

Wednesday, 29th March, 1944

COUNCIL OF STATE DEBATES

(OFFICIAL REPORT)

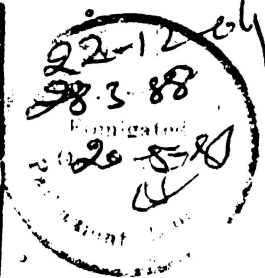
VOLUME I, 1944

(15th February to 6th April, 1944)

SIXTEENTH SESSION

OF THE

FOURTH COUNCIL OF STATE, 1944



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COUNCIL OF STATE

Wednesday, 29th March 1944

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

MEMBER SWORN

The Honourable Mr. Charles William Ayers (Nominated Official).

THE HONOURABLE THE PRESIDENT: His Excellency the Governor General has been pleased to cancel the allotment of Thursday the 29th March, 1944, for the discussion of non-official business and to allot in lieu thereof Thursday the 6th April, 1944, for the discussion of non-official business.

QUESTIONS AND ANSWERS

TREATMENT OF MRS. GANDHI.

223. THE HONOURABLE RAI BAHADUR LALA RAMSARAN DAS: Will Government state:

(a) Whether Mahatma Gandhi asked Government to permit the eminent Ayurvedic Physician Pandit Shiv Sharma to take up the treatment of Mrs. Gandhi. If so, on what date?

(b) How many days after the requisition was Pandit Shiv Sharma allowed to contact the patient?

THE HONOURABLE MR. E. CONRAN-SMITH: (a) The first definite request for Pandit Sharma's services was made to the Government of India on February 9th and was granted on February 10th.

(b) I understand that Dr. Sharma paid his first visit a day or two later.

THE HONOURABLE MR. G. S. MOTILAL: When were the services of this physician made available by Government?

THE HONOURABLE MR. E. CONRAN-SMITH: The Honourable Member's question is not very clear. It was not a matter of Government making his services available. Government was asked to agree to this physician attending on Mrs. Gandhi; the request came on February 9th and the answer agreeing was sent by telegram on February 10th.

APPOINTMENT OF MR. YOUNG AS COAL COMMISSIONER.

224. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH: (a) Will Government state whether one Mr. Young has been appointed Coal Commissioner of the Government of India?

(b) Is it a fact that Mr. Young, is a retired railway official? If so, (i) what is the amount of pension which he is receiving, or (ii) has he been given any lump sum on retirement? If so, how much; and under what authority or rules?

(c) What are his present pay and emoluments? Does he get any allowance over and above his pay? If so, was the sanction of the Standing Finance Committee obtained beforehand, or subsequently? If not, why not?

(d) Was there no other person available, Indian or European, to fill this post?

THE HONOURABLE SIR SATYENDRA NATH ROY: (a) Yes.

(b) Mr. Young was a member of the State Railways Imperial Engineering Service from 1903 until 1918 when he resigned. He did not qualify for a pension and no information is available in the Railway Board's office of any gratuity having been paid to him.

(c) Mr. Young's pay is £5,000 per annum. He is not entitled to any allowance except travelling allowance which will be regulated under the Fundamental and Supplementary Rules and an initial outfit allowance of £75. The pay of this Officer being chargeable to the head 64—Miscellaneous Expenditure connected with the war, no reference to the Standing Finance Committee was considered necessary.

(d) No, Sir.

Questions in the name of the Hon. Raja Yuveraj Dutta Singh were asked by the Hon. Rai Bahadur Sri Narain Mahtha.

THE HONOURABLE MR. HOSSAIN IMAM: Does it mean that it is a non-voted item?

THE HONOURABLE SIR SATYENDRA NATH ROY: I think that is the position.

THE HONOURABLE MR. P. N. SAPRU: Is the post of Coal Commissioner a newly created post, or did it exist before?

THE HONOURABLE SIR SATYENDRA NATH ROY: It is a newly created post.

THE HONOURABLE MR. P. N. SAPRU: Then, even in the case of newly created posts, is the sanction of the Standing Finance Committee not necessary?

THE HONOURABLE SIR SATYENDRA NATH ROY: As I have stated in my answer, when the pay of the officer is charged to the head 64—Miscellaneous Expenditure connected with the war, it is not taken before the Standing Finance Committee.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Is it customary or not to inform the Standing Finance Committee when expenditure is increased?

(No reply.)

THE HONOURABLE MR. HOSSAIN IMAM: May we know under what Department this officer is working?

THE HONOURABLE SIR SATYENDRA NATH ROY: Under the administrative control of the War Transport Department.

THE HONOURABLE SIR SHANTIDAS ASKURAN: Has any improvement been made in the coal position after he joined?

THE HONOURABLE SIR SATYENDRA NATH ROY: He has made several proposals for improvement, but there has not been time enough yet to give effect to them.

THE HONOURABLE MR. HOSSAIN IMAM: Was he serving under any Railway in England, and what was the pay which he was drawing there?

THE HONOURABLE SIR SATYENDRA NATH ROY: As far as I am aware, he was not serving under any Railway in England. On a previous occasion, in answer to a question I gave full details of his past experience.

THE HONOURABLE MR. V. V. KALIKAR: Did Government make any effort to find a suitable Indian to fill this post?

THE HONOURABLE SIR SATYENDRA NATH ROY: I think that also was answered some days ago in this House.

THE HONOURABLE MR. P. N. SAPRU: Had Mr. Young any experience of the work of coal distribution?

THE HONOURABLE SIR SATYENDRA NATH ROY: Yes, Sir. I explained, in reply to a question of Raja Yuveraj Dutta Singh some days ago, what his previous experience was. I stated that he was General Manager of the Kailan Coal Company for several years.

UNRRA.

225. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH: (a) Has the attention of Government been drawn to the reply of Mr. Butler in the House of Commons, about the 17th February, who, speaking for the Secretary of State, Mr. Amery, stated that "no representations have been made for the inclusion of India in the operation of the UNRRA"?

(b) Why was no representation made by Government for the inclusion of India in the operation of the UNRRA?

THE HONOURABLE MR. N. R. PILLAI: (a) Government have seen a Press report to this effect.

(b) The matter cannot be dealt with adequately within the compass of a reply to a question, and I shall make a full statement when the UNRRA Agreement is submitted to this House for approval.

THE HONOURABLE MR. HOSSAIN IMAM: When will that be?

THE HONOURABLE MR. N. R. PILLAI: Later in the present session.

RAISING OF THE STATUS OF THE OUDH CHIEF COURT, LUCKNOW.

226. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH: Do Government propose to raise the status of the Oudh Chief Court, Lucknow, to that of a High Court, failing this, to amalgamate it with the Allahabad High Court ?

THE HONOURABLE SIR MAHOMED USMAN: The Government are not aware of any such proposal. The matter is however one which is not the concern of the Governor General in Council.

APPOINTMENT OF AN INDIAN AGENT TO THE GOVERNMENT OF BURMA.

227. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH: Do Government propose to appoint a suitable Indian Agent to the Burma Government, who, among his other duties, will collect data regarding Indian exiles, and take steps to secure for them just rights in Burma, and safeguard their interests ?

THE HONOURABLE MR. R. N. BANERJEE: The question of appointing such a person is under active consideration.

APPOINTMENT OF FOREIGN REFUGEE DOCTORS IN BRITISH MILITARY HOSPITALS.

228. THE HONOURABLE RAI BAHADUR LALA RAMSARAN DAS: Will Government state :

(a) Whether it is a fact that some foreign refugee doctors have been employed by the Government as civil medical practitioners in British Military Hospitals, and given pay ranging from Rs. 650 to Rs. 1,025, military rank and uniform of R.A.M.C. officers, while Indian doctors employed as civil medical practitioners are given pay ranging from Rs. 250 to Rs. 350, without any military rank or uniform? If so, why?

(b) Is it a fact also that the Indian doctors who have joined the I. A. M. C. for service in India only, draw Rs. 300 to Rs. 350? If so, why?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: (a) A few foreign doctors were, following the outbreak of war, employed as civilians in full Royal Army Medical Corps duties in India on the pay and allowances admissible to officers of that Corps, up to the rank of Captain. These gentlemen were highly qualified and experienced doctors who could not be commissioned into the Royal Army Medical Corps, but whose services it was desirable to make use of. Their engagement was purely temporary and they were not given any military rank or uniform, nor the benefit of pensions or gratuities. I may add that their recruitment was suspended in 1942.

As regards Indian doctors, medical graduates who, whether on grounds of age or physical disability, are debarred from taking commissions in the Indian Medical Service, are appointed as civilian medical practitioners for work in the particular military station or District of their choice, and they are allowed private practice. They are paid in the scales of Rs. 250-25-400 and Rs. 350-25-500 per mensem for station and District liability, respectively. The practitioners are not subject to military law and, therefore, are not granted military rank, nor allowed to wear uniform.

(b) Medical graduates who joined the Indian Medical Service for service within Indian limits receive pay of Rs. 300 to Rs. 550 per mensem. This class of recruitment was suspended in December, 1943.

Licentiates recruited to the Indian Army Medical Corps for service within Indian limits draw rates of pay from Rs. 250 up to Rs. 550 per mensem.

Both graduates and licentiates get military rank and wear uniforms as they are commissioned officers.

GRATUITIES DRAWN BY BRITISH AND INDIAN I.M.S. OFFICERS

229. THE HONOURABLE RAI BAHADUR LALA RAMSARAN DAS: (a) Is it a fact that British I. M. S. officers used to draw about Rs. 13,500 (£1,000) gratuity at the end of 6 years' service and about Rs. 33,500 (£2,500) at the end of 12 years' service before the war; while Indian officers who joined the I. M. S. during the war are given about Rs. 4,000 at the end of six years and Rs. 8,000 at the end of 12 years' service, i.e., 1/3 to 1/4 of the amount received by their British colleagues?

(b) Is it a fact that with regard to the grant of gratuities and other privileges the British officers were taken in permanent service with option to retire at the end of 6

and 12 years service, while Indian officers were taken in temporary or short service? If so, why?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: (a) The Hon'ble Member is correct as regards gratuities admissible to British regular Indian Medical Service officers. The comparable gratuities for Indian regular Indian Medical Service officers are Rs. 11,500 and Rs. 27,500.

Since the outbreak of war all commissions in the Indian Medical Service have been temporary and the gratuities admissible are the same both for British and for Indian officers. These gratuities vary with length of service and the ante-date granted, and would reach in the case of officers with the maximum ante-date (6½ years) the sum of Rs. 8,000 after 6 years' service.

(b) The reason why the short service commission system could not be applied to British as well as to Indian entrants is that the former require time to learn the language and customs of the country, and it would be unreasonable as well as uneconomical to employ them on short-term contracts. All short term officers who applied and were considered suitable have, in fact, been given permanent commissions. It may be added that Short Service Officers granted permanent commissions also have the option of retiring after 6 or 12 years' service with a gratuity.

NUMBER OF BRITISH OFFICERS IN THE I. M. S. HOLDING EMERGENCY COMMISSIONS.

230. THE HONOURABLE RAI BAHADUR LALA RAMSARAN DAS: Will Government state the number of British officers who have accepted service in the I. M. S. on the present terms and conditions of the emergency commission granted to all Indian doctors?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: 224.

NUMBER OF INDIAN OFFICERS IN THE I. A. M. C.

231. THE HONOURABLE RAI BAHADUR LALA RAMSARAN DAS: Is it a fact that the required number of Indian doctors is not forthcoming for recruitment to the I. A. M. C. and that the Indian Medical Association and the great majority of the independent medical profession have stated that the reason for this is that the terms and conditions of service are not attractive? If so, are Government prepared to offer attractive terms and conditions of service in the emergency commission to Indian doctors who wish to join the army?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: It is a fact that the number of Indian doctors recruited still falls short of the actual requirements, but apparently not for the reason suggested by the Honourable Member since there have been no representations from the Indian Medical Association or any other body about the unattractiveness of the terms and conditions of service in the Indian Army Medical Corps. On the contrary the terms of service which were published a year ago are considered liberal and the All-India Medical Licentiates Association at its meeting in Bombay on the 12th March, 1944 passed unanimously a resolution appealing to Medical Licentiates to join the Indian Army Medical Corps in increasing numbers.

The latter part of the question does not therefore arise.

LIGHTING OF RAILWAY COACHES.

232. THE HONOURABLE RAI BAHADUR LALA RAMSARAN DAS: Will Government state whether in view of the increase in railway fares, Government are prepared to restore lighting of railway coaches?

THE HONOURABLE SIR SATYENDRA NATH ROY: Government is already making every effort to give improved lighting in Railway carriages. The systematic thefts which are taking place in spite of every effort to prevent them has resulted in losses of bulbs at a rate which Railways have found it impossible to make good. There are large orders for bulbs in process of supply and in addition to speeding up production from indigenous sources, special action has been taken to supplement indigenous deliveries by imports.

Government hope that there will be an improvement in the position during the coming months.

THE HONOURABLE MR. HOSSAIN IMAM: Is the Railway, in spite of this income, unable to pay the expenses of buying new bulbs?

THE HONOURABLE SIR SATYENDRA NATH ROY: It is not a question of income at all, as the Honourable Member would have realised if he had listened to my answer.

THE HONOURABLE MR. A. Z. M. REZAI KARIM: Is the Honourable Member aware what class of people are committing thefts of bulbs? Are they military personnel?

THE HONOURABLE SIR SATYENDRA NATH ROY: I must have notice of that question. I have no information.

THE HONOURABLE MR. P. N. SAPRU: Were thefts used to be common in first and second class carriages before the expansion of the Army?

THE HONOURABLE SIR SATYENDRA NATH ROY: I believe in pre-war times thefts did occur but not on the scale they have occurred in recent months.

THE HONOURABLE MR. P. N. SAPRU: Would it be wrong to infer that the increase in the Army has resulted in thefts increasing?

THE HONOURABLE THE PRESIDENT: You can infer anything you like but that is not a fit question to put.

PAYS AND ALLOWANCES, ETC., ADMISSIBLE TO INDIAN MILITARY PERSONNEL.

233. THE HONOURABLE RAI BAHADUR LALA RAMSARAN DAS: Will Government lay before the House a statement showing—

(a) The pays, allowances, and other facilities admissible to the Indian Military personnel combatants and non-combatants and also the pays, allowances and other facilities enjoyed by the British and other non-Indian personnel of His Majesty's armed forces in India (i) when serving in India and (ii) when on active service ex-India;

(b) The pays, allowances and other facilities enjoyed by the personnel of the British, Colonial and Dominions troops when on active service in the various theatres of war and also the pays, allowances and other facilities granted to the Indian officers and soldiers serving in the same theatres of war and under like conditions?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: (a) I am collecting the information and will lay it on the table in due course.

(b) The information asked for, except in so far as it falls under (a), is not readily available and the time and labour involved in collecting it from the various Dominions and Colonies would not be justifiable in present circumstances.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Did His Excellency the Commander-in-Chief say that information relating to the pay, allowances and other facilities enjoyed by the British and other non-Indian personnel of His Majesty's armed forces in India could not be collected?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: The question, as it stands, reads:—

"The pays, allowances, and other facilities admissible to the Indian Military personnel combatants and non-combatants and also the pays, allowances and other facilities enjoyed by the British and other non-Indian personnel of His Majesty's armed forces in India (i) when serving in India and (ii) when on active service ex-India."

That is the first part of the question. It is a complicated matter to collect that information but I will collect it as soon as I can and lay it on the table.

EXTENT OF REVISION OF SCALES OF PAY AND ALLOWANCES IN THE BRITISH ARMY AND INDIAN ARMY.

234. THE HONOURABLE RAI BAHADUR LALA RAMSARAN DAS: Will Government lay a statement on the table showing the extent of the revision of the scales of pays and allowances of and the grant of fresh allowances to the personnel of Britain's fighting forces, sanctioned by His Majesty's Government since the outbreak of the Great War of 1914-18, and also the extent of the revision of the scales of pays and allowances of—

(i) the Indian personnel. and

(ii) the non-Indian personnel of His Majesty's armed forces in India, sanctioned by the Government of India during the same period ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: The information required is not readily available and its collection would involve an immense amount of time and labour, which could ill be afforded at present. If, however, my Honourable Friend requires information on any specific point, I shall be glad to obtain it for him.

MESSAGES FROM HIS EXCELLENCY THE GOVERNOR GENERAL.

THE HONOURABLE THE PRESIDENT: I have got to deliver a message from His Excellency the Governor General. It runs as follows:—

"Whereas the Legislative Assembly has by its vote of the 28th March, 1944, refused leave to introduce a Bill entitled a Bill to give effect to the financial proposals of the Central Government for the year beginning on the 1st day of April, 1944;

Now, therefore, I Archibald Percival, Viscount Wavell, in pursuance of the provisions of sub-section (1) of section 67B of the Government of India, Act, as set out in the Ninth Schedule to the Government of India Act, 1935, do hereby certify that the said Bill is essential for the interests of British India.

WAVELL,
Viceroy and Governor General.

NEW DELHI;
The 29th March, 1944."

I have another message also from His Excellency, which reads as follows:—

"In pursuance of the provisions of sub-section (1) of section 67B of the Government of India Act, as set out in the Ninth Schedule to the Government of India, Act, 1935, I, Archibald Percival, Viscount Wavell, do recommend to the Council of State that it do pass the Bill to give effect to the financial proposals of the Central Government for the year beginning on the 1st day of April, 1944, in the form hereto annexed.

WAVELL,
Viceroy and Governor General.

NEW DELHI;
The 29th March, 1944."

INDIAN FINANCE BILL, 1944.

SECRETARY OF THE COUNCIL: Sir, In pursuance of section 67B of the Government of India, Act, as set out in the Ninth Schedule to the Government of India Act, 1935, I lay on the table a copy of the Bill to give effect to the financial proposals of the Central Government for the year beginning on the first day of April, 1944, which the Legislative Assembly has failed to pass in the form recommended by the Governor General and which has been certified under the provisions of the same section by the Governor General as essential for the interests of British India.

DEATH OF MALIK SIR UMAR HAYAT KHAN TIWANA.

THE HONOURABLE THE PRESIDENT: Honourable Members, I am very sorry to announce to you the death of one of our old colleagues, Malik Sir Umar Hayat Khan Tiwana, K.C.I.E. He was a member of our Council for many years. Long before the Act of 1919, was ushered in he was also a member for several years of the old Imperial Legislative Council of India. In the first Council of State he came as an elected member and remained here for a long time. In the second Council of State he was a nominated member and served this Council for many years. He was a well known and distinguished member of this House. He was A.D.C. to His Majesty the King Emperor. He was also a member of the Secretary of State's Council for many years and he also did very good work there. Throughout the last war he was fighting in France and Mesopotamia. He was a distinguished soldier and a distinguished patriot. I shall convey, if you permit me, our condolences to his distinguished son, the Premier of the Punjab.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, may I endorse what has fallen from your lips? I had the pleasure and privilege of knowing the late Major General Sahib for a long time. We were class fellows and came into contact with each other often. He was

a great personality and a gallant soldier. We all mourn his loss and we wish that our condolence should be conveyed to his worthy son Colonel Malik Khizer Hayat Khan, Tiwana and the family.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): On behalf of the Muslim League Party I wish to associate myself with the expression of condolence which you have made. We all mourn his death.

THE HONOURABLE SIR MAHOMED USMAN (Leader of the House): Sir, I beg to associate myself with what you have said. Sir Umar Hayat Khan was a great patriot and has rendered distinguished services to the country. We are all very grateful to him. By his death the country has lost a great patriot.

THE HONOURABLE LT.-COL. SIR HISSAMUDDIN BAHADUR (Nominated Non-Official): Sir, I also associate myself with the expression of condolence.

THE HONOURABLE MR. R. H. PARKER (Bombay Chamber of Commerce): We also wish to associate ourselves with this expression of condolence.

THE HONOURABLE RAJA CHARANJIT SINGH (Nominated Non-Official): Sir, I also associate myself with what you have said.

THE HONOURABLE NAWABZADA KHURSHID ALI KHAN (Nominated Non-Official): Sir, I also associate myself with the expression of condolence.

THE HONOURABLE SIR JOGENDRA SINGH (Education, Health and Lands Member): I desire also to associate myself with what you have said. I knew him for long years and I enjoyed his friendship all these years. His death is a great loss to India and to the Punjab.

THE HONOURABLE MR. G. S. MOTILAL (Bombay: Non-Muhammadan): Sir, I also wish to associate myself with the expression of sorrow which has fallen from you.

INDIAN FINANCE BILL, 1944.

THE HONOURABLE THE PRESIDENT: Honourable Members, we will now proceed with the legislative business of today. But before we do so, there are some new members in this House and it is necessary for me to tell them something regarding our procedure in this House. As Honourable Members know, on the Finance Bill they are entitled to attack the Government to their heart's content or defend the Government to their heart's content. It has been ruled by my predecessors several times and confirmed by me reported rulings several times in this House that I am always prepared to allow the widest latitude to Honourable Members to speak on the financial policy of the Government of India. They are fully entitled to speak on the provisions of the Bill. But apart from that, they can speak on the financial policy as much as possible, avoiding as far as possible foreign and extraneous subjects which have nothing whatsoever to do with the Bill or the financial policy of the Government of India. This is the convention, well-established practice, of this House and I request Honourable Members to maintain that practice. We shall now proceed with the discussion of the Bill. I may inform Honourable Members that there is no time limit for speeches on this motion.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern: Non-Muhammadan): Mr. President, may I seek for a little enlightenment with regard to the pronouncement that you have just made? In past years we have enjoyed the fullest latitude in regard to the subjects chosen by us for discussion in connection with the Finance Bill. Is the old practice to be restricted in any way or are we to have as much freedom as we enjoyed in the past in this matter?

THE HONOURABLE THE PRESIDENT: Honourable Members are fully aware that I have not interfered with the freedom of Honourable Members in speaking on the Finance Bill. I have often brought to the notice of this House the matters on which they can speak in connection with this Bill. As the Honourable Member has put this question to me, I may say that sometimes some Honourable Members desire my instructions and despite my instructions not to proceed, they have taken up time in the past. As there are new members, I have brought this matter again to the notice of this Council and I will give

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them the widest latitude provided they do not speak on subjects which are entirely foreign to the Bill before us just as they did at the time that the Budget was discussed. Those subjects we have fully discussed. Honourable Members can afford to be brief if they want to but if they take up a long time on the Bill it would be my duty to interfere to maintain the convention and established practice.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: May I put a specific question to you Sir, in order that the position may be made more clear that it is?

THE HONOURABLE THE PRESIDENT: I could not make it more clear.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Sir, I put a specific question before you what would be our position in respect of the matter to which I am going to refer? In the past when discussing the Finance Bill we have referred to constitutional questions and questions connected with the character of the present Government. I hope that you will allow us the fullest liberty to refer to these important topics even in connection with the present Bill. If that is so Sir, then we are satisfied that there is no alteration in the present practice.

THE HONOURABLE THE PRESIDENT: I did not say at all that I would not allow you to speak on constitutional questions. It is your right—it is your birth-right—in this House to speak on these questions and I could not possibly prevent Honourable Members from speaking on those questions but I said to you—and I make it again clear—that I object to the practice of discussing all matters entirely foreign and extraneous, which have nothing to do with the Finance Bill, and on which some Members elsewhere did speak at considerable length, a practice which is against the convention established both by rulings and practice in this House, and I will object to it.

THE HONOURABLE MR. P. N. SAPRU: What are those extraneous matters, Sir?

THE HONOURABLE THE PRESIDENT: I will tell you when the time comes.

THE HONOURABLE MR. C. E. JONES (Finance Secretary): Sir, I move that—

“The Bill to give effect to the financial proposals of the Central Government for the year beginning on the 1st day of April, 1944, in the form recommended by the Governor General, be taken into consideration.”

I do not propose at this stage, Sir, nor do I think the House would desire me, to enter into any lengthy explanation of the Bill. The financial proposals of the Government, and I think the Bill in the form in which it was introduced in the Legislative Assembly, are well known to Honourable Members and if I were to undertake an explanation of those proposals I would merely encroach unduly on the time available to Honourable Members for discussion of this Motion. The Bill in its recommended form, however, differs in one or two respects from the Bill in the form in which it was introduced in the other House and I think it is due to this House that I should briefly explain in what respects the Bill in its recommended form differs from the Bill in its original form, the reasons for those variations and the effect of those variations.

The first of the changes, which relates to the compulsory deposit to be made in connection with the Excess Profits Tax, will be found in sub-clause (a) of sub-section (3) of section 8 of the Bill. The original Bill, Sir, required the compulsory deposit of nineteen-sixtyfourths in the case of all assessee liable to Excess Profits Tax. The limit of the compulsory deposit was raised from one-fifth of the amount of Excess Profits Tax to nineteen-sixtyfourths in order to immobilize the entire excess profits which would be left after payment of the Excess Profits Tax and income-tax and supertax on such profits. The fraction of nineteen-sixtyfourths represented exactly the balance that would be left in the case of a company after payment of the Excess Profits Tax and of income-tax and supertax on the balance of the excess profits. It was, however, noticed that in the case of persons, other than companies, who

are liable to supertax at slab rates the amount of the excess profits left after payment of taxes on the excess profits was in cases where the combined rate of income-tax and supertax applicable exceeded $6\frac{1}{4}$ annas less than this fraction of nineteen-sixtyfourths, and might in the case of certain higher incomes be very small indeed. The change now made secures that in the case of a person other than a company, the compulsory deposit is to be seventeen-sixtyfourths; and it has further been provided that if on assessment it is found that the income-tax and supertax payable by a person on the balance of excess profits exceeds fifteen-sixtyfourths, the deposit will be correspondingly reduced so that the compulsory deposit and the income-tax and supertax payable on the excess profits do not exceed the balance of the excess profits left after payment of Excess Profits Tax of $66\frac{3}{4}$ per cent. This variation was made in response to requests put forward in the general discussion. I should add, Sir, that there is a consequential change from nineteen-sixtyfourths to seventeen-sixtyfourths in the provision regarding compulsory deposits payable in connection with the provisional E.P.T. assessment by persons other than companies. This will be found in sub-clause (h) of sub-section (3) of section 8. That change is merely consequential.

The second change in the Bill, which is in respect of the rebate of one anna in supertax admissible to companies, will be found in section D, of Part II of the Second Schedule, that is, at the very end of the schedule. The original Bill provided that the one anna rebate was admissible on the total income as reduced by the amount of any dividend declared in British India except dividend payable at a fixed rate. The provision which is intended to restrict the distribution of dividends would cause hardship in the case of certain private companies. Honourable Members are aware that there is a provision in the Income-tax Act, namely section 23A, which is applicable to private companies if the profits distributed by them are inadequate, that is less than 60 per cent. The application of this provision means that the whole of the profits are deemed to be distributed for purposes of inclusion as dividend in the income of shareholders. Many such companies had already distributed dividends to escape the application of this section. To avoid hardship in their case, the Bill, as recommended, provides that the total income on which rebate is admissible will not be reduced by the dividend declared before the 29th day of February, 1944, by companies to which section 23A would be applicable but for the prohibition contained in sub-clause (8) of clause 6 of this Bill.

There is only one other change in the Bill, which is merely the correction of a printing error. This I think I need not refer to specifically.

THE HONOURABLE THE PRESIDENT: You said "dividend payable at a fixed rate". You mean dividend payable on preference shares?

THE HONOURABLE MR. C. E. JONES: I was using the exact words incorporated in the original Bill.

THE HONOURABLE THE PRESIDENT: I do not know of any other fixed rate of dividend. But I may be wrong.

THE HONOURABLE MR. C. E. JONES: The reference is to dividend on preference shares, I think.

Sir, those are the only changes in the Bill in its recommended form as compared with the Bill as introduced in the Legislative Assembly.

Sir, I move.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern: Non-Muhammadan): Mr. President, the Bill which has been introduced in this House by the Honourable Mr. Jones was rejected mainly on political grounds in the other place. Therefore, naturally the question before the House is whether it should support the recommended Finance Bill which has been placed before us by the Honourable the Finance Secretary. In a normal country where you have got a parliamentary system of government, the defeat of the Government on the Finance Bill is a very, very serious thing. It would, if it occurred—and with a party machine it could hardly occur unless there was a revolt in the party against

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the leaders—it would, if it occurred, result in a change of Government; it would result in the immediate resignation of the Government of the day. Here, no such thing is possible, for Government can function with or without the support of political parties. Here, the Government represents an alien Imperialism and is not answerable to us. The simple question before us, therefore, is whether we should, as a revising chamber, make ourselves responsible for voting for a Bill which will impose a very, very heavy and crushing burden of taxation on the Indian people, and which will further place funds with our approval, assent and blessing in the hands of a Government over which we have no control and whose members, let me state without meaning any disrespect, do not in the slightest degree inspire our confidence. We are asked to vote for a Bill which will become law with or without our approval, and will place funds at the disposal of an Executive Council which we neither regard as representative of the popular will nor reasonably efficient for carrying on the war effort of this great country. I will at once state that, following our past practice, we decline to have anything to do with the Finance Bill and that shall deem it our duty to record our vote against it.

Sir, our opposition in the circumstances which exist in this country can have only a moral significance. It can only be a moral gesture; it can only be a moral judgment which we pronounce upon the efficiency of this Government. It is not within our power to turn this Government out; but it is in our power to save our souls. What I say is that the vote that we are passing is going to be an ethical vote. It is going to be influenced by our belief that this Government as constituted at present is not worthy of any support whatever.

Sir, a Finance Bill reflects in its make-up the policy which a Government has been following, not in any particular year, but in years past also. If, for example, a country which has not been allowed to develop economically and industrially and in which political conditions are unsettled goes to war without an effort being made to secure, through a policy of reconciliation, the whole-hearted, the widest measure of support of the people, it is inevitable that the Finance Bill should reflect these conditions. For a Finance Bill is a structure which is the result of a process that has been in operation in the community for some time past. As our differences with the Government are fundamental, and as we have no responsibility for the government of the country, it is but right that we should refuse to share responsibility without power.

We find, Sir, in this country a Government partially Indian and partially British, in power. That Government is in no sense answerable to this House or to any political organisation in the country. Its members are chosen by the agent of an alien Imperialism. It is a symbol for us—let me be frank about it—it is a symbol for us of an imperialism which we intensely dislike and which we wish to see replaced by an indigenous Government representing the main elements in India's political life and capable of supplying leadership to the Indian people in war-time. Support for the Finance Bill would be, we are satisfied, an affirmation of confidence in Imperialism and in the men, whether Indians or Europeans, who have been chosen to represent it in the Executive Council. We are not prepared to say that we have any confidence either in the British or the Indian Members of the Executive Council. The Indian Members are not our representatives. They do not derive authority from us. They have, in obedience to the voice of the conscience in them, chosen to take lines divergent from those which have recommended themselves to their countrymen. They may or they may not be Mir Jaffers or Quislings. But they certainly are not men who enjoy our confidence. If we were to vote for the Finance Bill or to consider the Finance Bill on its merits we would be admitting that they partially at any rate enjoy our good-will. Their record, as I hope to show, has not been such as to justify us in treating them as statesmen who are fighting our battles in the inner counsels of Government. Therefore, as a mark of lack of confidence in the Government of the day, the Opposition has no alternative but to make a stand against the Finance Bill.

Sir, before I deal with the political part of my speech—and I shall come to the constitutional issue a little later—I should like to point out that there has been an immense increase in Defence expenditure. In 1942-43 the Finance Member prophesied that the expenditure on Defence Services would not be higher than in the year 1942-43. But what do we find? We find that the reverse is the case. The estimated expenditure was Rs. 182,81,000 in 1943-44, but in 1944-45, the Budget expenditure is over Rs. 276 crores and the revised estimates for the current year, that is, 1943-44, is in the neighbourhood of Rs. 262 crores, and we have not yet reached the maximum which is to be charged to India. There was no real change in the military situation, in the East at all events, last year—.

THE HONOURABLE THE PRESIDENT: Are you a judge of it?

THE HONOURABLE MR. P. N. SAPRU: I am as good a judge of it as the Finance Member because I read my international news pretty carefully. I read it perhaps even more carefully than many Members of the House who generally vote with the Government and I read them with an open and objective mind.

THE HONOURABLE THE PRESIDENT: What is reported in the papers is not all correct.

THE HONOURABLE MR. P. N. SAPRU: What is to be found in Government files is not everything that is perfect.

THE HONOURABLE MR. C. E. JONES: I should like to point out to the Honourable Member that he was dealing not only with the facts of the military situation but with expectations of military developments.

THE HONOURABLE MR. P. N. SAPRU: Why did the Budget increase so much over last year's Budget?

THE HONOURABLE MR. C. E. JONES: Partly, as I have already explained, that we anticipated that a number of Divisions would move into Burma and Indian revenues would be relieved of their cost, but that these expectations did not materialise. That has already been explained to the House.

THE HONOURABLE MR. P. N. SAPRU: In other words, Sir, if that was the case last year, with the Burma expedition now almost a certainty, the cost is nevertheless still higher in the current year. One cause that strikes one is that His Majesty's Government did not pay according to the expectations of the Finance Member and more expenditure in India was incurred for the conquest of Burma than was anticipated last year.

THE HONOURABLE MR. C. E. JONES: That is not what I said, Sir.

THE HONOURABLE MR. P. N. SAPRU: What you said was that the troops did not move into Burma.

THE HONOURABLE MR. C. E. JONES: To the extent anticipated and therefore did not afford the relief to the Indian revenues that was expected.

THE HONOURABLE MR. P. N. SAPRU: May I take it that according to the Finance Secretary, if the invasion of Burma takes place in a more energetic manner, there would be relief to the Indian tax-payer?

THE HONOURABLE MR. C. E. JONES: The Honourable Member is aware that when troops leave India's frontiers, for whatever purpose, the Indian revenues are relieved of their cost and if the movement of troops out of India takes place at a rate more slowly than anticipated, until these divisions are replaced if replacement is necessary, Indian expenditure naturally are affected.

THE HONOURABLE MR. P. N. SAPRU: I know, Sir, that if the Indian troops leave the frontiers of India and go and serve in other theatres of war, then we do not have to pay for those Indian troops. What I would like to know is whether the Honourable the Finance Member is sure that the departure of Indian troops would not result in the replacement of those troops by British troops, and if these Indian troops are replaced by British troops, and if these troops are stationed in India, we will have to pay for these British troops and the British soldier costs 4 times as much as the Indian soldier. Therefore, I would like him to tell us whether he is prepared to give an undertaking that Indian troops which leave the shores of India will not be replaced by British troops and that the Indian tax-payer will not have to pay for these British troops. It is for this—

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reason that I say in all humility—I am not a financial expert; so I say in all humility—that there has been a marked tendency towards increase in Defence expenditure. The Burma expedition may put a severe strain,—I think the Honourable the Finance Member said in his speech—on men and material. We should like to know what our maximum liability is going to be. The financial agreement between His Majesty's Government and the Indian Government is an agreement between two unequal Governments. It is an agreement between a subordinate branch of His Majesty's Government and His Majesty's Government. The Indian Government is not in a position to bargain successfully with His Majesty's Government. Sir, His Majesty's Government claim to be trustees for India. The trustee—that is what we have been taught in law—must not make anything out of the trust, and when he is dealing with a beneficiary, the beneficiary must have some independent advice. I should like to know what is the machinery which the trustee has provided, because he stands in a fiduciary capacity, for independent advice to the Finance Department of India. A suggestion was made in the other House that there should be a Finance Committee—whatever you may like to call it—working in co-operation with the Finance Department and watching the working of the financial agreement between Britain and India. That recommendation which was made in the other place was rejected and I am entitled to say that there is no assurance that the burden of Defence expenditure will in view of all the circumstances that I have narrated not go up in the years to come.

12 Noon. Then I come to another point. In other countries you have very high taxation. But taxation is not an end in itself. It is a means to some worthy end; and in these countries while you have very high taxation you have highly developed social services also. A crushing burden of taxation has been placed upon the country. But what I should like to know is what is the Government of India doing—it has increased the grant to Education by a few thousands in the Centrally Administered Areas, it has given some 3 lakhs for the Depressed Classes and I am very glad that it has given 3 lakhs for the Depressed Classes, it has given something for industrial and scientific research and it has given some grants for public health research, for the Institute of Hygiene and the Malaria Institute and so on—apart from these minor efforts in the direction of social improvement, what big scheme has this Government of India put forward for the social security of the people? I know that a number of Reconstruction Committees are at work. We do not know whether the Government of India has any plan for social security now or in the post-war period and we have not been furnished with any such plan yet. Therefore we are entitled to say that the taxation which you are imposing is not likely to equalise opportunity, but is calculated to make the rich poor and the poor even poorer than they are.

I now come to the question of the sale of gold by the U.S.A. and the United Kingdom in India at a price of about 70 per cent. above world parity. I consider it profiteering and I consider it a scandal that these two mighty Governments should be selling gold at a high price in this country and making profits out of the misfortunes of the people of this country. The English price of gold is about £8-8-0 per ounce. The American price of gold in terms of dollar is about 35 dollars per ounce. Gold is being sold in India at about £14 per ounce. That is to say, over each ounce the two Governments are making a clear profit of more than £6 per ounce. Why blame then the poor *baniyas* or the poor agriculturists who also want to make a little profit out of the misfortunes of their fellow men? Import of gold for private sale is strictly controlled by Government. You have given special facilities to the United Kingdom and the U.S.A. Governments and they are using the Reserve Bank as their agents. Why not permit Indians to import gold into India and sell it and you can charge reasonable duty if you so desire on this imported gold. The suggestion that I make would act as an anti-inflationary measure, benefit the State exchequer because of the import duty that I have suggested and reduce the sterling balances as export balances will be reduced to the extent of the price of gold imported.

Sir, from the question of gold, I shall pass on to the question of the price of silver. The price of silver in India is in the neighbourhood of Rs. 133 per 100 tolas. It is above the pre-war price which used to range in the neighbourhood of Rs. 63 per 100 tolas. The suggestion that I make is this. Government should purchase silver from the U.S.A. where it is being sold at a much cheaper rate as they did in the last war. This will reduce the export surplus, benefit the exchequer by the difference in the purchase and sale price and have an anti-inflationary effect. Government says that the cultivator has too much purchasing power and you wish to neutralise that purchasing power by sale of national war savings bonds. Why not sell silver to the cultivator in small bars with Mint markings and thereby reduce his surplus purchasing power and save interest which you have to pay on national war bonds. I find in the Explanatory Memorandum that payments by His Majesty's Government are shown as 854 crores. I should like to know how this item of 854 crores is made up. The question that I would like the Honourable the Finance Secretary to answer is, how much of the amount is due to supplies made to His Majesty's Government, how much of it is due to our accumulated dollar resources, how much is due to the army serving outside and how much is on account of the war cost incurred in India. You do not state the figures separately, so that we are left in the dark as to the actual help that His Majesty's Government is giving to the war effort of India or to the war expenditure of India.

Sir, just at this stage, I shall turn to a tax which probably affects my pockets also, I mean the tax on betel nuts. The three taxes, the tax on betel nut, the tax on coffee and the tax on tea will give you in the neighbourhood of 2 crores.

Now, Sir, it has not been explained to us what the proportion of the tax on betel nuts to the total revenue derived from these three taxes is going to be. It strikes me that it is hardly worth while taxing this commodity which is almost in universal use in India. Sir, it is a tax which may be difficult to collect.

Now, Sir, passing on to the question of coffee and tea, I should like the Honourable the Finance Secretary to tell us whether it is intended that the coffee and tea which are exported for His Majesty's Government should pay the excise duty or not. Are the exports for the use of His Majesty's Government of tea and coffee to be subject to excise duty or not? The position is not very clear to me. I think they are not going to be subject to excise duty. Well, if they are not going to be subject to excise duty, then, Sir, I say that what you are doing is that you are indirectly reducing the prices for His Majesty's Government at the cost of the Indian consumers. Sir, the income-tax and the surcharge on higher incomes has reached a very high level but I recognise that you have given some relief to the lower income groups between Rs. 1,500 and Rs. 2,000, but the fact that the Government has considered it necessary to give dearness allowance to employees drawing a salary of Rs. 250 or less is in itself an admission that up to this limit the high prices make it necessary for Government to give relief to its employees. Now, Sir, the help which you are giving in the shape of dearness allowance you are taking back as income-tax which amounts to Rs. 117 on an income of Rs. 3,000 per year.

Well, Sir, before I pass on to the constitutional issue I should like also to say a word or two about the Bengal famine. We had the other day supplied to us in this House the mortality figures due to the famine in Bengal.

THE HONOURABLE THE PRESIDENT: You wanted to know from me what was an extraneous subject. Now this will be an extraneous subject to this debate unless you associate it with the Finance Bill.

THE HONOURABLE MR. P. N. SAPRU: Well, Sir, I was going to say this: that a very great deal of responsibility for the famine in Bengal rests with the Government of India as it is in charge of transport, as it is in charge of Defence, as it is in charge of other vital services upon which the prosperity of a community depends. It is in charge of the import and export trade of the country and it is in charge of shipping arrangements and so on. I do not accept the view that the entire responsibility for the famine in Bengal can be rightly placed upon the shoulders of the Bengal Government. I think the Government of India was not able until a few months back to evolve a coherent, co-ordinated

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food policy. It is only within the last three or four months—after August—when things became very bad that an effort was made to evolve a food policy.

Now, Sir, what I was wanting to know was whether the Government had taken any steps to improve the position in regard to vital statistics. The mortality figures were supplied to us only the other day. Now, we cannot be expected to accept those mortality figures as entirely accurate. I do not think, Sir, that the Honourable the Finance Secretary will take the line that these figures, having regard to the defective nature of the machinery that we have for the collection of vital statistics—and vital statistics are very important from the health point of view: they are absolutely necessary if you are to have a real health drive in the country—which you have supplied to us are correct. We know what the agencies in the various Provinces for the collection in rural areas of these vital statistics are? We have the village chowkidar and we have in Madras the village headman. The village chowkidar goes at his leisure—he is a very busy person—he goes in one week or two weeks to the *thana* and makes a report that so many deaths have occurred, so many births have taken place and then we know how these diseases are grouped. This is the common formula. He says so many people have died of fever and fever is often put down as malaria. In that way the process goes on.

THE HONOURABLE THE PRESIDENT: We have discussed this matter twice within the last six months.

THE HONOURABLE MR. P. N. SAPRÚ: Sir, I wanted just to point out that it is desirable to improve the machinery in regard to vital statistics.

Sir, I shall now come to the question which is from our point of view the most important question, the question of primary responsibility for the intolerable state of affairs in the country today in the constitutional and political field.

Sir, the case of His Majesty's Government is that the present Government is a reasonably efficient Government, that they can do nothing as the main political Parties are at loggerheads and that the Congress rejected the Cripps offer which visualised, according to them, independence for India in the postwar period and an Indian Government in the immediate present. Sir, two years have elapsed since the Cripps offer was made and what is the position today? Sir, let me, before I deal with this question, analyze in a very short manner the main features of the Cripps offer. That offer you can divide into two parts: that relating to the future and that relating to the present. So far as the future is concerned the Cripps offer said "We will summon a constitution-making body, composed of elected representatives of provincial legislatures at the end of the war. This constitution-making body will be charged with the responsibility of framing a constitution for India. If any Province is dissatisfied with the constitution framed it can remain outside the main Indian union and enjoy provincial autonomy under the Act of 1935. If contiguous provinces feel dissatisfied with the constitution framed by the main Indian Union, they can remain out of the Indian Union and form a Union of their own if they so desire. It will be open to the Indian States to join this Union. And, of course, it will be for the Indian State Rulers to decide whether an Indian State shall or shall not join the Union. If an Indian State joins the Union, then paramountcy over that State will disappear.

After the constitution has been framed, India will have to enter into a treaty with Britain, firstly, in regard to matters arising out of the transfer of control from British into Indian hands, and secondly, in regard to the protection of racial and religious minorities. I do not propose to say anything about the self-determination clauses of the Cripps Declaration. I recognise that there are differences of opinion in regard to those clauses. But I would like to point out that under the Cripps Declaration, so far as the future is concerned, the ultimate veto over any constitutional arrangement to which we might agree resides in the hands of the British Parliament, as that constitution will not be implemented until a treaty which Britain regards as satisfactory has been negotiated with the Indian constitution-making body. When the Act of 1935 was under discussion in Parliament, the line that Sir Samuel Hoare took was that

the special responsibilities or the safeguards which he was asking Parliament to agree to had been influenced by the circumstance that Britain had certain historic obligations towards India. Now, you can put safeguards either into a treaty or into an Act. You can either put special responsibilities in the hands of a Governor-General, or you can have a sort of Resident Minister, or a High Commissioner, or an Ambassador, and you can put those very special responsibilities or safeguards in a different way in the hands of those people. What we should like to know before we make up our minds is as to whether the Cripps offer does or does not give real independence, whether that offer does or does not give independence within the meaning of the Statute of Westminster. What we should like to know is what is to be the nature of the treaty that His Majesty's Government wish to negotiate between India and Britain in regard to matters arising out of the transfer of control from British into Indian hands. What are the matters on which they would have to be dealt with by the treaty? What are the arrangements that they contemplate in regard to those matters in the treaty that they have in view? These are questions on which we are entitled to be enlightened, and unless we have a full picture before us it is impossible for us to say that the Cripps declaration envisages independence for India now, or independence for India now or in any foreseeable future.

Sir Stafford Cripps was vague on the question of these treaties. His simple formula was this. You ask him any question; he would simply say: "You can secede from the Empire if you like." "You can do this, you can do that. You can do almost anything." But we want more specific information as to the intentions of His Majesty's Government in regard to the nature of the treaty that they wish to negotiate with India. All that Sir Stafford Cripps said was that the commercial safeguards would disappear. But the commercial safeguards would have disappeared even under the Government of India if a commercial treaty between England and India had been negotiated. This was no very great advance over the position that was taken up in 1935.

I say this all in order to show that what Britain intends is not real independence for India, but some kind of limited self-government within an imperialistic structure. Now, Sir, let me say quite plainly that we visualise for our country a status no less high than the status of any country in the world. We cannot compromise on the question of Indian independence. It does not mean that we are not going to co-operate with you in the future world. It does not mean that we necessarily go out of your Commonwealth. But we wish to be in our country what the people of Russia are in their country, what the people of the United States are in their country, what the people of Australia are in their country. You have this deadlock because you speak with mental reservations. When you talk of independence you have in mind some kind of limited self-government, so devised as to enable you to apply the brakes at any given moment. When we talk of independence, we have in our minds a state of affairs in which Britain ceases to be the paramount power in this country.

Those are the vital defects in regard to the future, so far as the Cripps Declaration is concerned. Now, so far as the present is concerned, one solution was possible, and it was this.

"Let the future take care of itself; we will merely concern ourselves with the present. You have our assurance that you will have independence in the immediate postwar future. We are suggested a certain formula for our independence, in the postwar future. We recognise your right to independence. But for the immediate present, we have a reasonably efficient Government, national in character and composition."

Sir, the position has been made even more complicated than it was at the time of the Cripps Declaration. When Sir Stafford Cripps came, the line that he took was this:

"I am not bothered about any party except the Congress and the League. If the Congress and the League agree, I will have an Indian Government at the Centre. If the Congress and the League agree, then the proposals in regard to the future will also be given effect to."

But now, what you say is this:

"You must have not only the assent of the Congress and the League, but you must have also the consent of the loyalist front that we are creating."

[Mr. P. N. Sapru.]

You want us also to have the assent of groups whom you can manipulate, because we were told the other day that Britain was not going to give up the men who had stood by her. According to the British interpretation, the men who have stood by her are not the men who are genuinely democratic and anti-Fascist at heart but the weak, the halt and the lame who are always walking into the same lobby with Britain at any time. That makes the task of any agreement ever so much more complicated, because it is impossible for us, enjoying the patronage you do and dividing the people as you can, to arrive at a settlement with these divergent elements of our national life whom you can control. The result of all this has been that your word that you intend to give India self-Government is trusted neither by the Congress nor by the Muslim Leaguers nor even by the so-called loyalists who talk more seditiously than we do outside the House, though they are not doing so in your presence—

THE HONOURABLE THE PRESIDENT: Where did you get that information?

THE HONOURABLE MR. P. N. SAPRU: My personal talks, Sir. I am a truthful man. I have never felt happy at Japanese victories but I have seen some of these loyalists talk in a manner which suggests that they will be jolly glad in order to escape taxation that war ended and that Japan will make things easy—

THE HONOURABLE SIR FIROZ KHAN NOON (Defence Member): You should be ashamed of such friends.

THE HONOURABLE MR. P. N. SAPRU: Probably you have a larger number of friends of that type than I have—

THE HONOURABLE SIR FIROZ KHAN NOON: No.

THE HONOURABLE MR. P. N. SAPRU: —and if I were to mention these names to you in confidence, you would acknowledge them as your friends. I am not quite sure that I would acknowledge them as my real friends.

THE HONOURABLE THE PRESIDENT: Deal with your constitutional question now. Don't bother about them.

THE HONOURABLE MR. P. N. SAPRU: That is the position. How are we to bring about this agreement? You have taken this line: "We will have no truck with the Congress. It rebelled. But you forgot that the first shot was fired by you. Their resolution only spoke of direct action under certain eventuality. In any Trade Union resolution you will find: "We will have a general strike if these things are not done." That was all that the August resolution said. You say: "We will not release the Congress leaders; we will not allow them to be contacted by the outside world; we will not allow them to contact with each other; they must, looking to their individual consciences, come forward and say, not in sack cloth and ashes but in so many words, 'Oh, please, Sir forgive us, we are very sorry we passed the August resolution; we rescind that resolution.'" In other words,—let me be plain about it—you want to break the morale of the Indian people. You want to import in dealing with the Congress leaders the Versailles spirit. You want an admission of guilt. Well, Sir, the Versailles spirit led to the rise of Hitler with all the terrible consequences that we see in the world today. That is not the spirit in which you will be able ever to solve the Indian problem. It is of vital importance to us that we should achieve our independence now, because, as I see it, there were two great dangers from which India was suffering. I am speaking absolutely without mental reservations. There were two great dangers from which India was suffering. The first was that on the ruins of an old and retreating Imperialism, a new and more vigorous Imperialism might arise. That danger is fortunately very nearly over. The other danger is that we may have in the future world an International organisation and India may not find a place of equality in that International organisation. You will remember that at the Teheran Conference it was agreed that the International organisation set up should be based upon the Sovereign quality of all the States joining it. If we do not reach our independence now, we shall find no place in any International organisation in the post-war world. In other words, the U. S. A., which has been a non-Imperialist force so far, the U. S. S. R. which has been regarded—I do not say wrongly—

as an anti-Imperialist force so far, and China to which we look as a great friend will be members of an international organisation and you will have the support of all these nations in the maintenance of the strangle hold of your Imperialism over the East. I am a very great believer in an International organisation but I should not like an International organisation which is not based upon a recognition of the fundamental equality of the races and nations joining it. From this point of view it is necessary that we should have in an inter-dependent world an assurance of our independence and a reasonable national Government which will have the power of sending accredited representatives of the people to the Peace Conference. The issues before the Peace Conference will be of a most vital character. The Congress of Vienna of 1815 did not have to deal with the problems which this Peace Conference will have to deal with. The Versailles Conference did not have to deal with the problems which this Peace Conference will have to deal with. We shall have problems there touching the economic life of all the countries. We will have problems there which will touch the life of the working man in all the countries. We will have problems there which will touch the political life of the various countries of the world, and it is, from our point of view of the very greatest importance that we should have at the Centre a Government in which we have confidence so that the representatives chosen by our Government may be regarded as representatives of the popular will in this country.

I have touched on the constitutional issue at some length but I should like, before I close my remarks, to say something about the rule of executive discretion which has to a very large extent been substituted for the reign of law in this country. During the last two years we have seen an utter contempt at times shown by the Executive Government for judicial processes and even for the law courts. The Chief Justice of the Allahabad High Court said that the new Ordinance III of 1944 had paralysed the High Courts who cannot, under the Ordinance, even consider the question of the legality and propriety of any arrest, and who have been even defined of the power to see whether the forms of procedure which the Executive Government itself has prescribed have or have not been observed. We have seen counsel who were appearing for accused arrested and only two or three days back we saw a British Chief Justice of high integrity and character rebuking the officers who had withheld petitions, which could not be withheld, from the High Court and telling them that they were guilty of contempt. Not only this, but persons superior to them had encouraged them in all this. The superior men escaped but the men who actually did it were held technically guilty of contempt. You go to the districts in our province, a section 93 province and you will find utter helplessness. The District Magistrate and the police are absolutely supreme. They can do almost anything they like with you. They can force you to buy war bonds, whether you have the will, desire or money to do so or not. They can intern you; they can bolster up a case against you. It is all right for Sir Reginald Maxwell to say that we have got only 5,000 detenus. But these 5,000 men are detenus; they are not convicted persons, and we know as a matter of fact that a very large number of them are antifascist, pro-democratic; and the real reason why you have detained them is that you cannot make up your mind as to whether you will give India independence now or within any foreseeable future. I feel that these things have discredited the Government in the eyes of the common man. He used to think that the greatest gift that Britain had given to this country was the rule of the law. Now he thinks differently. He thinks that the rule of the law is a thing of the past. It may be that contact with Fascism, that in fighting Fascism, you have also imbibed some Fascist tendencies. I hope my reading of the mind of the British official is not correct. I should be sorry if it proved to be correct. But it is nothing short of a scandal. You say there is no deadlock. You have got 5 big provinces governed by one single Governor. There is no Legislature to help him. So far as the Central Legislature is concerned, there has been no general election for the last 10 years. So far as the Central Assembly is concerned, there has been no general election

[Mr. P. N. Sapru.]
for the last 10 years. There has been no general election so far as this Council is concerned for the last 7 years. In the provinces there has been no general election for the last 7 years. I know there is a party truce in England but people are getting dissatisfied with that party truce in England also. Forget England for the time being and just think of the position in other countries. Australia has been through two general elections within the period of the war—

THE HONOURABLE THE PRESIDENT: I only want to remind you that there are only two days for this debate.

THE HONOURABLE MR. P. N. SAPRU: This is my last point. Australia has had two general elections. Canada has had two general elections. The States in Australia and Canada have had general elections. South Africa has had two general elections and General Smuts thought that he would be strengthening his position by introducing the Pegging Bill and all that. New Zealand has had a general election. The United States has had general elections and it is in the midst of a big presidential election. How and why is it necessary for you to continue in perpetuity this antiquated Assembly and this jaded Council of State and these antiquated Provincial Legislatures? If you want to break the deadlock, there is a way. But you do not want to break the deadlock. The Indian Members have not asserted themselves in regard to these vital matters. I say so without meaning any disrespect to them—I know some of them are estimable men in personal life—I say without meaning any disrespect to them. I mean no disrespect to the European Members of the Executive Council. They have got to carry out the orders of His Majesty's Government. On these broad grounds we feel dissatisfied with the general policy of the Government.

Before I close, I should like to make it absolutely clear that our vote must not be regarded as a vote against the war effort in this country. We should be sorry if an interpretation of that character was put upon our vote, because we are not opposed to India's participation on terms of honourable co-operation with the war effort of the United Nations. The vote that we will cast is a vote not against the war effort but against the Government which is running the war effort of this country. I may say that I am not sure whether I shall be present at the time of the voting tomorrow. Unfortunately I have to leave tomorrow at about 1 O'Clock and therefore I wish to make it clear beyond the shadow of any doubt that I would have considered it a sin, if I may use theological language, I would have considered it a sin to vote for the Finance Bill.

THE HONOURABLE SIR A. P. PATRO (Nominated Non-official): Sir, the Honourable Member who spoke before me spoke with such vehemence on the constitutional and political aspect that I feel it unnecessary for me to reply to all those propositions which he has advanced.

THE HONOURABLE THE PRESIDENT: You are at liberty to reply to them. I am not going to stop you and many of those questions which were argued on the ground of constitutional question were not constitutional questions by any stretch of imagination.

THE HONOURABLE SIR A. P. PATRO: Many of those questions which he argued—

THE HONOURABLE MR. A. Z. M. REZAI KARIM (East Bengal: Muhammadan): Is the Honourable Member feeling obliged to reply to the questions?

THE HONOURABLE SIR A. P. PATRO: No, no. I will not reply.

THE HONOURABLE THE PRESIDENT: He is entitled to speak. Please do not disturb him. We want to save time.

THE HONOURABLE SIR A. P. PATRO: I would certainly not take up one hour's time of this House but content myself with certain observations and comments on the Bill before the House. The relevant things for us to consider are the Bill and the taxation proposals. The taxation proposals in the Bill seem to me to be inevitable. The War Budget is a deficit budget and defence

of the country is the primary consideration. The war budget is 272 crores, six times what it was before and there is a deficit of 78.41 crores. How is this to be met? That is the problem which the Finance Member has asked the House to consider.

How is this deficit of 78.41 crores worked out by him to be met. It is suggested that much of it could be met by a careful supervision of the war expenditure and also that the financial relations between Great Britain and India may be suitably adjusted and thirdly there is the question of sterling balances to be tackled. It has also been suggested that we should hold over a part of the deficit for the next year. All these avenues have been exploited and found to be impractical and inadequate. Now it is proposed to work out the deficit by borrowing and taxation. The aim of borrowing is said to be not only to meet the Budget deficit but essentially to meet inflation. A variety of anti-inflationary measures has been adopted in the nature of direct monetary regulations, the effect of which is to place restrictions on the production of consumer goods. That is the painful effect of this. Production in the country is minimised and supplies are to be increased by import or production of suitable articles to satisfy irreducible public requirements. Now, when we can encourage the import of articles which are necessary for consumption we cannot satisfy the country by irreducible public requirements. How far the supply of these articles is economic is really a problem which ought to be considered very carefully before it is encouraged. The Finance Department seem to advance it but I am altogether unconvinced of the reason which the Finance Member has advanced. They should increase the resources at the disposal of the Government, no matter what the Government is. The Finance Member has claimed that the new taxes mostly affect the cultivators of land and land products. There is an increase in the excise duty on tobacco and tax on betel nut, coffee and tea. Tea price is not controlled and though price has not been fixed, the planter owning the tea estate, the capitalist, is more favourably treated. The Finance Member seems to have a soft corner for him.

There is the improper speculation of food-supplies, the creation of the black market and every other thing that is necessary to undermine the market. Capitalists have been following the iniquitous policy of making money out of the blood of the poor people. The other day a capitalist said in this House that the ryot is well off as his produce is sold at a higher price. The capitalist sees through his eyes that the ryot is making large profits but he is blind to see that he has to pay five or six times for the necessaries of life. It is sad that tobacco taxation is increased. Licensing fee of one anna per lb. on tobacco and 4 annas per lb. on betel nut has been proposed. Tobacco and betel nut is the poor man's necessity and the taxes touch his pocket. The poor ryot is there. It contributes one more ground for propaganda and unpopularity of Government. If once the peasant gets hold of this idea of injustice it will be difficult to dislodge it from his mind; hence you must be cautious in introducing this. In fact you must consider it twice before you can propose to introduce these taxes. I object to the betel nut taxation and increase of taxation on tobacco.

The Honourable the Finance Member said that it is his primary duty to deal with inflation. This is done by control and stabilization of prices. The plea of price control should not give room to high profits. The textile industry gets high profits on account of high ceiling prices having been fixed. Government is not benefited by it; it means that the consumer is taxed by it. There is a mill with a capital of Rs. 12 lakhs which has made a profit of Rs. 60 lakhs and also another one with a capital of Rs. 90 lakhs, which has made a profit of Rs. 1,00,10,000 and so on. The tendency of price control should be revised.

The first impression of the Finance Bill is that it makes the poor man poorer—he will not even get one meal—and will enable the rich speculator to earn crores of rupees.

[Sir A. P. Patro.]

In the Bill no provision indicating the existence of any plan for industrial and agricultural development is visible. Taxation is necessary to meet the war expenditure. All schemes of progress can wait till post-war reconstruction begins. When that will be, Heaven only knows. The justification for the new taxes is said to be that the administration of India has been pitifully inadequate to improve the standard of living in this country in all the beneficent departments for which purpose there should be increased resources at the disposal of the Government, no matter what Government it was. He claimed that he is only doing the duty and making it lighter for them for the future. He may be spared such a duty and such a responsibility. Is not the Finance Member aware of the income per head of the population, of the taxable capacity of the country? How far could additional taxation be borne? Can the economic and industrial condition of the people stand further taxation? It is a sad commentary on the British administration that after a century of British rule in India the people, farmers, ryots, etc., are not able to bear fresh taxation. In this state of things it is only the agriculturist, the ryot, that is taxed most. You can ask for political rights, political concessions, privileges, but what about the taxpayer? What about the voter? It is he who will give you the real conditions of things necessary for making the country prosperous.

Now if you tax the ryot and you take away from him and you make him discontented and always grumbling he never sympathies with whatever you may do for him in the administration. You are doing something for him in the matter of agriculture. It is true that he is not at all neglected but what is the amount of good that you do to the ryot considering the position, considering the vast amount of money that is required for purposes of building up or rebuilding agriculture. It is therefore necessary that the Government should pay its attention to what is called the social development of the country. Has the Government any plan for building up social development, for health, for education and other matters. There is no such plan. Mr. Sargent, the Educational Adviser to the Government of India, has devised a plan for national education. When it is going to be enforced? The plan is being considered first by one committee, then by another committee, and so on. It is considered and considered, but it is never going to be given effect to. Mr. Sargent is a Government officer, and he had devised a scheme which will do good to the people. Yet, that scheme will lie in waiting until after the war—for post-war implementation. Similarly with regard to industrial development. You have got some plans in different places. These schemes, if developed properly and encouraged, will prove very useful to persons returning from the war. Two million of these men are fighting. How many of them will return and how many of them will be engaged, we do not know yet. Still, the war-returned people will be more enlightened, will be more industrious, and will be more capable of handling tools. Therefore, it is necessary that when they come back you should be able to utilise the labour for factories and workshops on co-operative lines.

The Finance Bill is indeed part of the war budget, but while making provision for war purposes, it should not forget the wants of the people in the immediate future. It is no use talking of politics, of high politics, at this stage. Once and for all the position has been stated definitely, namely, that there should be unity among us all, that we should come forward after such unity, with a united scheme, and then the British will disappear. What is the use of blaming the Executive Councillors? They are there because it is inevitable. If you want to replace them, replace them by effective means, under your own scheme of union of various interests. The Cripps offer is there. Come forward unitedly and ask the Government: "Here we are, united; our scheme has been agreed to by all. Therefore, make room for these people." It is on those practical lines that we should proceed, and not by one party asking for one form of government, and another party asking for another form of government. There will no doubt be differences, but the main

thing is that we have to agree upon a scheme which will not be dissented from by others. There should be no domination by one party or one community or one caucus. It is this dominance that we fear. The fear that is working in our minds is that one party will dominate, as it did for three years during which it ruled. We do not want any such thing repeated. We want to have a united, peaceful Government which will have the welfare of the people at heart, and not the welfare of only those few that are in power.

Therefore, Sir, though the Finance Bill has many defects, still, as a war measure, I support it.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA (Bihar: Non-Muhammadan): Mr. President, I do not propose to take more than 20 minutes. Sir, let me assure you that it is not with a light heart that I rise to speak on this occasion. The Government of India are in a most unenviable position. They have been disclaimed and denounced by all sections of the people they govern. The Assembly the other day voted down the supplies for the Executive Council. But led by Maxwell, they still continue to wax well and tax well. Sir B. L. Mitter, an eminent jurist and an eminent lawyer, an ex-Law Member of the Government of India and the present Advocate-General, India, speaking very recently to the students of the Benares University, said that this Government had nothing of democracy or even of federation about it. The essential concept visualised by any decent Government was the subordination of the executive to the vote of the Legislature and the judgments of the judiciary, but the executive in India is not only supreme but overrides both the legislature and the judiciary. Mr. Frank Anthony, speaking the other day, said that the magistracy was virtually subordinate to the police, which itself is a subordinate branch of the executive. Mr. Anthony, who is a practising lawyer, said that magistrates themselves had told him that they were provoked to convict persons whom they would otherwise have acquitted. They much criticised rule 26 of the Defence of India Rules was substituted by Ordinance III of 1944, styled as the Restriction and Detention Ordinance. This has completely ousted the jurisdiction of courts in cases of detention. I would not like to take up the time of the House by reading out the Ordinance, which I am pretty certain is well known to Honourable Members. Words could not have made an ouster of the jurisdiction of the Indian judiciary so unabashed and so complete. But Sir Reginald Maxwell said that there was no gagging or paralysing whatsoever of the judiciary. Sir Reginald was not content merely by posing as a defender of the honour of the Indian magistracy; but he also posed as a friend of the League Ministries. The Defence of India Rules, he said, were administered by Provincial Governments, and if the Central Government interfered, the League Ministers would resent. The Home Member needs to be reminded that the distribution of responsibilities between the Centre and the Provinces did not prevent the Central Government from issuing frequent directives even on matters of trivial importance. And as regards responsibility for the administration of the Defence of India Rules, it was really the Governor who was the authority, and not the Ministers. Sir, lawyers whose only offence was the defending of the accused in political cases had to suffer the consequences thereof at the hands of the present executive. In the King-Emperor *vs.* Shibnath Banerjee case, their lordships of the Federal Court said:

"Even the provisions of rule 26 were not complied with in that case and they could not condemn too strongly the callous disregard shown to the provisions of law."

The case of Pandit Baidyanath must be fresh in the minds of members—

THE HONOURABLE THE PRESIDENT: These things have nothing to do with the Finance Bill.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA: These things have got to do a great deal in disclosing the way in which the Government of India administer the country, and it is these things that go to prove the worthiness or otherwise of the Government of India in whose hands we are required to place funds by means of our vote. Sir, I was referring to the case

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of Pandit Baidyanath which I said must be fresh in the minds of Honourable Members of this Council and I hope that they will be able to recall that the Chief Justice of the Allahabad High Court complained that the D. I. Rules had paralysed them. Sir, one wonders if the effect of these cases has ever crossed the mind of the Governor General or his trusted advisers and if they have ever thought whether their policies and measures are at all calculated to enhance the prestige of the judiciary or the effect they are likely to have on the minds of the general public, even if we assume that the judiciary has no mind to be troubled about.

Sir, these were some of the grounds on which the Government suffered a defeat in the Assembly on the motion of the Nationalist Party regarding the abuse of powers assumed by them through the D. I. Act and the Rules. This Government not only flouts the Legislature but also the judiciary. This House discussed the other day a Resolution which suggested the formation of an Advisory Committee for the purpose of advising Government about the cases of those under 'detention. The Resolution was not accepted by Government. This Government which holds in jail thousands of Indians without trial denied to accept our co-operation, our help, our advice in this vital matter. How could a Government so irresponsible, so regardless of our views, hope to find our support? Government want our support on the Finance Bill which has come to us in a recommended form after being thrown out by the Assembly twice by the combined vote of the Congress, the Muslim League and the Nationalist Party. Government want us to vote for taxes, but do they ever consider whether it is fair or not that they should also subject to our scrutiny and direction the manner and the purpose for which the money obtained is to be used? They are prepared to subject themselves to no obligation of this kind. The Muslim League Party in the Central Assembly urged the need for immediately appointing a committee of elected members of the Central Legislature, assisted by suitable officials, to scrutinise the expenditure for which the Government of India were responsible and suggest where economy could be effected. There is a general feeling that a lot of economy is possible in the Supply and P. W. Departments. Even the European Group in the Assembly suggested an anti-waste drive. What was the response of the Government of India? The Government of India opposed the demand. The Government of India were defeated on that day for the third time on the voting of Demands this year. What is the respect that the Government of India intend showing now to the vote of the Assembly in this matter and in connection with the D. I. Rules and to the five cut motions that were carried during the debates on the Railway Budget? The plain fact is that the Government of India do not want the co-operation of the people of India on respectable terms. Sir, I would like to draw the attention of Government to the pointed appeal of the Editors of Newspapers in India published today. The appeal points out that there is profound distrust in the country of British intentions. The Home Department should give up its love and fastidiousness of legal quibbles over the illegal Rules and Ordinances enacted by them. The co-operation of the people is the first and most valuable asset to fighting a war successfully. The Government should release the leaders under detention and resolve the deadlock by seeking their co-operation on honourable terms. There is no use carrying on the Government in a huff and in a mood of vindictiveness. Those whom you have declared as rebels are completely anti-Nazi, anti-Fascist in their outlook and may be the best pillars of a Commonwealth based and designed for the equal and mutual benefit of its individual members. The present temper of the Parties in India is to my mind especially suitable for a Coalition Government. Will this Government accept the vote of the Assembly and vacate office and will the Governor General send for the Leaders of Opposition and face them with the proposition of forming a trusted Cabinet with collective responsibility and make the Cabinet responsible to the Legislature? No. The Finance Member and the Home Member are men of resolution. They will never give in and

yet the hope that they can have the wilful help of those who have the pride of manhood and faith in their destiny. In circumstances of complete lack of response from the other side and disregard of the vote of the elected representatives of the people it is impossible for me to bless the Finance Bill with my vote. The Finance Member will have his day all right but with the help of certification or the assistance of such help as he has always been able to command. Of Field Marshall Joffre, Lloyd George thought that his chief virtue was the possession of a resolute countenance which inspired a sense of strength. That is what harassed people instinctively seek in trouble. They make the mistake of thinking that the seat of intelligence is the chin. I know that a National Government would perhaps tax as much as this Government—taxes on incomes over a slab of a lakh and Rs. 50,000 are already designed to be 15 annas in the rupee—but the counterbalancing advantages to the country of a National Government would be great. In the case of this Government which is merely a subordinate branch of the Government of another country, those advantages are completely absent. This Government allows the interests of India to be subordinated to the interests of the Imperialist Government of Churchill, Amery & Company. Why does not the Government of India, I ask, compel H. M. G. to meet the difference in the cost of maintaining a British and an Indian soldier? The reason is that this equation has to be settled between two unequal Governments and consequently this Government only wants that we should suffer financially and do so gratefully for the preservation of Indian democracy and Indian freedom by England—indeed very charming conceptions—through the British soldier at the cost of India.

Sir, what does India expect to get or gain out of this war, which is said to be a war for the preservation of democracy and freedom? India has no democracy, no freedom to lose. It should have been the concern of this Government and H. M. G. to kindle India with the glow of freedom by transfer of real responsibility and not merely to expand the Executive Council, with all vital portfolios still in British hands. What is the achievement of this Government during a long rule except the multiplication of pretexts and devices to keep India under subjection?

THE HONOURABLE THE PRESIDENT: Which are the portfolios in British hands?

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA: Defence and Finance, Sir.

THE HONOURABLE THE PRESIDENT: You said all portfolios.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA: I said, Sir, that the expanded Executive Council still left the most important and vital portfolios in British hands and there was collective responsibility. They did not make the Cabinet responsible to the Legislature. These are the essential characteristics that give a government the character of a responsible Government. Sir Stafford Cripps when he went back to England from this country told the House of Commons that he had made it clear to all those he had met that until the framing of the Constitution by a Constituent Assembly there were to be none or at best very insignificant changes in the government of the country. Then it must not be forgotten that the anticipated constitution itself was to be subject to the terms of a treaty with H. M. G. The nature of the terms were never outlined. Even then India has fought the war valiantly and made tremendous sacrifices. India would fight the war better if she had a responsible Government capable of rousing the real springs of national enthusiasm. It is no use cajoling India by saying that she is now a creditor country—a credit which cannot be handled by her as and when she needs. By giving credit to India only in the shape of sterling and not in sterling and dollar both, India is being tied down for the future only to one market. The ingenuity of the Englishman can always explain that this is what is to the benefit of India. In the latter half of 1942 and the early months of 1943 the Government of India sold considerable quantities of silver at their disposal. The

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actual quantity or value is not yet accurately known, but it was generally estimated that the sales were of the order of 150 crores. The silver was sold at 28½ pence per ounce to British consumers when Indian consumers had to pay double the price in the Bombay market. If that silver had been sold in India the Government would have gained 75 crores more than that achieved by the sale of Indian silver in England and it would have been an anti-inflationary measure. Now foreign gold is being sold by the Reserve Bank of India because the Indian market is profitable to the foreigner. But perhaps the ingenuity of the Englishman will again successfully show that both the sales are in the interest of India. In his epilogue to the Joan of Arc,—a book—which I tried just now to get from the Library but failed, I remember that Bernard Shaw puts in the mouth of Napoleon an interesting definition of English character. Between an Englishman and the rest of God's creation, according to Napoleon, there is this difference that the Englishman always puts forward an unselfish reason for every grossly selfish act. If he wants your money, it is because he wishes to relieve your pockets of a needless load. If he wishes to dominate you, it is because he desires to save you from the botheration of administering for yourself. If he controls an Empire, it is because he has an emotional interest in the welfare of the backward people. Sir, in order to inspire confidence in the people and to give the people the right type of leadership this Government must change in composition and outlook, draw their authority from the people and bear responsibility to them and not to an alien imperialism.

STANDING COMMITTEE FOR THE DEPARTMENT OF SUPPLY.

THE HONOURABLE THE PRESIDENT: With reference to the announcement made by me on the 27th March, 1944, regarding nominations to the Committees, I have to announce that the following Honourable Members have been nominated for election to the Standing Committee to advise on subjects with which the Department of Supply is concerned.

1. The Honourable Sir Rahimtoola Chinoy.
2. The Honourable Mr. Manockji Nadirshaw Dalal.
3. The Honourable Kumar N. N. Sinha.

There are 3 candidates for 3 seats and I declare them duly elected.

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

The Council reassembled after Lunch at Quarter to Three of the Clock, the Honourable the President in the Chair.

THE INDIAN FINANCE BILL, 1944—contd.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I rise to oppose the Bill. I am a co-operator and I wish the war to be won but as I disapprove of the present policy of the Government I have no other constitutional method but to oppose the Bill. In every country goodwill of the people is essential for the Government of the country. As far as I understand the Government lost Burma because its people lost confidence in the Government and as a loyal citizen I must say that in India too the people are getting restive on seeing that it is becoming the rule of might and not of right. The war was fought to establish that right was might and not that might was right. My Honourable friend Mr. Sapru has explained that even the orders of the High Courts of Judicature are being ignored and that even the Federal Court has held that the conditions under which the country is being at present administered are not satisfactory. The British are well known for their justice and whether that justice is being now administered to or not is a question which I leave the House to decide. I know certain cases—and if I am wrong Government will put me right—in which the High Court of Judicature ordered release of a certain prisoner but the jail authorities refuse

to carry out the order. Is that condition proper? What impression does it create upon the masses? Prisoners are released on the order of the judicial authority and as soon as they get out of the jail, they are re-arrested under some other Defence of India Regulation. These Defence of India Regulations are the order of the day and anything can be done under these Rules. The voice of the Legislature, of the elected members of the Legislature, is being defied. It would be much better if the Legislatures and the Courts be dissolved and for the time being the country be ruled at the goodwill of those who are in authority. I say when people are making a sincere War effort and co-operating with the Government there is no justification that the present unjust treatment accorded to them should continue. I myself consider the British Government much better than many alien Government and particularly Japan—I have travelled a lot—abroad to study alien rule and found that Japanese rule is generally disliked, and, if I mistake not the British rule so far as my experience is concerned has proved itself to be the best in alien rule but in these days the repression of the country under the rule of ordinances and D. F. I. Regulations which is being maintained by them is a question which, now is creating resentment in the minds of masses. As far as I am personally concerned I am doing whatever is possible to help the Government in war effort and I find that people who do not see eye to eye with me have done many things; so much so that efforts were made to murder one of my responsible officers in order to threaten me to stop co-operation with Government in war effort.

Sir, I oppose the Bill not that I do not want to help the war effort—I want the war to be won and it is in the interests of India to win the war—but because I do not want that the present policy of the Government to continue and the people to be fleeced out as to be made paupers. The taxation should go to the limit of the capacity of the people to pay and to leave them little savings for their existence. I do not want to dwell long on the subject. I have cleared my position. As I do not agree with the present policy of the Government I have no other constitutional method but to oppose the Bill.

THE HONOURABLE KUMAR NRIPENDRA NARAYAN SINHA (West Bengal: Non-Muhammadan): Sir, this is the fifth Finance Bill which has been presented to the Legislature by the Honourable the Finance Member. I have no desire to take the time of the House and deal in any detailed manner with the various proposals of taxation embodied in the Bill. My own view based on the experience of the last few years, which is that the Revenue receipts have always been underestimated. Sir, the Honourable the Finance Member has proposed to meet the deficit by certain new measures of taxation. I fully realise that in the present situation of the war every Indian should shoulder the war expenditure so necessary for the defence of our country. My only submission is that this burden should fall on shoulders broad enough to bear it and not on the poor. I do not for a moment object to the E. P. T. or the corporation tax. I fully appreciate the concession made by the Finance Member to persons of modest means by raising the taxable income limit to Rs. 2,000 per annum.

The proposed tax on betel nuts and tea and the raising of the present duty on tobacco will certainly affect the poor people of this country. I am sure the House is not unaware that tobacco and tea are the only items of solace of the poor man in this country. As a matter of fact, they are items of necessity for a large part of the working population of this country. Betel nuts are not so much used by the rich as they are by the poor, especially in Bengal, Orissa and the Central Provinces. Their taxation will certainly affect their already depleted pockets.

Sir, it is no use recriminating on the devastation, death and destitution caused by the shortage of foodstuffs in Bengal. I do not propose to apportion the responsibility either on the Government of India or the Government of Bengal, for it is no use hammering on the subject now. But it cannot be denied that the Government of India, whatever their policy might have been in the last few

[Kumar Nripendra Narayan Sinha.]
months, are greatly responsible for the catastrophe in Bengal, which to mind is not yet over.

With these words, I have no other alternative but to oppose the recommended Finance Bill.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated Non-Official): Sir, without going into extraneous matters, I wish to say that the budget has its good points as well as its bad points. Being a war budget, Sir, I think we have to accept it, because the war must be won at all costs. The good points are that the taxable minimum of income has been raised to Rs. 2,000 there is no increase in the income-tax or excess profits tax; and there is also the fact that the amount can be paid in instalments, which is really a beneficial one.

Coming to the question of inflation, I think the inflation is mainly due to the fact that the Government or the Military Department or the Supply Department—whatever Department may be responsible for buying things—I say that Department is responsible for the high cost of articles, whether it be rice, or pulses, or vegetables. When you can get, say, a maund of rice for Rs. 20, if the military contractor is paid Rs. 60, he goes and offers Rs. 50. I need not go into particulars. That is one of the reasons why we have the articles selling at exorbitant prices. It is not correct to say that people have got plenty of money and therefore they are prepared to pay a lot. It is not so. For instance, the ryot who gets probably twice as much or three times as much for his paddy or wheat or pulses, whatever it may be, has to pay, not three times, but ten times for cloth, for medicines, for other necessaries of life, and for even vegetables. Therefore, it is not the ryot, it is not the farmer, it is not the cultivator who gets the benefit, but the other people who get it, because there has been a rise all round. Therefore, Sir, it cannot be said that the farmer or the ryot who is able to sell his paddy at probably twice or thrice the rate at which he was selling it before the war, is making a lot of money, and that that is the cause of inflation.

Sir, one of the remedies that I suggested last year, and which I suggest also now, is, instead of paying all the salaries and all the wages now, why don't you reserve one-fourth of such salaries or wages, and pay this one-fourth in instalments, say over a period of one or two or three years? Most of those people who have gone to the front, and most of the people who have gone as labourers, will come back, and they will be practically helpless, because they will be unable to earn anything like what they have been earning, and they would not consent to go back to the villages and work in the fields and other occupations to which they were accustomed. Now they are fed well, they are kept well, and they get a very good salary. Suddenly, when you demobilize them and send them back to their homes, there will be a lot of trouble, because they would not be able to get what they have been getting. What I suggest to the Government is: of whatever salaries or wages that you are paying to the railway employees or other persons who are engaged in war work and so on, pay them only three-fourths, and keep the balance of one-fourth, so that it may be paid after the war is over. It may be paid in instalments extending over three or four years. No doubt it will give some trouble to the Department. They will have to keep accounts. They shirk their duty. But after the war there will be a lot of trouble. We who remember what happened after the last war even in England would know the result of sudden demobilization of the people. Therefore, what I say is this. If you want to stop this inflation, pay these people only three-fourths of what you are paying now.

Then, Sir, with regard to stopping this inflation, the Finance Member proposes that the people should be made to subscribe to the loans. On page 16 of his speech he says:—

"A scheme has been evolved which provides for the employment of authorised agents on a commission basis whose function will be to collect money for investment from villagers—"

I think this is a very ill-advised measure, for when you pay a commission, these people, in order to earn a commission, will go and worry the poor villagers. As it is, they are made to pay a lot of money. The village servants already harass the people. Now, if you pay people on the basis of what they are able to get, you will see that there will be a lot of trouble. I am not prophesying, but I know perfectly well what is happening. Only the other day, a sub-registrar told me that a villager went to register a document. After the business was over, the sub-registrar took the trouble of explaining to him all about the war loan which is repayable within three years if necessary, or after 12 years. After a good deal of explanation, he paid a few annas and bought a stamp. After he had bought it, he simply threw it on the table and went away. The difficulty is this. When you ask a person, especially a villager, to take paper, he does not want to take it, not because he does not believe in the stability of the Government or that he has any doubt as to whether he will be paid or not. The difficulty is in preserving the paper. Anybody who knows a villager will know that as soon as he gets anything he ties it up in his cloth; if the villager is a woman, she will tie it up in her sari. The paper gets wet. These people have not got very big houses with an iron safe with a Chubbs lock. What they do is, they put their money in their pots and mud vessels and so on. If it is paper, it gets wet. Most of the village houses are leaky; they have got only palm-leaf roofs. I appeal to the Honourable the Finance Secretary; he knows the Madras Presidency, and he can vouch for what I am saying. It is not that they disbelieve in the stability of the Government or that they do not want to pay any amount. The difficulty is this: they find it extremely difficult to preserve this paper. A suggestion that I would make to the Finance Member is: You better have what are called token coins. It may be any metal. Copper is very difficult to obtain nowadays. It may be any inferior metal. If you have coins of Re. 1, Rs. 2, Rs. 10 and so on, you will find that these are very cheerfully received by them because they can tie it up and it won't get spoilt. What about white ants? It is only recently we heard of what happened in Allahabad. Heaps and heaps of books were eaten away by white ants. I do not know about the state of things here in Delhi, but I can say that in Madras these are one of the worst enemies that man has got. If you leave a coat worth about Rs. 50 or Rs. 100, the next morning there is nothing left of it. If you leave a pair of shoes, there will be nothing left of it the next morning. If such things happen in well-to-do and well built houses, what about the poor people? Therefore, I say that in spite of the trouble that is involved, you should give token coins. Then any person can go to the Treasury and change it. They can preserve it. The reason why people go in for gold and silver at high prices is that they can bury it. It won't be eaten by white ants; it won't be spoilt by water. That is the reason why they are buying gold and silver at such heavy prices. Therefore, I would suggest very seriously to my Honourable friend Mr. Jones to consider this point. No doubt there will be trouble. They will have to mint the coin. If I am not mistaken and if this is not done, you will see that in the third year everybody will be bringing the paper and asking you to pay. Then you will see the reasonableness of what I am urging.

THE HONOURABLE MR. C. E. JONES: Does the Honourable Member contemplate that these token coins should be interest bearing?

THE HONOURABLE SIR DAVID DEVADOSS: You can calculate that when you pay the money. You know how much you ought to pay. Your Department can easily ascertain that. Supposing I buy Rs. 10 worth of notes, you know how much to pay. Your Treasury has to do it. The difficulty is in preserving the paper for so many years. You do not take into consideration the habits of the people and what they think about these notes. You will be more successful in your attempt to make these people take up your war loan if you only adopt my suggestion.

I shall say a few words about these new taxes. I do not object to the taxes. Of course we have to pay. But let these taxes be in operation only during the duration of the war: Once Government levy a tax, there is always the law of

[Sir David Devadoss.]

inertia operating. They will never get out of it. I will give you one instance. In Madras, in order to finance one of their favoured plants the Congress Government imposed what is known as sales tax. They did so in order to balance the Budget as they were losing heavily owing to prohibition. They made two or three districts dry. Whether they were really dry or not is another thing. This year the present Government have suspended prohibition. So, those districts have again become wet. But what about the sales tax? It is going on. The Madras Government have got a surplus of 5 crores. But the people are suffering on account of the sales tax. If Government levy a tax once, my experience is that they will never give it up. Make it a point that these taxes, which we will readily pay, are only for the duration of the war, because these taxes, especially those on coffee and betel nuts, affect the poor people, not the well-to-do people. I will offer a few remarks as to the way in which the tax ought to be collected and how the Act is to be administered. I do not know whether many of the Honourable Members here have ever seen a coffee plant. Of course, my Honourable friend Mr. Jones, who comes from Madras, knows all about it. The coffee crop has to be gathered during a course of 3 to 4 months. You do not gather the crop as you reap wheat or any other grain or some fruits. It ripens slowly, month after month. It begins about October and goes on till sometimes January. I am now talking of the poor people, not of the big estates. The difficulty is this. I am talking especially of Kodaikanal which I know very well. The ordinary people have got these coffee plants which are only about 4 feet high in their backyards. They collect the coffee berry put it in the Sun, dry it, husk it, i.e., remove the skin, and then powder it and make coffee. These people want coffee in cold places like Kodaikanal. What steps are you going to take to see that the village headman or the village munsif and karnam do not oppress them? Suppose a man has got 10 coffee plants. He may get probably 1 lb. or 2 lbs. of coffee seed. He will be at the mercy of the village munsif. He might go and get hold of it. There are big estates lower down on the lower Palanis, but there are small people everywhere in Kodaikanal growing coffee plants. We should take care to see that they are not oppressed in any way by the lower officials. The same with regard to arecanut. Arecanut is grown very largely on the West Coast. Almost every compound, every backyard, has got arecanut palms and when it is ripe, the people in the house take down the fruit, remove the skin and use it raw. Some people no doubt dry it but several use it raw. In all these cases there should be no harassment by saying, "You have not got correct accounts; you have not brought before us all the crop you have got". When there are only a few trees, what accounts do you expect them to keep? I submit that in framing the rules under these two Acts you have to see that people are not harassed in any way and sufficient provision ought to be made for their making use of what they grow in their own yards. The thing is different with regard to tea. You cannot pluck tea leaves and then make your tea at once. It has to go through so many processes. Ordinary people do not grow tea in their gardens. The same is the case with regard to tobacco. You cannot go to a garden, pluck a tobacco leaf and use it at once. You cannot make it into cherot, cigarette, cigar or even bidi. In these cases it will be easy, but in regard to the other two cases I submit that the rules must be such as not allow the lower officials to harass poor people. It may be said that we have not got enough money and therefore we have to tax the people. As I say, in Madras especially, the taxes are very heavy. The Government have recently enhanced even the stamp duty. We are raising no doubt very heavily but the Madras Government has raised the stamp duty and so on. You have got about 2,000 millions in England. Why don't you take a few millions and make use of them?

You will say:

"It is economic heresy. You do not know anything about economic; it is not proper that we should take any portion of it and therefore we must tax you."

With all respect to the so-called economists I say burn your books. We are in a war. We are in an extraordinary situation. Therefore do not depend upon

all those theories which you have learnt in school or which you think ought to be practised. Use your common sense. I am glad that the Honourable the Finance Member will be here next year and introduce next year's Budget. What is he going to do next year? 'The war is not going to be over in a day. The war in the East will take a long time. If I say on my own authority I will be told "you do not know anything." But I will quote Col. Knox who says that the war in the East will go on till 1949. We are only in 1944. What are you going to do next year? What are you going to do the year after next and so on? You are taxing the people to the utmost limits possible. Do not raise your tax any further. On the other hand you have got a thousand millions at least in England. Why don't you take a portion of it? Do not think of economic principles which you can follow in ordinary years, we are living in extraordinary times. This year we will pass this and everything will be all right. We do not know what is going to happen next year.

In this connection I should like to say that the Finance Department ought to have control over the military expenditure. There is no use of doing auditor's business. The auditor looks at an entry and sees whether there is a voucher for it. But the question is whether the entry is necessary or not. Therefore the Finance Department ought to try its best to keep a check upon unnecessary expenditure. Necessary expenditure must be incurred; otherwise we cannot win the war. I am saying this after reading this morning's paper. Half a dozen people are charged with having cheated Government to the tune of Rs. 4 lakhs by selling bad ghee or adulterated ghee. I do not say anything about the case which is *sub-judice*. I cannot go into the merits. There is a great deal of leakage. Only the other day I heard another instance. It seems a contractor was asked to give an estimate for a certain thing. He carefully went into the matter and gave an estimate for Rs. 8 lakhs. The officer who was responsible for it said "What a fool you are. Make it 40 lakhs." It was very difficult for me to believe that but I was assured that it was a fact. There are other instances. I do not want to take up the time of the House. But there are these leakages. These things do not benefit the Government, but only a few people. The Finance Department should therefore not merely look at the figures and the vouchers, but they should see whether these things are necessary. If the military people cannot control the expenditure, have your own department, your own men. The military may resent that, but you can explain to them "Here is leakage; we have to find the money and we have therefore to see that it is not wasted."

With your permission, Sir, I wish to speak on another matter, because you gave advice that we should not stray into other matters. After the taunt that was levelled against us on Monday last, I have received a brief on behalf of the Indian Christians to urge a few things, which I will do with your permission. The first is ever since the Federal Public Service Commission was appointed, not one single Christian has been allowed to go through. That is a fact which can be verified. The second is that in all the departments of the Secretariat here there is not one Christian Secretary or Under Secretary. I am speaking from a brief, which I received since Monday last. There are 11 Nonourable Members here. Could not one Christian be found—there are about 10 million Christians in this land, we are supposed to be the second Minority Community—to fill one of the places here? Another point is that for the last 15 years the Madras High Court has not had a single Indian Christian on the Bench. It might be said that it is a Provincial Subject. That is only an excuse. When you want somebody else, you can get a man from Bengal or from Delhi; but when it is the question of an Indian Christian, you do not at all care. It is the prodigal son that gets the fatted calf killed for him. The other son does not get anything. We are people who by our training, culture and religion are loyal to the Government. We do not complain. We are not vocal. We do not out of 100 questions put 80 questions about communal matters. I never did that. But I have now heard about these things, and the Government is

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callous about these people. I am afraid you will be driving a very loyal set of people into the camp on the other side. With these words, I support the Bill.

THE HONOURABLE SIR RAMUNNI MENON (Nominated Non-Official): Sir, it will perhaps be helpful to examine in the colourless light of common sense, common experience and common knowledge some of the main issues that have come up in the course of the debate. Such a process will be conducive to clear thinking and might conceivably help towards the formation of sound judgment on some of the problems with which we are concerned. I do not propose to enter into the constitutional question. To my mind, whatever the nature of the Government that is in power, the Budgetary requisites have to be met and it makes no difference to me what the nature of the Government is. It is admitted that we have to find a large amount of revenue to meet the expenses of administration and Defence and to facilitate mutual aid between the Allies who are fighting the enemy on the borders of India. No Chancellor of the Exchequer can create money. He must take it from where he can find it.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan):
The Bombay Plan has created money.

THE HONOURABLE SIR RAMMUNI MENON: Any Chancellor who attempts it will not hold office long. I must say, looking over the past few years, that our Finance Member has with a kind of uncanny instinct touched the right spot and at the right moment, and his taxation proposals during the last 4 years have been and this year will be eminently satisfactory. A contention has been put forward by several speakers today and by others also on other occasions, that we have practically reached the limit of taxable capacity. Now, my difficulty in accepting that position is simply this. I do not know of any criterion, any formula, which can be applied in an objective manner as a test of the limit of capacity. There probably is some such formula. I believe our formula is to calculate the proportion of taxation per head to the *per capita* income. Whether that is a sound criterion or not I do not know. But even if it is, it cannot be applied to India, as it is notorious that in this country economic statistics are either lacking or unreliable, so that to my mind the contention that we are heavily taxed has no other meaning than this, that several powerful interests in this country are not willing to be taxed any further. I am not denying that that attitude is not an important psychological factor, and might have some effect on the economic activities of the country. But such an attitude is not a sure indication, is not evidence, of their inability to bear further taxation. I myself think that we are able to bear all the present taxation and more. The ample evidence that we find all around us of currency notes changing hands so frequently and so easily among people who in the prewar years would have looked at a rupee ten times before parting with it is some indication that our income has very large increase in the last two or three years. Look at the deposits in the Banks. Look at the clamour for import of capital machinery into this country. It does not look as if there is any acute shortage of funds.

Now, some remarks were also made on the incidence of income-tax in the higher ranges of income. I have always thought that England was one of the wealthiest countries in the world and that there were many people there rolling in wealth, millionaires, multi-millionaires and so forth, and it was a pleasant surprise to me to find in a recent book, an authoritative book, the other day that under the rates of income-tax and surtax which were introduced in England in 1941-42, which I believe are in force today, the ceiling of income, of net income, in England now is practically £7,000; that is after the recipient has paid all his taxes his spendable income is £7,000 per annum. Now, I wonder how this country will figure when such a test is applied. I should like somebody to look into this question—I have never looked into it myself. I also have some recollection of reading some time ago—I cannot give the exact

reference at the moment—a statement to the effect, that the number of people in England whose net income is more than £6,000 is very limited. Well, if that is the fate of rich people in England, in this country, which is proverbially poor, with so many people with big incomes, I consider that the richer classes should bear a very substantial part of the burden of taxation. I have therefore no sympathy whatsoever with that class of people who say that the higher ranges of income are subjected to excessive taxation. I do not believe it.

All the speakers who have spoken seemed to be more afraid of the death duty than of death itself! They have never referred to it at all. Personally I think that the proposed death duty is one of the most equitable methods of taxation and I am very glad that there is a prospect of its being introduced in this country at an early stage.

There is one other matter which I do not think has attracted sufficient attention at the hands of the Government of India. I am perfectly well aware that the subject I have in mind is a provincial subject. Still it should be within the competence of the Government of India to advise Provincial Governments in regard to it. I am referring to agricultural income, the very rich landholder, or landed proprietor. Every other class in this country is bearing a due share of the burden of taxation. Those who receive salaries, the big wage earner, those who receive their income from investment, property owner—all these are taxed, but not the man who receives his income from agriculture. There is not the least doubt that the receivers of agricultural income have benefited very largely by the recent increase in prices and I think it is only fair that that class should bear their due share of the burden of taxation. In regard to this matter, I know there are several Provinces in India which have introduced some kind of tax on agricultural income. I believe in Bihar there is such a tax, also in Orissa and Assam, and I believe they are proposing it in Bengal. Travancore has set a very good example in this respect. There they have levied or decided to levy—I am speaking subject to correction, the Honourable Finance Secretary can correct me—they have decided to levy a tax on agricultural income. Not on all grades of income: There is an exemption limit, upto Rs. 5,000, I believe, there will be no tax but over and above that there will be a comparatively low tax. The amount realised will be kept in reserve for post-war reconstruction. I think this is a tax which deserves looking into by the Government of India.

Now all taxation and all borrowing at the present time serve a double purpose: to provide the money for the Government and also to act as anti-inflationary measures. That is an extremely important aspect which should be borne in mind at the present time.

A third approach to the question of taxation is this. Taxation, especially progressive taxation, that is direct taxes on income, excess profits, death duty, is a well-known and recognised method of equalising income and wealth in the community and is an instrument which should be generously utilised in future in this country.

There is another aspect, Sir, from which the question of taxation should be viewed. I am afraid I shall be causing some pain to my Honourable friend, Sir David Devadoss. He expressed the hope that the present taxes will not last after the war. My hope is that the present taxes will be maintained further increased and that they will be retained as parts of a permanent system in this country. My reason is simply this. The problems that lie in front of us are far greater in magnitude, and importance and in the burden which they will impose on us than the problem connected with the prosecution of the war. We, Sir, want for the reconstruction of society, for the expansion of economic activities in this country thousands of crores of rupees—not a hundred or two hundred crores but thousands of crores—and I consider that this is the time for building up a system of taxation which will serve as a scaffold for raising the tax structure of the coming years. I therefore appeal to the Government not to miss this opportunity but to go on increasing the taxes and improving the tax system. The

[Sir, Ramunni Menon.]
limit of taxable capacity in this country is not in sight. Increase taxation and build up a—.

THE HONOURABLE THE PRESIDENT: And have more evasions!

THE HONOURABLE SIR RAMUNNI MENON: I know, Sir, that I am speaking against you!

Therefore, Sir, considered from all these angles—whether for providing the needed money, or as anti-inflationary measures or for equalising the distribution of income and wealth or for building up the tax structure of the future—the present policy of taxation and the principles underlying it are sound and I hope they will be pursued with vigour in the coming years.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA: Invite Stalin to dictate the procedure.

THE HONOURABLE SIR RAMUNNI MENON: Very well; we may have to think of procedure.

Coming to the question of inflation, I have already referred to the effect of taxation and borrowing on inflation. The more saving that can be effected, the more borrowing that can be effected, the more inflation can be checked. Now, in regard to this matter, there are only a limited number of recognised methods for combating inflation. Taxation and borrowing—that is one. Rationing and price control—that is a very important method. I shall not deal with that on this occasion, because that subject has already been discussed when the food question was before the House. But I do hope that the importance of that method will not be underestimated. The other method is to increase the volume of consumer goods that are made available in this country, either by increased production here or by imports from abroad, and, as an important part of the method, the import and sale of gold and silver in this country. There was some complaint, not for the first time, that the sale price of gold in this country is far in excess of its price in London. The Honourable the Finance Secretary admitted the fact and explained the situation on a previous occasion. I was perfectly satisfied with the explanation that he gave. In this connection, it is interesting to note what I read in the London "Economist" some time ago: that in Egypt, the sale price of gold last year was £16 per ounce. The same gold which was purchased in London at £8-8-0 was sold in Egypt at £16. We ought to be thankful that we are getting it for £14 and odd an ounce.

THE HONOURABLE MR. HOSSAIN IMAM: Small mercies!

THE HONOURABLE SIR RAMUNNI MENON: Look at the matter from another angle. The price of gold in London is £8-8-0. If we press the point of view which is being urged by critics here, who is going to benefit? The seller who sold the gold to London will claim the profit. I assume that the gold was purchased from South Africa I saw in the papers the other day that the question of the sale of gold in this country raised in the South African Parliament a few days ago. We are not going to get anything out of it: it is either London or South Africa that is going to profit.

THE HONOURABLE MR. HOSSAIN IMAM: It is we who pay—and we have nothing to share!

THE HONOURABLE SIR SHANTIDAS ASKURAN: Why should not the Government of India purchase from South Africa and sell here?

THE HONOURABLE SIR RAMUNNI MENON: We are not so free as to be able to get gold from outside. There is no international trade. Everything is controlled.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA: Why is our gold kept locked up in London?

THE HONOURABLE SIR RAMUNNI MENON: Suppose, for instance, tomorrow America, in a mood of generosity, offers to Great Britain: "Look here, under the lend-lease we offer you, free for the present, 10 million ounces of gold." Now, suppose England sends the gold here and sells it at the current price; can you blame London for doing it? We should be very glad if we could get

that quantity of gold imported into this country; sale of gold is one of the most powerful weapons for combating inflation. And I am very glad that the Honourable Finance Secretary refused the other day to disclose the amount of gold that is being sold in this country. An atmosphere of mystery will be extremely helpful in confounding the speculator—and that is the man whom you want to confound.

Then, Sir, another suggestion which is sometimes made is that foreign investments in this country, rupee or sterling, should be repatriated. Well, I express no opinion on the equity of that proposal. If such a thing could be negotiated between the parties, well and good. But there is one point to be borne in mind. It is only too obvious that for our post-war reconstruction we shall want foreign loans. If that is so, why take all this trouble now of repatriating, when as soon as the war is over, we shall have to be asking for more loans? Why not let things remain as they are.

I now come to my last point, and that, to my mind, is the most important. The Government are not doing enough in the preparation of plans for post-war reconstruction. When I say, this, I have in mind particularly the most essential services, the most important social services—education, health, and nutrition. I do not minimise the importance of communications. All these four go together. Now, the first duty on the part of the Government as soon as the war is over is to give effect to proposals which they should mature now, without any delay. Schemes are already ready for some of the subjects; others, I hope, will soon be ready. I trust that the Government will take up these matters seriously and take them in hand at once. The other point which I wish to urge is, as I have already indicated, that Government should now begin building up reserves for reconstruction. Madras has set a very good example in this respect. I see in the budget for 1944-45 that they are setting apart Rs. 5 crores for reconstruction purposes. That is an example which the Government of India may well follow.

With these few remarks, I heartily support the taxation proposals.

THE HONOURABLE MR. R. H. PARKER (Bombay Chamber of Commerce): Sir, my Honourable friend Sir David Devadoss suggested, among other things, that we ought to spend some of our sterling balances now. How he expects the Honourable the Finance Member to be able to do it, I do not know. He could not spend them out here, and they would spend them in England for war purposes if they could do so. I am rather afraid of the future, if Sir Ramunni Menon becomes the new Finance Member after the war is over. I am afraid we shall have a poor time!

Mr. Sapru this morning was very critical, as usual, of defence expenditure. He seemed to indicate that we made a very bad bargain with Great Britain so far as India was concerned; and he suggested, I think, that if Great Britain had not been, what he calls a superior Government, there would have been a better bargain so far as expenditure on the Burma campaign is concerned. I say this, then: If Britain had not been in the position of a trustee, she certainly would not have been willing, nor could she have been expected to be willing, to bear the whole of the campaign in Burma on her shoulders. It would not have been reasonable to do it.

THE HONOURABLE MR. HOSSAIN IMAM: Is the United States charging anybody for her conquest of the Pacific islands?

THE HONOURABLE THE PRESIDENT: Order, order.

THE HONOURABLE MR. R. H. PARKER: I think Mr. Sapru among many others ignores the vastly different and worse situation in which other nations are placed—the amount of money they have had to spend, and the physical horrors which they have had to endure. And when you look purely at the financial side, what are we spending here? Something like five days of Great Britain's annual expenditure!

THE HONOURABLE MR. HOSSAIN IMAM: Will the Honourable Member clarify what he said?

THE HONOURABLE MR. R. H. PARKER: What I said is quite clear. I said we were spending something like five days expenditure of the annual expenditure of the United Kingdom.

THE HONOURABLE MR. HOSSAIN IMAM: What is the daily expenditure of the United Kingdom?

THE HONOURABLE MR. R. H. PARKER: It is something like 14 crores, I think.

THE HONOURABLE MR. HOSSAIN IMAM: We spend 276 crores on defence!

THE HONOURABLE MR. R. H. PARKER: I would like to say a few words on price control. There is no doubt that in respect of goods produced in India, there are obviously very great difficulties. I do think, however, that there has not been done in the past by Government or anybody else as much as might have been done in respect of imports. There was a time when there were being sold in the black market all sorts of things—drugs and so on—at simply colossal prices. That, of course, has recently been improved. But I think they were very slow in doing it. A good deal has been said on the subject of the price of gold in India. As I said on a previous occasion, I cannot see why Great Britain should pay the inflated prices which have been charged in this country for everything which she has purchased here and sell gold at her own local prices. There is an interesting comparison there. You may know or you may not know that wheat in Australia is about $\frac{1}{4}$ th of the price that it is selling at in the Punjab.

THE HONOURABLE MR. HOSSAIN IMAM: Its landed cost is higher.

THE HONOURABLE THE PRESIDENT: Order, order. You can have your own say. Don't disturb him.

THE HONOURABLE MR. R. H. PARKER: The landed cost of Australian wheat is approximately 50 per cent. of the price in the Punjab.

The Honourable Mr. Kunzru last year asked me why I said that the E.P.T. had an inflationary effect. Unfortunately I was not here to answer that question on the Finance Bill. I would therefore like to say a few words on the subject now. The fact is that a tax of this kind depends very largely on the attitude of assessee. If the assessee takes every possible opportunity to dispense largesse in the form of bonuses or dearness allowance or one sort of thing or another, because it is largely at the expense of the State then the object of the tax is greatly lost. For this reason I think that an increase in income-tax, super-tax, corporation tax and so on is a far sounder tax in the existing circumstances. Inflation, we have always thought, had to be fought. From the beginning of the war it was an obvious menace, especially in India. Only one thing that is not being done and that Government ought to do more thoroughly is the very severe control of new capital issued by companies. I think that a large number of new companies have been formed which have no real beneficial effect on the war effort. I think the only test in these matters should be the war.

Somebody asked—I think it was Sir Ramunni Menon—how income-tax in the U.K. compared with it here. I will give you some figures. A gross income of £50,000 a year in England produces £5,000 net. A gross income in India, under these new Budget proposals, of £10,000 produces £5,000. That is a fairly big difference. Sir Ramunni Menon's friend who gets £7,000 a year has a gross income of about £300,000. There is of course this to take into consideration that the cost of living has been much more successfully controlled in the U.K. than it has here.

I was glad that the Honourable the Finance Member agreed in another place to mitigate, if not avoid totally, the hardships which will come from the incidence of deposits to be made compulsorily resulting in immobilisation of more than 100 per cent. of excess profits. I welcome, therefore, the amendment which is in the Bill before us now and I am glad that it was included.

I think that what I call the new gamble, in case you are lucky you get Rs. 50,000, or nothing if you are not lucky—is an excellent scheme. I think

it is a pity that it was not introduced before X'mas. I sent for some bonds, I usually give some X'mas presents, and I could not get them then with the result that I had to give money instead.

The Finance Member has my very sincere sympathy, having had 5 years of such difficult times. There is one amendment I would like to suggest to the Companies Act, and that is, to give powers to Directors of Companies to place to reserve these compulsory deposits. If you do not do that—and all Directors have not yet got the power to do it—there is always this serious trouble that you will have an inflated carry forward from year to year. It looks a very large sum, but consists, to an extent, of deposits made with Government and therefore you encourage the shareholders to demand increased dividends, which is against the interests both of the company and the shareholders, and the country.

THE HONOURABLE SIR SHANTIDAS ASKURAN: Most companies have that power, in Bombay at least, so far as I know.

THE HONOURABLE MR. R. H. PARKER: The difficulty is that the Articles of Association do not always give the Directors adequate powers to place these sums to the reserve fund. They have not got the necessary powers to transfer them to the reserve fund or a reserve fund and they have to leave them in the profit and loss account as carry forward from time to time. There is an inflated appearance of profit which does not in fact exist for the time being. Even after the war, when you get these deposits back, it is highly undesirable that they should go into your profit and loss account and you should be faced with demands for a very large dividend. This is a matter for the Commerce Department and I hope that they will give it their attention.

I would like Government to give an undertaking that any defects that are found in these measures during the coming year will be sympathetically considered and remedied next year, as was done in the U.K. when the first E.P.T. Bill was before the Commons. I would go further and say that in existing circumstances, where there are glaring defects, they should be dealt with by Ordinance. The Ordinance has its disadvantages. Let us have some of its advantages.

I think the Income-tax Bill was dealt with much too quickly. There was clearly insufficient time between its introduction in the other House and the sitting of the Select Committee. It was only a matter of a few days actually. The Gazette containing the Income-tax Bill itself arrived in Bombay—my particular constituency—on Tuesday and that gave them only 2 days to send off wires by Thursday. These wires arrived only on Saturday here while the Select Committee was sitting. No constituency can possibly have time to study a complicated measure like the Income-tax Bill in 2 days, and certainly, as long as wires take 2 days to get from Bombay to Delhi, you should have more time. The general principle should be admitted that Bills should be introduced much longer before they are dealt with so that the public may have a proper opportunity of considering them.

I welcome very much these admirable reports on the future of transport, road-rail and all that sort of thing. I am glad that these post-war preparations are being actively pursued.

I would just like to say one word about Sir Reginald Maxwell. Personally I am very sorry to lose him. I think he has had an equally difficult time as the Honourable the Finance Member has gone through, though the problems have been quite different. I think that history will say that he was a just and wise man in the interests of the masses.

THE HONOURABLE SARDAR BAHADUR SOBHA SINGH (Nominated Non-Official): Sir, I am grateful to the Honourable the Finance Member and to the Honourable Mr. Jones for the small mercy they have shown to the request I made in the beginning of the Budget discussion. It is a very small mercy but it will help replacement and add very little to the dividends of the shareholders.

[Sardar Bahadur Sobha Singh.]

Sir, the opposition that has been seen here and in the other House to the Finance Bill is on two or three important points against the Government. One is that there is corruption in the Departments. Another is the inflationary tendencies in the market and the irresponsible way in which the Government are administering the country. I take it, Sir, that the first point is about corruption in the Government Departments. As an employer of a few hundred people I know how difficult it is to get really honest and reliable men. Every one who has got to deal with employment in business knows the difficulty. The Government of India employ hundreds and thousands of people in their different Departments. It is rather difficult to keep so strict a check on human temptations. Compared with the huge Departments and the powers given to each individual, I think the Government of India are very lucky to have really very few people who are not caught. But I feel that it is not fair to the Government of India that their honest officers should be attacked. The way they are administering the country and discharging their duties is very difficult to find anywhere else. Of course I have a good deal to do with several departments. I see people of different kinds. But I think the Departments of the Government of India, leaving a few exceptions, should be congratulated on the integrity and honesty of their staff. The other thing is about inflationary tendencies in the market. There is no doubt that a good return on the capital investment, good crops and the good prices that the producer has produced has brought some prosperity to the country and that is quite clear from the money market. To check this I personally feel that Government should immediately take steps to bring gold and silver in the market. These valuable metals are a greater attraction to the average ordinary man in the village. Without much difficulty the cultivator will relieve himself of his cash money and buy the valuable metal and Government will be getting profit on such heavy prices as they are selling the gold and silver and at the same time this extra money will come into the Government treasury. Another thing that I wish to speak on is Defence Bonds and Defence Loans. This is also an item which requires very serious consideration. As a citizen I feel it is our duty to help Government and induce people to invest their surplus funds in Defence Bonds. In this connection I should like to bring to the notice of the Honourable Mr. Jones that if the small Rs. 10 certificates or postal cash certificates and Rs. 100 certificates, instead of paper, are made into a certain coin it will be much more appreciated by the small people. There is no doubt they lose paper; and if a token coin of Rs. 10 is sold for Rs. 8-12-0 as it is at present sold with date marked and if it shows that in the year so and so it will be worth Rs. 10, it will be safely kept in the villages and a poor man can easily handle it. The Honourable Mr. Jones just said how interest to be calculated on it. It is very easy to calculate interest. You issue at a certain price and it will have a certain value after a certain date. Rs. 100 you can issue at Rs. 95; you can say in 1952, it will be 100. It will not be difficult to calculate interest. It will be appreciated by small people. I am sure it will become popular.

I am sorry I missed one point about corruption. In criticising Government I wish Opposition members would realise that we had in our country what is called an indigenous Government for a few years. Can they say that there was no corruption? Can they say that they have been able to check the working of human nature. You will meet good and bad people at the same time. But I personally feel that the Government of India as it is today is far better than many Governments.

Then, Sir, some constitutional points have been raised, constitutional points about Honourable Members of the Executive Council, because they do not represent different parties. I have got no grouse because I have no party of my own, but I can say one thing. I am sure they represent their communities and the different interests. As to my community, I can say with as loud voice as I have got that the Honourable Sirdar Jogendra Singh, has got the fullest confidence of the Sikh community. He has got the confidence of the moderates, he has got the confidence of the Akhalis, and he has got the

confidence of the Sikh League. Every Sikh has got confidence in him and he represents the Sikh community here or elsewhere, and I am sure that if a vote is taken nobody will be able to get 5 per cent. votes against him wherever he stands.

Another thing about the constitutional point. I feel that the money that we are going to spend on the 2 million men who have been recruited should not be grudged. These 2 million men are fighting the battle of the freedom of India. These young men are fighting our battles on the Indian border as well as outside and these young men will produce leaders who will lead all communities and all sections of opinion. The Indian problem, political, social, divisional and geographical, will be solved by these leaders and I look forward to the day when these people will come back victorious to their country and dissolve all these parties and make one party of leaders who have sacrificed everything for the sake of their country.

THE HONOURABLE SIR SHANTIDAS ASKURAN (Bombay: Non-Muhammadian): Sir, I propose to offer only a few remarks on certain points in the Finance Bill. It is perhaps hardly necessary for me to say that in offering these criticisms I have no personal interests to advance. My Mill is closed, as it was working on imported art silk yarn. Sir, I am only viewing the proposal of the Finance Member to immobilise the entire excess profits as one loyal to my country and anxious to help the war effort. I cannot but point out again with the utmost emphasis that the Finance Member, by persisting in these proposals, will not only be doing serious harm to the finance of Government but by crippling industries will discourage production. It has been admitted that India's production played a great part in winning the war in the Middle East. And now, Sir, when Japan is at our very door I should have expected the Finance Member not to ignore the warnings and the lessons of the past and embark on taxation measures which are bound to interfere with production and thus increase difficulties both in the conduct of the war and in meeting civilian needs.

Sir, I am aware that the Finance Member has made some little concessions. But my complaint is that they are extremely small and do not materially alter the position outlined in the Budget.

Sir, I feel encouraged in taking the line I have done by the remarks of Sir Joseph Kay, who must be wellknown to the Finance Member as a business man of great experience and sound judgment.

Speaking at the Annual General Meeting of a group of Companies in Bombay recently Sir Joseph Kay observed: "The immobilising of the large liquid balances indicated in the Finance Member's Budget proposals, if given effect to in their present form, must, in the not very distant future, have serious consequences on the finances of one's business. Though a speed up of tax collection is very necessary for many reasons, Government seem to have overlooked the fact that owing to high commodity values, much more working capital is required than was the case four years ago. The maintenance of a large carry over of raw cotton stores and other materials to meet the requirements for cloth and yarn on the one hand and the handing over of all the liquid cash to Government on the other would compel the companies to resort to borrowing probably at higher rates of interest than they would receive on their compulsory deposits."

Sir, I need not apologise for the length of the quotation I have just made from Sir Joseph Kay's speech. I want the Finance Member particularly to note the warning given by him that the taking over of liquid balances would have the effect of compelling companies to resort to borrowing at higher rates of interest. Has the Finance Member considered how this may react upon Government's own borrowing policy? Last year it was no doubt a great success. But is he sure that it would be an equal success in the coming year? On the other hand, Sir, is it not possible that for the reasons mentioned by Sir Joseph Kay Government may find it increasingly difficult to make a success of their loan policy? .

[Sir Shantidas Askaran.]

Sir, I have already referred to the fact that the E. P. T. has been raised virtually to hundred per cent. and that the standard profit has been further reduced. It is recognised by authorities on the taxation of war wealth that while E. P. T., if the rate is from 20 to 30 per cent. is harmless, a 100 per cent. tax, such as was imposed by the Italians in a weak moment after 1919 and is now in force in Great Britain, is most undesirable. Sir, if that rate is undesirable in a highly wealthy and industrialised country like Britain, it is not necessary for me to point out that in a country like India, which is economically and industrially backward, the effect will be almost completely to kill all financial incentive for industrial enterprise. Such a scheme of heavy taxation without any regard for its effects on industrial development can only result in reduced production, with a consequent rise in prices. In other words Sir, I have a grave fear that the Finance Member will produce those very results which he is anxious to avoid. I shall give this House a still more authoritative opinion. In the "World Economic Survey 1941-42", issued by the League of Nations, it is stated that "Another method is to block a part of consumers' incomes by compulsory saving. This device, though introduced in an increasing number of countries, has not so far proved of great importance quantitatively, not even in the United Kingdom where it was first adopted." I do hope the Finance Member would pay some heed at least to the opinion expressed by the specialists of the League of Nations.

It is true, Sir, that industrial undertakings would be able to lay by some reserves in the form of compulsory deposits. But it must be remembered that the immediate effect would be, as pointed out by Sir Joseph Kay, very serious indeed. Then, Sir, there is a point to be considered regarding the interval between the payment of the deposits and the time when they would be repaid. This interval may well run into some years during which factors may arise demanding large liquid resources. What would be the position of companies faced with such demands but unable to meet them at the proper time?

Again Sir, in the case of several firms which are making substandard profits, no return of E. P. T. will help them. But they, too, will be in need of reserves with which to face the future. Sir, the Finance Member will forgive me for saying that he has taken a very one-sided view of the effects of his proposals. He has overlooked the fact that only a handful of companies are making standard profits. Very many more concerns whose profits are much below the standard, have to pay their two years' dues of accumulated taxes.

Sir, the more I reflect upon these proposals in the Finance Bill the more I fear that they will prevent the accumulation in any substantial measure of savings. The result must be that sources from which funds are to be obtained for new enterprises and for the development of existing ones would be seriously affected.

It is for these reasons, Sir, that in my speech on the Budget I pleaded for the softening of the measures proposed by the Finance Member for further taxation and in particular for the reduction in the rate of deposit. I still hope, Sir, that my appeal would not be in vain.

I hope, Sir, the Finance Member will pardon me for recalling that in 1935 I warned his predecessor against the disastrous effects of the policy of selling silver. Unfortunately that warning like many others which are made from these benches, went unheeded. Nine years ago I had pointed out the folly of purchasing silver at high prices and of selling it when prices had reached the bottom. Sir, even at that time I had pointed out that the need for purchasing silver, possibly at much higher prices, might arise in future. Sir, in this connection it will be very interesting if I give a short history of silver.

The history of silver over the past decade shows clearly that either Government have deliberately flouted public opinion or not understood the exact implications of the various measures adopted by them.

4-15 P.M.

In spite of their knowledge that silver is regarded as a great store of value by a mass of the Indian peoples, the Government have continued their policy of exporting abroad large quantities they might usefully have disposed of these stocks in the local market, thus avoiding import of the metal from abroad to that extent. Total imports of Silver since 1931, till the outbreak of war amounted to 389 million ounces, whereas during the same period exports to the extent of 228 million ounces were made to the U.K. mostly on Government account. This certainly does not show that Government have used much wisdom in handling their surplus supplies of silver. In fact Government may well have kept this silver in reserves to be used in times of stress like the present when owing to Government's inability to meet the demand for silver coins due, perhaps, to shortage of metal, there has been a regular scramble for small change. Government had not the foresight to visualise this demand in spite of their similar experience during and after the last War when they had to buy Silver from America at a fabulous price of \$1 an ounce to meet the coinage demand. Government are doing the same thing now and are paying a price of 71 cents to get silver from America for coinage purposes.

THE HONOURABLE MR. HOSSAIN IMAM: Are they buying now?

THE HONOURABLE SIR SHANTIDAS ASKURAN: Ask the Government.

It Government had used a little wisdom—I am open to correction—they may not have sold 125,000 bars of silver in the open market locally at low rates and in addition to silver exported to the U.K. during the war, figures for which are not available.

THE HONOURABLE MR. C. E. JONES: I regret I cannot allow myself to be drawn by a definite statement of an alleged fact, into furnishing information which Government have decided could not be furnished in the public interest. If the Honourable Member now speaking wishes to communicate the source of his information, I have no objection whatsoever.

THE HONOURABLE SIR SHANTIDAS ASKURAN: Thank you. The information is correct.

Government have adopted the same policy with regard to Import duty on the metal. If one reviews the frequent changes made in this from year to year, it would be patent as though Government have been themselves sort of taking a gamble in the metal. In principle a tax on metal which is regarded as a store of value is obnoxious and then to vary it from year to year still worse. The duty was introduced in 1930, at 4 annas per ounce, raised to 6 annas and then to 7½ annas in 1931, reduced to 5 annas in 1933, to 2 annas in 1936, and then raised again to 3 annas in 1937, and a surcharge of 20 per cent, imposed on 1942. That certainly proves beyond doubt that Government have not had any fixed policy as regards silver and have acted as opportunists.

The Ordinances depriving the old 11/12 fineness rupees of their legal tender character have not helped the Government in any way. On the other hand, a black market has been created even in this commodity. It would perhaps be without a parallel that a legal tender coin is not acceptable at even the office of issue after a particular date.

Sir, it is not pleasant to adopt the attitude of "I told you so". But I feel compelled to observe that the deliberate sales—

THE HONOURABLE MR. HOSSAIN IMAM: Has Government any stock of silver now?

THE HONOURABLE SIR SHANTIDAS ASKURAN: Better ask the Finance Secretary.

THE HONOURABLE MR. HOSSAIN IMAM: You have so much information!

THE HONOURABLE SIR SHANTIDAS ASKURAN: Sir, it is not pleasant to adopt the attitude of "I told you so". But I feel compelled to observe that

[Sir Shantidas Askuran.]

the deliberate sales in England in recent years from 1941-42, have very considerably depleted India's existing stocks of silver. *The Economist* writing on 15th August, 1942, observed: "with Burmese production out of the running for the time being, and with the difficulty of shipping Australian silver to this country, it follows that the satisfaction of trade requirements may come to depend increasingly on sales of ounce silver. Fortunately, London holdings are ample after the replenishment by shipment from India in 1941, and in case of need further transfers of the metal could readily be made". Sir, I have no desire to go into the details of the Silver Sales Policy of the Government of India. My object in referring to this matter is only to emphasise the absence of a consistent and longterm policy, bearing in mind at all times the interests of this country. It is the failure of the Finance Member to see clearly ahead and plan not so much for immediate gains but on a sound basis so as not to inflict permanent damage on the economic structure of the country that is of the most serious concern today.

Sir, this lack of vision is apparent not only in financial matters but in almost every activity of the Government of India. It has been said by almost every non-official speaker in the Food Debate that the shortage of food should have been foreseen very much earlier than it was. In this connection, I would pay a tribute to His Excellency the Viceroy who has been flying from one province to another and doing his utmost to save Bengal and other parts of India from further disaster. All that I want to say on the present occasion in regard to food is that the war is far from being over and therefore this is not the time to relax one's efforts in regard to the future.

There is again, Sir, the coal muddle, which is not less serious than the food muddle. Then there is the shortage of wagons, a problem which the Chief Commissioner of Railways must solve in the near future. Added to these is an unwise taxation policy in which the Finance Member persists in spite of all warnings about its adverse effects on industrial production.

Sir, before leaving the subject of industrial production I would like to refer with great appreciation to the efforts made by my Honourable friend Mr. Hydari to stabilise the position of the textile industry and afford relief to the consuming public. By his great tact and skill Mr. Hydari has succeeded to a remarkable extent in securing the co-operation of the textile industry. But I fear, Sir, that if the Finance Member should refuse to leave funds with the industry, even this work of the Department of Civil Supplies is likely to suffer and prices of textile goods may again shoot up beyond control.

THE HONOURABLE MR. HOSSAIN IMAM: Why?

THE HONOURABLE SIR SHANTIDAS ASKURAN: Because there will be no production. There is no money; there is no fuel; so many things are not available.

I shall now briefly refer to the proposal to increase the Corporation Tax to annas 3 in the rupee. Sir, I am very glad that the Excess Profits Tax Expert to the Government of India, my Honourable friend Mr. Ayers, is here. Before I proceed, let me inform Honourable Members that he is the man who is so well esteemed by public opinion in the matter of doing justice. Even if he or his subordinate officers decide a case so as to do injustice to the assessee, and the papers come to him, he amends the decision on his own without the assessee approaching him. It is obvious that the real object underlying the proposed increase is to limit the dividends of shareholders.

If partners of a partnership firm are entitled to draw their shares without any limitation. I fail to understand, Sir, why shareholders who are in a similar position should be singled out for unfair treatment. The proposal to increase the corporation tax, in my opinion, smacks of discrimination and deserves to be condemned. What is more, the most heinous aspect of the proposal lies in the fact that it will not be possible to claim any refund in respect of the increased Corporation tax. If the idea of the Finance Member was to impose some limitation on dividends, he could have resorted to other more legitimate

or at least less injurious means. For example, he could have raised the rate of incometax applicable to incomes of companies. The shareholders, in that case, would have been entitled to claim appropriate refunds. But, Sir, by adopting the present proposal, he has hit most unfairly the entire investing public, including millions of small investors whose main source of livelihood is their income on investments.

Sir, once again I repeat that what troubles me most is the effect of these proposals on the war activities. They must result in a setback of existing industries and a serious handicap for new ventures. There is bound to be a serious curtailment of commodities for civilian supplies and increased pressure on the balance of production, resulting once again in high prices or scarcity and misery to millions of our people.

Sir, a man in my position can only point out to the Finance Member the dangers which are implicit in his proposals. The composition of this House rules out the possibility of any suggestion being carried by the vote of the majority. I can only therefore plead before the Finance Member to reflect not once but ten times before he rejects the considerations which I have tried to set out in all sincerity. I venture to think, Sir, that the views I have expressed today are not only intended to protect the interests of Indian industry and the consuming public but also to maintain India's war production at an adequate level until victory is assured.

Sir, I urge the Leader of the House, the Secretary in the Finance Department and other officials who are here to bring this to the notice of His Excellency the Viceroy and other Cabinet Members before it is too late and production falls, as in the case of food, so that they may try and put things right.

THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY (East Bengal: Non-Muhammadan): Sir, I rise to dissociate myself from the certified Finance Bill now placed before our House after it has been rejected by the other House with overwhelming majority of the elected representatives there. I have already during the general discussion of the Budget submitted how Indian interests are being sacrificed for British interests, how materials from India are being secured at considerably low prices for the sake of Great Britain while gold and silver are being imported into India at very high prices through the agency of the Reserve Bank which although it has its Governor appointed by Government is now stated to be a private concern with whom the Government has nothing to do, how British concerns such as the U.K. Commercial Corporation and the Imperial Chemical Industries are making huge profits out of Indian exports at the cost of the Indian traders. High taxation has been imposed in India since the war began on account of war exigencies, but we have been made to pay off all our foreign debts and buy all our railways although the people of India are almost on the verge of ruin and starvation. Nay, moreover, we are now obliged to lend what little we still have to Government and measures are being adopted to raise it throughout the entire length and breadth of India in almost every village. We all know what these voluntary loans mean and how the poor villagers are forced to subscribe to it. This will all the more be oppressive when the Finance Member in his Budget speech has laid so much stress upon it. I would rather request the Finance Member to suggest to the British Government to raise some money by taxing the people there to replenish our depleted resources by paying off part of our loans to them as we have been forced to do. His Excellency the Viceroy said in his last speech addressed to the Legislature that he was keen upon the welfare of the poor masses, but the taxes sought to be imposed by the present Budget, viz., those on tobacco, tea, coffee and betel nuts and the increase of the railway freight will tell heavily on them. The excise duty on tobacco and tea has already been telling heavily on the people for they have already fallen short of the Government's budget expectations of last year. Betel nut is an agricultural produce pure and simple and falls probably within the provincial sphere, yet the Central Government is seeking to impose tax on it.

[Mr. Kumarshankar Ray Chaudhury.]

It will moreover fall inequitably over certain parts of India only. These taxes, I submit, are hardly necessary if the policy of exploiting the resources of India, which is at present being followed, be given up. While the Indian Members of Government are holding up before us hopes for the future when one does not know what their position in the country will be, their British compeers who hold key positions are going on merrily with their policy of exploitation. The Indian Members, if they are sincere in their professions, should, as they have been asked to do in the other House, resign and not try to establish that they are holding the reins of Government like Bharat for the coming Ramraj. Ram has not asked them to do so; on the contrary, he is asking them to come out. They openly say that they are quite helpless in bringing about the Ramraj, that they have nothing to do with it which lies entirely in the hands of the Viceroy and the people as if they are not of the people. On the contrary, they are, as a matter of fact, acting as obstacles in the way of attaining Ramraj, for as the Home Member says, their existence proves that there is no deadlock in the country and no attempt at solution of the deadlock need be made at all so long as they have enough *apko wastes* whom they would call Quislings and renegades in their own country, available in this country to play off against one another.

My Honourable friend Sir Ramunni Menon said that there should be more taxes in the country to provide for future re-construction, but there are no re-construction plans forthcoming and taxes are sought to be raised without any fixed plan. The Government even do not say that these taxes are meant for these re-construction plans. They say that all these taxes are being imposed for carrying on the war and meeting the Budget deficit. I do not see what justification my Honourable friend Sir Ramunni Menon has for suggesting that taxes should be raised more and more.

THE HONOURABLE THE PRESIDENT: Mr. N. K. Das.

THE HONOURABLE MR. N. K. DAS (Orissa: Non-Muhammadan): I do not propose to speak today.

THE HONOURABLE THE PRESIDENT: Mr. Karim, will you speak today?

THE HONOURABLE MR. A. Z. M. REZAI KARIM: I am not feeling well today.

THE HONOURABLE THE PRESIDENT: Does any other Honourable Member desire to speak today?

(No Honourable Member rose.)

THE HONOURABLE THE PRESIDENT: I am just warning members. They may not all get an opportunity to speak tomorrow and they must not blame the Chair.

The Council will now adjourn.

The Council then adjourned till Eleven of the Clock on Thursday, the 30th March, 1944.