, and those with lesser incomes should be exempted from this surcharge. I know that taxation in this country cannot be so heavy as it is in England and our industries have passed through a period of great depression. They have to provide against future slumps. Also we need rapid industrialization, and I know that the figure 66½ which has been proposed for excess profits duty is a very high figure, but I hope, Sir, that in future, when the need arises for fresh expenditure, this consideration that conditions in India are not exactly identical with England will be borne in mind. England is a highly industrialized country and the taxation which people in England can bear people in India cannot necessarily bear. This consideration will have to be borne in mind in future. That is all that I would like to say at this late stage on the Budget.

5 P.M.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan) : Sir, before I make my observations on the Budget, I should like to give expression to our appreciation of the very excellent speech which His Excellency the Commander-in-Chief has just made and which shows the very helpful, salutary and very proper attitude which His Excellency brings to the formulation of the defence policy of the country. This is a very happy augury for the success of His Excellency's term of office and also for the great benefits that we hope would accrue to the country by a change and a welcome change in the defence policy of the Government. Sir, if this is the attitude in which this difficult and complicated problem is approached, there is every hope that there will be more co-operation between the people of the country and the Government and a beginning will be made for giving effect to the instruction which is given to His Excellency the Governor General to try and give Indians an increasing interest in the defence of their country. Sir, I feel it is my duty also to pay a compliment to my Honourable colleague the Finance Secretary for the very lucid and able speech which he has made in introducing the Budget.

Now, Sir, as regards the Budget. The Budget has got to be viewed from two standpoints, from the point of view of the needs of the State and also from the point of view of the effect that taxation proposals will have on the people in the country. Judged from these standpoints, it is obvious that both the Honourable the Finance Member and the Honourable the Finance Secretary have discharged very creditably and ably the onerous duty of meeting the extra requirements of the State necessitated by the present abnormal conditions while distributing the burden in a manner that the main burden of expenditure falls on such shoulders as are best able to bear it. Sir, it has just been expressed by my Honourable friend Mr. Saprū that the present generation being responsible for the war it is just and fair that the burden of financing it

should fall only upon the present people and that it should not as far as possible be carried on to posterity. I am totally opposed to this proposition. I am of opinion that the larger part of this burden should be borne by posterity, because I feel that the new order which is expected to be ushered in after the war, all the sacrifices that are now being made to defeat and destroy the forces of aggression, the benefit of all these would be enjoyed by generations to come. It is therefore just and proper that this burden should be borne more by future generations than by the present people who for several years in succession have had taxation imposed upon them year after year. I am one of those who on the occasion of the last Budget recommended that borrowing should be resorted to instead of taxation and I am glad that the Honourable the Finance Member has seen his way to resort to borrowing and that in respect of a large portion of the deficit.

Sir, just a word about what was said about the attitude of the Muslim League in regard to the war. I am not going to labour this point. I would just take the opportunity to state our attitude in this respect. It was wrong, as some Honourable Members had suggested, that the Muslim League has been trying to bargain to get its pound of flesh, taking advantage of the difficulties of Great Britain. It is sheer travesty of facts to state this. Even though the offer of the Muslim League to participate in the government of the country could not be implemented on account of the failure of the authorities to accede to the demands which the League made, the League has not done anything to obstruct the war. On the other hand, Sir, the League has allowed every latitude and liberty to its members to do their utmost in helping the war effort, and it is on account of this attitude of the League that the Muslims all over the country are doing their uttermost to help the war by making the highest possible contributions in men and money.

Sir, a word about the consequences that have resulted on account of the policy which has been followed up till now in the Defence Department. I hope that the attitude which His Excellency the Commander-in-Chief is going to bring to these matters will help to cause a new orientation of policy in this respect. But as things are the policy followed in the past and, until recently, has given rise to many grievances in the country. A large number of young men are offering their services everyday for active war service, but most of them are told that their services are not required because they do not have the requisite training for modern warfare. I ask, Sir, who is responsible for this lack of training on the part of these young men? Is it not the defence policy which has been followed in the country over all these years? Even if nothing much had been done in the past to give such sort of training, the Government should have taken care immediately after it became evident that war was inevitable to provide more facilities for training in the country. Sir, even this restricted recruitment to the army is limited only to very few parts of India. A number of provinces in the country have been almost practically ignored. Madras, Sir, which supplied such a fine set of people as recruits to the army—

THE HONOURABLE SIR GIRJA SHANKAR BAJPAI (Leader of the House): I suggest that, as there is a Resolution on this very subject likely to be discussed in this House tomorrow, perhaps my Honourable friend would see his way to reserve his remarks on this particular point until tomorrow rather than develop his arguments today.

THE HONOURABLE THE PRESIDENT: Quite so.

THE HONOURABLE SAYYED MOHAMED PADSHAH SAHIB BAHADUR : Very good, Sir. I won't say anything about recruitment now. I will just say one word about the Services. It is a pity, Sir, that though as many as seven years have elapsed since the Government communique was issued by the Home Department allotting proportions to the various communities in India, it is a matter for extreme regret that the Mussalmans have failed to secure their share in the Services. A number of explanations are given, Sir, to explain away the present unhappy state of things. Even though it might not be quite possible to give their due share to the Mussalmans in respect of promotions, which proposition too I do challenge but which I concede for the moment, even though it might not be possible to secure their due share to the Mussalmans in respect of promotions, it should be quite possible to give the necessary number of appointments to the Mussalmans when there is direct recruitment, but even in this respect, Sir, we find that the number of Mussalmans that are admitted as direct recruits to several services in the country is not quite as large as it ought to be. My humble submission is that, if only the heads of departments who have got to make these recruitments take a little trouble and examine things for themselves, it should be quite possible for them to find suitable Mussalmans to fill all the vacancies that might be earmarked for them. What actually happens is this. That when a number of suitable Mussalmans are not forthcoming, the vacancies which are earmarked for them are given to non-Mussalmans. If this practice is continued, Sir, there is no chance of the Mussalmans getting their due share in the Services. There is yet another danger, this practice offers temptation to some people to somehow manage that the requisite number of Muslims is not secured, so that some of their vacancies may go to non-Muslims. While I am on this aspect of the question, I will just cite an instance which will go to show how the authorities by taking a little trouble can set things right. Sir, last year I understand there were five vacancies in the posts of lower gazetted engineers in the Public Works Department and only two Mussalmans were recommended for them. But the Honourable Member in charge of the Public Works portfolio did not adopt the usual easy practice of filling up these three vacancies with non-Mussalmans. He waited and communicated with Provincial Governments. The result was that a sufficient number of suitable Mussalmans were sent by those Governments to take up the posts. If he had followed the usual practice of giving away these three vacancies to non-Mussalmans, the Mussalmans would for 20 or 25 years have been deprived of these three posts in the Engineering Department. I wish, Sir, that this action is resorted to by other heads of departments and by everyone who has got to make appointments. When the Member of the Executive Council was at such pains to secure a requisite number of Muslims, surely to the heads of departments such a course should be quite possible. Even in matters of promotion, I am of opinion that there should be some way found out to ascertain whether anybody who by virtue of his seniority has got to get a senior post or promotion is or is not really fit for it. A number of instances have come to my knowledge, Sir, in which people have been admitted to be doing very good work ; there has been no fault found in the way in which they have been discharging their duties, and as a matter of fact their work has been pronounced to be good, but promotions have been withheld from them on the ground that the work has not been so exceptionally good as to entitle them to promotion. I fail to understand the distinction between work being good and not being quite so good as to entitle a man to promotion. It all depends upon the person who judges of the subordinate's work. My own impression is that, when a man has served for a certain number of years which would entitle him in the ordinary course to cross the efficiency bar, he must be enabled to do so unless there is something

really bad against him ; unless he has been found to be wanting in efficiency and not in a position to discharge the duties in the higher sphere to which he might be promoted. Unless, Sir, this kind of practice is adopted, it will not be possible for decades to find Mussalmans in the higher grades in the country.

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The Council then adjourned till Eleven of the Clock on Thursday, the 6th March, 1941.

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