

Saturday, 6th March, 1943

COUNCIL OF STATE DEBATES

(OFFICIAL REPORT)

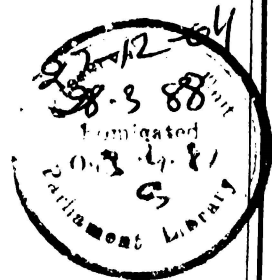
VOLUME I, 1943

(15th February to 3rd April, 1943)

THIRTEENTH SESSION

OF THE

FOURTH COUNCIL OF STATE, 1943



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COUNCIL OF STATE

Saturday, 6th March, 1943.

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

QUESTIONS AND ANSWERS

EXPENDITURE IN CONNECTION WITH THE BURMA CAMPAIGN.

87. **THE HONOURABLE RAJA YUVERAJ DUTTA SINGH**: Is it proposed that the cost involved in re-conquering Burma should be charged to Indian revenues? If so, why?

THE HONOURABLE MR. C. E. JONES: The Honourable Member's attention is invited to the reply given by the Honourable the Finance Member to Mr. Neogy's question No. 48 on the 21st September, 1942, in the Legislative Assembly.

PRINTING OF FOREIGN CURRENCY NOTES IN CURRENCY NOTE PRESS.

88. **THE HONOURABLE RAJA YUVERAJ DUTTA SINGH**: (a) Will Government state whether the Security Printing Press at Nasik has been printing currency notes, other than those for the Government of India? If so, for whom and to what extent?

(b) Will Government state what charges have been levied from the party or parties for whom the notes have been or are being printed?

THE HONOURABLE MR. C. E. JONES: (a) and (b). Currency notes are not printed at the Security Printing Press, Nasik. A statement in respect of foreign currency notes printed at the Currency Note Press during 1942-43 is, however, placed on the table.

Governments for whom orders were executed by the Currency Note Press.	No. of pieces.	Charges for Currency Notes supplied.
		Rs. A. P.
Ceylon	1,30,502,000	4,93,994 15 0
Iraq	6,500,000	41,750 0 0

PURCHASE OF WHEAT AND RICE FOR MILITARY REQUIREMENTS.

89. **THE HONOURABLE RAJA YUVERAJ DUTTA SINGH**: (a) Will Government state separately the quantity of wheat and rice purchased by them in this country for military requirements, since the outbreak of the war?

(b) How much wheat and rice have been exported out of India since the outbreak of the war?

THE HONOURABLE MR. B. G. HOLDSWORTH: (a) While it would be contrary to the public interest to reveal the exact quantity of wheat and rice purchased for the Defence Forces, it can be stated that the quantity purchased for this purpose is considerably less than one per cent. of the foodgrain production of India.

(b) The exports of wheat and rice from India since the outbreak of the war up to December, 1942 on civil account were as follows:—

	Tons.		Tons.
Wheat and wheat flour	443,439	Rice	965,555

REQUIREMENTS OF THE DEFENCE FORCES PURCHASED AT HIGHER RATES THAN THE CONTROLLED RATES.

90. **THE HONOURABLE RAJA YUVERAJ DUTTA SINGH**: Is it a fact that the requirements of the Defence Forces in India are allowed by Government to be purchased at rates higher than the controlled rates? If so, why?

THE HONOURABLE MR. B. G. HOLDSWORTH: The Food Department are not aware of purchases having been made for the Defence Forces at rates higher than the statutory maxima, except in the case of the wheat purchased by Government agents in the Punjab for a few weeks prior to the removal of the control price on that grain. During this period the Government agents were exempted by order from the control rate in order that the reactions of the market to an increase in prices might be tested.

THE HONOURABLE MR. HOSSAIN IMAM: May we know at what rate the Government agents purchased?

THE HONOURABLE MR. B. G. HOLDSWORTH: Speaking from memory they purchased extremely little at a rate between Rs. 7 and Rs. 8.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Were any civilians allowed to purchase at that rate ?

THE HONOURABLE MR. B. G. HOLDSWORTH : The only persons in whose favour an exemption was allowed were the agents purchasing on Government account ; but the Government were purchasing not only for the army but also for the civilian population as well.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Was the wheat that was acquired at higher prices for the needs of the army only or for civilian consumption also ?

THE HONOURABLE MR. B. G. HOLDSWORTH : The wheat that was purchased by the Government agents was purchased on behalf both of the army and of the civilian population.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : At the higher rates ?

THE HONOURABLE MR. B. G. HOLDSWORTH : Yes.

PUBLICATION OF A BROCHURE ENTITLED *Fifty Facts about India* IN THE U. S. A.

91. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH : (a) Have Government seen a little brochure entitled *Fifty Facts about India* brought out by the British Information Services, an agency of the British Government in New York ?

(b) Is it not a fact that the Government of India maintain in the U. S. A. an agency to enlighten American public opinion on Indian questions ; and that this agency has been greatly strengthened in personnel in recent times ?

(c) Was this agency asked to collaborate in the compilation of this brochure ?

THE HONOURABLE SIR MAHOMED USMAN : (a) Government of India have not seen the brochure in question but they have noticed references to it in the Press.

(b) Yes. The addition of one Deputy Information Officer and a small staff on the ministerial side have lately been made to the staff of this agency, viz., the Information Officer attached to the Agent General for India in the U. S. A.

(c) No.

FAILURE OF THE CONCEPTION OF THE UNITED NATIONS AND THAT OF THE LEAGUE OF NATIONS.

92. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH : Has the attention of Government been drawn to the speech of the Parliamentary Under Secretary for Foreign Affairs, Mr. Richard Law, to the Royal Empire Society in London, on the 19th January, 1943 (*vide the Pioneer*, dated the 21st January, 1943, page 5), in course of which he says that "until the great powers were prepared to discharge the responsibilities of great powers the conception of the United Nations would fail, as did the conception of the League of Nations" ?

THE HONOURABLE MR. K. V. K. SUNDARAM : Government have seen the Report to which the Honourable Member refers.

TEXTILE CONTROL REGULATIONS IN CEYLON.

93. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH : (a) Is it a fact that certain regulations have been promulgated for the control of textiles in Ceylon, which empower the Textile Controller in his discretion to withhold the issue of licences to those merchants, who suspended their business shortly after the last Easter air raid in Colombo, and returned temporarily to India ?

(b) Is it not a fact that Indian traders in Ceylon, who returned to India for a short time, did so in pursuance of the advice of the Governor, the Commander-in-Chief, and other high officers in Ceylon, to evacuate vulnerable areas in that territory ?

(c) Have Government taken any step in this connection to safeguard the status and legitimate interests of the Indian traders in Ceylon ?

THE HONOURABLE MR. N. R. PILLAI : (a) The promulgation of certain Textile Control Regulations is under the consideration of the Government of Ceylon.

(b) The Governor of Ceylon and the Commander-in-Chief, on separate occasions gave certain advice about the movement of non-essential personnel from vulnerable areas. Whether the traders who suspended their businesses did so in pursuance of that advice I am unable to say.

(c) The Government of India have made suitable representations to the Government of Ceylon.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : When did the Government of India make representations to the Government of Ceylon on this subject ?

THE HONOURABLE MR. N. R. PILLAI : The last telegram on the subject was despatched about two weeks ago.

LEASE-LEND ARRANGEMENTS.

94. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH : (a) Has the attention of Government been drawn to the following report from Washington, dated 25th January, 1943 ; and published in the *Hindustan Times* of the 27th January last (page 4) : " President Roosevelt today submitted a report to Congress on lease-lend administration in which Mr. Edward Stettinius, the Administrator stated Lease-Lend aid is not a loan of money. It was undertaken for the defence of the country. The goal of this country is to double its war production in 1943. Only in that way can the forces of the United Nations including the United States, have arms in quantities necessary for victory " ?

(b) Will Government make a statement setting out the main details of the Lease-Lend arrangement in the light of the above remarks, so far as India is concerned and its implications on the financial and material resources, movable and immovable of this country ?

THE HONOURABLE MR. C. E. JONES : This matter has been dealt with in the Honourable the Finance Member's Budget speech delivered on the 27th February, 1943.

RESTRICTIONS IMPOSED BY THE AFGHAN GOVERNMENT AGAINST INDIAN TRADERS.

95. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH : (a) Is it a fact that the Afghan Government have imposed certain discriminating restrictions on Indian trade and Indian nationals in Afghanistan ?

(b) Is it a fact that Indian merchants are not granted permission to open their offices in Afghanistan for trading purposes ; no Indian can acquire any immovable property in Afghanistan ; Indian traders and visitors to Afghanistan are allowed to stay for 15 days only and if he has to prolong his stay he has to obtain special permission from the Foreign Minister ?

(c) Is it a fact that an Indian trader intending to leave Afghanistan has to find an Afghan surety to vouch for the fact that he does not owe any debt in that country ?

(d) Is it a fact that owing to the control of exchange by the Afghan Government great difficulty is experienced by Indian merchants in collecting their dues from the Afghan nationals, and sometimes they have to forego such dues ?

(e) Have Government made any inquiry into these complaints ? What are the actual facts ; and what steps have Government taken to remove these complaints ?

THE HONOURABLE SIR MAHOMED USMAN : (a) No restrictions have been imposed by the Afghan Government specifically against Indian traders and nationals in Afghanistan. All foreigners alike visiting Afghanistan for business or pleasure must comply with the requirements of the Afghan Visa Code.

(b) The answers to the first and third parts of this question are in the negative. The answer to the second part is in the affirmative but this restriction applies to all foreigners.

(c) Yes. The same condition applies to all other foreigners.

(d) Government have received no such information.

(e) The facts are as stated. The Honourable Member may rest assured that Government are fully alive to their responsibilities for protecting the interests of their nationals in Afghanistan.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Are the subjects of the Government of Afghanistan allowed to buy immovable property in India ?

THE HONOURABLE SIR MAHOMED USMAN : Notice of the question, Sir.

NUMBER OF INCOME TAX OFFICERS SUSPENDED DURING THE LAST THREE YEARS.

96. THE HONOURABLE MR. HOSSAIN IMAM : Will Government state the names of Income Tax Officers suspended during the last three years and the action taken against each of them ?

THE HONOURABLE MR. C. E. JONES : The information asked for is not readily available and its collection would involve an amount of time and labour that would not be justifiable in wartime.

THE HONOURABLE MR. HOSSAIN IMAM : Have the Government got any record here ? I have asked for three years record.

THE HONOURABLE MR. C. E. JONES : Government have not any record here unless they call for it from the Commissioners.

THE HONOURABLE MR. P. N. SAPRU : Have there been any suspensions of Income Tax Officers at all ?

THE HONOURABLE MR. C. E. JONES : I imagine it is probable, Sir, but we have no definite information unless we call for it.

RETIRED INDIAN CIVIL SERVICE OFFICERS SERVING IN INDIA.

97. THE HONOURABLE MR. HOSSAIN IMAM : Will Government lay a statement giving the following information about the retired I.C.S. officers, now serving in India :—Name, pay and post held at retirement, pay and post held on 1st January, 1943, and pension ?

THE HONOURABLE MR. E. CONRAN-SMITH : The information asked for is not readily available and could only be obtained by making a reference to all Provincial Governments who are themselves competent to re-employ retired I.C.S. officers. The collection of the information desired would therefore involve an amount of time and labour, the expenditure of which would not be justifiable in wartime.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : When a Provincial Government re-employs a retired I.C.S. officer does it report the fact to the Government of India or not ?

THE HONOURABLE MR. E. CONRAN-SMITH : No, Sir. There is no requirement imposed on the Provincial Government to report the fact.

THE HONOURABLE MR. HOSSAIN IMAM : Has the Government of India no record of its own re-employments ?

THE HONOURABLE MR. E. CONRAN-SMITH : Yes, Sir.

THE HONOURABLE MR. HOSSAIN IMAM : Can the Honourable Member lay that information on the table ?

THE HONOURABLE MR. E. CONRAN-SMITH : Information as regards numbers ?

THE HONOURABLE MR. HOSSAIN IMAM : Numbers and all the other things, Sir, about the re-employments in the Government of India alone.

THE HONOURABLE MR. E. CONRAN-SMITH : I must ask for notice of that, Sir.

PERCENTAGE OF COAL FOR HOME LINE TO TOTAL GOODS TRAFFIC IN TON MILES.

98. THE HONOURABLE MR. HOSSAIN IMAM : Will Government state for each of the first class railways the percentage of loco. coal to total goods traffic in ton miles ?

THE HONOURABLE SIR SATYENDRA NATH ROY : The statistics maintained relate not to loco. coal only but to "Coal for home lines", which includes a small proportion of coal for purposes other than consumption in locomotives. I lay on the table a statement shewing the percentage of coal for the home line to the total goods traffic in ton miles for the year 1941-42 for each of the Class I Railways.

Railway.	Percentage of coal for home line to total goods traffic in ton miles.	Railway.	Percentage of coal for home line to total goods traffic in ton miles.
1. Bengal and Assam	6.72	7. Madras and Southern Mahratta	14.4
2. Bengal and North Western including R. and K.	5.1	8. North Western	14.2
3. Bengal Nagpur	5.84	9. South Indian	6.47
4. Bombay, Baroda and Central India.	7.31	10. Bikaner State	7.08
5. East Indian	5.92	11. Jodhpur	6.66
6. Great Indian Peninsula	8.94	12. Mysore State	8.56
		13. Nizam's State	5.49

GRAIN SHOPS ON RAILWAYS.

99. THE HONOURABLE MR. HOSSAIN IMAM : Will Government make a full statement about the losses on grain shops of railways, giving purchase and sale management figures ?

THE HONOURABLE SIR SATYENDRA NATH ROY : The information is not readily available and cannot be collected without an expenditure of time and labour unjustifiable under present conditions.

RATION ALLOWANCE AND OTHER EMOLUMENTS ADMISSIBLE TO RAILWAY STAFF COMMISSIONED OR ENROLLED IN RAILWAY UNITS (D. OF I.) I. E.

100. THE HONOURABLE MR. HOSSAIN IMAM: Will Government state fully the extra ration allowance and other emoluments for each grade of railwaymen enrolled in the Defence services?

THE HONOURABLE SIR SATYENDRA NATH ROY: I lay a statement on the table of the House giving the required information.

The following are the particulars of the ration allowance and other emoluments admissible to railway staff commissioned or enrolled in Railway Units (D. of I.) I. E. :—

- (1) *Railway Officers granted Commissions*—
 - (a) Officers of Administrative rank.—*Nil.*
 - (b) Officers of Dt. rank and below.—Military compensatory allowance 12½ per cent. on civil pay and option to draw military rates of pay and allowances when serving in what is designated as a field service area for this purpose. (ii) Outfit allowance not exceeding Rs. 300 provided such allowance had not already been drawn by virtue of Emergency Commission, etc.
- (2) *Railway non-gazetted staff granted emergency commissions*.—Military compensatory allowance of 25 per cent. on civil pay and option to draw military rates of pay and allowances when serving in a field service area as above. (ii) Outfit allowance as for Railway Officers granted emergency commissions.
- (3) *Railway non-gazetted staff enrolled in D. of I. Units*.—(i) Military compensatory allowance of 25 per cent. on civil pay. (ii) *Ration allowance*.—(a) Combatants—Anglo-Indians and Domiciled Europeans at Rs. 1-1 per diem; Indians As. 8 per diem; (b) Non-combatants Rs. 7-8-0 per month. *Batta*.—As admissible under Army Regulations when sanctioned for other Indian Army Units in the same area.

BRANCH LINES DISMANTLED BETWEEN 1ST JANUARY, 1940 TO 31ST DECEMBER, 1942.

101. THE HONOURABLE MR. HOSSAIN IMAM: Will Government lay on the table a statement giving the following information about the branch lines dismantled from 1st January, 1940 to 31st December, 1942 :—The year of construction, the original capital cost, the price realised for rail and other goods and how the difference was met?

THE HONOURABLE SIR SATYENDRA NATH ROY: I place on the table a statement giving the information as far as it is available. Recoveries are being made only for the permanent way and not for any other assets, which have been either left *in situ* or transferred to railway stores to prevent deterioration or loss. Recoveries for rails and fittings are being made on an average rate of Rs. 116 a ton which is somewhat in excess of the pre-war contract for new rails and represents the depreciated value of the rails supplied on the basis of the contract rate negotiated with Tatas since the outbreak of the war. The difference between the recoveries and the original cost of the branch lines is being met partly from the Depreciation Fund and partly from railway revenue, the amount charged to the Depreciation Fund being limited to the contributions already made thereto.

THE HONOURABLE MR. HOSSAIN IMAM: May we know, Sir, what is the price now charged by Tatas for the rails?

THE HONOURABLE SIR SATYENDRA NATH ROY: I am afraid, Sir, I must ask for notice of the question.

THE HONOURABLE MR. HOSSAIN IMAM: The Honourable Member referred to the fact—

THE HONOURABLE THE PRESIDENT: He says he wants notice of the question.

Statement showing the Branch Lines dismantled between 1st January, 1940 to 31st December, 1942 and their date of opening and capital cost.

Serial No.	Name of Lines.	Date of opening.	Capital cost. Rs.
1.	Dalmau—Daryapur	2-11-11	9,13,000
2.	Akbarpur—Tanda	28-10-12	4,23,103
3.	Bijnor—Chandpur Siau	5-1-30	18,50,144
4.	Auhadpur—Balamau	Between 1903 & 1910.	19,02,080
5.	Utraitia—Sultanpur—Zafarabad	1931-32	96,42,344
6.	Unao—Madhoganj	2-12-30	38,66,478
7.	Bhagalpur—Mandar Hill	1-10-26	23,89,528
8.	Tinpahar—Rajmahal	15-10-60	7,00,000

Serial No.	Name of Lines.	Date of opening.	Capital cost. Rs.
9.	Lyalpur—Jaranwala	3-12-27	15,93,000
10.	Rohtak—Gohana	15-6-28	12,22,210
11.	Gohana—Panipat	15-6-28	14,39,236
12.	Fort Abbas—Kutel Imara	4-2-31	50,00,000
13.	Mahmudkot—Ghazighat	1-4-87	11,00,000
14.	Nagrota—Joginder Nagar	1-4-29	1,03,39,000
15.	Cawnpore—Khairada	1913-14	87,28,000
16.	Dharwa—Pusad	15-12-31	32,36,136
17.	Cocanada—Kotipalle	1-11-29	42,51,870
18.	Shoranur—Nilambur	26-10-27	80,29,134
19.	Madura—Bodinayakanur	20-11-28	53,76,311
20.	Bobbili—Salur	1-5-13	6,04,990
21.	Vasad—Kathana	1-9-30	21,72,708
22.	Raipur Forest Tramway	1929	18,25,640
23.	Amnura—Chapai Nawabganj	15-1-30	10,00,000
24.	Morappur—Dharampuri	18-1-06	30,32,268
	Dharampuri—Hasur	15-5-13	
25.	Tirupattur—Krishnagiri	18-9-05	10,87,305

NUMBER OF OFFICERS IN EACH DEPARTMENT BELONGING TO DIFFERENT COMMUNITIES IN EACH GRADE, e.g., SECRETARIES, JOINT SECRETARIES, ETC.

102. THE HONOURABLE MR. HOSSAIN IMAM: Will Government lay on the table a statement giving the following particulars about the higher appointments in the Secretariat:—The number of officers in each Department belonging to different communities in each grade, e.g., Secretaries, Joint Secretaries, etc.?

THE HONOURABLE MR. E. CONRAN-SMITH: A statement is laid on the table.

SECRETARIAT OF THE GOVERNOR-GENERAL IN COUNCIL.

Higher appointments: Communal composition as at 31st January, 1943.

Rank.	Community.	Civil Defence	Commerce.	Defence	E. H. and Lands.	External Affairs.	Finance.	Food.	Home.	Indians Overseas	I. and B.	Labour.	Legislative.	Posts and Air.	Supply.	War.	Wa Transport	Total
Secretary	Non-Asiatic domicile	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	11
	Hindu	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	9
Addl. Secretary	Non-Asiatic domicile	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	13
	Hindu	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	9
Joint Secretary	Non-Asiatic domicile	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	13
	Muslim	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	6
Dy. Secretary	Non-Asiatic domicile	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	13
	Hindu	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	17
Under Secretary	Non-Asiatic domicile	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	13
	Muslim	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	21
	Indian Christian	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	6
	Domiciled E. and A.I.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	3

NUMBER OF CANDIDATES WHO APPLIED TO THE PROVINCIAL INTERVIEW BOARDS OR WERE INTERVIEWED BY THEM FOR COMMISSIONS.

103. THE HONOURABLE MR. HOSSAIN IMAM: Will Government lay on the table the following information about Army Commissions:—The number of persons who applied from each province in 1942, the number interviewed by each Provincial Board, the number sent to the Central Board, the proportion of Muslims and non-Muslims interviewed and appointed, the proportion of Muslims to non-Muslims in the Defence Forces on 31st December, 1942?

GENERAL THE HONOURABLE SIR ALAN HARTLEY: No figures are maintained by the Central Government of the number of candidates who applied to the Provincial Interview Boards or who were interviewed by them. The collection of these figures would involve an amount of time and labour which would not be justifiable in wartime.

As regards candidates interviewed and selected by the Central Interview Board, I regret I cannot reveal figures for security reasons, but the proportions of Muslims to non-Muslims are as follows :—

Candidates sent to and interviewed by the Central Interview Board.—1 Muslim. 3 non-Muslims approximately.

Candidates selected by the Central Interview Board.—1 Muslim. 3 non-Muslims approximately.

These include candidates for the Indian Air Force and the Royal Indian Navy. Candidates are entitled to apply for any or all of the three services and no separate figures of applications for each service are maintained, nor in respect of candidates actually selected are communal proportions for each of the three Services available.

As regards serving officers, communal statistics are not maintained in respect of Indian commissioned officers.

COMPENSATION TO INDIA IN THE EVENT OF STERLING DEPRECIATION.

104. THE HONOURABLE MR. G. S. MOTILAL : Will Government state whether the United Kingdom Government have given any guarantee to the Government of India or the Reserve Bank of India for compensating loss to India arising in the event of sterling depreciation during or after the war in respect of increasing holdings of sterling loans by the Reserve Bank ?

THE HONOURABLE MR. C. E. JONES : The reply is in the negative.

THE HONOURABLE MR. HOSSAIN IMAM : Has this question been taken up with His Majesty's Government ?

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

THE HONOURABLE MR. HOSSAIN IMAM : Do Government propose to take it up ?

THE HONOURABLE MR. C. E. JONES : This matter, Sir, naturally continues and will continue to engage the attention of Government but I cannot say anything definite at present.

STATEMENTS, ETC., LAID ON THE TABLE.

THE HONOURABLE MR. E. CONRAN-SMITH (Home Secretary) : Sir, I lay on the table a copy each of the Declarations of Exemption bearing the No. and date given in the list :—

- (1) No. 1/8/42-Poll. (E), dated the 17th/19th October, 1942 ;
- (2) No. 1/42/42-Poll. (E), dated the 6th October, 1942 ;
- (3) No. 1/44/42-Poll. (E), dated the 7th November, 1942 ;
- (4) No. 1/46/42-Poll. (E), dated the 19th November, 1942 ;
- (5) No. 1/48-42-Poll. (E), dated the 2nd December, 1942 ;
- (6) No. 1/49/42-Poll. (E), dated the 24th November, 1942 ;
- (7) No. 9/53/42-Poll. (EW), dated the 18th November, 1942 ;
- (8) No. 1/52/42-Poll. (E), dated the 28th November, 1942 ;
- (9) No. 1/54/42-Poll. (E), dated the 4th January, 1943 ;
- (10) No. 1/43-Poll. (E), dated the 22nd January, 1943 ;
- (11) No. 1/4/43-Poll. (E), dated the 11th February, 1943 ;
- (12) No. 1/5/43-Poll. (E), dated the 10th February, 1943 ; and
- (13) No. 1/8/43-Poll. (E), dated the 4th February, 1943.

Declaration of Exemption.

No. 1/8/42-Political (E), dated the 17/19th October, 1942.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except rule 8 and such of the provisions of the rules 4, 14, 15 and 16 as apply to, or in relation to, passengers and visitors who are not foreigners, shall not apply to, or in relation to, Messrs. John F. O'Grady, Ben Franklin Brannon, Bruce Rogers and Dale B. Maher, officials attached to the Office of the Personal Representative of the President of the United States of America to India, New Delhi, so long as they hold posts in that office.

No. 1/42/42 Political (E), dated the 6th October, 1942.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except rule 8 and such of the provisions of rules 4, 14, 15 and 16 as apply to, or in relation to, passengers and visitors who are not foreigners, shall not apply to, or in relation to, Mr. J. L. McCormack and Captain C. H. Gatchell of the War Shipping Administration of the United States Government at Bombay so long as they hold posts under that Administration.

No. 1/44/42-Political (E), dated the 7th November, 1942.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except rule 8 and such of the provisions of rules 4, 14, 15 and 16 as apply to, or in relation to, passengers and visitors who are not foreigners, shall not apply to, or in relation to, Miss A. Guthrie, General Secretary, Young Women's Christian Association, India, so long as she continues to perform the duties of that post.

No. 1/46/42-Political (E), dated the 19th November, 1942.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except rule 8 and such of the provisions of rules 4, 14, 15 and 16 as apply to, or in relation to, passengers and visitors who are not foreigners, shall not apply to, or in relation to, Mr. Edward R. Eichholzer, Director, American National Red Cross, Mr. Mark Tomas, Assistant Director, American National Red Cross and Mr. Fred G. Reed, Director of Accounting, American National Red Cross, so long as they hold these posts.

No. 1/48/42-Political (E), dated the 2nd December, 1942.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of rule 10 (2) of the Registration of Foreigners Rules, 1939, shall not apply to, or in relation to, Mr. Hubert Gerard Pieter Vorstermans, Manager, Spencer's Cigar Factory, Dindigul.

No. 1/49/42-Political (E), dated the 24th November, 1942.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except rule 8 and such of the Provisions of rules 4, 14, 15 and 16 as apply to, or in relation to, passengers and visitors who are not foreigners, shall not apply to, or in relation to, Mr. Gordon Tweedy, representative of the China of Defence Supplies in Delhi, so long as he continues to perform the duties of that post.

No. 9/53/42-Political (EW), dated the 18th November, 1942.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act (XVI of 1939), the Central Government is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except rule 8 and such of the provisions of rules 4, 14, 15 and 16 as apply to, or in relation to, passengers and visitors who are not foreigners, shall not apply to, or in relation to, Mr. Alfred Cart Finger, an American National Representative of the United States Government Department of Posts in India, so long as he continues to perform the duties of that post.

No. 1/52/42-Political (E), dated the 28th November, 1942.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except rule 8 and such of the provisions of rules 4, 14, 15 and 16 as apply to, or in relation to, passengers and visitors who are not foreigners, shall not apply to, or in relation to, Mr. Bushrod Brush Howard, Mr. Gustaf Harold Nyber, Commander Malcolm Lee Worrell and Captain John Clifford Vaeth, members of the Joint Anglo-American Mission, so long as they remain members of that mission.

No. 1/54/42-Political (E), dated the 4th January, 1943.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of the registration of Foreigners Rules, 1939, except rule 8 and such of the provisions of rules 4, 14, 15 and 16 as apply to, or in relation to, passengers and visitors who are not foreigners, shall not apply to, or in relation to, the following United States nationals :—

1. Charles Harvey Wyant.
2. Fred Herbert Davies.
3. Byram C. Guerin.
4. David J. Edwardes.
5. Robert K. Lindstedt.

} Employees of the United States Office of War Information at Bombay.

6. Mr. Burton H. White, Legal Representative in India of the United States War Shipping Administration. Expected to arrive in India in near future and to establish his office at New Delhi.

7. Harry W. Whit, Special Representative of the Metals Reserve Co., and of the Defence Supplies Corporation of the United States ; at present a resident of Karachi.

No. 1/43-Political (E), dated the 22nd January, 1943.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except rule 8 and such of the provisions of rules 4, 14, 15 and 16 as apply to, or in relation to, passengers and visitors who are not foreigners, shall not apply to, or in relation to, Mr. Henry J. Canfield American Diplomatic Courier attached to the American Legation at Kabul, so long as he continues to hold this post.

No. 1/4/43-Political (E), dated the 11th February, 1943.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939, (XVI of 1939), the Central Government, is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except rule 8, shall not apply to, or in relation to, the following United States nationals :—

1. Willard T. Goodwin, Senior Representative, United States War Shipping Administration.
2. Edward S. O'Keefa, Representative (at Calcutta), United States War Shipping Administration.
3. Robert W. Cruickshank, Representative (at Karachi), United States War Shipping Administration.
4. Thomas C. Wan Nuys, Representative (at Calcutta), United States War Shipping Administration.
5. Herbert H. Suhr, Representative, Metals Reserve Company, and Member, Joint Mica Mission.
6. W. O. Babb, Representative, Metals Reserve Company, Defence Supplies Corporation.
7. J. Reed Hummer, Representative, Metals Reserve Company, Defence Supplies Corporation.
8. Simon Swerling, Representative (at Calcutta), United States Board of Economic Warfare.
9. Frank F. Watts, Representative, Metals Reserve Company and Member, Joint Mica Mission (not yet arrived in India).

No. 1/5/43-Political (E), dated the 10th February, 1943.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except rule 8, shall not apply to, or in relation to, Mr. Donald F. Harding, representative, China Defence Supplies.

No. 1/8/43-Political (E), dated the 4th February, 1943.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except rule 8 and such of the provisions of rules 4, 14, 15 and 16 as apply to, or in relation to, passengers and visitors who are not foreigners shall not apply to, or in relation to, Major Richard P. Heppner and Sergeant Bruce A. Pearl, attached to the Personal Representative of the President of the United States of America to India, so long as they continue to hold their present posts.

THE HONOURABLE MR. H. C. PRIOR (Labour Secretary): Sir, I lay on the table a copy* of each of the following :—

- (1) Summary of Proceedings of the Fourth Labour Conference (First Tripartite Conference) held on the 7th August, 1942.
- (2) Summary of Proceedings of the First meeting of the Standing Labour Committee held on 30th November and 1st December, 1942.
- (3) Summary of Proceedings of the Second meeting of the Standing Labour Committee held on 25th January, 1943.

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 2nd and 3rd March, 1943, namely :—

A Bill further to amend the Indian Penal Code, and to amend the Currency Ordinance, 1940.

A Bill to amend the Coffee Market Expansion Act, 1942.

A Bill to provide for the better administration of Muslim Wakfs in the Province of Delhi.

A Bill to make provisions on a basis of reciprocity in regard to entry into, travel, residence, the acquisition, holding or disposal of property, the enjoyment of educational facilities, the holding of public office, or the carrying on of any occupation, trade, business or profession in British India by, and the franchise in British India of, persons domiciled in British Possessions.

GENERAL DISCUSSION OF THE GENERAL BUDGET FOR 1943-44.

THE HONOURABLE SIR RAMUNNI MENON (Nominated Non-Official): Sir, at the outset I should like to offer my humble felicitations to the Honourable the Finance Secretary and the Honourable the Finance Member for their notable speeches when introducing the Budget, speeches worthy of the occasion on which they were made. Among the interesting features of these speeches, I note with great appreciation the lucid expositions of certain highly technical and complicated

*Not printed in these debates. Copies placed in the Library of the House.

[Sir Ramunni Menon.]

matters which are now engaging serious public attention. I am sure these expositions will be received with great gratitude by all members of this Council.

With these preliminary remarks, I shall proceed to make a few observations on that complex of financial and economic events, or processes, or whatever you may call them, which have conspired to produce that phenomenon to which the term "inflation" has been applied—or perhaps wrongly applied. I speak as a layman, but as a layman interested in and affected badly by the rise in prices. As a layman I speak with diffidence, diffidence natural in one approaching a technical subject but deepened on the present occasion by the thought of the castigation which economists, professional and amateur, who have been talking and writing of inflation lately, have received at the hands of the Honourable the Finance Member and the Finance Secretary. In this connection I may say that I quite appreciate the warning that the Honourable Members have given against loose and exaggerated talk. I note in particular the denial, the categorical denial, which they have given in their statements, of the suggestion which has been made in certain quarters that currency inflation has been effected solely on the backing of treasury bills. That denial should be sufficient to remove a misconception, a serious misconception which is entertained by certain critics. At the same time it is fair to mention that other critics, some of them personally known to me, have taken very scrupulous care to stress the fact that all currency expansion has been effected according to most orthodox and traditional lines, and is secured with the full statutory backing of gold, sterling, rupee loans and silver rupees.

Various contributions on inflation have appeared in the Press and in pamphlet form lately. I have read some of them, a good many of them, I think; and, going through them, one is reminded of an old story attributed to Sydney Smith. Smith once saw two women talking at each other across the street from opposite houses, and remarked: "These ladies will never come to an agreement, because they are arguing from opposite premises". The approach to the problem, the assumptions, the interpretations of facts and the meanings of terms employed, adopted by the several writers and speakers are often divergent and sometimes contradictory; and it is not surprising that experts have not arrived at any unanimous opinion on this complicated matter. But the absence of any such unanimity should not blind us to the great need of understanding a situation which is viewed with such grave anxiety by thousands of people in this country. I do not think it is necessary to possess any expert knowledge in trying to get an appreciation of the main elements in the situation.

There will be no dispute as to the actual fact that there has been since the beginning of the war a very considerable expansion of currency. Due allowance, I admit, must be made for all those processes which have taken place and which have had an anti-inflationary effect, such as subscriptions to defence loans, hoarding in private hands, keeping cash in banks, and so forth. But when all allowance has been made, the fact remains that there has been a very considerable addition to the purchasing power in the hands of the people. On the other hand, the commodities and services which are available for civilian consumption have not shown any appreciable increase. On the contrary—I am speaking now chiefly of food-stuffs and other essential articles which the ordinary citizen needs—in regard to these articles, the supply has diminished. Now, when we find a situation like that, that is, increased purchasing power in the hands of the people and reduced supplies available for purchase in a world of competition, there can be only one result—the prices must go up. And that is precisely what has happened and is happening. Whether this increase in purchasing power has been caused by deliberate currency inflation or is the result of inevitable, unavoidable monetary expansion, whatever you may call the process, is quite immaterial to the common man. The ordinary man is not very much concerned with theories of currency or anything of that sort; he is vitally interested in the rise of prices. What can we do to remedy the present state of affairs? If the analysis which I have given of the position is correct, the analysis itself indicates the remedy. The remedy is two-fold. In the first place, you must take away as much of the purchasing power as possible from the people, or, in other words, immobilise it. The only ways of doing this are by taxation and by borrowing. On the other hand, we must increase the

supply of commodities available. We must increase production, and at the same time, in order that the poorer classes are not hit hardly, we must control prices and provide for the equitable distribution of the foodstuffs available. These are the essential steps which have to be taken to remedy the evil. In this connection, it will be noted with very great pleasure that provision is made in the Budget of Rs. 50 lakhs and promise is held out of more for encouraging increased production of food. This is a very commendable step which everybody will welcome and I hope there will be no limit to the help which would be forthcoming in furtherance of the food production campaign. I would like to stress the fact that plans for the expansion of production of food need not be restricted to the growth of foodgrains. It can be extended in other directions, for instance, increase and improvement in the supply of milk and milk products, poultry farming and production of other kinds of food articles, which will help in easing the food situation.

With regard to the equitable distribution of the available foodstuffs, I think the Government should not tie their hands in any particular manner. There seems to be some hesitation on the part of the Government of India to introduce rationing. Conditions in different provinces undoubtedly differ, and I think the best method will be to leave the provinces to take the action that they consider best in this matter. I see that in certain areas rationing has already been introduced. Bombay, for instance, I see from the papers, has already introduced or will soon introduce rationing. I believe that it has been introduced in certain towns in Cochin, and in Bangalore, and I believe it is proposed to extend it to other towns in Mysore. If it is possible to introduce rationing in these places, there is no inherent reason why it should not be introduced in other places. I am stressing this point because it appears to me it is the only way in which the poor people can be helped. As regards prices, unless by the natural operation of economic laws prices come down very soon, it will be imperative on the part of the Government to fix prices at as low a level as possible. In suggesting this, I am not for one moment ignoring or minimising the claims of the agricultural producer. The two main factors in fixing prices should be that the producer gets a fair profit and that the poor man does not suffer by an increase in price. These are the two dominant factors which should govern the fixation of an equitable price. Other obstacles to an adequate and equitable supply of foodstuffs such as hoarding, profiteering and so on should be ruthlessly removed.

Now I come to the other aspect of the remedial measures, namely, taxation and borrowing; and here I may be permitted to express my admiration of the resourcefulness, skill and understanding of the popular mind displayed by the Honourable the Finance Member in putting forward his new proposals. As they stand I am sure they will be readily welcomed by most sections of the public. My only regret is that Government have not seen their way to enhance the tax on excess profits. This is a point which I made in a speech last year and I do not think it is necessary to reiterate the pros and cons of the matter. At the same time, I quite recognise the practical wisdom shown by the Government in not imposing an enhanced excess profits tax at present. Obviously it will not be expedient to alienate the goodwill and sympathy of the business community on the eve of floating a large loan. It is to be hoped that the monied people will take the fullest advantage of the opportunity now offered to them and subscribe most handsomely to the new loan and thereby diminish the risk of further enhanced taxation in the future. That is all that need be said about the new borrowing. But if by voluntary means it is not found possible to immobilise any considerable portion of the additional purchasing power which is now in the hands of the public, it seems to me that in order to minimise the evil of rising prices it will be imperative on the part of Government to adopt compulsory measures of some kind or other. With regard to the question how further expansion of the currency can be avoided in future, I confess it is not possible to suggest an easy method. But it does seem that it is well worth considering whether the necessary finance for the purchase of war supplies for the Allies cannot be obtained by floating rupee loans in this country for the purpose. That of course is a suggestion which I have seen made in other quarters and I daresay that it is one which the Government will be inclined to consider when the success of the impending loan is assured. I think I have touched upon the main points which I wanted to cover in my remarks. On the whole I.

[Sir Ramuñni Menon.]

can offer my warm congratulations to the Honourable the Finance Member on his new proposals, and for the restraint which he has shown by not putting forward measures of heavier taxation.

THE HONOURABLE SIR SHANTIDAS ASKURAN (Bombay : Non-Muhammadan) : Sir, in taking part in the general discussion of the Budget this year, I feel handicapped by two main considerations. One is the enormous gap between first estimates and revised estimates, particularly in the field of Defence expenditure. When the Budget for the current year was presented in this House a year ago, we found that the estimate of Defence expenditure had reached the enormous figure of Rs. 133 crores. Having regard to the grave danger to which we were exposed at that time from Japanese attack and the disasters of the early months of last year in Malaya and Burma, we accepted this burden without serious complaint.

Sir, it is a matter of universal gratification that that danger of external attack has receded far into the background and there is no likelihood of its recurrence. This greatly improved position is due partly no doubt to the measures adopted during the year now ending for strengthening the country's defences by land, air and sea. There is considerable force in the argument that we must pay in adequate measure for our own security. Nevertheless, Sir, there is the fact that our Defence expenditure for the current year has reached the colossal figure of nearly Rs. 239 crores, or an excess of about Rs. 105 crores over the estimates. For the coming year the estimate of Defence expenditure is, approximately, Rs. 199 crores. The Honourable the Finance Member has no doubt pointed out that this estimate shows a decrease in the Defence budget as compared with the revised figure for the current year. The hope is cautiously expressed that the stage of heavy additions is past, though he has warned us that it would be unsafe to conclude that we have reached the peak of our own war expenditure.

Sir, no one can foresee either the length or the course of this war. Every Indian who values the freedom of this country must rejoice that the tide has definitely set in favour of an Allied victory, and the enemy is on the run everywhere. Nor will anyone either in this House or outside seriously object to necessary expenditure on Defence particularly in wartime. But, Sir, the fear is bound to arise whether history is going to repeat itself this time a year hence, and the Finance Member will come to us with a revised estimate far in excess of the Budget provision of Rs. 199 crores. In passing I would like to note with satisfaction that the Finance Member has adopted a suggestion which I made in my Budget speech last year, namely, to allot certain portions of Defence expenditure to Capital rather than to Revenue account. While I welcome his recognition of the principle that the present generation need not be called upon to bear the full burden of wartime expenditure, I wish he had proceeded further than he has done in the Budget presented to us last week and passed on more items of expenditure to Capital account.

Sir, it is to the big gap between original and revised estimates that I have referred in my opening remarks as one of the handicaps in dealing with the Budget. Was it not possible for the Finance Member when he presented his Budget a year ago to have given us a better conception of some of the factors which have contributed towards swelling the cost of our defence? Has he, in presenting his Budget this year, at least profited from his own experience and attempted to give us a more realistic picture of the coming 12 months?

There is, Sir, I cannot help observing a great deal of vagueness about many essential features of our Defence expenditure programme and other items in the Budget. We are assured that the original agreement in regard to the allocation of war expenditure between His Majesty's Government and India remains the same. This assurance can give us but superficial satisfaction when we see how many measures have been classified as "joint war measures" towards the cost of which this country will have to contribute in a manner which is left elastic and ambiguous by the Honourable the Finance Member. We are told that this division is equitable, simple and administratively convenient. Sir, without further light on this point it would be difficult for this House to accept the assurance of the Honourable the Finance Member as satisfactory. To take a concrete instance, half the total estimated capital and recurring costs of the expansion of the air force is proposed to be provisionally included in the Budget, while the balance will be placed for the time being in a

suspense account. I trust, Sir, that in the reply to this debate he will take us fully into confidence on this and other connected matters, so that the country may share his feeling that the revised arrangements are really equitable to India.

Sir, before passing on from the subject of Defence expenditure to other topics, I would like to deal briefly with another aspect. Our expenditure of Defence though unsurpassed, is very much less than that incurred by Great Britain or America. That, however, is not the right standard to apply. For a proper appreciation of the position, we should consider what China's defence programme costs her. Having regard to the extremely low standards obtaining in this country, this House has a right to demand that in imposing new expenditure on India, the Finance Member takes into primary account the capacity of the taxpayer. This principle is doubly applicable to a dependent country like India because of the subordinate role assigned to her in shaping Allied policy whether in war or peace.

Sir, I would allude to yet another point in regard to Defence. Heavy expenditure is of course inevitable in wartime. But this House and the public at large would like to have an assurance that in the first place the utmost economy is being exercised, and secondly that it will result in a permanent strengthening of India's defence organisation through the measures adopted during the present crisis. It would be relevant to ask in this connection to what extent British and Allied troops have taken the place of Indian troops in this country, and what is the extra cost of this substitution to the Indian Exchequer. Again, to what extent has the Indian Air Force been expanded and Indian personnel trained in the use of the latest aircraft? The construction of costly aerodromes for use mainly of British and American squadrons, however justifiable as a pure war measure, would be extravagance, unless efforts are also made to utilise the present opportunity for greatly strengthening and modernising the Indian Air Force.

Sir, from this I must pass on to a rapid review of some of the other points in the Budget. In regard to the proposals for taxation, I must enter a strong protest against the proposal to levy a tax on Vanaspati which is a vegetable substitute for ghi. It is a notorious fact that the amount of milk and ghi consumed in India even in peacetime is far less than is necessary for normal health. The report of Dr. Wright, the Dairy Expert, who visited India about five years ago revealed a great shortage in milk and its by-products for the vast majority of the population. It should not be overlooked that the cost of living has increased enormously during the last 12 months. Essential foodgrains have risen in prices by over 200 per cent. and it was only last week that we were told by the Commerce Secretary that the price of cloth had risen by 300 per cent. since the beginning of the war. The masses have been extremely hard hit in consequence. Was it necessary, Sir, for the Honourable the Finance Member to tax at this juncture an essential and badly needed article of food? After all, Sir, how much does the Finance Member expect to get from this tax? Rs. 140 lakhs is an insignificant item and its absence will make hardly any difference on the revenue side. I earnestly hope that the Government will reconsider their decision and withdraw this grossly unjust proposal.

With regard to taxes on income, I would like to be assured that the difficulties experienced by assesseees are being dealt with in a spirit of sympathetic understanding. I wish to draw the attention of the Finance Member to a passage in a recent judgment of the Chief Justice of Bombay on the question whether in making an assessment the Income-tax Officer in question had exercised his judgment and acted honestly and without caprice. The judgment recorded that he did not exercise his judgment honestly and without caprice, nor had he given any time to the assesseees to produce their books after the order for producing them was validated.

Sir, I would like to say a word about the personnel of the Executive Council after the recent resignations of three of the Indian members. We who represent the business community of India drew satisfaction from the fact that there were in charge of two such important Departments of the Government of India as those of Commerce and Industry and Supply, two well-known Indian businessmen who had spent their lives in the closest touch with commerce and industry. Their resignations, quite apart from the reasons which led them to take this step, sever the links between the Government and Indian industry. I need hardly point out, Sir, that in every country of the world today engaged in the war, the closest liaison is being maintained between the administration and industry. It is of the utmost importance.

[Sir Shantidas Askuran,]

therefore, that the present gap should be filled at the earliest possible moment, bearing the point I have just made prominently in view. Many problems will arise between now and the end of the war in dealing with India's post-war reconstruction in the economic field. It is vital, therefore, that there should be inside the Government men who understand the country's commercial and industrial requirements and are capable of shaping the policy in accordance with them.

The need for this, Sir, has increased in view of the ambitious project of the Food Department to utilise the agency of the Government for purchase of foodstuffs which, according to the Finance Member, may amount in value to Rs. 75 crores. The Secretariat is undoubtedly efficient in its own way in the disposal of problems. But I hope, Sir, I will not be misunderstood when I say that where rapid decisions and quick disposal are necessary the business man enjoys a distinct advantage over the permanent official. The shortage, which has been experienced in any directions in recent months, in foodstuffs, coal, cloth, paper, etc., would not have been so acute but for the failure of the permanent officials to look forward and anticipate these problems and make suitable provision for their solution.

Sir, I now come to the repatriation of sterling debts. The Honourable the Finance Member has not given us an adequate explanation for his failure to finance purchases made by other countries in India in rupees. Our foreign assets have been converted in terms of sterling which is not only over-valued, but may suffer further depreciation. If India's interests had been properly consulted it should have been possible for the Finance Member to wipe out our sterling debt with a considerably smaller number of rupees than we have done under existing circumstances. Such a policy would not only have enabled him to consolidate our internal economy but incidentally avoided, partially at any rate, the inflationary tendency now so visible. It is impossible to accept the plea that there has been no credit inflation on a large scale. Whether inflation has been deliberately brought about or is the result of the Government's handling of their financial requirements is not the point in issue. The fact is undeniable that the country is faced today with inflation which threatens to gather momentum as the war drags its course. The evils of inflation should have been foreseen long ago and provided for in a number of ways, for instance, by the British Government floating rupee loans in India through the Reserve Bank and also by stimulating within the country to a much larger extent than has been done, the production of immediately consumable goods.

Sir, I welcome the proposal of the Government to utilise some of India's sterling balances for meeting future payments on pensions, provident funds, etc., of retired civil servants, though I am bound to add that the creation of a reconstruction fund to finance a programme of post-war reconstruction will not meet with approval from the Indian business community without further details. I would like the Finance Member to take the House into confidence and tell us precisely what amount he proposes to fund in these two ways and whether he proposes to have an upper limit for the accumulation of sterling balances in England.

I was glad to note, Sir, that the Honourable the Finance Member made certain observations on the subject in another place yesterday. He gave the assurance that the allotment to meet future payments of pensions, provident funds, etc., of retired officials had no political significance and was entirely a financial transaction. In regard to the other fund to finance post-war reconstruction schemes in India, the Finance Member could well have been more explicit. He refused to be drawn into a commitment that out of this fund purchases could be made on India's behalf in America or markets other than the United Kingdom, should such a policy seem to the Government of India of that time to be in Indian interests. Such an assurance is necessary to eliminate suspicion and to restore goodwill. Another point on which the country would like to have definite information is whether any provision is intended to be made to safeguard our sterling reserves from the effects of possible depreciation in the value of sterling.

Several suggestions have been put forward in recent weeks for a proper utilisation of our sterling credits in a manner that would have strengthened India's economic structure, both now and after the war. It is a matter for disappointment that none of these solutions have found favour with the Honourable the Finance Member. While I recognise the enormous difficulties which the Finance Member has had to

overcome in this year's budget, I would have been able to congratulate him had he shown greater courage and foresight in dealing with the many problems with which we in India shall be faced after the war in the sphere of industrial development and social reconstruction.

THE HONOURABLE MR. M. N. DALAL (Bombay : Non-Muhammadan) : Mr. President, the Honourable the Finance Member, in delivering one of the longest Budget speeches on record, has given a complete picture of the economic background. Looking to the revised deficit of Rs. 99 crores for 1942-43 and the estimated deficit of Rs. 60 crores for 1943-44, the additional taxation of Rs. 20 crores seems to be high, taking into consideration the poverty of this country. However, Sir, I am glad that the Honourable the Finance Member is recognising every day more and more the principle that there should be more of borrowing and less of taxation.

It must be remembered that the index number of wholesale prices of all commodities in Calcutta was 100 in the year before the war ; in January, 1943 it was 254. Therefore, Sir, the actual income today is less than half.

Coming to direct taxation, in 1943-44 the total income from income-tax, super-tax, excess profits tax and corporation tax is Rs. 95 crores ; and the actual tax revenue from the excess profits tax alone is about Rs. 40 crores. I would therefore suggest that the increase in the corporation tax to two annas in the rupee is bound to impede the tendency of the people to invest in industrial shares. That tax, further, is not subject to refund of any kind, though the income of a shareholder may be within the exemption limit. I would further suggest, in order to relieve the strain from the poorer and middle class people, that the income-tax exemption limit be raised from Rs. 1,500 to Rs. 2,500.

Coming to indirect taxation, I am aware that the tax on tobacco does exist in certain provinces and the Indian States. The additional duty on tobacco, therefore, is bound to affect the poorer classes of people whose only luxury is to smoke a *bidi*. I would therefore suggest to Government, if possible, to exempt country *bidis* in order to remove the sting from this tax. As to the tax on vegetable ghi, this again is going to affect not only the poor but the middle class people who have taken to this commodity because it is impossible today, unless you pay a very high price, to get pure ghi. If my information is correct, the Supply Department themselves are buying about 3,000 tons per month of pure ghi. The Posts and Telegraphs Department is a public utility concern which has made a profit this year of Rs. 7.72 crores. The unlimited increase in the profits of this public utility concern by the increased rate in postal and telephone charges is going to affect the poor people.

The question may be asked : If all kinds of taxation are not in the interests of the people of this country, how is Government to meet the deficit ? The answer is : If Government can borrow Rs. 40 crores, they might as well borrow a little more rather than go on taxing the already heavily taxed necessities of life. Besides, there are possibilities of these taxes becoming perennial, as we have to meet heavier and heavier expenditure every year. We started before the war with an additional taxation of Rs. 6 crores. In the coming year it is going to be Rs. 20 crores. We started with a tax revenue of about Rs. 68 crores in the year before the war. In the next year it is going to be Rs. 150 crores.

Although it is now nearly eight months since the Finance Member went to England to arrange about the financial settlement as regards Defence expenditure, the whole thing yet seems to be in a nebulous state, especially regarding Indian Air Force expansion, reciprocal lease-lend and non-effective charges. It is difficult to form any definite opinion on tentative proposals lacking in very important essentials. I only hope that Government will take the Legislature into their confidence before completing this agreement rather than present us with a *fait accompli* on the assurance that the Public Accounts Committee of the Legislature has the right to discuss and supervise the Defence expenditure.

Regarding sterling balances, we should like to know what exactly is going to be the proportion of the currency notes floated in this country that would be kept as a reserve against it in sterling. Unless we know the proportion, it is difficult for us to gauge the limit of this reserve.

Coming to family pensions, these have been adequately safeguarded in the Government of India Act. Therefore, Sir, it is a question whether it is in the interests of India to spend all her sterling assets immediately by paying off the portion of the

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Chatfield debt pensions, and all railway annuities, or whether it would be to the advantage of India to use these sterling assets in more profitable, durable goods, tangible assets, gold, dollar, the transfer of British merchant ships to the Indian Register, the transfer of the investment of British nationals in this country, or by any other means. The Reconstruction Fund, again, has created a certain amount of apprehension in the minds of the people of this country as subsidising British exports and rehabilitating British industries in the post-war period. I am sure, Sir, the Honourable the Finance Member today will make us wiser by his mature experience and sound judgment as to the best available use and potential value of the sterling assets of this country, which has created so much stir and disturbance in our commercial community.

THE HONOURABLE SIR A. P. PATRO (Nominated Non-Official): Sir, after the very lucid and comprehensive review of the budgetary position by the Honourable the Finance Member it is very difficult to find room for serious criticism to any extent. In the review of the war effort and the expenditure thereunder, the Honourable the Finance Member has anticipated the main difficulties and problems raised in the country and has in a very clear manner taken the public into confidence and explained most of them to be such as not to create any alarm in the country. It has to be considered whether it is desirable to have a compulsory contribution instead of an appeal to the public to contribute liberally for the war loans. This must be considered very cautiously and the line of least resistance has been adopted by the Honourable the Finance Member. The Honourable Mr. Shantidas Askuran said that the war expenditure has been mounting up and it is desirable to place a check on that. In considering the war expenditure we have to consider the background, namely, not only the needs in India but the international needs and the assistance that we have to afford to the Allied Powers. Viewed from this aspect, the war expenditure must necessarily mount. All that is not waste. If you look at the developments in India, you will find that the developments with regard to the manufacture of machinery and production in several other directions are such that the capital invested is really useful to the country. All this expenditure in the expansion of the army, navy and air force is not ephemeral. These are going to be permanent factors in the defence of the country, not only now but also in the future. They will form large assets and a striking force for the defence of the country. We have to view the war expenditure from that point of view. There is also the consolation which the Honourable the Finance Member has given us that the expenditure during the budget year may be less than what it was before. Nevertheless, we find a deficit of Rs. 60 crores, and this deficit he wants to make up by indirect taxation, direct taxation and by loans. The additional taxation would amount to Rs. 20 crores. One of the subjects chosen for taxation is tobacco, an agricultural produce. I regret that the Honourable the Finance Member has selected this item. The agriculturist, the producer, the cultivator, is already heavily burdened with revenue taxes and this will add to his burden. As stated by the representatives of the European Group elsewhere, this is rather unfortunate from the point of view of the agriculturist and the poor cultivator. While you take every possible care to protect and maintain the rights of the industrial labouring classes, you have neglected completely the rights, claims and sufferings of the agricultural people. You have passed legislation with a view to protect the rights and interests of the labouring classes, because they are very vociferous and they can bring the industries to a deadlock. But because the agricultural producer is not able to do so unless a no-tax campaign is started by him, you do not look into his condition. The economic condition of the agricultural ryot is very deplorable today, and in such circumstances, to place another burden on him is unjustifiable. This tobacco tax is not a surprise. It was recommended by the Taxation Enquiry Committee long ago. It was also proposed by the Congress Governments in several provinces. They looked into the question and prepared Bills, but there was no time for them to carry it through. The Congress Governments wanted to burden the agriculturist with this taxation and there may be some justification for this Government to take up the matter after the popular Government had started the case. There is some concession made in this connection that the patch of land over which the cultivator raises tobacco for his own consumption will

be exempted. But, as I said last year, the whole difficulty with regard to the tobacco tax is, what rules you are going to frame for realising this tax. Otherwise it will work very hard on the ryots. While I do not approve of the taxation, I think that when it is imposed, it should be lightened as much as possible.

Sir, I would in the few minutes left to me invite your attention to the outstanding features of the Budget. One is the division of expenditure into revenue and capital account. For the first time this has been done and we can see at once how the provision has been made with regard to expenditure. This sets out clearly the ways and means position, the extent to which the defence of the country is provided for. Another feature is the way in which the Honourable the Finance Member has explained what is called the joint expenditure between the British Government and the Government of India. The latest decision of the British Government that they would continue the old arrangement seems to me very satisfactory and we are grateful to the Finance Member for having been able to secure this concession from Britain. The next important point, which is a very debatable point, is the Indian sterling balances. On this also there is very clear explanation in his statement which shows that there is absolutely no ground to apprehend that anything will go wrong and the arrangement that he has proposed to leave a balance in England with a view to meet pensions and other liabilities on the Indian exchequer is a very satisfactory arrangement. The general currency position also, which led to so much misapprehension and so much misdirected criticism, has been explained in a manner that ought to convince even the Indian Chambers of Commerce that has circulated a memorandum. The reasons given in his speech are such as to convince even the hardest critic that there is absolutely no room for fear and he is very emphatic that it would be extremely foolish and suicidal for any person to mislead the country and to create a scare in the country. I agree also with him in his exhortation that there should be a free flow of savings into the Government loans. Sir, there is the Reconstruction Fund. While discussing the reconstruction problem and the funds necessary, Mr. Morrison, a British Minister, has said that although there should be national and international economic control and planning, political approach should have priority. In India the political approach is more essential at present. Internal unity and mutual agreement among people themselves is necessary and with the external aid and co-operation of Great Britain India may advance towards her political goal and have freedom enough to be counted as one independent unit in the comity of nations and not sit behind Great Britain as a subordinate factor. The question is at the Peace Conference whether India is to sit as an economically, financially, independent State round the table or behind British power only as a secondary and subordinate power. That is a question to be seriously considered by the so-called Leaders Conference of this country. If that is so, what necessary steps have been taken to achieve this unity? There is no use of passing resolutions, very theoretical resolutions, but what actual steps have been taken to bring together the conflicting aims and aspirations of the people so that unity may be established in the country and the object may be achieved? Therefore, as Mr. Morrison said, while it is necessary that there should be internal and international economic control and planning, the political approach should have priority; and that aspect of the problem must be kept in view by the leaders before they begin to discuss the governmental problems.

Sir, I said I am an agriculturist. I feel strongly for the agricultural population. While you ask us to grow more food, that we should cultivate even lands that have been left waste, how are we to do it unless you give us the necessary help and stimulus and scientific aid. The Imperial Agricultural Council and the Agricultural Department have been doing what they can, but their work and their service is very little compared with the vast necessity there is in the country. Greater activity and more practical work is necessary to aid the cultivator with a view to raise more food for the sake of the whole country, and yet you have neglected him, and neglected him miserably.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern: Non-Muhammadan): Mr. President, in considering the financial proposals that have been placed before us by the Honourable Sir Jeremy Raisman, the House has to bear in mind both the international and the internal situation. At a time when

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the international situation is grave—it is not as grave as it was a few months ago—Government has thought it fit to isolate itself from public opinion and though the taxation and borrowing programmes are of a staggering character, the taxation proposed is to be imposed by an executive which is in no way responsible to the people of this country, which is subordinate to the Government and electorate of another country and which has to assist it a Legislature which is out of date and which has long outrun its course. So far as this political aspect is concerned, we shall have to say a great deal about it on the Finance Bill. I just indicate this political aspect because that is one of the aspects which will ultimately determine our attitude towards the Finance Bill.

THE HONOURABLE THE PRESIDENT : I will not allow any speaker more than half an hour.

THE HONOURABLE MR. P. N. SAPRU : The Finance Member seems to think that rising agricultural prices have diminished the real burden of agricultural indebtedness and that the industrial worker has sufficient income if he will only exercise a little self-restraint to build up a useful fund against future contingencies. There is no evidence as far as I can see that the rise in agricultural prices has appreciably benefited the agriculturist. There is no evidence that the benefit of this rise has not gone to the middleman. The agriculturist, it must be remembered, is also a consumer and he has to buy cloth which is three times dearer than it was before. He has to buy seed and he has to buy implements, tools, for his agricultural operations. He has to buy various other things; he is not so well informed about marketing and other conditions as the middleman is. Therefore there is no evidence that the burden of agricultural indebtedness has decreased or that the agriculturist is really happier or better off than he was before.

THE HONOURABLE MR. R. H. PARKER : Would he have been better off if prices had gone down ?

THE HONOURABLE MR. P. N. SAPRU : Well, Sir, I am not going to speculate. He is neither better off nor worse off at the moment and I rely more upon my experience than upon *ex cathedra* judgments.

Now, Sir, the point is that the increase in non-agricultural prices has been greater than in agricultural prices and therefore it may be doubted whether there has been any increase in the purchasing power of the agriculturist.

Sir, the index number of wholesale prices at Calcutta in 1939 was 100 ; in January, 1943, the index number had reached a figure of 254. It cannot be said that the increased wages in the shape of dearness allowance and increased employment, which the wage-earner is getting, corresponds with the increase in wages. The question is whether real wages have increased and the answer to that is that there is no evidence that real wages have increased ; such evidence as there is is to the contrary.

Sir, while it may be true that there is no hyperinflation, there is at all events an inflationary tendency so far as prices are concerned and it must be remembered that all inflation is ultimately temporary in nature and during the period that it lasts it can do a lot of mischief. Inflation is ultimately a form of taxation and the burden that the poor man has to carry cannot be measured only in terms of the extra sums that he will have to pay for his *biri* or for his *vanaspathi* ghi or for cloth. It also required to be considered in terms of the high prices which he has to pay generally for everything.

Now, Sir, coming to the Budget itself on the revenue side there has been an increase of Rs. 152 crores. Revenue in 1938-39 stood at Rs. 121·07 ; expenditure stood then at Rs. 121·70 crores. The revenue stands now at Rs. 314·37 crores. Therefore, Sir, there is a difference of Rs. 192·37. There has been thus an increase by 125 per cent. of Central revenue and of 160 per cent. of Central expenditure in the years 1939-43. In 1918 and 1919, which were the last years of the Great War our Government expenditure did not exceed Rs. 190·6 crores and this included all the budgets of all the Provincial Governments. Therefore, it was less than 61 per cent. of the budgeted Central expenditure for 1943-44. These figures bring out clearly the enormous rise in the Central budget during this war.

The Honourable the Finance Member has reminded us that according to the Financial Settlement negotiated between His Majesty's Government and the Government of India in November, 1939, India has to pay—

- (a) her pre-war normal budget for effective charges of Rs. 36·77 crores ;
- (b) a sum in adjustment of the normal budget for rises in prices ;
- (c) the cost of " Indian War measures ", that is, such war measures as can be regarded as purely Indian liabilities by reason of their having been undertaken by India in her own interests ;
- (d) a contribution towards the additional costs of her external defence. India has paid a lump sum of Rs. 1 crore on this account.

Now, Sir, the Finance Member is entitled to credit for resisting pressure on behalf of His Majesty's Government to modify the present financial arrangement between India and Britain in the manner they desired. But while the letter of the agreement has not been altered I am not satisfied that in its spirit, its interpretation it has been as satisfactorily carried out as it could or might well have been. The fact that the application of this agreement is closely watched by the Auditor General and he reports to the Public Accounts Committee of the Central Legislature can be no consolation to us because the Indian Legislature exercises no control over Defence expenditure. It is an advisory body and there is no chance of its developing at the moment into anything more than an advisory body. At the time when the Settlement was negotiated no major expansions in the land, sea and air forces of India or in our supply activities were in sight. It has become now obvious from what the Honourable the Finance Member has said that all expansion in the land forces in India is regarded as one " joint war measure ", and the cost is apportioned in the following manner :—

The raising, training and equipping of all land forces in India and their maintenance as long as they stay in the country and are available for the local defence of India is an Indian charge. When any portion of these troops leave India the cost of training and equipping them is borne by His Majesty's Government.

Now the fact that it is possible for us to release portions of our troops for service abroad shows that all the troops that we have are not needed for the local defence of India. That being so, it strikes me that the principle of regarding them as constituting a joint war measure requires that that portion of the cost which is due to expansion of the Indian Army for service abroad should be borne by His Majesty's Government irrespective of the fact that these troops stay in India or go out of India. I do not understand, Sir, what the Finance Member means by saying that troops raised in India when they go out have to be replaced by fresh troops. If what he means by this is that for a portion of Indian troops absent abroad British troops are replaced, then the answer is that these British troops are needed by Britain for maintaining Britain's imperialist hold over India. Mr. Churchill has assured us that he is fighting this war for the preservation of the British Empire, and that the number of white troops in this country is larger than at any time before. And considering that the cost of British troops is much higher than that of Indian troops, I see no reason why the entire cost of the British garrison, whatever it might be, should not be borne by His Majesty's Government. His Majesty's Government have an Empire. They want to preserve that Empire. Let them pay for the preservation of that Empire. Let them pay for the perpetuation of the slavery of the people of India. Let not the Indian people pay for the perpetuation of their slavery.

Sir, before the war the British troops used to cost about Rs. 19 crores. We got after much discussion a subsidy of Rs. 2 crores from the British Exchequer after the Garcan Tribunal. Now the cost of these troops, in view of the increase in the size of these troops, in view of the increased emoluments which these troops are getting owing to the rise in prices and other factors, must have gone up. It strikes me, therefore, that as a measure of justice the cost of the British troops which are wanted here for Imperial purposes—for we have been able to raise an army of more than one million in this country ; we have been able to send an army abroad also—should be entirely borne by His Majesty's Government.

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Sir, this is not a very extreme view. This was a view which was put forward by Mr. Ramsay McDonald in his 'Government of India'. Mr. Ramsay McDonald was at one time Prime Minister of a predominantly Tory Government. He said :—

"If the existing system of military defence is to last the whole cost of the British Army stationed in India should be borne by the Imperial Exchequer".

This is the view which was stressed in a memorandum presented to the Defence Sub-Committee of the Round Table Conference by a number of delegates including the present Law Member, Sir Sultan Ahmed. This is what they said :—

"In view of the weighty opinion of Mr. Ramsay McDonald, we suggest that a percentage which would amount to half the total expenditure is *prima facie* fair".

And they pointed out that these considerations must be kept in view in determining the contribution—the fact that no such contribution has hitherto been made and England has escaped her just liabilities for many years; the fact that the employment of British troops and British officers is accountable for a large proportion of the expenditure; the Imperial aspects of the problem; the political aspect—all these considerations must be kept in view.

Now, Sir, the principle of joint war measures cannot be said to be really in operation until this is done. This opinion was also in a way strengthened by the minutes which were appended to the Report of the Capitation Tribunal by Sir Shah Muhammad Sulaiman and Sir Shadi Lal.

THE HONOURABLE SIR JEREMY RAISMAN: I trust my Honourable friend realises that the contribution which is at present being made by His Majesty's Government is some one hundred times the contribution which the gentlemen to whom he has referred had in mind.

THE HONOURABLE MR. P. N. SAPRU: No, Sir. This may be the contribution which the majority had in mind, but this certainly is not the contribution which Sir Shah Muhammad Sulaiman and Sir Shadi Lal had in mind. What Sir Shah Muhammad Sulaiman had in mind was this :—

"It would not be suitable to quote the contribution with the whole cost of the British troops in India. It might be related in some way to the cost of the British troops or alternatively the total military expenditure might be limited to a certain fixed proportion of the public revenue. Either a fixed share of the cost of the British troops in India or the excess over a fixed maximum percentage of Indian revenues would be a fair and suitable way of fixing the contribution and would furnish the required basis of assessment but the fixing of the exact amount or share or percentage is a matter of high policy".

What he had been arguing is this. There is a difference between the basic pay of the British soldier and the basic pay of the Indian soldier. If you want the British element, then pay the British soldier from the Indian revenues at the Indian rate. So far as the difference is concerned, it should be paid for by the British Exchequer. If the Honourable the Finance Member will read the note carefully, this is what Sir Shah Muhammad Sulaiman suggested. And if you are not prepared to accept the first suggestion, then the alternative suggestion is that the British Exchequer should itself in any case pay the difference in the salary of the British soldier and the Indian soldier.

THE HONOURABLE SIR JEREMY RAISMAN: In that case, would my Honourable friend be prepared, on his side, to pay for the cost of all the heavy equipment which is at present supplied free by His Majesty's Government?

THE HONOURABLE MR. P. N. SAPRU: I will answer that question. We have to take the entire history of Britain and India: For years there has been this question of capitation charges, and we have been saddled with unjust burdens. If we were to strike a balance sheet, then I venture to submit that the losses will be on our side and not on the British side. I am not grateful for any contribution that Britain may be making for the preservation of her Empire in this country. Sir, it is not the presence of British troops to which we object; we object to their payment from Indian revenues when Indian troops are available for the effective defence of the country. In any case, if you must station British troops, then the least you can do is to bear the difference between the Indian scale of pay and the scale of pay fixed for British troops.

The principle of joint measures has also resulted in a major expansion of the Air Forces in India. Now, the role of the Air Forces, while located in India, is not only to defend India; they have also other duties to perform. It has to be borne

in mind that they have to defend the Empire as a whole : they have to fight in Burma and in other countries also. It is true that His Majesty's Government has incurred heavy expenditure on the raising and training of the Royal Air Force squadrons. But, normally speaking, Indians are not eligible for admission in the Royal Air Force. The Finance Member says that in the matter of equitable allocation of the cost of expanding the Air Force it has not yet been possible to arrive at a decision. But we would like to know what the maximum forces considered necessary for our defence are? He thinks that a fair arrangement, tentatively, is that half the total estimated capital and recurring cost on the provision of airfields and other ground operational activities under the current costs of the squadrons and connected services while employed in India should be borne by the Indian taxpayer. This is much too high a figure, as far as I can see. The Indian Air Force consists of only seven squadrons. Many of these airfields are situated in small rural areas, and they will not be available for civilian purposes after the war. To consider all this as capital expenditure is to enlarge the meaning of "capital expenditure". The cost of building these airfields and other recurring expenses should, because of the fact that India is a field for operations against Burma and other Eastern possessions of Britain, because of the fact that more use will be made of them by British and American air forces, be borne by the British Government in a greater measure than is envisaged in the Financial Statement. There will be hardly any durable assets so far as these airfields are concerned. I would, therefore, urge that our liability in regard to the maximum airfields needed for our defence should be definitely fixed and that Britain should bear a larger proportion of the cost of building these aerodromes than is suggested by the Finance Member. The liability under the scheme laid down by the Finance Member can go on increasing *ad infinitum*. For, it is the British Government which will decide what number of airfields and aeroplanes is necessary for our defence purposes. What we, therefore, press for is an arrangement which will definitely fix our liability. Similarly, Sir, in regard to the activities of the Supply Department, the Finance Member says that the practice has grown up of Government frequently resorting to negotiations with a private industrialist for an expansion of schemes for war production. In so far as these expansions will have any post-war commercial value for this country we should be prepared to shoulder the responsibility for them. But it is unreasonable to ask us to provide half of the capital for expansions for schemes which will have no post-war value. India is a base for operations of all the United Nations who are interested in the defence of the East. The figure half with regard to these activities of the Supply Department strikes me as too high and requires revision. The arrangements have been defended by the Finance Member on the ground that they import simplicity and avoid controversy. But all simple arrangements are not fair—

THE HONOURABLE THE PRESIDENT: Will the Honourable Member please bring his remarks to a close.

THE HONOURABLE MR. P. N. SAPRU: I am very sorry, Sir. I have a good deal to say about lease-land and other things. I shall reserve those remarks for the Finance Bill. Sir, the Finance Member has referred to the reciprocal aid under the lease-lend arrangements and India's participation in lease-lend goods and services. We do not know exactly how we stand with regard to these lease-lend arrangements. I should suggest that there should be an agreement arrived at between us independently of Britain as is the case between the Dominions and the United States.

Coming to the question of sterling balances, I should like to repeat what I said before, namely, that it must be left to the future Indian Government or Governments to decide what the future of these sterling balances should be. We do not wish these sterling balances to be frittered away for the purpose of the post-war reconstruction of Britain. We are not opposed to a census of our needs being taken at the present moment. We are not opposed to purchasing from British markets if we find that the British markets are cheaper than other markets. But we should like these balances primarily to be utilised for the purpose of purchasing British-held private assets in India, and after provision has been made for the purpose of purchasing these British assets, we can think of spending them for the purpose of reconstruction or any other purpose which may commend itself to us.

- So far as the taxation proposals are concerned—

THE HONOURABLE THE PRESIDENT: I cannot allow the Honourable Member to embark on a new subject at this stage.

THE HONOURABLE MR. P. N. SAPRU: I will finish in a minute, Sir. So far as the taxation proposals are concerned, I must say that I find them staggering. The super-tax is to be increased, the income-tax over incomes of Rs. 5,000 is to be increased, there is to be a tax on corporations, a tax on tobacco, and a tax on vegetable ghi which is used by the poorer sections of the community. What I have missed in the Budget is any tax on the people who have benefited by the war. If the super-tax and income-tax payer is to be penalised, I do not see why the excess profits tax people should not also come in for their due share. Speaking for myself, Sir, I think taxation has reached a very, very high limit in this country. It is likely, if it is allowed to continue, to hamper industrial development in the future and the time has come for us to take a firm stand and say, "Halt, no further taxation". My attitude is that I cannot feel satisfied with the economic and financial picture which the Honourable the Finance Member has drawn in this Budget.

*THE HONOURABLE RAI BAHADUR SATYENDRA KUMAR DAS (Nominated Non-Official): Mr. President, I congratulate the Honourable the Finance Secretary over the very illuminating speech he delivered the other day while presenting the Budget. I also acknowledge with deep gratitude that the Honourable the Finance Member has not increased the rate of the excess profits tax. But I must tell him that the exemption limit, from the enhanced super-charge, of Rs. 5,000 is not likely to give relief to the assesses as the index of the wholesale price for all commodities has gone up since the war broke out in 1939. I must submit, Sir, that the taxation proposals, as formulated, and as is admitted, will be a serious burden to the people who have reached the maximum taxable limit. If taxation is necessary, it should be devised in such a way that it may not cause hardship not only to the poorer and middleclass people but also to the industrialists.

Dealing with the taxation proposals, I need not dilate on the position of the tobacco tax which is going to be levied on the people. It was recommended by the Taxation Enquiry Committee of 1925. I may draw the attention of the House to the fact that the tobacco tax is in existence in some of the provinces in some form or other and this additional tobacco tax from the Central Government will surely hit hard the labouring and agricultural classes, because the *biri* is the only smoke they now enjoy. If tobacco tax is necessary, I would suggest that *biris*

I P.M.

should be exempted from taxation. As to the vegetable product, you will admit, Sir, that vegetable product is being used not only by the poor sections of the people but also by the middle class, due to the rise in the prices of pure ghi. You will find that in the diet table Indians as a whole have got no very nourishing substance. So it is quite inadmissible to levy a tax on vegetable product as well. Now, as to the raising of postal rates. This is, Sir, in my view an unsound proposal. The Postal Department, you all admit, is a public utility department. Postal rates should not be further increased. When Government can borrow Rs. 40 crores, they should borrow a little more. Now, as to the proposals with regard to the sterling assets, you will admit, Sir, that this has given rise to the many criticisms from Indian economists. Sterling assets, as proposed, are to be maintained in England in order to meet the post-war reconstruction of industries of this country. This means that India has to confine all her purchases of plant and machinery needed from Britain alone. Thus during the war sterling assets will not only form the basis of currency notes in our country and after the war they will be utilised for dumping into India the manufactures of the United Kingdom. Thus India will suffer in both ways. My suggestion is that of the sterling assets a part should be converted into gold and the balance after meeting the pensions and annuities should be immediately used for the purchase of essential plant and machinery to industrialise our country as India is now becoming the base for offensive in the East. As to adjustment of Defence expenditure, I need not dilate on the matter as some of the previous speakers have dealt with it more elaborately. Before I conclude, I think it is my duty to bring to the notice of the Finance Department the way in which income-tax is now being administered. It is an admitted fact that the Income-tax Tribunal after having been placed under the Legislative

*Not corrected by the Honourable Member.

Department is functioning quite independently earning the fullest confidence of the public. This transfer is a proof of the soundness of the principle underlying the public demand for freeing the appellate machinery from executive control. But so long as the Appellate Assistant Commissioners are appointed and controlled by the Central Board of Revenue, these Appellate Assistant Commissioners cannot enjoy complete independence in the matter of their discretion and judgment. Assessee have reasons to believe that these Appellate Assistant Commissioners are still being guided in their decisions by the Board, with the consequent result that only the assessee with a long purse can get justice by preferring a second appeal before the Income-tax Appellate Tribunal. I feel it is an opportune moment to bring this fact to the notice of the authorities so that they may transfer Appellate Assistant Commissioners also to the Legislative Department, thereby creating a greater public confidence in their decisions.

THE HONOURABLE MR. R. H. PARKER (Bombay Chamber of Commerce) : Sir, the Honourable the Finance Member is entitled to the sympathy of us all. Shakespear has told him not to borrow and nearly every member of this House has advised him not to increase taxation. How then is he to pay for the war? That seems to be his problem. Do Honourable Members honestly believe that if taxation was not going to be increased, we should be in this position, namely, that our average rate of interest for borrowing is decreasing after three and a half years of war? Do they think that that would be the position if we had borrowed all we needed or we had tried to borrow all we needed? I do not. I attribute that position to the ability of the Honourable the Finance Member and to our connection with the United Kingdom. There I think is the reason for these favourable rates. Borrowing rates are I think not only all important in connection with war expenditure but they are of very great importance in connection with all our expenditure. Take, for example, the railways. Take, for example, post-war reconstruction. Take the crores, the hundreds of crores, we shall have to spend on such things as railways and roads when the war is over. I think a great many critics in this House and in another place of the Budget and of the contributions made by His Majesty's Government towards our expenses in connection with this war ignore the very great sacrifices made not only by Great Britain but by other countries of the United Nations. When we consider the frightful circumstances of places like Greece, the awful conditions under which they have had to exist, how we can criticise having to put our hands into our pockets to the extent to which we have been asked, I do not know. I frankly think myself that the Finance Member and the Government of India have driven an extremely hard bargain with His Majesty's Government. I go so far as to say that I even doubt if it is a fair bargain. I think it is a hard bargain. Relatively the fact remains that India has gained by this war. That is not so probably in connection with any other country of the United Nations. I want to quote Mr. Gandhi for a minute. He is not alone in proclaiming the friendship of India for the United Nations. He once said this: "The test of friendship is assistance in adversity and that too unconditional assistance". I think that is a very true saying. Some Honourable Members are anxious to buy gold. I do know that I have so far been wrong. But after the last war I thought gold was finished; now I am almost sure it is. I personally cannot see how the nations which have gone on exchanging gold for other assets have gained. It seems to me that the man who has got gold has got nothing. What is the use of it? What is he to do with it? I would not exchange any asset of mine for gold.

THE HONOURABLE MR. HOSSAIN IMAM : Dump it into India.

THE HONOURABLE MR. R. H. PARKER : You can have it if you want it. I will sell you any. In regard to this matter, I think we have to remember this, that one of the most grave results of this war is very likely to be that India will have lost her best customer, Great Britain, because that customer will have no money. That is a very serious prospect. Now when you are up against a position of that kind in ordinary commercial or industrial life, what do you do? In my experience, there is only one thing to be done, try and help your best customer.

THE HONOURABLE MR. HOSSAIN IMAM : Even from bankruptcy?

THE HONOURABLE MR. R. H. PARKER : Why not? Help him. Do not make things more difficult.

[Mr. R. H. Parker.]

There is only one tax I rather regret and that is the tax on *vanaaspati*. It is a bit of the poor man's diet and might be left alone.

Tobacco on the other hand I have not much sympathy with. I know the Honourable the Finance Member likes it and I know some other members do also. Look at Sir A. P. Patro, who is our typical agriculturist, he doesn't like the tax, but I still think that the extraordinary thing about tobacco is—I do not know whether I should attribute it to the stupidity or generosity of humanity—that however much you tax it for one reason or other people still go on using it. It is an absolutely extraordinary thing.

I rather agree with the Honourable Mr. Sapru and would have liked, if it were possible, to see the excess profits tax increased. I have no doubt that the Honourable the Finance Member has good reasons for not doing so because he does not let us off without a reason. However my own point of view is that I think as it is working in this country it has an inflationary tendency, whereas an increase in the income-tax certainly has not that to the same extent.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: How can you explain why an increase in the excess profits tax will have an inflationary tendency?

THE HONOURABLE MR. R. H. PARKER: I can give you a short memorandum about this if you want it, but I don't think I can do it before lunch!

For my part I prefer the British system of keeping down even at State expense the prices of essential commodities rather than increasing wages or increasing dearness allowances for one reason in particular and that is that I think that method is easier to adjust after the war is over. I was one of those myself who advocated a removal by the Government of India of the maximum price at which wheat was being purchased and I personally am glad to see that this policy shows signs of justifying itself. I still think that much greater severity should be shown to food hoarders and to those who fail to sell at prices where these are fixed. Confiscation, heavy fines and imprisonment, all three should be meted out, I think, to anti-social people of this kind.

Rationing and price control must, I think, go together. It follows, I think, that that can only be done in urban areas; I do not see how you can ration in the rural areas. If you do not have both rationing and price control how could you have effective price control? I think you would only have a black market.

There are one or two points about the public utility departments, like Posts and Telegraphs and the Railways. I think the principles of these are in peace the lowest possible charges for the maximum possible services; in war higher charges for restricted services, the revenue being required for war purposes. Just as the railways must use their windfall wisely, so I think the agriculturists and the industrialists must use their windfall wisely. They must prepare for reconstruction in the future for their own good.

I think something more definite might be done about paper economy and I think Government might perhaps help in that direction. Look at all these enormous advertising campaigns that are going on all over the country. I have conducted one myself in recent months but I think it is a waste of time and paper. I believe that if you use only 20 per cent. of the space used last year for advertising and insist on them not using more but paying the same price for the reduced space the results would be just as good. I honestly believe that if they have a small column headed "Important items from the Government point of view"—something like that—and just little short notices, you can get just as good results. The other day they sent me some cuttings; one was a thing about this size; there were others about that size and so on and so forth. I read about nine or ten papers a day but I did not notice one of these advertisements in one!

I welcome very much the important remarks which fell from the War Transport Member in the other House the other day about preparing extensive road construction and betterment programmes ready to be put into effect after the war. I noticed that he said that provided the Finance Member would provide the money, which he had no doubt would be the case, he proposed, if possible, to try to find staff to prepare plans. Well, I sincerely hope that may be possible because I feel that when we have spent about Rs. 800 crores on our railways and realise the enormous

difference which a sum of say Rs. 100 crores would make to our road system and therefore to our communications generally I feel that something definite must be done.

STANDING COMMITTEE FOR THE DEPARTMENT OF SUPPLY.

THE HONOURABLE THE PRESIDENT: With reference to the announcement made by me on the 22nd February, 1943, in regard to the nominations to the Standing Committee to advise on subjects with which the Department of Supply is concerned, I have to announce that the following Honourable Members have been nominated to that Committee :—

- (1) The Honourable Mr. M. N. Dalal.
- (2) The Honourable Sir Rahimtoola Chinoy.
- (3) The Honourable Raja Yuveraj Datta Singh.

There are three candidates for three seats and I declare them duly elected.

THE HONOURABLE THE PRESIDENT: I may mention that at half past four this afternoon I propose to call on Sir Jeremy Raisman to reply to the debate and this Council will now adjourn till a Quarter to Three in the afternoon.

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

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

GENERAL DISCUSSION OF THE GENERAL BUDGET FOR 1943-44—*contd.*

THE HONOURABLE KUMAR NRIPENDRA NARAYAN SINHA (West Bengal : Non-Muhammadan) : Sir, apart from the fact the Budget presented by the Honourable the Finance Member is essentially a War budget, it is a featureless budget as one may say. The sinister shadow of the war, and the enormous expenditure involved in it, overhangs the Budget and the Budget proposals. A revenue deficit of Rs. 60·29 crores is anticipated in the forthcoming financial year ; and the current year will also close with a deficit of Rs. 94·66 crores. It is proposed to cover the larger part of the deficit by borrowing, and about one-third, *i.e.*, Rs. 20 crores by additional taxation. The question here may be asked why the whole of the amount is not met by borrowing ! The Honourable the Finance Member has not, so far as I have been able to see, given any satisfactory reply to this question. However, let us assume that some fresh taxation is inevitable. Here we have to see whether the sources which are proposed to be tapped are suitable and will not disturb the economic structure of the country. The burden of taxation is already very heavy ; and to add greater burden on the poor people of this country is the last proverbial straw on the camel's back.

With regard to income-tax it is some relief to be told that there will be no change in regard to income up to Rs. 5,000 ; but the Central surcharge will increase above that figure in an ascending scale. There will be an increase in super-tax also on income between Rs. 25,000 and Rs. 3,00,000 on the prescribed scale. The additional revenue from these sources is expected to bring Rs. 7 crores to the Central coffers. The proposed tax on tobacco is one which is estimated to yield a gross return of Rs. 10 crores during the first year. This is a tax which will tell heavily upon the poorer class of the people. The cultivation of tobacco, in the first place, is in a large number of cases the mainstay for the poorer class of the cultivators. It is a money crop with which he manages to pay his little rent to his landlord and also keeps his pot boiling. In a manufactured form, he uses it in the shape of *biris* or for smoking purposes. It is no longer an article of luxury with him, but an object of necessity which gives him a little solace after his hard day's exertion in the field or in a mill or elsewhere.

The proposed excise duty on vegetable product commonly called *vanaspati*, is estimated to yield Rs. 140 lakhs. It has been stated by the Honourable the Finance Member in his speech that there has for a long time been public agitation against the frequent use of this product for adulterating pure ghi. This is quite true ; but will the mere imposition of the excise duty prevent adulteration ! It will only raise the price of the vegetable product which will be passed on to the consumers ; and the consumers in this case again are the comparatively poorer section of the people who cannot afford to purchase natural ghi on account of its

[Kumar Nripendra Narayan Sinha.]

soaring price. I would suggest that it should be made obligatory, either by executive action or by suitable legislation, if necessary, to impose on the dealers of the vegetable product the duty of adding some colour to the vegetable product, which, while in no way affecting its quality as an article of food, will not admit of being adulterated with natural ghi. This is an aspect of the matter, which I would earnestly request the Finance Member to consider. The total estimated yield from the new taxation comes to Rs. 20·1 crores leaving a gap of Rs. 40·19 crores which is to be covered by borrowing.

Apart from the taxation proposal there is one aspect in the Budget to which I should like to make passing reference. His dealing with the question of financial adjustment between England and India and the reciprocal aid to the United States forces in India lacks in definiteness and finality; and it is somewhat disquieting to hear from him of the extreme difficulty in arriving at a financial settlement even in the fourth year of the war. It is desirable to formulate in this connection some well defined and easily understood principles based on equity and justice keeping in view the world-wide nature of this titanic war and the limited nature of the part which India has been permitted to play in it, having regard to its political and economic subordination. I need not refer to the other aspects of the Budget on which some of my Honourable friends have already spoken.

The war has given an occasion not for the Indianisation but for the Europeanisation of the superior ranks both in the army and in the civil administration of this country. This aspect of the matter has been very forcibly brought out by the leading article of the *Dawn*, dated the 6th February, 1943 and I should like to quote one or two passages from it:—

“Retired gentlemen find themselves extended. Sir Alan Lloyd draws pension and pay. Sir Robert Reid, ex-Governor of Assam, is busy as Liaison Officer in China. The Burma Government in Simla like the Czechoslovak Government in London, is active with the issue of evacuation Honours, while leave is given to legislators elected by the voters of public service, to take up fat jobs, and demoralise the spirit of public service. The Chief Commissioner of the Andamans and his establishment are also functioning ‘somewhere in India’..... I. C. S. gentlemen are now being gazetted as principals of colleges, a thing unheard of in the good old days, when the educationist had a separate career of his own..... Again Indian States, once a preserve of Indian dewans, are slowly passing into I. C. S. domination and time-expired careers”. I will quote no more. India is being bled white in this war, and foreigners are sucking its life-blood in increasing numbers. Unless timely precautions are taken, the post-war industrial future of our country seems to be enveloped in gloom and frustration.

With these few words, Sir, I beg to resume my seat.

*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Mr. President, the atmosphere in which we are discussing the Budget today is somewhat different from that of last year. There are many differences, but there are two very marked differences between the two years, last year and this year. Sir, on the 5th March, 1942, when we discussed the Budget, the Japanese danger was looming very large. Our troops in Burma were retiring and the worst was being expected every day. This year we find the Japanese easily taking their nap in our compound and all our efforts to dislodge them even from a corner in Arakan has failed in spite of three months of effort. The other difference I shall leave till I come to the close of my remarks.

This year's picture which has been presented by the Honourable the Finance Member is overshadowed completely by four important aspects,—first, the great increase in Defence expenditure; secondly, the apportionment of Defence expenditure between His Majesty's Government and the Government of India; thirdly, inflation and rise in prices; and fourthly, the utilisation of sterling reserves. I regret, Sir, that all these subjects are so contentious and so wide that it is not possible for me to deal with them and do any justice to them in the short space of time that is at my disposal. I shall, therefore, defer most of them for a detailed study in the Finance Bill. I shall merely touch on the outlines of some of these four points. We will have an opportunity of discussing about sterling reserves when the Honourable Mr. Dalal's Resolution is taken up. Prices we have already discussed at length. So these two will be outside the Finance Bill. I hope to devote my time in a sort

* Not corrected by the Honourable Member.

of roving commission and to get through the Budget, for I think that in a Budget discussion, matters of policy do not come in very pertinently and they should be discussed on the Finance Bill. It is the details of the goings out and comings in which ought to be tackled during the Budget discussions.

Last year I had complained that the Report of the Central Board of Revenue was late in coming. This year we have been rewarded by an absolute refusal of any report. The Central Board of Revenue has not published its report yet. I hope, Sir, that if it is not possible to publish the detailed report, at least a summary of it will be published, and published when it is not too stale. A report of what has happened three years before does not, as a matter of fact, appeal to us at all. Other Departments of the Government of India like the railways which have a bigger in-take and off-take have published their reports within six months or eight months of the close of the year. Why can't the Central Board of Revenue do something of the same kind? I would appeal to the Government to look into this matter. I should also like, in order that one may get a correct picture, that the Report of the Central Board of Revenue should mention the number and the quantum of the assessments which have been left over. I am told that now it is a great complaint that assessments are made very late in the day. Cases are hanging for final disposal and the year closes and still the assessments are not made. In order to have a correct picture of how much work is being done, we should have a carry forward and a balance account of the assessments left over and dealt with.

Coming to the Demands for Grants, I find that the Department of the Honourable the Leader of the House is one of the very few Departments which are asking for less money than they had asked for in the accounts year. The Department of Posts and Air, although it has no control over A. I. R., has reduced its budget from Rs. 3.66 lakhs to Rs. 2.13 lakhs, probably due to the bifurcation of Communications. I have a special complaint against the Department over which the Honourable the Leader of the House presides. I refer, Sir, to the Posts and Telegraphs Department. We have been, in season and out of season, complaining of the paucity of Muslims in higher grades, in lower grades, in selection grades, almost in every place, and particularly in the Department of the Director General of Posts and Telegraphs, in all these years there has been no Muslim Superintendent, and no Muslim has occupied any high post. It seems somewhat strange that even in this year of Grace—or, shall I say, year of disgrace—such things should happen. It is not only in one Department, but in almost all the Departments of the Government of India, Muslims are in every possible manner suppressed. It is a policy of the Government which has been borne out by the reports. In the Railway Department, a report was published which stated that the Muslim appointments were more in temporary posts than in permanent posts. When you take the combined figure, you find that the Muslim quota is all right, but it has been manipulated in this way that you get more temporary posts which are abolished and the permanent posts go more to the other communities. There is another way. Places which used to be filled directly are now being filled indirectly by promotion because there is no communal quota for promotions. A larger and larger quota of promotion is being made so that they might over-ride the Home Department rules. All these things are there but the Government of India have neither the time nor the desire to find out what is happening in the country. When we ask for information, the stereotyped reply is given that Government has no information, Government does not get any information and Government is not prepared to call for any information. What is the good of any rules and regulations? If you are not going to enforce them, say so. Say that you are powerless and that you are not going to do anything. But why make a show of doing a thing when you have not the intention of doing it? If you have an intention of doing, you must call for the records and examine whether the rules laid down by you are honoured or dishonoured. In no country in the world will you find that a rule is made and its observance is left in the air. No one is there to examine whether it is being done or not.

Now, Sir, I am not going to deal at great length with matters of principle. In the Customs Department I find that although our imports are reduced, still the Department is costing more than last year. Nowadays, when we are hard up, and we want experienced people, it is strange that there should be no reduction in the Customs budget. An ordinary prudent Government would have seen to it that when

[Mr. Hossain Imam.]

a Department's activities are reduced, its budget is also reduced. The figure has not gone up very much. It has gone up only from Rs. 91 lakhs to Rs. 92 lakhs.

3-5 P.M. But why should it rise at all? It should be brought down. People should be diverted from Customs to Excise or to other Departments, to the Finance Department itself. People of experience are not valueless assets; they are very valuable assets and they should be utilised fully. You do not require the same staff when you import goods worth Rs. 50 crores that you required when you imported goods worth Rs. 100 crores. But the strangest of all is the Opium Department. I would invite the attention of the Honourable the Finance Member to the fact that in the account year the expenditure was Rs. 23 lakhs and the income was Rs. 23 lakhs. But in the budget year we are going to spend Rs. 100 lakhs and we will get Rs. 7 lakhs only. The expenditure is four times and the income is one-third of the budget year in the coming year. That is Head No. V, Sir. While going through the Explanatory Memorandum I found that even now our sterling commitments are somewhat more than we had expected. We have still to pay something like Rs. 3 crores for our sterling loans. The total of the interest payment and other management expenses in England is near about Rs. 3 crores. To this expenditure I would earmark our annuities from Burma. Burma was indebted to India and it used to pay us Rs. 2½ crores a year. In the current year we received nothing and we shall expect to receive nothing in the coming year too. What I suggest is that His Majesty's Government should act as the buffer between us and the Government of Burma. They ought to take up the liability of Burma and write off that amount from our side. There are still sterling loans left out. For instance, those which were not subject to the vesting order and other sterling commitments. My point is that one should be used to write down the other. Burma's liability should be shouldered by His Majesty's Government and consequent reduction should be made in our sterling commitments.

I am afraid of making a little suggestion, but I will have to make it, in spite of the fact that I might scandalise the Treasury Benches. I refer, Sir, to the iniquitous charge which is made by His Majesty's Government on India for maintaining the India Office. This is a relic of the old days of slavery. No Dominion is similarly burdened, not even a Crown Colony is similarly burdened. No part of the British Empire pays for the maintenance of an office to govern it in London except this benighted Government of India which boasts of having a predominance of Indians in it but yet does not realise its duties. I hope that though this is a very often repeated charge and there is nothing new in it, as a gesture His Majesty's Government would be able to do justice to India. I do not ask for favours. I ask for justice and nothing but justice; it is late in the day, but to do the right it is never late. The amount involved is such a small one that I do not think His Majesty's Government will even feel it. It is less than £100,000. Is it necessary that it should remain? The part that we pay for the India Office is mentioned in Demand No. 28, Rs. 13,60,000. Under this same head, I cannot understand why we are maintaining a Stores Department and a Trade Department at the High Commissioner's office. Now all non-essential purchases have been stopped. Whatever we purchase is directly or indirectly connected with the defence of India. We are doing agency work for His Majesty's Government and spending Rs. 3 crores on the Supply Department, and that too a non-voted supply in which the pettiest clerk and the smallest *chaprassi* is outside the purview of the Government. Whether non-voted items come up before the Viceroy's Council I do not know. Most probably not. If we can do all this work gratis for His Majesty's Government, cannot His Majesty's Government do this small part of our work for us? Cannot they look into the purchase and inspection work for us? It was all right to maintain this Department in peacetime; but now when we are in the midst of the war, it is high time that this sort of expenditure should be stopped. One of the things which has escaped the attention which it deserves is the provision under Head 33—Police. The actual expenditure last year was Rs. 36 lakhs and this year we are going to give Rs. 1 crore and 63 lakhs. I cannot understand why such an extraordinary increase of nearly four times has been allowed to the provinces. Are they bankrupt? Haven't they got enough money themselves? Aren't you going to give them this year a greater share of the income-tax pool than they had expected? Why

Should the Government of India be saddled with the cost of additional police to be maintained in the provincially administered areas? If it had been a small rise, I would not have minded it; but to increase the expenditure from Rs. 36 lakhs to Rs. 1 crore and 63 lakhs is a tall order. I do not know what was the real reason behind it, for I find that last year you had budgeted for only Rs. 28 lakhs and in the middle of the year all of a sudden you decided to increase it to Rs. 1 crore and 45 lakhs. This is a big item and I hope that the Government of India had examined it and knew something about it. While all this expenditure has increased in multiples of three or four times, a grossly inadequate sum of Rs. 50 lakhs has been allowed for the furtherance of the food production campaign, the only good investment which you could have made to grow more food, to find ways and means of ending your food difficulty, there you are miserly, you have to impose all sorts of restrictions on expenditure. You spend nothing on this item either in the last year or in the current year. You are making a good resolution to spend Rs. 50 lakhs next year. Is that enough? I would especially request the Honourable Member for Agriculture to enlighten the House whether he would be satisfied with this amount or whether he would require a bigger sum to meet his requirements. I know, Sir, that the Council of Agricultural Research has been every year demanding some grant. Even the small amount which the Government of India collects as duty on rice—a small amount of Rs. 4 or Rs. 5 lakhs—Sir, even that the Government of India in its wisdom is not prepared to part with because it is essential for the war efforts. That every expenditure on agriculture must be stopped; this is the war effort. National War Front, about which the Honourable Mr. Parker said something this morning, its expenditure is to be doubled. Rs. 75 lakhs is to be spent on this white elephant of War Front, as if it does make any front either inside, outside, above or below in this land of ours. It is a front without any signs. It has publications and it enriches the newspapers and a few people who have been fortunate enough to get into it. National War Front, Sir, is a war shout. It has some very good publications to its credit. I have read some of them; they are admirably written. One of them especially, which was written by Mr. Griffiths himself, was very well done but when I compare the Government of India's generosity to National War Front and its close-fistedness of a Scot in connection with agriculture I really feel that there is something wrong with the State of Denmark.

THE HONOURABLE MR. R. H. PARKER : It is India, not Denmark.

THE HONOURABLE MR. HOSSAIN IMAM : Now, Sir, as I have stated before as we have discussed the question of rise in prices in India, I would not be justified in going through this point again. But a publication has been issued only recently—a day or two back—by Mr. Ghanshyam Das Birla, which the Government may have seen. Although I have nothing in common with Mr. Birla, he is a big industrialist—

THE HONOURABLE MR. R. H. PARKER : And you are a big landowner.

THE HONOURABLE MR. HOSSAIN IMAM :—and my interest and his interest always clashes, but I must say that he has discussed the question very rationally and his point that scarcity is responsible for all the troubles deserves great attention from the Government and it is for this reason, Sir, that I have appealed to the Government that their grant for "Grow More Food" campaign should be at least trebled. That would be the right sort of investment which you should make.

Then, Sir, every Government in the world has now come to the conclusion that export trade must play second fiddle to the requirements of the country itself. If there is anything surplus to a country's requirements it can be exported but in India this salutary rule does not apply. While we are starved our food is going to other countries. People are naked, still the clothes must go to other countries. This sort of thing must stop if the Government wants that it should be regarded as a Government and not as a Government of exploiters—I have used a strong word I admit—but the manner in which you have been approaching this export trade is really shameful. We feel every day we cannot get newsprint. Why? The countries which have got are not prepared to export it. They will export only their surplus and I do not blame them for it. Every country has the right to give precedence to its own requirements over the requirements of other countries, except in this benighted country which has no one to claim it as its own. The British Government cannot claim it because it is stationed 6,000 miles away; we cannot claim it because we have not any right and the members who occupy seats on the Treasury

[Mr. Hossain Imam.]

Benchos feel that they cannot function as a corporate body until they get some strength from us. Without that strength they will always remain weak.

Well, Mr. President, I will not exceed my time-limit. I should like just to mention two facts. Last year, I supported the Honourable the Finance Member in his contention that there was no inflation because I found that in 30 months the rise in prices was only 30 per cent. but this year the rise has been so abnormal in 12 months—32 points in 12 months—that I am forced to the conclusion that there is an appreciable element of inflation.

Sir, now I shall deal very cursorily with the Financial Settlement. At the outset I should like to mention that the true picture of the war expenditure has not been presented by the Government of India's Finance Member. In the current year and in the future year we are going to spend more than Rs. 500 crores on Defence in India. I may mention it again that expenses not charged to His Majesty's Government amount to more than Rs. 500 crores according to the Budget figures given by the Government of India itself—not charged to His Majesty's Government, charged to our finances and held in a suspense account. I couple these two items and the expenditure on war items which are tabulated under other heads like Supply. Rs. 3 crores is being spent on them. It is a non-voted item. It is the Counter-propaganda Directorate. If the Government wants I can give a statement showing from the Government's own papers the total expenditure amounting to more than Rs. 500 crores which is not going to be paid by His Majesty's Government, and, Sir, may I remind the Honourable the Finance Member that in paragraph 25 of his speech last year he very boldly stated—I will read his words, Sir, because they are very material :—

“ Here again, I would draw attention to the fact that the estimated amount of India's Defence expenditure is only a fraction (approximately one-fourth) of the gross Defence expenditure likely to be brought to account in India's books during 1942-43”.

He was referring to the amount of Rs. 133 crores. He mentions later on in the same paragraph that His Majesty's Government is going to contribute about Rs. 400 crores. I would remind him that I am not being wise after the event. On the 5th of March last year I questioned it, and I stated that he might make a proviso, but we should wait and see next year whether he would live up to his words. I very much doubted that he would be able to force His Majesty's Government to pay three times what we were spending. And I have been justified. I find from the report of the Honourable the Finance Member himself that His Majesty's Government has paid only Rs. 309 crores. This sum I arrive at by deducting Rs. 196 crores from Rs. 505 crores. On page 46 of the Explanatory Memorandum the Honourable Member mentions the amount which he is getting from His Majesty's Government—Rs. 505 crores : Item 3, Sterling Payments by His Majesty's Government. And last year the Sterling Payments by His Majesty's Government, page 41 of last year's Explanatory Memorandum—amounted to Rs. 196 crores. The difference between these two sums shows the amount received this year, which is Rs. 309 crores.

THE HONOURABLE SIR JEREMY RAISMAN : The actual amounts received in a particular period are never the same as the budget figure.

THE HONOURABLE MR. HOSSAIN IMAM : This has not been going on for one year : this is the fourth year in succession. All these years we have been promised much, but we have received little. India's share has mounted up from Rs. 133 crores to Rs. 239 crores admitted *plus* about Rs. 25 crores held over in suspense account and Rs. 15 crores this year's Defence expenditure.

THE HONOURABLE THE PRESIDENT : Will the Honourable Member conclude. He has already taken 35 minutes.

THE HONOURABLE MR. HOSSAIN IMAM : This is my last point. I had to wait till I got the information from the Honourable the Finance Member.

THE HONOURABLE THE PRESIDENT : That was the Honourable Member's own fault.

THE HONOURABLE MR. HOSSAIN IMAM : The Honourable Member said then that England would be contributing nearly three times what we were spending, whereas I find from the actual figures that England is giving only 54 per cent. and we are being charged 46 per cent. But in that 54 per cent. is included the huge amount

of supplies of goods which we receive. And we are not given any information about what is the actual expenditure on the fighting forces. We do not get any figure about that. What is His Majesty's contribution to the Defence expenditure as such apart from the supplies of goods? We have never received this information since the beginning of the war. Even as regards Lease-Lend the Honourable the Finance Member fought shy of giving particular figures even to the Legislature. But in yesterday's paper the American Secretary has published—

THE HONOURABLE THE PRESIDENT: The Honourable Member must not quote from a newspaper.

THE HONOURABLE MR. HOSSAIN IMAM: I am not quoting. The American Secretary has given out a figure which is at variance with what the Finance Member says. That figure is public property in the United States. The amount of Lease-Lend given to India is regarded as a secret by the Government of India from the Legislature.

THE HONOURABLE SIR JEREMY RAISMAN: What figure is the Honourable Member referring to?

THE HONOURABLE MR. HOSSAIN IMAM: It has been published in the papers. The figure relates to the Lease-Lend given to India. My complaint is that the Government of India hides everything as if it were of great value and its revelation would benefit Hitler and Tojo.

THE HONOURABLE SIR JEREMY RAISMAN: The Government of India do not know the costs of articles purchased or produced by other Governments for which they have not to pay. Other Governments may know them.

THE HONOURABLE MR. HOSSAIN IMAM: Well, I say that the amount of Lease-Lend goods received should be on record. I think what America gives is the value of the goods which she sends. And we all know the slip between the cup and the lip.

Sir, I started by saying that there were two great changes. I have already referred to the first. The second is the swollen-headed attitude of the Government of India. It would not reply to any questions. It would not give any information. It withheld all co-operation from the people, from the representatives of the people of India. It has not the courage to rule as an autocrat. It has not the decency to rule as a democrat. And it has not the guts to behave as Hitler.

THE HONOURABLE THE PRESIDENT: Any more epithets? (*Laughter.*)

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern: Non-Muhammadan): Mr. President, in addressing the House I shall as far as possible bear in mind your admonition that no member should repeat the points that other speakers have urged before him. Sir, the Finance Member has presented a staggering Budget. I shall, in dealing with the financial aspect of the Budget, confine myself to the growth of military expenditure. The Honourable the Finance Member has divided this expenditure into two parts—one to be charged to revenue, and the other to the capital account. After taking this step, he tells us that the deficit on account of the Defence expenditure in the current year will amount to about Rs. 94½ crores. But I do not see why he should make such a separation. If the expenditure charged by him to revenue could be met out of the proceeds of taxation, this differentiation could be understood. But considering the fact that the entire deficit would have to be met by means of the loans that have been floated by the Government of India, it is difficult to understand why one part of the expenditure should be debited to revenue and the other to capital. I, for myself find no adequate reason for the separation that the Finance Member has made. It seems to me, therefore, that we should regard the Defence deficit as amounting to Rs. 94.66 crores, plus the expenditure to be charged to capital which amounts to a little more than Rs. 49 crores. We shall thus see that we are faced with a huge deficit of about Rs. 144 crores. Next year our deficit taking both the revenue and capital portions together will amount to about Rs. 57 crores, and the Finance Member has tried to comfort us by saying that the Defence estimates have for the first time shown a tendency to go down. It seems to me that he has saddled us with such heavy expenditure this year that he is able to show that the expenditure next year will be lighter than it is this year. Besides, as we do not know what the decision of His Majesty's Government will be regarding the payment of half the recurring and the capital costs involved in the expansion of the Air Forces in

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India, we cannot be certain that we shall not have to bear even a heavier burden. Even apart from this, Sir, other measures might be found necessary during the course of the year the cost of which this poor country might be forced to bear. I cannot, therefore, draw any comfort from the hope held out to us by the Finance Member. It seems to me a somewhat illusory hope. In any case it is very disturbing to find that we are incurring this huge expenditure at the present time without knowing whether it will lead to the freedom of India. I do not want to be pessimistic. But all the signs that one can see tend to indicate that the sacrifices that we are incurring will lead not to the freedom of India but to the continued domination of England over this country.

Mr. President, I should now like to deal for a moment with the reasons given by the Finance Member for the growth of military expenditure, which is due largely to what he has called "joint war measures". My Honourable friend has in this connection referred to the Appropriation Reports on the Defence Services for 1939-40, 1940-41 and 1941-42, and perhaps the Report of the Public Accounts Committee for 1940-41. I have read those portions of these reports which deal with the point that he has urged, but I confess that even after having carefully considered them I find no warrant for the Honourable Member's conclusion that joint financial responsibility for the measures in regard to which India has been asked to pay a certain portion of the cost follow from the principles laid down previously. It is true, Sir, that the words "joint war measures" are found in the reports to which my Honourable friend has referred. But I should like to point out, in the first place, that no one could have supposed after a perusal of the Reports of the Public Accounts Committee and the Appropriation Reports that we were going to be saddled with such huge expenditure, as we have been asked to bear this year. The questions that were mentioned in the Appropriation Reports on the Defence Services seem to me to be both of a different character and a different order. I cannot deal with the point in detail but it seems to me that the increase that has been made in the expenditure on account of the expansion of the Air Force and the construction of aerodromes and so on is not justified by anything appearing in these reports. In the second place, Sir, the question of military expenditure was discussed in this House a few months ago. My Honourable friend was present then. If the Financial Settlement with regard to military expenditure was going to be interpreted in such broad terms, was it not his duty to inform the House of the burdens that the country would soon be called upon to bear? Yet, he was absolutely silent on the point. Again, the Honourable Member in his Budget speech for 1940-41 said that there were two points in favour of the agreement. One was that it simplified all matters relating to accounting and the other that it limited expenditure on Defence to the financial capacity of the country. If the settlement is going to be interpreted as broadly as it has been interpreted by Government, the argument in favour of simplicity completely disappears. As regards the capacity of India, the Finance Member will doubtless assert that the burden that we are asked to bear is of such a character as can be borne by the country at this time. As it is not a matter which can be dealt by arguments of a mathematical character, all that I can say is that we must agree to differ on this question. In our opinion a serious injustice has been done to this country.

There is one other point in connection with military expenditure that I should like to deal with before I pass on to other points. We know that there is a large British Army in this country. Mr. Churchill boasted some time ago that there were more white troops in this country than "at any time in the British connection". In 1914, there were, according to the Report of the Incheape Committee of 1922, 80,000 British troops in this country. As their number is greater now, we may, I think, safely say that they are not below 100,000. I do not want to repeat what other Honourable Members have said with regard to the costliness of the British Army in this country. But it is pertinent to point out that for the cost incurred on 100,000 British soldiers we can maintain an Indian Army of thrice that strength. If we can raise all the soldiers that are required for the defence of other countries, why should it be supposed that this huge country cannot provide enough soldiers for its own defence. We do not know really what the total strength of the army at the present time is. Perhaps it is in the neighbourhood of million

and a half. Again we do not know what the number of Indian troops in this country is. But perhaps I shall not be far wrong if I put it down at a million. If these facts are correct, there is absolutely no reason to suppose that the defence of this country is dependent on British troops. If, however, there is a large British element in this country, it can only be due to the desire of England to continue to maintain its strangle-hold over us. Again, Sir, I should like to point out in connection with the increase that has been made in military expenditure both in the revised estimates and in the Budget for 1943-44 that so far as I know it has been the opinion of the military authorities for some time that Japan was so heavily engaged in the Pacific and elsewhere that it would be very difficult for it to attack India. This seems to me to be another very important reason why we should be justified in regarding the additional expenditure with which we have been saddled as totally unjustified. From all the facts which are within our possession it seems to us that the army is being increased here not in order to provide for the defence of India but in order to reconquer Burma and perhaps after that Malaya. These are Imperial obligations and there is no reason why expenditure incurred in connection with schemes relating to the reconquest of these countries should to any extent be borne by India.

I shall now pass on to the question of the assistance that we have received from the United States of America, that is, the help that we have received under the Lend-Lease arrangements. The Finance Member while referring to this question has told us that the Government of India are considering the question of entering into a Mutual Aid Agreement with the United States on the same lines as the agreements entered into by England and the Dominions. Sir, while some Honourable Members have fully approved of this idea, I cannot give it my unqualified approval. I shall approve of direct negotiations with the United States of America only if they are subject to two conditions. One is that our obligations should not exceed the assistance received by us from the U.S.A. This may seem to be contrary to the spirit of the Lend-Lease arrangements. But the very poverty of the country which made the Honourable Member ask His Majesty's Government to arrive at a settlement which would be fair to it makes me also ask that our obligations to the U.S.A. should not be of an unlimited character. The second condition which I would impose is that our fiscal autonomy should be maintained. The House knows the industrial backwardness of the country. We embarked on a policy of protection after a careful examination of the questions involved in its adoption. We shall be paying a very heavy price and a totally unjustified price for direct negotiations with the United States of America if we have to surrender our autonomy in fiscal and economic matters. I do not want that any country should draw a wall round itself and isolate itself economically from the rest of the world. I stand, Sir, for free-trade between all parts of the world than we have unfortunately witnessed during the last few years. But while desiring the removal of unnecessary obstacles to the free flow of international trade, I cannot be a party to any arrangement which would keep India in its present backward condition from the industrial point of view and keep it as a supplier of raw materials to the whole world.

Sir, I wanted to deal with the question of taxation, but as I shall have an opportunity of dealing with it when the Finance Bill comes before us, I shall content myself with saying that I regret the taxation of vegetable ghee as the tax will fall on the lower middle class and the poorer classes who have to use vegetable ghee because they cannot afford to buy natural ghee. The other point which I would venture to urge in this connection is that if more money had to be found—and it obviously has to be found—I would have preferred some increase in the excess profits tax or a lowering of the present exemption limit. I am not unmindful of the heavy burden that industry is bearing at the present time. I have no desire to saddle it with further burdens. But if sacrifices have to be made, they should be made to as large an extent as possible by those classes which are profiting financially by the war.

Sir, there are important questions relating to sterling balances and inflation which I should like to deal with at some length but as the time at my disposal is very short I shall deal with them as briefly as I can, especially as I shall have two more opportunities of dealing with this matter before this session ends.

Sir, my Honourable friend the Finance Member has pointed out in his Budget-speech that the twin questions of sterling balances and inflation are intimately

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connected but I do not think, Sir, that his remarks show that he realises the gravity of the situation. I will not enter into detailed arguments on that question. I shall allow for the time being that the expansion of currency that is taking place at present is not of such character as to cause us undue apprehension. I shall allow this only for the sake of argument and not because I share this opinion, but I would ask those who hold this opinion to consider what the future has in store for us. I understand that in the next year we shall receive something like £250 million from the Secretary of State for India and that the total recoverable expenditure incurred by the Government of India on behalf of His Majesty's Government in this country would amount to £283 million. This would mean a heavy addition to the currency and if the war does not end in 1943-44 but lasts for a year or two more the increase would be of such a magnitude as to cause the gravest apprehension even to the most complacent minds. If, Sir, this is the situation it is necessary for us to take measures immediately to minimise the consequences of an uncontrolled expansion of currency. Now the Honourable the Finance Member has in this connection spoken of the possibility of funding our liabilities regarding sterling pensions—family pensions and provident funds which amount to between £516 million. Sir, this question has a constitutional aspect. It seems to me that it is inseparably connected with the constitutional question. The funding of the Government of India's obligations in these respects was urged before the Joint Parliamentary Committee because it was feared that the extension of constitutional reform would jeopardise British interests in this country. But, Sir Samuel Hoare declined to admit the validity of the arguments put forward regarding the necessity of funding them. No new circumstances have arisen since the Joint Parliamentary Committee considered this question. Why is it then that my Honourable friend is proposing to fund the sterling pensions and the other obligations that I have just referred to? I shall not be surprised if when he sees that the House has agreed to it he quietly proposes to us that our obligations in respect of the British forces serving in this country should also be similarly funded. They are already heavy amounting as they do to about Rs. 5 crores and they will increase substantially after the war. If the question of self-government for India were under consideration I could from the Honourable Member's point of view understand the desirability of taking the step that he has suggested but in the present circumstances I must demur strongly to the proposal which he has made. If he desires, Sir, to control the expansion of the currency and to reduce its effect on prices there are two measures of a different kind which he should adopt. One is that following the policy which the Government of India have acted on so far they should liquidate the British investment in this country as far as this may be practicable. I am not suggesting this, Sir, on the theoretical ground that the British financial interests in this country are an obstacle to the achievement of full self-government by us. That would be a pertinent point but for the present I want to deal with the question only from the economic point of view. The time has now come when the Government of India must as a matter of duty to the people of this country take steps to transfer British investments in the country to Indian hands.

The second measure relates to borrowing. This is a question on which my Honourable friend has laid considerable stress. Indeed he has closed his speech with the words, "I am convinced that our sheet anchor in the present emergency must be more and more borrowing". Now, Sir, the experience of the last three years has shown us that the Government of India have singularly failed to attract money to their Defence Loans. The rupee counterparts have been taken up. The British Treasury Bills have also been eagerly taken up by the people but owing to the estrangement of feeling between the Government and the country the Defence Loans have not succeeded to the extent Government desired. Sir, this is not the only Department in which want of confidence on the part of the people is hampering the prosecution of the war. The Food Secretary said the other day in this House that the primary question before the Government in dealing with the food problem was to try to restore public confidence. If therefore Government want to attract much more money to the Defence Loans than they have been able to do so far they must try to conciliate the country and to adopt measures which would enable Indians to feel that they will soon be masters in their own country.

Sir, there is much more that I should like to say on this point, but I do not want to abuse your indulgence. I would therefore only say that we shall deal again with this question when the Finance Bill comes before the House, because the political relations between India and England lie at the root of the present troubles, and unless the question of Indian self-government is solved, the difficulties both of the Government of India and the British Government will go on increasing, and a time may soon come when they will cause them serious embarrassment. They may have large forces in this country, and may feel sure that they can put us down by sheer force. No protests of ours may seem to them to be of the slightest consequence. But if moral rules have any validity, if the world is in the last resort governed by moral considerations, the British Government should beware of the Nemesis, the terrible Nemesis, that awaits them.

4-5 P. M.

THE HONOURABLE SARDAR BAHADUR SOBHA SINGH (Nominated Non-Official): Mr. President, I rise to congratulate the Honourable the Finance Member and the Honourable the Finance Secretary on the very able way in which they have presented India's Budget. I feel that India's credit today is the highest in the world, and there are many countries which are feeling jealous of India's financial position.

I should like to begin by mentioning that the greatest need of the time is goodwill and good understanding between India and England. We are passing through very difficult times; we shall probably have to face darker days. The need of the hour is an understanding between the two countries. This can be achieved by implementing the Federation part of the Government of India Act of 1935 as an interim measure pending an agreed solution of the constitutional question. I need hardly emphasise that the whole of India is co-operating, and with co-operation Federation can be worked.

I should like to point out to the Honourable the Finance Member that a good deal of waste is taking place in New Delhi under his very eyes. Huge sums of money are spent on temporary accommodation. I fail to understand why crores of rupees are being spent by Government, and why private enterprise is not being taken advantage of. All these temporary buildings will have to be dismantled practically, with total loss to Government amounting to crores of rupees. It is not only spoiling New Delhi; it is spoiling all the beautiful lawns which Government has prepared at such huge expense.

I would like to ask what provision has been made to improve the standard of living of the vast masses of the population. The Budget is entirely silent on that point.

I wish to suggest that the sterling balances should be used to subsidise heavy industries after the war.

It will not be out of place to mention the great loss to India of three statesmen and prominent businessmen who resigned from the Government of India. Their advice, I am sure, at this juncture would have been of great value to their colleagues as well as to India. I associate myself with the Honourable Member Sir Shantidas Askuran in his suggestion that in getting new men the Viceroy will keep in mind the importance of the portfolios of Commerce and Supply.

I cannot conclude without drawing the attention of the Government to the fact that my community is taking full share in the defence of the country, but it finds no place in the services of the Central Government. It deserves careful consideration. When we are offering ourselves for the defence of the country, we have got some claim on the Government of India to provide us with employment under it.

In the end, I think it will be very difficult for all of us to agree as to whether the Budget is good or bad. Difference of opinion will always remain on that point. But I congratulate the Honourable the Finance Member on the way in which he has presented the Budget and raised the credit of the country.

THE HONOURABLE SIR JEREMY RAISMAN (Finance Member): Sir, I am faced with a difficulty in attempting to reply to a debate which covers so many points, and particularly when I have already had to make a similar speech in another place. I am naturally anxious to avoid repeating my observations on topics which I have already dealt with, in the first place, in my Budget speech, and, subsequently, in replying to criticisms in the other Chamber. I would therefore attempt on this

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occasion to deal with points which have been raised here and which were not raised or which I had not the opportunity to deal with in another place.

In the first place, I should like to say a few more words on the subject of inflation—or the expansion of the currency. I see that I have been widely regarded as entertaining complacent feelings on the subject of the currency situation. Well, Sir, my object was to give the country a considered and balanced view of the position as I saw it; but I certainly did not intend to minimise the seriousness of certain aspects of the situation or to give the impression that the difficulties with which we are faced did not call for the exercise of all our imagination and powers of constructive remedy. I was concerned rather to deal with a view which had been gaining ground, which by concentrating on the technical side of the currency machinery, completely over-simplified the problem and directed attention to what appeared an easily adjustable source of our troubles. The difficulties of the present situation undoubtedly arise from the existence of a large amount of free purchasing power in the country and the way in which that should be dealt with is, in the first place, to endeavour to remove as much of it as we can by taxation and borrowing. The Government of India have that constantly in mind and although at the time of presenting a Budget it is only possible to deal with the taxation aspects in any comprehensive way, the subject of mopping up surplus purchasing power by various kinds of borrowing is one which engages our constant attention. The other direction in which we can endeavour to keep our economy on a stable basis is by various methods of control, methods which are designed to stabilise the prices of commodities. It may be found that the best methods are not necessarily methods of pure price control. We have learnt something from our experience since the beginning of the war and since the rise of prices began. We have learnt that it is very little use merely to decide on a certain price and to announce that that is the official price or the controlled price—

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: But the Provincial Governments have not yet understood that.

THE HONOURABLE SIR JEREMY RAISMAN: That may be, but we have learnt the lesson and we are forced to the definite conclusion that price control can only be fully effective if it is coupled with the control of supplies. Of course, that takes us into a very large field, a field which will tax to the utmost the whole machinery of the Central and the Provincial Governments. I need not enlarge on this particular aspect of the problem. This House has, I believe, already discussed certain parts of this field, particularly the food problem, which is the most striking and the most pressing aspect of the matter. But what I am concerned to emphasise at this moment is that it is of no help to produce various facile theories which relegate the problem to the currency machinery and seem to imply that if you merely stop issuing currency, the whole situation will right itself—

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: May I put a question to the Honourable Member? Does he think that the situation can be dealt with effectively without the adoption of monetary measures?

THE HONOURABLE SIR JEREMY RAISMAN: I am not quite clear what the Honourable Member means by monetary measures.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I mean measures relating to the circulation of money, that is, the expansion of currency. My question is this. Does the Honourable the Finance Member think that the measures taken to produce more food and more cloth and such other measures will by themselves suffice to deal with the problem which he was considering or whether he will have to take currency measures also in order to control the situation?

THE HONOURABLE SIR JEREMY RAISMAN: If the Honourable Member wishes to know my views on what I may call the ideal handling of a war economy, they are that if you have sufficient power and administrative machinery, you must stabilise wages, you must stabilise prices, you must restrict dividends, you must ration the consumption of all essential goods, and the additional purchasing power which you may have to put out in order to conduct your war effectively will be automatically immobilised and will be shorn off by the Government in the form of loans and taxation. That is, in a very crude outline, the way in which things should be done,

if one were a dictator and were dealing with very simple adjustable types of human nature and had all the powers and all the machinery. But, in so far as that is not the case, we have to try and approximate to what we know to be the wholesome model and the actual currency machinery, in my opinion, plays a comparatively small part in that. It is true that the whole monetary policy—the control of the money markets, the control of interest rates, the control of investment, all these—come into the picture. But the essence of war economy is that you must try and control strictly civilian consumption so as to release the goods necessary for your war effort and that you must take away all the excess purchasing power which has been employed in mobilising those goods and services. I do not wish to grow technical on this matter. But I was merely concerned to assure the House that I am by no means lacking in consciousness of the gravity of the problem which has to be handled and that if I was concerned to dispel certain forms of what I can only call alarmist publicity, it was not from any feeling of complacency.

Now, Sir, a great deal has been said about the financial settlement and in particular about the use of British troops in India. The Honourable Mr. Sapru claimed that as British troops in India had in his opinion a dual role the cost of them should, at any rate partly, be borne by His Majesty's Government. Well, Sir, the position, as I have explained in my Budget speech, is that the cost of the expansion of the land forces in India is shared between the Government of India and His Majesty's Government. It may not be that the rupee cost is so shared. But there is a very important other side to the picture, that is the cost of the equipment produced outside India which is necessary in order to make these troops effective arms of the service. Now, the cost of that equipment, of guns, planes, tanks, and so on, which are supplied by His Majesty's Government, is a very important element in the total bill, and that is borne entirely by them, so that I do not see that the Honourable Member's argument leads him to any different position from that which we now occupy.

THE HONOURABLE MR. HOSSAIN IMAM: On a point of information, Sir. Do we understand that the additional British troops stationed in India are paid from Indian revenues?

THE HONOURABLE SIR JEREMY RAISMAN: I have dealt in my Budget speech with the question of the expansion of the land forces. The position is that the rupee expenses incurred whilst Indian troops are in India are borne by India—

THE HONOURABLE MR. HOSSAIN IMAM: Including American soldiers?

THE HONOURABLE SIR JEREMY RAISMAN: I am afraid my Honourable friend is jumping about from one thing to another in a way which is rather difficult to deal with. The question of American forces in this country falls under reciprocal aid and the position there is that the rupee expenditure on American troops is provided on behalf, shall I say, of the British Commonwealth in return for the benefits which the British Commonwealth derives from Lease-Lend. The further allocation as between the Government of India and His Majesty's Government is a matter which can only be cleared when direct negotiations are made with the United States of America. I thought that that position was clear from what I had said in my Budget speech. But that is a diversion. I was talking about British troops. I explained in my Budget speech that the pay and the other rupee expenses of the troops whilst they are on Indian soil are borne by India, but the cost of their training and their equipment which is a very large item is borne by His Majesty's Government. The Honourable Mr. Hossain Imam harked back to a point which he made last year and wished to register a victory on the question of the contribution by His Majesty's Government. Now, it is true that in the circumstances as they developed in the course of the year, as far as I can ascertain, there was some reduction in the contribution which His Majesty's Government had to make to the rupee expenditure incurred in India. It was a reduction of the order of perhaps something like Rs. 60 crores. But the additional expenditure which they had to incur in the matter even of aero-planes easily outweighed any reduction which accrued to them on account of the developments of the year. The reasons why Indian Defence charges increased as compared with the estimate have been fully dealt with in my Budget speech. The situation as it actually developed was much more serious from the point of view of India's defence than it was at the time when the estimates for 1942-43 were drawn up. Perhaps that is not the correct way to put it. But owing to the limitations on India's liabilities the position is that if troops are engaged in defence just beyond the

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frontiers of India, India pays no part of their cost, but if they are withdrawn into India, as happened in the early months of this year, then there is nothing between you and the enemy except those troops and obviously they are defending your soil. You may argue that whilst they are still beyond your frontier they have nothing to do with the defence of India. It is an argument which has been subjected to fairly devastating criticism. But at any rate you are in the fortunate position of having accepted no financial liability for troops that stand between you and the enemy so long as they are outside your geographical boundaries. But when the enemy is actually standing on your frontiers and those are the troops who are facing them and they stand on Indian soil, then I suggest to you that the last vestige of your argument is gone and you have to pay for them if you are pretending to make any contribution to the cost of the defence of your own country.

THE HONOURABLE MR. HOSSAIN IMAM : On a point of information—

THE HONOURABLE THE PRESIDENT : Order, order. Please allow him to proceed. He must answer in his own way.

THE HONOURABLE SIR JEREMY RAISMAN : It is a most extraordinary thing that Honourable Members should dilate on the magnitude of the Defence expenditure as if it had come to them as a great shock and as if they had not been present in this country during the events of these last twelve months. My Honourable friend Pandit Kunzru talked of the heavy charges with which I had saddled this country. Now, Sir, I find this most extraordinary language. Would an American talk of the heavy Defence charges with which President Roosevelt, shall we say, had saddled the country or would he think in terms of the measures which are necessary to save his country in the face of a most grave emergency? In the case of India the perils came very close indeed and I should have thought that it was unnecessary to labour the point or to produce any very elaborate explanation of why the cost of the defence of India during 1942-43 reached such large figures. They are large figures for India and of course they are large in relation to the scale of India's Defence expenditure in peacetime but if Honourable Members will take the trouble to consider the case of any other belligerent country or any other country which is exposed to perils at all comparable to those of India I think they will find that the budgets of those countries and particularly the Defence charges have multiplied many more times than have the charges in India. So my answer to the Honourable Mr. Hossain Imam is that although there may have been some modest reduction in the rupee charges of His Majesty's Government there was a heavy increase, I have no doubt, in the other side of the bill which India sees nothing of and that that increase was possibly much greater than the increase in India's Defence charges.

Another point that was made by the Honourable Mr. Sapru was in relation to the capital expansion in the Supply Department. I understood him to think that the Settlement was not satisfactory because we would be paying half of the cost of certain equipment which might be of doubtful value after the war. Well, Sir, if it were administratively possible to pick and choose the items which were going to be of value to us in the period after the war why, I ask my Honourable friend, should we not pay the whole cost, particularly as it is quite probable that such equipment will be difficult to get after the war and may be even more expensive? The whole point of this Settlement in this respect is its simplicity and its equity. Without going into detailed questions as to what we would like to have and what we would not be so keen about we offer to pay half the capital cost and to own all the capital assets. It seems to me that an arrangement of that kind cannot be criticised as being unfair to India.

The same Honourable Member expressed his anxiety that the sterling balances should be left to the future Government of India and not frittered away for the post-war reconstruction of Britain. Now, Sir, I do not propose to enter into this subject again here as I have dealt with it in another place and also there will be other opportunities, but all that I foreshadowed in my Budget speech was that we should set about the business of making a survey of India's capital and industrial requirements and that we should take such steps as are open to us to draw up a programme to allocate priorities and to know exactly what demands we would have to formulate on the post-war productive capacity of the world when that matter arises. I cannot

see anything in that proposal which withdraws from a future Government of India any freedom to handle these balances to the best advantage of India.

My Honourable friend Mr. Hossain Imam touched on a number of points of detail of which I should have been glad to have some notice in order that I could refresh my mind as to the underlying facts.

THE HONOURABLE MR. HOSSAIN IMAM : I wanted to speak in the forenoon.

THE HONOURABLE SIR JEREMY RAISMAN : If he had spoken in the forenoon he would have sent my people scampering round in the lunch interval. However, I suggest to him that, if he wants to make those points not merely to an un-informed House but on the basis of ascertained facts he should give some opportunity to the representatives of my Department. He should give an opportunity for us to collect the facts, but I think the answers to some of his points are obvious. For instance, in the case of the Customs Department he points to the greatly reduced imports and says there has been no reduction in expenditure. Well, I am sure he is aware that in wartime the Customs Houses, even though they may not be busy collecting Customs duties, have very important functions to perform in the various kinds of control and restrictions which have to be maintained in wartime. In fact, in this respect they are somewhat like Excise preventive staff who unfortunately often have to be increased in proportion as the revenue diminishes. If your policy has to be a restrictive policy then you may have to maintain or even increase your staff regardless of the return. As a matter of fact the staff of the Customs Department has had to be drawn on for other purposes than that which it normally carried out in peacetime.

Now regarding his point about opium. If I had had an opportunity I should have liked to verify it but I am pretty sure that the increased expenditure is earning a very good return because we are producing a vastly increased quantity of morphia for the use of the Medical Services during the war. In wartime the demand for these products has of course tremendously increased. Now the revenue may not appear under the particular head that my Honourable friend was looking at but I am quite certain that we are selling and using ourselves a very much larger quantity of products of this Department.

THE HONOURABLE MR. HOSSAIN IMAM : Selling it cheaply to the Defence Department ?

THE HONOURABLE SIR JEREMY RAISMAN : Well, the Defence Department is our own Department and I should call that using it, not selling it at all, but we also sell it. We sell it to others who pay for it.

Well, Sir, again he made certain remarks about the Police—the expansion of the Police—and I asked myself where the Honourable Mr. Hossain Imam was during the last few months. He must have some comfortable Rip Van Winkle shelter to which he withdraws and from which he emerges only when he has to make his observations on the Budget.

THE HONOURABLE SIR DAVID DEVADOSS : State of hibernation !

THE HONOURABLE SIR JEREMY RAISMAN : Curiously enough, as far as I remember, his permanent abode is near enough to one of the worst spots in India during the recent disturbances.

THE HONOURABLE MR. HOSSAIN IMAM : I was cut off for ten days from the world.

THE HONOURABLE SIR JEREMY RAISMAN : Well, in that case, why does he wax so indignant over the fact that the expenditure on Police has gone up from about Rs. 30 lakhs to Rs. 150 lakhs ? These figures do not just go up. Something happens. People have to be recruited and posted and trained and equipped and so on. There is nothing miraculous about the figures, if you think of the underlying facts. I quite agree that if the provinces could have borne the whole cost of the expansions which were unfortunately necessary, it would have been a very welcome relief to the Centre at this time. But unfortunately that was not possible. We did what we could.

Now I come to a point which is one of real importance, and I regret that the Honourable Mr. Hossain Imam should have felt it worth while to try and score a point regarding the provision of Rs. 50 lakhs for food production. I assure him that I am as fully aware as he is of the extraordinary importance of that subject at the present time. But the words which I used in my Budget speech showed that

[Sir Jeremy Raisman.]

although this was the sum which we had decided to include in the estimates at this time, we were quite prepared to devote a much larger sum if that could usefully be employed. What I said was :—

“ The Government of India are anxious that at this stage no scheme which affords promise of making an early and substantial contribution to this end should be excluded from consideration on purely financial grounds. Pending a decision on the specific measures to be taken, we have provided in the Budget a round sum of Rs. 50 lakhs, but we would not limit our expenditure to that figure if further outlay were to offer a greatly enhanced prospect of achieving our object ”.

THE HONOURABLE MR. HOSSAIN IMAM : The Imperial Council of Agricultural Research has been begging, begging and begging.

THE HONOURABLE SIR JEREMY RAISMAN : They may have been begging and begging. But the mere process of a provision in the Budget does not enable the money to be usefully spent. We have to know exactly what we can do. We have to have schemes which can be approved and which look as though they will contribute to the desired object. That is the stage at which the setting aside of funds really means something and becomes valuable.

My Honourable friend said that the provision should be at least trebled. I should have no hesitation in quintupling it if thereby we could solve the food problem of India.

Before I sit down, Sir, I might most suitably deal briefly with the remarks made by the Honourable Pandit Kunzru on the subject of mutual aid to America. He indicated two aspects of the matter which he felt should be borne prominently in mind. I can only say that those aspects are fully present to the Government of India, and they realise, on the one hand, the importance of securing that India is not saddled with an unlimited financial liability, and also they are fully conscious of the importance of securing as far as possible that India's fiscal policy in the post-war period shall not be unduly hampered. I was glad to note that my Honourable friend was in sympathy with the object of reducing the barriers on international trade. Unless one is prepared to subscribe, at any rate, to that ideal, it is exceedingly difficult to enter into any direct agreement of the kind which is now under contemplation. At the same time, I agree with him that the special circumstances of India would have to be taken into account, and that it is extremely important that India's special economic circumstances should be capable of being suitably dealt with in any arrangement which is made. I would, however, remind him that, whether or not India enters into an arrangement of this kind, she will have to find her place in the world as it will exist after the war. It is not merely a matter of voluntary association with certain Powers. It is quite clear that in the post-war world there will have to be international economic arrangements which will tend to prevent the outbreak of war. Now, my Honourable friend himself, I think, indicated that the pursuance of completely autarchic policies was one of the elements which led to the trouble of the present day. Many of those who put forward India's case seem to forget that that is pretty generally recognised in the world today. It would not be possible to go back to the autarchic—or you may almost say anarchic—conditions of trade which prevailed in some of the years between the last war and the present. India will probably do best by being prepared to adjust her policies to the larger purposes of maintaining a reasonable world order in which peace can be preserved. Subject to that larger purpose, she will probably, I think, have no difficulty in securing a recognition of her special requirements. I do not think that it is contemplated that in the post-war arrangements countries would be frozen or stereotyped at the particular economic stage which they happen to have reached or that there should not be reasonable scope for their future development, and therefore, one may hope that India will have no great difficulty in getting her special circumstances recognised.

Having dealt with that point, I do not think that I should go back to any of the detailed matters which I might have taken up if I had had more time at my disposal, and for which there will be, I am sure, further opportunities in the subsequent proceedings.

The Council then adjourned till Eleven of the Clock on Wednesday, the 10th March, 1943.