

27th March, 1947

**THE**  
**LEGISLATIVE ASSEMBLY DEBATES**  
**Official Report**



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Volume IV, 1947

*(25th March, 1947 to 9th April, 1947)*

**THIRD SESSION**  
**OF THE**  
**SIXTH LEGISLATIVE ASSEMBLY**  
**1947**



LEGISLATIVE ASSEMBLY

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*Deputy President:*

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Shri SRI PRAKASA, M.L.A.

Mr. C. P. LAWSON, M.L.A.

Sardar MANGAL SINGH, M.L.A.

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# LEGISLATIVE ASSEMBLY

Thursday, 27th March, 1947

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Mr. G. V. Mavalankar) in the Chair.

## STARRED QUESTIONS AND ANSWERS†

### DELAY IN GRANT OF PASSPORTS TO FOREIGN COUNTRIES

**1228. \*Mr. Ahmed E. H. Jaffer:** (a) Will the Honourable Member for External Affairs please state whether Government are aware that persons desirous of visiting foreign countries like Switzerland, Belgium, Holland, Spain, Denmark, Norway, Russia, Persia, Afghanistan, Iraq and Egypt cannot get their passports easily?

(b) Are Government aware that the passport officer wants visas from the Consuls of the respective countries?

(c) What is the necessity for this procedure and how long will this continue?

(d) What steps do Government propose to take to see that passports are given without delay?

**The Honourable Pandit Jawaharlal Nehru:** (a) As far as the Government of India are aware passports for travel to the countries named can be obtained without any great difficulty, although in certain instances applications have to be referred by the local passport issuing authorities to the Government of India which involves some delay.

(b) It is not correct that passport issuing authorities require applicants to produce visas before issuing passports; a visa can be applied for only after a passport has been obtained. The grant of visas is the function of representatives of foreign governments, who lay down their own rules in this regard.

(c) Passports have been found useful as evidence of nationality while visas are generally required on grounds of security. An International Conference is about to be held under the auspices of the United Nations Organisations, at which India will be represented to consider the whole subject of passports and frontier formalities with a view to securing a general liberalisation of the rules.

(d) Government are anxious to avoid delay and inconvenience but to some extent this depends on other countries and on the general rules governing the issue of passports, etc., which will be considered at the International Conference.

### APPLICATION TO TARIFF BOARD FOR PROTECTION OF INDUSTRIES

**1229. \*Mr. Ahmed E. H. Jaffer:** Will the Honourable the Commerce Member be pleased to state:

(a) the number of applications made to the Tariff Board during the year 1946 for the protection of industries and how many of them were disposed of and how many are still pending;

(b) the number of fresh applications made since the beginning of 1947; and

(c) whether it is a fact that the present Tariff Board is going to be expanded and if so, how many more members will be appointed?

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†Answer to these questions were laid on the table as the question hour was dispensed with.

**The Honourable Mr. I. I. Chundrigar:** (a) and (b). Applications for protection are made to Government and not to the Tariff Board. Such applications are scrutinized by an Inter-departmental Committee consisting of representatives of Commerce, Industries and Supply, Finance and other interested Departments and those that are found to have established a *prima facie* case for tariff assistance or protection are referred to the Tariff Board for investigation. Other applications are examined departmentally according to the decisions of the Inter-departmental Committee. In 1946, 27 applications were remitted to the Tariff Board. Out of these the Board has submitted Reports on 13 industries and 14 are still pending with it. Government decisions on six Reports have been announced. Decisions on the rest will be announced shortly. Four fresh applications for protection have been remitted to the Tariff Board since the beginning of 1947.

(c) It has been decided to appoint one more additional Member to the Tariff Board.

#### TARIFF BOARD REPORT ON THE BICYCLE INDUSTRY

**1230. \*Mr. Manu Subedar:** (a) Will the Honourable the Commerce Member please state what action Government have taken on the Tariff Board report on the bicycle industry?

(b) Is it a fact that twenty to twenty-five thousand bicycles are coming from the United Kingdom to India every month; if not, what is the correct figure?

(c) Are Government aware that a British concern under the name of Aircraft and Allied Enterprises Limited is offering to re-condition bicycles at £3 at Indian ports?

(d) Will full duty be levied on such bicycles?

(e) What steps do Government propose to take to protect the public from re-conditioned bicycles being passed off as new bicycles to the consumer?

(f) Have Government examined the effect of such imports on the established bicycle industry of the country?

**The Honourable Mr I. I. Chundrigar:** (a) The Honourable Member is referred to the Commerce Department Resolution No. 218-T(10)/47, dated the 22nd March, 1947, announcing Government's decision on the Tariff Board's report on the bicycle industry. This Resolution was published in the *Gazette of India Extraordinary* on the same date.

(b) A statement showing the monthly imports of bicycles from the United Kingdom during the last eleven months ending in February 1947 is laid on the table.

(c) According to Government's information Messrs. Aircraft and Allied Enterprises Limited, London, are offering re-conditioned cycles at prices ranging from £4 to £4-5-0 each exclusive of packing and delivery charges.

(d) Yes, Sir.

(e) Government understand that second hand bicycles that are being offered to India have been reconditioned by replacement of component parts where necessary to make them roadworthy. The difference in physical appearance between a new and a reconditioned bicycle must be so marked that it should not ordinarily be difficult for the public to distinguish between the two. Government do not therefore propose to take any steps in the matter at present.

(f) I would refer the Honourable Member to para. 19(b) of the Tariff Board's report on the Bicycle industry, an extract of which is laid on the table.

Statement showing imports of Cycles from the United Kingdom during the months of May to December 1946, January 1947, and February 1947.

	Quantity in Number
April 1946 . . . . .	No imports
May 1946 . . . . .	11,809
June 1946 . . . . .	14,534
July 1946 . . . . .	18,556
August 1946 . . . . .	11,260
September 1946 . . . . .	19,987
October 1946 . . . . .	18,368
November 1946 . . . . .	25,276
December 1946 . . . . .	28,343
January 1947 . . . . .	22,008
February 1947 . . . . .	16,291
<b>Total</b> . . . . .	<b>186,432</b>

*Copy of para. 19 (b) of the Tariff Board's Report on the Bicycles Industry*

(b) It was represented to the Board that quite a large number of reconditioned cycles, the number may go up to as much as 5 lakhs, may be imported in the near future from the United Kingdom. We have considered whether this import will affect the Indian industry and whether the home manufacturer requires any protection against it. We are of the opinion that, regard being had to the starved market for cycles for the wartime period of six years, there should be no difficulty in absorbing the re-conditioned cycles likely to come without in any way affecting the offtake of the indigenous cycles. In a way we think that the import of a large number of re-conditioned cycles should be in the interest of the Indian industry in the long run as these cycles will create a demand which will subsequently be met by the Indian industry when it is firmly established. We have therefore, no recommendation to make in regard to import of re-conditioned cycles in so far as the protection of the Indian industry is concerned.

COURT MARTIAL OF INDIAN OTHER RANKS OF HONG KONG AND SINGAPORE ROYAL ARTILLERY

**1231. \*Seth Govind Das:** Will the Honourable Member for Commonwealth Relations be pleased to state:

(a) whether the attention of Government has been drawn to a report published in the *National Herald*, dated the 20th November, 1946—city edition—that eight Indian Other Ranks of Hong Kong and Singapore Royal Artillery have been brought to Singapore from Batavia to face a court martial on charges of mutiny on Christmas Island, in the South Pacific, in March 1942, when a British Officer, Captain William, and four British non-commissioned officers were murdered in their beds, shortly before the Japanese took over the island; and

(b) the arrangements that have been made for the defence of the accused?

**The Honourable Pandit Jawaharlal Nehru:** (a) and (b). The Honourable Member's attention is invited to the answer given to Question No. 403 asked by Mr. Ahmed E. H. Jaffer on the subject on the 18th February 1947.

IMPORT OF INDUSTRIAL MACHINERY AND MACHINE TOOLS

**1232. \*Seth Govind Das:** (a) Will the Honourable the Commerce Member please state the number of applications received during the year 1944-45 in the Offices of the Import Trade Controller and the Machine Tool Controller for the import of industrial machinery and machine tools from abroad?

(b) How many of these have been sanctioned by the two Controllers?

(c) Do Government propose to consider the desirability of removing the Import Trade Control regulations?

**The Honourable Mr. I. I. Ohundrigar:** (a) and (b). I lay on the table a statement showing the required information. The statement, however, does not cover the number of applications, received by the Deputy Chief Controller of Imports, Calcutta, as he has not been keeping a record of such applications. He has been instructed to maintain, in future, a record of such applications received in his office.

(c) No, Sir. Attention of the Honourable Member is invited to the recent discussions in this House in connection with the Import and Export (Continuance) Bill, which provides for the continuance of these regulations for a period of three years.

*Statement showing the number of applications received for imports of industrial machinery and machine tools by the Import Trade Controller and the Machine Tool Controller and the number sanctioned by each, during the two years 1944 and 1945.*

	Number of applications received	Number of applications sanctioned
Import Trade Controllers (for industrial machinery).	2,189 (excluding those received by the Deputy Chief Controller of Imports, Calcutta.)	2,842 (including those received by the Deputy Chief Controller of Imports, Calcutta.)
Machine Tool Controller (for Machine Tools).	4,771	4,601

#### IMPORT OF VITAMINS AND VITAMIN PRODUCTS

**1233. \*Sri A. K. Menon:** (a) Will the Honourable the Commerce Member be pleased to state whether it is a fact that the Government of India refuse permission to Indian manufacturers to import Vitamins as such and allow only the import of ready-made Vitamin productions such as tablets, drugs for injections, etc.?

(b) Is there any difficulty in manufacturing Vitamin preparations in India and if so, what is it?

**The Honourable Mr. I. I. Ohundrigar:** (a) No.

(b) Government are not aware of any great difficulty being experienced in the manufacture of natural Vitamins, but in regard to the manufacture of synthetic Vitamins it appears the following obstacles have to be overcome:

(1) that the practical details of their manufacture are not all known and some are covered by foreign patent rights;

(2) that this industry, is interlocked with the basic chemical industries, which have not developed sufficiently to make the necessary basic raw materials for the manufacture of synthetic vitamins available. Nevertheless it is understood that the Haffkine Institute, Bombay, is already manufacturing a multi-vitamin tablet for the Bounbay Government for distribution in famine areas.

The whole question of the production of synthetic vitamins is at present under the consideration of a Planning panel set up by the Food Department.

#### COLOUR DISCRIMINATION IN SOUTH AFRICA

**1234. \*Mr. Madandhari Singh:** (a) Will the Honourable Member for Commonwealth Relations be pleased to state whether it is a fact that Indians in South Africa cannot still travel in the same compartment in a train with Europeans and that the same colour discrimination has been extended to air travel also?

(b) If so, what action has been taken or is proposed to be taken by the Government of India, so that Indians there may have equal status with the Europeans?

**The Honourable Pandit Jawaharlal-Nehru:** (a) Government have no official information but they understand that Indians and other Asiatics are not permitted to travel in the same compartment of railway trains with Europeans in South Africa; they have to use separate compartments reserved for them. As regards air travel a recent press report stated that no separate planes for non-Europeans are provided but they are seated in the front and Europeans are seated in the rear of the plane, thus avoiding Indians being seated beside Europeans.

(b) Discrimination of this kind has been in force in South Africa for a very long time and the Government of India's continuous efforts for removing them are well known. As the Honourable Member is aware, Government have taken certain retaliatory measures and have placed the whole question of the treatment of Indians in South Africa before the United Nations Organisation. In this connection, the Honourable Member's attention is drawn to the answer given to question No. 501 put by Sardar Mangal Singh on the 22nd February 1947.

#### UNQUALIFIED TEMPORARY SUB-DIVISIONAL OFFICERS IN C. P. W. DEPARTMENT.

**1235. \*Mr. Hafiz M. Ghazanfarulla:** (a) Will the Secretary of the Works, Mines and Power please state the number of qualified subordinates and Sub-Divisional Officers who are still on the temporary list, of the Central Public Works Department?

(b) Has any start been made for the replacement of unqualified staff by the qualified?

(c) If not, what are the reasons for not doing so when qualified men are available?

(d) Is it a fact that about 125 unqualified persons are holding the posts of Sub-Divisional Officers although they are not even qualified as overseers?

(e) Is it a fact that about 80 qualified Engineering Graduates are working as temporary subordinates since the last several years?

**Mr. B. K. Gokhale:** (a) The numbers are: (i) Subordinates—837, (ii) Sub-Divisional Officers—114.

(b) and (c). The entire question of elimination of unqualified Subordinates in the Central Public Works Department is still under consideration. A proposal is now under consideration, to hold departmental tests with a view to the elimination of some of these unqualified persons. The nature of these tests and the categories of Subordinates, who should be required to take them, are also under consideration.

(d) No. Only 42 unqualified Subordinates are holding charge of Sub-Divisions. In the strict sense of the word, all the Subordinates are not wholly unqualified. Most of them possess diplomas from various Institutes, which are either not yet recognized by the Provincial Governments or were not recognized some years ago but have been recognized since. The capabilities of such Subordinates to suit the posts that they hold, are being examined.

(e) 82 Engineering Graduates are at present serving as temporary Subordinates in the Central Public Works Department. The senior most among them, who are now considered fit for Sub-Divisional charge, were recruited at the end of the year 1944. They could not be given Sub-Divisional charge earlier in preference to others, as they would not have been in a position to discharge efficiently the duties of an Sub-Divisional Officer due to inexperience and lack of knowledge of accounting procedure of Central Public Works Department.

#### COASTAL TRADING MONOPOLY.

**1236. \*Sri M. Ananthasayanam Ayyangar:** Will the Honourable the Commerce Member be pleased to state:

(a) whether Government are aware that the non-Indian Members of the Indian Coastal Conference Lines—Messrs. Mackinnon Mackenzie and Company and Messrs. Graham Trading Company have all these years enjoyed a virtual monopoly of coastal trading;

(b) whether Government are aware that the above-mentioned companies have threatened to withdraw the deferred rebate to their shippers if they patronised the new Indian Shipping Companies;

(c) whether Government are aware that the non-Indian Companies are also contemplating a 'rate war' with a view to stifle competition from the Indian Shipping concerns; and

(d) what measures Government propose to take to safeguard the Indian Shipping interests?

**The Honourable Mr. I. I. Chundrigar:** (a) No. There is no monopoly, but the non-Indian Companies handle the bulk of the trade.

(b) The question of threat does not arise, as deferred rebate is not given to a shipper, who utilises the services of another shipping company during the period fixed.

(c) Government have no information.

(d) Government have recently acquired powers to control Coastal freight rates and passenger fare and these power will enable Government to check rate wars and other undesirable forms of competition in the Coastal trades. Government will take such action as circumstances may necessitate from time to time to protect the interests of Indian Shipping.

#### REDUCTION IN DIETRY FOR THE CADETS OF THE I. M. M. TRAINING SHIP *DUFFERIN*

**1237. \*Mr. Sasanka Sekhar Sanyal:** (a) Will the Honourable the Commerce Member be pleased to state whether Government are aware that bread and other dietary articles for the cadets of the I.M.M. Training Ship *Dufferin* Bombay, have been so much cut down that it is telling upon their health?

(b) If the answer to part (a) above be in the affirmative, what steps do Government propose to take in the matter?

**The Honourable Mr. I. I. Chundrigar:** (a) The quantity of bread issued to cadets of the Indian Merchantile Marine Training Ship *Dufferin* has been reduced as has also been the quantity of flour and sugar in accordance with Ration Regulations. The cadets, however, receive the supplementary allowance of bread permissible for those employed on heavy manual labour in addition to the basic allowance. To compensate for the decrease in the above items an additional allowance of vegetables, potatoes and fruits is made. The statistics relating to the health of the cadets recently furnished by the Captain Superintendent show that there has been no adverse effect on the health of the cadets as a result of the diet at present provided.

(b) Does not arise.

#### PROMOTION IN THE OFFICE OF THE HIGH COMMISSIONER FOR INDIA

**1238. \*Prof. N. G. Ranga:** (a) Will the Honourable the Commerce Member be pleased to state whether there have been any promotions made in the office of the High Commissioner for India in London?

(b) If so, how many such promotions were made since September 1946?

(c) How many such promotions were given to Indians?

(d) Was any discrimination shown against those Indians who had been suspected of showing sympathy with India's movement for freedom?

(e) Do Government propose to give an assurance to the House that no such discrimination will be shown against any Indian employed in that office on the basis of any secret or other dossiers maintained in the India Office or the India House?

**The Honourable Mr. I. I. Chundrigar:** (a) Yes, Sir.

(b) 39.

(c) 17.

(d) No.

(e) The necessity for giving such an assurance does not arise as no such dossiers are maintained.

## ELECTION TO STANDING COMMITTEE FOR WORKS, MINES AND POWER DEPARTMENT

**Mr. President:** I have to inform the Assembly that upto 12 Noon on Monday, the 24th March, 1947, the time fixed for receiving nominations for the Standing Committee for the Department of Works, Mines and Power, twelve nominations were received. Subsequently two members withdrew their candidature. As the number of remaining candidates is equal to the number of vacancies, I declare the following members to be duly elected to the Committee for the financial year 1947-48:—

(1) Mr. B. B. Varma, (2) Mr. Madandhari Singh, (3) Pandit Thakur Das Bhargava, (4) Pandit Lakshmi Kanta Maitra, (5) Shri D. P. Karmarkar, (6) Sri R. Venkatasubba Reddiar, (7) Mr. W. M. Martin, (8) Khwaja Nazimuddin, (9) Mr. Muhammad Nauman, and (10) Mr. Mohammad M. Killedar.

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## ELECTION TO STANDING COMMITTEE FOR COMMUNICATIONS DEPARTMENT

**Mr. President:** I have further to inform the Assembly that upto 12 Noon on Monday, the 24th March, 1947, the time fixed for receiving nominations for the Standing Committee for the Department of Communications, seven nominations were received. Subsequently two members withdrew their candidature. As the number of remaining candidates is equal to the number of vacancies, I declare the following members to be duly elected to the Committee during the year 1947-48:—

(1) Mr. M. R. Masani, (2) Colonel Kumar Shri Himmatsinhji, (3) Sreejuth Seth Damodar Swroop, (4) Mr. M. A. F. Hirtzel, and (5) Mr. Ahmed E. H. Jaffer.

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## ELECTION TO CENTRAL ADVISORY COUNCIL FOR RAILWAYS

**Mr. President:** I have also to inform the Assembly that upto 12 Noon on Wednesday, the 26th March, 1947, the time fixed for receiving nominations for the Central Advisory Council for Railways, six nominations were received. As the number of candidates is equal to the number of vacancies, I declare the following members to be duly elected to the Council for the year commencing 1st April, 1947:—

(1) Mr. S. Guruswami, (2) Sri Jagannathdas, (3) Shri Sri Prakasa, (4) Shrimati Ammu Swaminadhan, (5) Mr. M. A. F. Hirtzel, and (6) Mr. Hafiz Mohammad Abdullah.

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## ELECTION TO STANDING COMMITTEE FOR INFORMATION AND BROADCASTING DEPARTMENT

**Mr. President:** I have also to inform the Assembly that upto 12 Noon on Wednesday, the 26th March, 1947, which was the time fixed for receiving nominations for the Standing Committee for the Department of Information and Broadcasting, only nine nominations were received. As the Standing Committee will consist of ten members and only nine have been nominated, I declared Mr. Ramayan Prasad, Mr. M. R. Masani, Khan Abdul Ghani Khan, Pandit Sri Krishna Dutt Paliwal, Sri N. Narayanamurthi, Mr. C. P. Lawson, Mr. Siddiq Ali Khan, Mohammad Amir Ahmad and Syed Ghulam Bhik Nairang, who are duly nominated as elected to the Committee and I appoint a further period upto 12 Noon on Monday, the 31st March, within which nominations for the tenth vacancy only will be received. The election, if necessary, will be held in the Assistant Secretary's room in the Council House, on Thursday, the 3rd April, 1947, between the hours of 10-30 A.M. and 1 P.M.



## ELECTION TO CENTRAL COMMITTEE OF THE TUBERCULOSIS ASSOCIATION OF INDIA

**Mr. S. H. Y. Oulsnam** (Government of India: Nominated Official): Sir, I beg to move:

"That the members of this Assembly do proceed to elect, in such manner as may be approved by the Honourable the President, one person from among their numbers to sit on the Central Committee of the Tuberculosis Association of India."

The Tuberculosis Association is a registered society to which various Provincial Associations are affiliated. Its management is in the hands of a Central Committee and one member of this House is to be elected each year as a member of that Committee. Sir, I move.

**Mr. President:** Motion moved:

"That the members of this Assembly do proceed to elect, in such manner as may be approved by the Honourable the President, one person from among their numbers to sit on the Central Committee of the Tuberculosis Association of India."

**Prof. N. G. Ranga** (Guntur cum Nellore: Non-Muhammadian Rural): Sir, I am glad that this Committee has been set up but we would like to know what assistance the Government of India gives to it and what representation it has on it besides the one member that it now asks this House to elect to it. Why is it that the Government of India has suggested that this House should elect only one member to it?

**Dr. Zia Uddin Ahmad** (United Provinces, Southern Divisions: Muhammadian Rural): Sir, I think representation of one member is not sufficient as I noticed from elsewhere that if that member happens to be absent the Assembly is unrepresented. My friend Prof. Ranga raised this question in connection with the Bangalore Institute and the other Honourable Member accepted the suggestion. I hope this will also similarly be accepted.

**Mr. S. H. Y. Oulsnam:** Sir, the Government of India pays to the Association an annual grant of Rs. 20,000 for the maintenance of the sanatorium at Kasauli and an annual grant of Rs. 25,000 towards the maintenance of the Tuberculosis Clinic in Delhi. The Association was established in 1939 and there are a number of officials on the Central Committee. As I said, the Association is a registered society and the composition of the Committee of Management is governed by the Rules and Regulations of the society. I shall certainly convey to the Association the feeling of the Members of this House that there should be at least two Members of this House on the Committee.

**Mr. President:** The question is:

"That the members of this Assembly do proceed to elect, in such manner as may be approved by the Honourable the President, one person from among their numbers to sit on the Central Committee of the Tuberculosis Association of India."

The motion was adopted.

## ELECTION TO GOVERNING BODY OF INDIAN RESEARCH FUND ASSOCIATION

**Mr. S. H. Y. Oulsnam** (Government of India: Nominated Official): Sir, I beg to move:

"That the members of this Assembly do proceed to elect, in such manner as may be approved by the Honourable the President, one person from among their numbers to sit on the Governing Body of the Indian Research Fund Association."

There are two representatives of this House on the Governing Body of the Indian Research Fund Association. There is a vacancy owing to the death of Dr. Hasan Suhrawardy and it is to fill that vacancy that this election is necessary. Sir, I move.

**Mr. President:** The question is:

"That the members of this Assembly do proceed to elect, in such manner as may be approved by the Honourable the President, one person from among their numbers to sit on the Governing Body of the Indian Research Fund Association."

The motion was adopted.

## ELECTION TO STANDING COMMITTEE FOR LEGISLATIVE DEPARTMENT

**The Honourable Mr. Jogendra Nath Mandal** (Law Member): "Sir, I beg to move:

"That this Assembly do proceed to elect, in such manner as the Honourable the President may direct, five non-official members to serve on the Standing Committee to advise on subjects in the Legislative Department for the financial year 1947-48."

**Mr. President:** Motion moved:

"That this Assembly do proceed to elect, in such manner as the Honourable the President may direct, five non-official members to serve on the Standing Committee to advise on subjects in the Legislative Department for the financial year 1947-48."

**Sreejut Rohini Kumar Chaudhuri** (Assam Valley: Non-Muhammadan): Sir, we have been hearing so much of the Standing Committees for the last few days that I cannot resist the temptation of saying a few words on the subject. Sir, I hope the House will not mind my ignorance but will appreciate my sincerity in asking a few questions. My Honourable friend Prof. Ranga, the other day complained that there was not a single sitting of a certain Standing Committee and there are very few sittings of some Standing Committees. I do not understand much of the contradiction in terms which we so much see here. For instance we have a Leader of the Opposition in this House, but we do not find the Leader of the Opposition opposing anything but rather safeguarding the interests of the Government at every time. We have several Pundits in this House. Sir, Pundits in our country are generally known by the tuft of hair on their head and the dress they put on. But here we have a lot of Pundits and it is very difficult to distinguish these Pundits from the Pundits of this country. And I find some of the Pundits here—at least I saw the other day the Honourable Member Pandit Bhargava—dressed in true European clothes. It is very difficult for us to distinguish between Pandits and non-Pandits in this country. But coming to the point now, what I was wanting to know is this. Ignorance is bliss sometimes, although we should not like to be under it. Why is this complaint about standing committees not sitting. I can understand, when you complain some Select Committees and Central Committees and so on not sitting they are expected to sit and they generally do sit. Nobody can complain that Select Committees do not sit or the Central Committees do not sit. The Standing Committees are not meant to sit and it is only on rare occasions when the Honourable Member in charge wants to oblige a friend like Professor Ranga that the Standing Committee is convened but in normal times the Standing Committees are all expected to do their business by expressing their opinion through correspondence. The papers are sent to the Honourable Members and they express their opinion. This saves lot of expenditure for the Government and a lot of time for the Honourable Members which they might otherwise spend in leisure. So I do not think there is any object in calling these Standing Committees. On one occasion I had the fortune of sitting in a Standing Committee. There we did some business for three days and we have not heard anything about the recommendations we made. One Honourable Member had the temerity to ask the Honourable Member in charge, it was Education I think, to at least convene a meeting twice a year but that request was never complied with, for the very simple reason that Standing Committees are not meant to sit at all and it is only by grace that they are allowed to sit. In these circumstances may I not request the Honourable Member in charge of different Standing Committees not to bother the House by elections and thus unnecessarily rouse hopes in the minds of members that some day some Standing Committee will be called. If there was contest in these elections, there would be at least some pleasure in winning an election and some sorrow in losing an election. But nobody takes interest in these things. As you yourself now announced, Sir, not even the full number required is nominated. In the case of one committee, only nine were

[Sreejut Rohini Kumar Chaudhuri]

nominated in place of ten. So I think that whatever may have happened in the past, the present Government does not want that these standing committees should sit, and waste time of all concerned unnecessarily! !

**The Honourable Mr. Jogendra Nath Mandal:** My Honourable friend has not referred to any particular Standing Committee. His complaint is that no Standing Committee sits regularly. Of course, I do not know what has happened with Standing Committees for different departments but so far as my department is concerned, I have to say that the Standing Committee constituted for the year 1946-47 met only once in April 1946. The reason for not convening the meeting of the Standing Committee once again was that the department had no subject which could profitably be discussed in the Standing Committee but I can give this House and my Honourable friend this assurance that I shall call a meeting of the newly formed Standing Committee in the month of April next and I hope that we shall have many important matters for discussion in the Standing Committee. As my Honourable friend has not made any complaint against this particular department, I have got nothing more to add.

My friend has appealed to the House not to take the trouble of electing so many members to so many committees. If the House is of opinion that no useful purpose would be served by the constitution of so many committees, then I shall have no objection to agree with my Honourable friend that this practice be discontinued, if that is the opinion of the House. I think the utility of convening the Standing Committees no longer exists in substance as it existed before because now the members of the Government are their own representatives and it is expected that they should have full confidence in them and whenever their representatives will feel any interest in consulting them on a particular important matter, surely the member in charge of the department will call a meeting of the Standing Committee and have their valued advice on the matter.

**Mr. President:** The question is:

"That this Assembly do proceed to elect, in such manner as the Honourable the President may direct, five non-official members to serve on the Standing Committee to advise on subjects in the Legislative Department for the financial year 1947-48."

The motion was adopted.

#### ELECTION TO STANDING FINANCE COMMITTEE

**The Honourable Mr. Liaquat Ali Khan (Finance Member):** Sir, I move:

"That this Assembly do proceed to elect, in such manner as may be approved by the Honourable the President, fourteen non-official members to serve under the chairmanship of the Finance Member, on the Standing Finance Committee for the financial year 1947-48."

**Mr. President:** Motion moved:

"That this Assembly do proceed to elect, in such manner as may be approved by the Honourable the President, fourteen non-official members to serve under the chairmanship of the Finance Member, on the Standing Finance Committee for the financial year 1947-48."

**Mr. Manu Subedar (Indian Merchants' Chamber and Bureau: Indian Commerce):** On this question I have on previous occasions made a request to the Finance Member to expand the scope and powers of the Standing Finance Committee and specifically to eliminate the distinction between voted and non-voted, which has existed. I do not want to take up the time of the House, but I understand the Honourable the Finance Member is really alive to this issue and that he does propose to expand the powers of this committee which in the financial condition in which this country finds itself must be exercised with great care and which would be of very great help to him in the difficult task which he has undertaken. I shall be very happy if the Honourable the Finance Member will give an assurance to the House that these powers will be expanded.

**The Honourable Mr. Liaquat Ali Khan:** Sir, last time certain rules were framed for the consideration of the Standing Finance Committee, but unfortunately there was no time for the Standing Finance Committee to consider them for the conduct of its business. It is my desire to get as much assistance from the members of the Standing Finance Committee as it is possible for me to do. I am afraid it is not possible for me to remove the distinction altogether of voted and non-voted. I have to be bound by the provisions of the Government of India Act; but I am sure my Honourable friend Mr. Manu Subedar will recognise this fact that since I have taken over, I have given the greatest scope to the members of the Standing Finance Committee to discuss all the matters freely and frankly that have been placed before them. I am sure he will also recognise that I have always welcomed the advice of my colleagues on the Standing Finance Committee.

**Mr. President:** The question is:

"That this Assembly do proceed to elect, in such manner as may be approved by the Honourable the President, fourteen non-official members to serve under the chairmanship of the Finance Member, on the Standing Finance Committee for the financial year 1947-48."

The motion was adopted.

**Mr. President:** I have to inform Honourable Members that the following dates have been fixed for receiving nominations and holding elections, if necessary, in connection with the following Committees, namely:—

	Date for nomination	Date for election
1. Central Committee of the Tuberculosis Association of India.	1st April, 1947	8th April, 1947.
2. Governing Body of the Indian Research Fund Association.	1st April, 1947	8th April, 1947.
Standing Committee for the Legislative Department.	1st April, 1947	9th April, 1947.
4. Standing Finance Committee . . . . .	1st April, 1947	9th April, 1947.

The nominations for all the four Committees will be received in the Notice Office upto 12 Noon on the dates mentioned for the purpose. The elections, which will be conducted in accordance with the Regulations for the holding of elections by means of the single transferable vote, will be held in the Assistant Secretary's room in the Council House, between the hours of 10-30 A.M. and 1 P.M.

#### INDIAN FINANCE BILL—contd.

**Mr. President:** The House will now proceed with the Legislative Business, the motion being:

"That the Bill to give effect to the financial proposals of the Central Government for the year beginning on the 1st day of April, 1947, be taken into consideration."

**Khan Mohammad Yamin Khan** (Agra Division: Muhammadan Rural): Sir, this is the only occasion when Members are allowed to ventilate their grievances which they may have against the Government. This year I have noticed that most of the speeches have been confined only to the financial proposals which have been put by the Government. But I will start with the grievances which I have got against the Government in respect of my constituency. In my constituency there is a very big institution which has got All-India reputation and persons not only from the whole of India but from the whole of Asia come

[Khan Mohammad Yamin Khan.]

to that institution, I mean the Muslim University of Aligarh. This university is under the Government of India and has not much to do with the Provincial Government. This university is receiving step-motherly treatment from the Government because certain things which are really the concern of the Provincial Government are not looked upon by them as their duty and responsibility on the ground that it is the concern of the Government of India to look after the university and Provincial Government does not bother. My complaint is directed against one particular item and I am glad that my friend Mr. Oulsnam, the Secretary of the Health Department, is present in the House and I am sure he will convey to his Member the grievances which we have and which his Department had been ignoring so far.

My chief complaint is that the health of the university is not considered at all. There have been constant complaints about the rainy season and the water-logging in the university area. There is no drainage system there with the result that malaria spreads all over the place. There have been international anti-malarial reliefs given in many parts of India, but they had been constantly ignored as far as the university area is concerned. Every year we find that in the Muslim University area there is an outbreak of malaria and boys suffer. It is on account of this condition that the university had to adopt a different method of vacations. The Muslim University closes during the rainy season and remains open during the hot weather, whereas all other universities close during the hot season and open during the rainy season. This is due to insanitary conditions, want of drainage system and the spread of malaria that the university has to be closed from July till the end of September. The university is looked after by the Government as far as education is concerned, but I do not know why the health of the boys is constantly ignored. This point has been pressed very often by the University authorities. I do not know to which authority we must look up to and why should we not look up to the Government of India? If the Government of the United Provinces is not discharging its duty towards the area which is nearabout the University, at least the University area which is within the jurisdiction of the Government of India should be looked after by the Government of India. There is a Girls College and near this college there is a big drain which is very filthy and stagnant water remains there throughout the year. It is a regular breeding place of mosquitoes and these mosquitoes have affected the health of the girls and boys so much that every year many students suffer from malaria. There is no other drain which this drain can join because there is the Muslim University College on one side and the civil lines on the other side. Therefore, neither the Government of India cares for it nor the Provincial Government looks after it. They have got the Health Officer, but he looks after only those areas which are in the city. I am sorry to remark that although we have now got our responsible Government, and even they have ignored those very questions which were the subject-matter of the complaints by most of the Members who are now adorning the Treasury Benches. I heard every year complaints from this side of the House and also complaints from the opposition side in U.P. legislature about the ill health of the students and about the neglect of Government to remedy the state of affairs. That government has passed away. New Governments have come into existence. They are also ignoring the health of the students. It is a difficult question to get the health in all the villages improved in one day or to spend so much money on the improvement of villages in one year. No doubt some improvement could be effected there also. But this is not a big thing. The University area is a small area. It requires proper handling and if the Government ignores it, then it is shirking its responsibility. I would urge that substantial amounts should be provided this year for the University drainage improvement and anti-malaria operations which they have not done although they have given some kind of

relief only to the employees of the University. This was essential because they were bound by their own commitments. But this is not sufficient. I do not want that people should be paid higher salaries, while the health of the students is ignored. Therefore I want to press on the Government of India my complaint. I am a Member of the Court of the University, a Member of the Executive Council and am the representative of the University in this House and I take this opportunity to bring to the notice of the Government that this must be done and done immediately.

Although there is a big deficit in the budget, yet money should be found to give this relief at once. I want to see that Government is progressing properly and carrying on the administration in the right direction. I am not happy about certain alterations made in the tax proposals in the budget. I am however very glad that a compromise has been reached within the executive council, but that compromise is not a very happy one. It takes away a very big sum of money which was urgently required for very useful items that I have pointed out just now. The Government's responsibility is very great and Government wants money to discharge it. There was a deficit and this deficit had to be filled up by some people. Ever since I came to this legislature, for the past 27 years, I have heard demands made from all quarters of the House that salt tax should be abolished. Great agitation was being carried on in the country against the Government and the point was that the poor man's salt was being taxed. Very many prominent leaders of India carried on that agitation. In this House itself, not a year passed without this tax being subjected to criticism. This salt tax therefore had to go in order to give satisfaction to Honourable Members who were championing the cause of the poor living in the villages. The abolition of salt tax meant that a sum of nine crores had to be given up. If this sum had to be given up, then the Government should find this money from somebody else. The question was where this money was to come from. The salt tax had to go from the poor man. If customs duties were increased, it would just as well fall on the poor man. If you increase any indirect tax, it will all come from the pockets of the poor man. Therefore this indirect taxation had to be abolished as much as possible in order to satisfy the wishes of the whole country. No doubt I heard from the representative of labour in this House that the abolition of the salt duty was a mistake. She said that salt tax did not affect the poor man so much. She, being the labour representative, I take it she was right when she said that the salt tax did not affect the poor. This was also the stand I took in the past for so many years. Therefore with the abolition of the salt tax, we were faced with the problem of finding out a substitute. Where was this money to come from. Naturally this burden cannot fall on the middle class man because the middle class people are all living from hand to mouth these days. Of course the poor people are hard hit. The middle class people with fixed incomes are also not very happy. Therefore this money is to be found from the rich people who have made immense fortunes during the war, and on account of the war through the toiling labourers. As soon as the Finance Member proposed his new tax, an agitation was carried on in all parts of the country denouncing this tax as an unreasonable one. It has always been the practice in the past that whenever people wanted to benefit, they created different kinds of slogans. By creating these slogans their idea was to benefit themselves with the aid of agitation in the country. Slogans were created against the Finance Member's proposals on different lines which I do not want to repeat here. Some people had the temerity to say this that this was as a retort to the iniquities done by the Congress Government in U. P. against the U. P. Zamindars and therefore this was a retaliation against the congress government in U.P. I repudiate this kind of suggestion. Anybody who set this kind of rumour afloat can only be put down as a most selfish man who wanted to benefit his pocket at the expense of the poor. It is most preposterous to say that the Finance Member could retaliate in this manner because the U.P. Government had proposed to tax zamindari lands. The U.P. Government's proposals to tax zamindari lands came in much

[Khan Mohammād Yamin Khan.]

later than the Finance Member's budget proposals. We had been pressing this for many years on the floor of the House that the incomes of the very rich people should be taxed and the U.P. Government have taxed zamindari incomes only this month. That the U.P. Government was going to double the land revenue was not even known to the world one month before when the budget proposals of the Finance Member were formulated in this House. I say, S.r, this is an unnecessary excitement and insinuations are made by interested parties to benefit themselves. It has always been the habit with a certain set of people to create excitement whenever they wanted to benefit their pockets. They say, this is a Hindu idea or this is a Muslim idea, or this is Congress party idea or that this is Muslim League party idea and so on. Of course it is not the doing of the Congress or the Muslim League or the Hindus, it is purely the imagination of some mischief-mongers. These people spread this agitation in the country for benefitting themselves. By creating this kind of agitation, they are doing no good to anybody. They may benefit personally, but the country as a whole will be very sorry for the bad blood that is created in the country by this sort of agitation. This is not going to pay anything to anybody. If anybody happens to be in a position of commanding some influence among one's own community, it is wrong on his part to create agitation in the minds of that community. I find sometimes that the Press is doing propaganda which is harmful to the interest of the country. Certain newspapers often take delight in creating excitement in the country. I wish Government take strong measures to stop such writings in the press which tend to create bad blood between one community and another. People belonging to different communities who have been living for generations together as brothers, on account of this malicious propaganda in the Press, one fine morning find themselves arrayed against each other. They run at each other's throats. Who suffers on this account? Innocent people only stand to suffer. Even in this City of Delhi where people hope to live in peace under the protection of the Government we find that agitation has been going on and the result is that innocent people are being murdered in cold blood. Only yesterday an innocent man was killed in Nai Sarak and his stomach was cut open by sword; and the District Magistrate had to order curfew for 24 hours in that area. Is it not the duty of Government to be alert and take steps to stop all agitation carried on either through processions or through the press and restore confidence among the people that their lives will be safe when they come out? It does us no credit that while the British Government was in power our lives were safe at all places and at all hours of the day and night but now that our own Government is in office we are not safe even while we come from the railway station to New Delhi.

**Lala Deshbandhu Gupta** (Delhi: General): Whose fault is that?

**Khan Mohammad Yamin Khan:** Wherever the fault may be I speak as Indian and I say it does no credit to us, in whatever part of India it may happen. Government will show a great lack of statesmanship if they are not alive to the situation and take steps in time. The provincial governments and the Central Government have all got their responsibility in this matter; they must cope with the situation had stop all this agitation. There is an order that in referring to these incidents the papers should not mention the names of the communities. But every day I find in a Delhi paper the names of these particular communities being mentioned as having done this and done that. This only creates excitement among different communities and Government must take strong steps against such papers for violating their orders. This paper started a kind of mischievous agitation about Calcutta and now it has turned to Delhi. I have seen this for three days continuously.

**Lala Deshbandhu Gupta:** What about the *Dawn*?

**Khan Mohammad Yamin Khan:** I am not mentioning names. Whether it is the *Dawn* or my Honourable friend's paper, *The Tej* they stand condemned if they do this. If the *Dawn* says something it does not mean that my Honourable friend's paper must say something in return. This, Sir, is a sad state of affairs. If I as an Indian go to some European country and plead for India's freedom and they ask me about the internal state of India I have to hang down my head in shame. People go about the country and talk all kinds of nonsense and create excitement and then disturbances follow. That is my grievance against this Government, that they are not taking the proper steps. I want peace and happiness in the country for every one; I want the same feeling of confidence to prevail as prevailed before without being disturbed by any change of Government. I do not mind peaceful agitation and demonstrations and peaceful meetings being held by any community. But I do not like the other community to go and disturb these meetings. Every one has the right to speak freely and they should be allowed to speak without being annoyed and disturbed. That is all that I will say on this subject.

Then I come to the question of sterling balances. These balances have accumulated to a large extent in England and I know it will be very difficult to get them back. During the budget debate I suggested cursorily that if the British are going to leave India in 1948 how are we going to defend our shores? That was not the proper time to go into the matter in details but now on the Finance Bill I suggest that if they do not want to give us those sterling balances in cash they may give them to us in the shape of cruisers and small boats of which they have got a large number. If they do not have the responsibility of defending the Indian shores they will surely have a surplus of warship and these can easily be handed over to India in lieu of the money which they owe us. The Indian Government can purchase these cruisers and warships which are so essential for India's defence.

**Mr. Manu Subedar** (Indian Merchants' Chamber and Bureau: Indian Commerce): Not old and damaged ships.

**Khan Mohammad Yamin Khan:** No, not those which were discarded by America and purchased by England at a time of great necessity. I want only those cruisers which have been built during the last ten years. These may be obtained in lieu of the sterling balances for the defence of India, and Government would do well to proceed in this direction.

Sir, I support the Finance Bill as presented to this House.

**Mr. Manu Subedar:** (Sir, I congratulate the Finance Member and his colleagues on the compromise which they have reached. It is true that like all compromises it cannot please everybody and every side, but it undoubtedly has a significance. I congratulate the House that because of the compromise we shall be able to get through our legislative business very much quicker, and I congratulate the country because there is a group of people in this country which is constantly exaggerating matters and making them worse. Wherever there is a riot it is described by foreign correspondents in this country as a civil war; wherever there is a small difference it is immediately described as a tremendous crisis from which Government will fall and break down. In other words there is a warfare going on in the press as my Honourable friend has just now said. The Press is not assisting the passage of India to freedom but it is retarding it very much by the manner in which every little difference is exaggerated and crisis created where they should not be hinted even, for the simple



[Mr. Manu Subedar.]

reason that there is not a single subject on which any two persons trying to think out will not have a difference. Sir, I agree that the new Bills of the Honourable the Finance Member have absorbed unduly the attention of the House and the country and that the major aspects of the financial and economic condition of this country have not come within the review to the extent to which it should be possible to bring them. I will say something more about these Bills and the taxation system when the Bills are before this House. I will endeavour, however, to turn to one or two other points which I consider of supreme importance to the life of this country and to which I would invite the attention of Government to take it up as earnestly and as fully as they possibly can.

I must say that I do not agree with the views mentioned by the Honourable the Finance Member with regard to planning. It may be that he had some grounds for professing those views, but in the field of finance they should not be manifested because you cause a premature scramble from the sectional point of view instead of having the matters judged from the point of view of all-India. For the purpose of all-India, for example, we want the sterling balances to be brought back to this country and to be used. In this connection may I say that on the propaganda side the Government of India generally and the Finance Department in particular are very weak and that anti-Indian propaganda is going on everywhere which it is the duty of every Indian to check. Then we want to break the link with England over Section 41 of the Reserve Bank of India Act for which I have been constantly asking on the floor of this House, and I hope that the Honourable the Finance Member will be able to bring up a legislation before the end of this Session. We are rightly anxious to check up that India does not pay inflated prices for the articles which it is purchasing from abroad. According to the reports which have reached me, our private purchasers are paying unnecessarily heavy prices. We are anxious for information which Government do not possess today with regard to foreigners' assets in this country. They do not have the information about the sales, they do not have the information about the remittances out of such sales, and the money in which the Government of India have very direct interest because they have to catch it under the Capital Gains Tax. The money is being sent away under their very noses. I suggest that these are matters in which it is no longer possible to have *laissez-faire*, to leave matters alone, to let them drift, and it is the duty of the Finance Department to arm itself with all the fullest information and to act, as I am confident the Honourable the Finance Member will act, in the best interest of this country.

Then, Sir, there are obligations which we have incurred under the International Monetary Fund. These obligations also impose on this Government to plan from now in the field of finance, and if such planning is not done India would find herself at some stage or the other very seriously handicapped in the matters with which it may have to deal with. Then there are issues of common interest to the whole country, such as the mint, such as the railways, such as the irrigation. In the matter of 'Damodar Valley' and other river developments, we have issues which are of common and general interest, and these have to be attended to on the basis of all-India, and I say that until other decisions are taken we must assume that everything is on the present basis and we must not in the field of finance bring in the line of thought which the Honourable the Finance Member brought in. May be he has justification with regard to the expenditure of Central Funds in various areas, but subject to certain precautions it should be possible for the Government of India as a whole to take matters in their hands and not to permit them to drift in the field of finance as I find unfortunately matters are drifting. The most serious of these matters is inflation. There is no tax which the poor and the middle class have to bear more heavily than that which is involved in high prices through inflation.

I want to know what the Honourable the Finance Member has done or is doing in the direction of reducing inflation. Sir, it is not merely that the poor do not get all that they need because of high prices, but the very denial to the poor of the articles which they need is a burden when you don't give them everything which they need. Then they hoard, they do not hoard money, but they hoard bullion in small quantities. When they cannot hoard bullion, they keep back grain. On the grain policy I have indicated frequently in the past that it would be a great help to the Government's policy of procurement if they were to produce more cloth, more corrugated sheets, more implements, and more kerosene for the cultivator. That would give him what he wants, and he would in his turn part with his grain more rapidly than under the present system of compulsory acquisition by Government.

With regard to inflation, the limitations of time do not permit me to deal with the cheap money policy which is, in my opinion, an importation from England and which is a very great hardship for this country. I want the Honourable the Finance Member to think seriously in this matter because every time he reduces half a per cent. in the interest rate paid and gets about 40 crores, he has added purchasing power through the improvement of the values of the old securities in the hands of the people to the extent of two to three hundred crores. If it is his intention and he does it knowingly, I have no objection, but I say it is very necessary to stop inflation. Very firm steps have been taken in other countries for stopping inflation. In other countries they have reduced note issue; they have destroyed large quantities of notes; they have burnt them at public expense. In other countries they have regulated credits and advances, and they have adopted every other reasonable means for bringing down inflation. In this country inflation has only become an excuse in the past for Finance Members to come to this House and say 'there is great inflation and there is much money in the pockets of the people, and so let us take it over so that inflation will go down.' With regard to deflation they have constantly said 'Oh! but if we deflate them there would be unemployment and distress. Therefore when we want money, we will plead inflation and take it from the public, and when we do not want to reduce expenditure then we speak of the horror of deflation because retrenchment will increase unemployment. Sir, this is a vicious circle and I submit very seriously for the consideration of the Honourable the Finance Member that we should break out of this vicious circle. The main evil of inflation is that it is a tax on the poor people. Let us think of this because so much has been said about the common man; let us all think of the field of employment for him; let us think of the burden which he carries and let us all consider this issue in the serious manner in which it deserves to be considered.

I have spoken in this House with regard to what I call a production crisis. We have not got the goods. In every country in the world production is increasing. In India goods produced are actually being diminished, and this is a position which puts you into the vicious circle from which it is very difficult to get out. It is not the evil of today, but what shall we do hereafter—that question also does arise. Does this Government recognize that there is a production crisis, that goods are in short supply, that every effort and very strong effort must be made to secure these goods so as to reduce inflation on the one hand and on the other hand to reduce the amount of money which is lying idle in the hands of the people and is creating mischief on the stock and other exchanges. Does Government recognize that we have a production crisis? There has been a crisis in other countries as well. Not content with careful planning which has been going on for many years the Government of England is now putting some of their top men on this job. They are now going to put Mr. Bevin. They are going to requisition our old Finance Member, Sir Archibald Rowlands. They are going to pick out and comb out of the country

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the best men and see that they meet the production crisis of the country and  
 12 Noon that everything is dove-tailed, that no man is idle, and that what  
 is produced is disposed of in an orderly and proper manner. We,  
 Sir, in this country have unfortunately a prejudice against planning but I say  
 that that will land us into very great difficulty.

I find there is a lot of loose thinking on the question of State trading and  
 of State ownership or nationalization. I do not want to take up these topics,  
 because they are big topics. I think it is necessary to have some kind of  
 orderly thought on these subjects. The principle with regard to nationalisation  
 should be that those industries in which the security of the country is involved,  
 for the shortage of which this country found itself in very great difficulties during  
 the war period—those industries should be started by others or by the State  
 and this should be undertaken within a reasonable time—that which seems  
 to occur between one great war and another—so that this country may be  
 equipped with the means of production of those things which are necessary for  
 the security of this country. This, Sir, is a great thought in which I do not  
 think any Indian would differ from me and therefore I say, let us start with  
 first things first and let there be some scheme about it.]

**Dr. Zia Uddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): May I say something?

**Mr. Manu Subedar**: I will give you whatever answer you want in the lobby.

My Honourable friend, with childlike simplicity and colossal unfamiliarity  
 with business matters referred to the Select Committee's minutes and how the  
 Select Committee minority reflected opinions outside this House. He forgot  
 what Mr. Griffiths said and what Mr. Tyson said. He does not know about  
 the letters which I have received from Muslim business men and the talks  
 which I have had with Muslim colleagues of his own in this House. He is  
 anxious to make out that everybody like him is pleading in a sectional manner  
 and that some of us are not actuated by the highest standards of patriotism  
 and the welfare of this country alone and nothing else.

**Dr. Zia Uddin Ahmad**: I do not doubt it, but facts are facts

**Mr. Manu Subedar**: The field of State trading has been so far seriously  
 considered. Why should profits go to private trade when the State could get  
 some money and with regard to import of gold and silver, I have recommended  
 the method that should be adopted. With regard to the Geneva Conference,  
 our people are going there and I trust the Indian delegate will take a stand  
 that India will not be tied to anything which is not required for the welfare  
 of this country. It will not be tied to any relaxation of its economic policy  
 which may be necessary in the interests of this country, but we should be  
 free to do barter, we should be free to negotiate State to State dealings, we  
 should be free to get materials which we need badly on an exchange of other  
 commodities which we can also spare with some difficulty but which we prefer  
 to spare rather than go without those materials necessary to renovate the  
 economic life of this country and to increase the field of employment.

Then there are too many slogans and everybody is anxious to point out that  
 he is actuated by the welfare of the small and poor man. I am very glad that  
 this has become fashionable. But what is fashionable today, will I trust really  
 be thought from the heart to-morrow. I would invite the attention of my  
 colleagues in the Assembly to the Bombay Committee's report in which I have  
 recommended nationalisation so far as the handloom industry is concerned, so  
 that not one handloom today, I hope and not one man who can produce cloth  
 in these days should be without the yarn or the machinery or the stores or the  
 means of selling it. Relieve him of all that trouble. Fill him up with all that  
 he requires and you have more cloth arising immediately and also the full use

of the equipment, which, I am sorry to say, under the mismanagement of this Government are lying idle.

Among these slogans is one that there should be no retrenchment. The Honourable the Finance Member said that the Taxation Committee could not be appointed. May I point out that every municipality in this country is in financial difficulties? May I point out that there are taxes which are not expanding, some of which are contracting, and provincial Governments at all events are now searching widely for what they can tax, and in their wild search they are imposing taxes which do more to dislocate the life of the people than they quite realize. Even the Government of India's own sources in some cases are yielding less and what is more, the Niemeyer Award which is still being acted upon has become absolutely out of date. The Government of India today is giving grants which are very much bigger than the money going under those awards. I am sorry to say that some of those grants are going to provinces whose pockets are bulging with finances. Last year the Honourable the Finance Member gave Rs. 85 crores to the provinces who were able to use only Rs. 25 crores and this time in spite of the fact that last year they could not use more than Rs. 25 crores, the Honourable the Finance Member has put down Rs. 45 crores for them.

I say that the Taxation Enquiry should begin its work immediately. If there are aspects of it which trouble the Honourable the Finance Member with regard to the constitutional future, those aspects could be provided against. Some provisional arrangement could be made. In any case men interested in the welfare of the country as a whole and therefore of every section of it, are not likely in my opinion in that responsible position to bring conclusions which would clash with any ideology or with any other apprehension which may exist. The same thing goes with regard to the Economy Committee. May I ask why the Economy Committee has not been appointed and functioning? What was the reason? Didn't you find the men? Didn't you have time to make up terms of references? Couldn't we take up this issue straightaway and couldn't the Economy Committee sit day after day and lop off whatever is surplus and unnecessary? Sir, some of us find it difficult to address in harsh terms men who are our chosen men, and whose leadership we are proud to have. But when it is a question of financial administration, it does arise that we resent members of the Treasury Benches taking a suggestion from us and throwing it into the Department and the department's Secretary making a reply and the Member rolling it off here. We want Members of this House to be treated with that sense of responsibility which we are all anxious to develop and I find that such an attempt has not yet been made. Whether the Standing Committees will do it or whether some other means will be found I do not know. But we do not like to feel frustrated with regard to the welfare of our country. When we have definite points arising out of observations and our experience which we have to put to the House, the only machinery is the question and we find the Honourable Treasury Bench Members rolling off the answers drafted by their Secretaries.

**Prof. N. G. Ranga** (Guntur *cum* Nellore; Non-Muhammadan Rural): The Secretaries themselves roll them off!

**Mr. Manu Subedar**: It is not easy at any time judge the effect of taxation. And when the Honourable the Finance Member claims that he will modify his schemes he put in a reservation with which everybody agreed. But how is he going to judge? May I give an allegory as to what is happening in the manner in which he has brought his budget to this House. He is throwing a man down from the balcony. He is throwing him over. When you throw a man over a balcony, in some cases he may survive without any serious harm. He may have a few bruises *plus* some shock. In some cases he may be hurt in some vital parts and he may be permanently maimed. In some cases he

[Mr. Manu Subedar] may actually expire or die. Which of these three things is going to happen if you throw a man from the balcony? Time alone will show. But I do feel that the Honourable the Finance Member has been outrivalling the United Kingdom in the matter of direct taxes and he has taken a leaf from the U.S.A., a country whose strength, resources, solidity, stability and wealth we have still to achieve. I cannot go into the details of this matter beyond saying this that the Honourable Member has brought in a larger measure of direct taxes in one year than at any other time. No previous Finance Member brought this House during peace time any measure in which more than one or one and a half crores was to be increased in the revenues from direct taxes. The form of the taxes is not so objectionable: the form is all right but the timing, the psychological effect has not been taken into consideration. It has not been definitely and properly gone into. The very largeness of it or the very bulk of it is what staggers. If you gave me a glass of milk it will probably do good to me but if you pour down my throat a gallon of milk, I do not know what will happen.

Then there is the other point which has been dealt with by other Members and therefore I won't delay the House on it longer. It is this. In the case of joint stock companies, particularly, in some cases the incidence is now actually going to exceed that which is prevalent in the most advanced western countries. They are countries with a rich economy and whether this country can bear that parallel with those countries is something which is worth thinking about. It is no use dogmatising that this has been already thought out and that every thing will be all right. As I said, if you throw a man from the balcony you do not know exactly the nature of the injury which you may be doing him.

I do not wish to take the time of the House with regard to the revenue estimates, which have been given to us. It has been said and proved—my Honourable friend Prof. Ranga brought it out—that all previous estimates have been as a rule exceeded. All previous estimates of expenditure have in many cases been exceeded. Therefore I do not wish to say much on this but with regard to the Capital Gains Tax may I point out that taking about 100 crores of transactions which have taken place during the last 12 months, including the promotion of limited companies which have acquired assets and taking 50 crores (which in my opinion is the lowest estimate) as the profits of those who sold at 5 annas in the rupee, it will come to 17 crores straightaway. This is only one item not to mention securities, bullion and stocks and shares which have been sold perhaps to the extent of about 150 crores or more. The estimate of the Honourable the Finance Member and his advisers was only 2 crores.

As to the question, when deficits are incurred, whether they should be covered or not, I will respectfully contradict my Honourable friend Dr. John Matthai when he said that the credit of India would otherwise suffer. The credit of India would suffer from financial maladjustment and financial mistakes but the credit of India would not suffer if in the course of putting its finances on the right footing you did carry a certain amount of deficit during the year.

May I know what has happened to about 20 crores which came from the thousand rupee note ordinance, which I have not been able to trace in the amounts which have been given to us. This is a nest egg which has already been more or less realised and I believe credit could have been taken for it in our deficit. I also think that the provision for reduction and avoidance of debt, in view of the fact that no money is going to anybody outside this country, is superfluous and at all events could have been suspended this year and a saving of 5 crores would have been made. I have already indicated that in my opinion the profit would be about 10 crores in the import and sale of bullion and I trust that having regard to other calls on his money, which the Finance Member may have in the course of the year, this source will not be neglected.

I think the Economy Committee which is expected to or ought to function immediately should be able to save this country something nearer 20 crores. There are various things which can be lopped off and I would submit that so far as the army is concerned and so far as many civil departments are concerned, the Finance Member should see that every appointment which did not exist before the war should be regarded as suspect and the wise men whom the Finance Member may choose for this Committee should go specifically into the question why any new appointment which may have been created during the war and other exigencies should continue today. I am not referring to the increases in the Government of India Departments: I do not grudge it. But it should be remembered that this country was at one time governed by only three Members and now we have fourteen. But what I do grudge is that there should be such a large army of deputy secretaries, joint secretaries, Directors and Controllers,—an enormous number of very highly paid men. Is it suggested that the man who gets Rs. 250 cannot do the same work as efficiently as another man getting Rs. 1,200? If anybody doubts it let him have a talk with any Major in the Indian army and he would find that though the Major is paid Rs. 1,200 he is less capable than any other competent civilian officer who may be paid Rs. 250.

I find that the capital heads under the army has been abolished and there is a lump grant of 10 crores for the army. I trust that this sum will not be used for taking over superannuated derelict cruisers which Britain may try to pass on to this country. The United Kingdom have built during the last year no less than 1,200,000 tons of new shipping and they are also building new warships and so if we want to buy any, let us take from this new stock.

**Rao Bahadur N. Siva Raj** (Nominated Non-Official): For offence or defence?

**Mr. Manu Subedar:** The army has already absorbed about 20 crores of stores last year and will probably absorb another 20 crores worth next year and out of this outlay of 188 crores something could be eliminated. Disarmament is being talked about in other parts of the world and even if we do not disarm we ought to be able to reduce some little part of the army. In this connection I would repeat what I said before that there has been a scandalous neglect with regard to the demobilisation programme: it has gone wrong and it has been unduly delayed.

I want to know what happened to India's share of the sale of American surplus stores during the last year, which according to my calculation should have yielded about 5 crores, of which half belongs to India and during the next year I understand that as much as 100 crores worth of stores will come off for sale. If so what will happen to India's share of these stores and where will all this money be credited? Why has it not been taken into account with regard to the Budget?

I have suggested that in order to help procurement of the necessary articles the duties on steel, sugar, cloth, paper, timber and various other articles which are badly needed, should be suspended for the next two years and I also suggested that a duty should be levied on fine cotton entering this country in the interests both of the cotton producer of this country and in order to induce millowners to go in for greater production of coarser cloth, an article which is much in demand. I would certainly suggest an export duty on cloth. The reputation of this country in the eyes of the world depends on the manner in which we order our life and various departments of our life. This in my opinion depends entirely on the manner in which we handle the finances of the country. I have indicated only a few of the loopholes. I have many more which I have not been able to include within this short time, but I feel that this is one of the matters on which great responsibility rests with India's first Finance Minister. I trust that he will in all these aspects give serious thought to the points which some of us are able to point out to him and that he will so order

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the finances of this country that all departments of our life may be properly regulated and may grow and this country may achieve the reputation in the eyes of the world which it deserves.

**The Honourable Pandit Jawaharlal Nehru** (Member for External Affairs and Commonwealth Relations): Sir, I am reluctant to intervene in this debate on financial matters but my friend, the Honourable Member who comes from the Frontier, referred to the Tribal Areas and severely criticised much that has happened or that is happening there. I would normally welcome a full discussion in this House about Tribal Areas in the North Western Frontier or the North East Frontier of India because it is a very important area from many points of view and on it depends many factors with regard to our policy. For the moment, however, I would just like to say a few words.

May I first of all say that I regret very much the immoderate language that the Honourable Member used? There is a very great deal in the Frontier which is open to criticism, which has been open and is still open to criticism. But if we start settling any problem in terms of individuals and personalities we are apt to lose sight of the principles involved. It is quite easy, and sometimes right, to criticise the individuals and personalities concerned. But it does not help really considering the main problem. I suppose if we went into the question of individuals, highly placed or low, in government service or in other services we will be able to find many who might well be replaced by better men or need not be replaced at all. But the problem of the Frontier is something bigger than that of the individuals. It is a problem created largely by British policy in the last hundred years or so. I do not now propose to go into the merits of that policy; it is a big question and there have been various schools of thought in regard to it. Possibly one may say that it succeeded in a measure. In another way it did not succeed. But the point is what was the aim of the British policy in India in the Frontier, because unless you know what the object of the policy was you cannot say whether it succeeded or did not succeed. I imagine from the point of view of the objective of British policy it largely succeeded. But that particular objective seems to me something entirely different from the kind of objective that we should have in the Frontier. Therefore, quite apart from the merits or the failure or success of that policy in the past, we have to review it completely in the light of new objectives that we may lay down. What are those objectives? How does the Frontier Area concern us? It will obviously, first of all because we are concerned with the well-being of the people in every part of India; secondly because the Frontier Areas are important defence areas and therefore we cannot treat them just as any other area; thirdly because in these Frontier Areas of the North West various things have been happening for a large number of years which have sometimes necessitated military operations and other measures to curtail the raids or activities of some Tribesmen. The House knows that those areas have been bombed. The House knows that there has been a long series of kidnappings, raids etc., in the past and sometimes it has continued in recent months for weeks, and as a consequence there have been military operations, either bombing from the air or other military operations. Now, obviously this in itself shows that there was something about the policy which continually depends on such military operations. You may have or you may not have air bombing. But some kind of military operations become essential if there are raids, if there is kidnapping, if there is general insecurity, because no government can put up with this kind of insecurity and the kidnapping and forcible removal of peaceful citizens. One has to meet that menace.

The Honourable Member pointed out that this is due to the fact that these people are poor, they have no gainful activities and therefore they have to make a living this way by kidnapping for ransom, etc. That may be considered as an economic problem as it is indeed to a large extent. Nevertheless one factor is

perfectly clear namely that however we tackle the problem—and we should tackle it in a way to remove the root causes of it—we cannot tolerate any raids, kidnappings or any other violent incursions into settled territories. I am not at present going to lay down any policy that we are going to pursue because, frankly speaking, my own mind is not completely clear about it; also because this matter is being considered, or rather will be considered, in other places, by the Advisory Committee appointed by the Constituent Assembly. Because of that some steps that we might possibly have taken in further consideration of this problem have not been taken as we could not easily overlap in this manner. But let us see what are the main aspects of the problem. We do not wish to interfere in any way in regard to the life of these Tribal Areas, that is to say we do not wish to impose anything against their will. We want to leave them as free as possible to lead their own life as they like. At the same time we do not want them to interfere with the lives of others adjoining those areas. We cannot tolerate any incursions, any upsetting of the lives of others. We have to find an equilibrium between the two, and we have to look at this in the larger context of defence. Of course, we should like and we want to help them in every way, to raise their standard of living, to raise their economic status and to give them employment and various types of industries—cottage industries or whatever it may be—so that one of the motives which impels them to raid and kidnap will be removed, because I do not think the right way to deal with this problem is just by military means or pressure or punishment. The payment of what is tantamount to hush money has also been tried and that has succeeded for the moment. Fairly large sums of money have been spent in the Frontier on this account. I do not grudge the spending of that money in the Frontier. Indeed I should like more money to be spent there. But I do grudge to spend the money in the way it has been spent, which brings no results, no ultimate results in the improvement of the people, which just for the moment keeps them quiet. I think that money, and even larger sums of money, ought to be employed in effecting some radical change and in improving those areas economically, educationally and otherwise. That will be a fundamental improvement which will deal with the causes of all this trouble that we have had. How we are to do that and in what manner is not very easy to say immediately but I have no doubt that it can be done. It becomes ultimately rather a long distance programme, not a problem which can be tackled immediately. However, undoubtedly, we have to do it and we are going to do it in that way. Again we have got to do it in a manner which does not appear to be an imposition from above, but which is largely in co-operation and with the goodwill of the people concerned, because it appears to me that if it is an imposition from above, it will fail to a large extent.

Various other matters come up for consideration in the Frontier as elsewhere. There are various classes of people there and we are apt to think that they are all of one kind. But there are classes there undoubtedly and in a sense, in a vague sense, one might say there is a measure of feudalism there too. There are the Tribal chiefs, there are their followers and it does not follow that what is to the advantage of some of the upper class tribal chiefs is to the advantage of a large number of other people there. I believe that there is a certain class conflict developed to some extent there. Now, I do not want that class conflict to grow. I am simply analysing the situation. In the past the Government of India has largely dealt with these tribal chiefs either by paying them some form of subsidy or otherwise and thus enhanced the prestige of these tribal chiefs, whom they chose to honour and pay, and through them has controlled the others. How far even that is a practicable proposition in the future I do not know. I rather doubt it. In any event I think the time has come, in the Frontier and elsewhere, when we should not think in terms of the tribal chiefs or the upper chiefs but rather of the common man, of the masses there



[Pandit Jawaharlal Nehru.]

and any policy that is evolved should take into consideration the raising of the mass level. If that is done, you deal with the situation in a radical and a more or less permanent way.

Personally I feel that the present set-up in the Frontier, the whole policy pursued as well as the administrative/set-up is completely out of date. I think the arrangement there, under which many officers have a dual allegiance is bad. As the House might know, very often, an officer, say, the Deputy Commissioner, is responsible to the Provincial Government for his particular area in the province but for a part of the tribal areas he is not responsible to the Provincial Government. He is responsible to the Governor who is in charge of the tribal areas. This kind of dual responsibility has given rise to a great deal of trouble and it is illogical and unreasonable. Some way will have to be found to end it. Also, we blame sometimes rightly, sometimes wrongly, the officers there but we have to bear in mind that they have been trained to follow a certain policy. Now, that policy, whether it was right or wrong in the past, is not suited to present day conditions. It cannot be. We cannot, Free India cannot, think of the Frontier in the same terms as the British Government in the past. It simply cannot be done, whether we like it or not. We have to approach them in a friendly, in a co-operative way. If there is trouble, we have to put it down with a strong hand but nevertheless our whole approach is to be friendly and co-operative and not based on hush money and the like but rather on spending money in removing the economic difficulties and improving their standards. Therefore the present set up in the Frontier which has come into existence because of following that class policy does not fit in today at all. Many individual officers who are quite good in their individual ways and have carried out the old policy properly may not fit in when you change that whole policy, because they have been working too much in the ruts of that old policy and the whole question has to be considered as to how to introduce the new policy and change the present set-up so as to fit in with that new policy. We have to consider it. I hope that the House will at some time or other consider it and give us the benefit of their advice on the matter. And as I said, concurrently the Constituent Assembly has appointed an Advisory Committee for the Tribal Areas to go into this matter. That Advisory Committee is not, so far as I understand, going to take up this matter in near future that is in the next month or two. They will probably study the problem first and after two months, may be a little longer, they may desire to go there, merely in an exploratory way, meet the people there, discuss the matter with them and then possibly report. So, for the present, all I can say is this that we welcome the House taking an interest in this subject by way of questions and otherwise. I myself do not see what other big changes we can suddenly introduce at this moment, although big changes are necessary.

**Mr. Ahmed E. H. Jaffer** (Bombay Southern Division, Muhammadan Rural): Sir, I need not take up much of the time of the House, for I have spoken on the Budget discussion and my views on the budget proposals are known but I should like to say that the scheme of the new general taxes suggested is rather heavy. I am indeed happy that it has been lightened by subsequent discussions and many of the features to which objection was taken during the Budget discussion have been modified. I hope that it will not interfere with the production and the flow of investors as much as Mr. Tyson appears to apprehend.

At the same time I personally feel and believe that people who want to start industries may go over to the Indian States. I do not know what the policy of the Indian States is going to be but personally I feel that because there, there are no taxations, and industrialists in British India will be affected by this taxation, and might want to run away to the Indian States. I am afraid this will be a loss to British India. All the same I

hope that the Finance Member would watch and help those who are affected, because world conditions are still unsettled.

Sir, I welcome the proposal to exempt properties in possession for over seven years. I also hope and trust that this principle would also apply to shares and securities, for I believe, I do not know how far it is true, that in America these are excluded from the scope of the Bill, especially those who hold this for a period of four years. When the value of shares is going down, it no doubt affects investors in banks and we saw the first result of it in Bombay where one of the banks crashed. I hope that this will not follow in regard to other banks. I do hope and trust that Government would consider the full effect of this action and take all steps through the Reserve Bank to prevent any bank crashing, because small investors thereby will suffer, as has been the case in the recent crash of the A. B. C. Bank in Bombay. I would like to point out that the most urgent need of the hour is the cheap money policy of Government. I should expect the Honourable the Finance Member to tell us how he is going to continue the excellent policy of his predecessors in this respect. We want cheap money for large scale planning. I had hoped that there would be a reference to this in the Budget speech of the Finance Member but apparently he has good reasons for not mentioning it, but the time has come when we should be told what are the plans of Government in this vital matter.

Sir, on account of the fresh Budget proposals, greater responsibility will devolve on Income tax officers and those who are in charge of the administration and recovery of these taxes. I would respectfully like to point out to the Honourable the Finance Member, now that a change in Government has taken place and now that we have India's popular Finance Minister at the helm of affairs, that he should issue definite instructions to the officers under him to see that the public are not harassed.

So far the public and especially the business people in India have not been treated fairly by the Income-tax Department. I do not want to raise any objection against these, particularly in my province, whom I have always found very courteous and very helpful. But I do feel that most of them, especially those higher authorities to whom our appeals go, do not care to look into the difficulties of the people. They want them to produce vouchers, which, in these days of difficulties, it is very difficult for them to produce. This is particularly difficult in the case of those who have been carrying on contracts of transport and of catering. It is very difficult to obtain vouchers because at times goods have to be obtained from the black markets. What has been the practice so far in the Department is that if a businessman has received 2 lakhs of rupees monthly from the military authorities, they have laid down a certain standard of 30 per cent. as the income on which they are going to pay the profits. This procedure is entirely wrong. The income-tax should be charged on the actual profits made by the firm concerned.

Then, Sir, I would like to know what steps have been taken to take over the control of match industry and tobacco industry in this country. In this connection, I should like to make a few suggestions. There are two very simple industries in India, the match and tobacco industries. Many countries in Europe after the last war went in for nationalisation and reaped a rich harvest. Why not this policy should be adopted here? I believe that we get from the tobacco excise duty 22 crores and 6 crores from the excise duty on matches. If we nationalise them, I am sure we will be able to get 70 crores in respect of tobacco and 30 crores in respect of matches.

Sir, I would now like to refer to the expenditure on the Defence Department. As we all know—and this has been repeatedly stated on the floor of the House—the present expenditure of the Defence Department is indeed very heavy and now that the war is over it should be considerably reduced.

[Mr. Ahmed E. H. Jaffer.]

I have already referred in my previous speeches on budget discussion to the financial incompetence of the Defence Department. I was very pleased the other day when the Honourable the Finance Member, while replying to a question, assured us that he would personally see that the defence expenditure is brought down. I suggested that there was scope for at least 10 per cent. immediate reduction. Referring to the defence expenditure, I would also like to point out to the difficulties which the contractors in India had to face in regard to the recovery of their claims from the Defence Department. I have received many complaints, particularly from those in the Southern Command area, that the contractors of transport who rendered services during the period of the war have not been paid their bills for the last two years. Lakhs and lakhs of rupees are yet to be collected and they have been sent from pillar to post. Similarly, there are hundreds of merchants in India who have yet to recover lakhs of rupees from those British officers who left India after the war was over. I must say that the Defence Department are very sympathetic towards them and they have expressed their entire helplessness in this matter. I feel that the Defence Department should wake up and take up the matter with the war Office in London and see that the Indian merchants, who have yet to recover lakhs of rupees, are helped and their money is recovered.

I would now refer to the question of Civilian Officers of the Ordnance Corps. May I point out a curious contradiction in the statement the Honourable the Defence Member made in this House on the subject of Ordnance officers last week? He assured the House that he was perfectly prepared to give effect to the recommendations of the Nationalisation Committee. One of the Committee's recommendations, he admitted, was that Ordnance Officers, Civilian, should not be retrenched till the Committee had finally decided about their future, and that the 135 notices already served should be withdrawn. Yet the Honourable the Defence Member has so far taken no action to implement this recommendation. The notices have not been withdrawn. Many Ordnance Officers, Civilian, have already left the Corps, and unless immediate steps are taken all the 135 notices will soon have taken effect. This is a serious matter. The Honourable the Defence Member is, in effect, flouting the recommendations of the Nationalisation Committee. The Nationalisation Committee, Sir, does not make recommendations frivolously or light-heartedly. The British are supposed to quit by next June. There is an acute over-all shortage of Indian officers in the armed forces. Is it wise in these circumstances to lightly brush aside the considered views of the Nationalisation Committee and allow these highly educated and trained semi-military officers to go before the Committee has decided upon the best method of utilising their services within the armed forces? I hope, Sir, that the Defence Department will not take its stand on prestige in a matter like this and will yet learn to co-operate unhesitatingly with the expert Committee that has been given the task of Indianising the forces within the shortest time possible.

In the budget proposals this year we did not see anything referring to the Postal Department. I had expected that this time we would have some sort of reduction either in the matter of carrying letters by post or reduction of surcharge on telegrams or telephone trunk bills, or telephone rental bills. During the period of the war we, the businessmen in India, had to face difficulties and we have paid heavily through our noses. This surcharge, as far as I can remember, was levied during the period of the war. The war is now over and I felt that at least the postal stamp would have been reduced from 14 annas to 1 anna and also the heavy surcharge that is now laid over telegrams and telephones should have been reduced, especially, as it has already been stated that the telephone service is not as good now as it was during the war. I see no justifi-

fication why we should be asked to pay the same heavy amount as we are paying at the moment. There is a heavy surcharge on telephone bills and I do hope this matter will be considered and something will be done if not this year at least in the immediate future.

Then, Sir, I believe the Government is trying to bring forward a message-rate scheme on telephones by which, besides the telephone rental, we would be asked to pay for every call one or two annas extra. I hope the Honourable Members of this House will oppose this scheme.

Then, Sir, I would like to refer to the heavy charges which we have to pay by air mail. At the moment we pay Rs. 1-10-6 for our letters to America, whereas for the letter which comes to India from New York they pay only 14 annas. I see no justification why this Government should do this profiteering unless they have special grounds for charging this rate. As you know, Sir, recently there has been a hue and cry on carrying letters by air mail and causing unnecessary delay. I must pay a tribute to the Honourable the Commerce Member who, since he assumed charge of office, gave an assurance to us in the meeting of the Standing Finance Committee and again in the Aviation Conference that he would agree to our proposal to send our letters by air mail by planes which moved in the same direction instead of sending letters by a plane which was going in one direction. I am very glad to say that since then, as far as I remember, I am sure my Honourable friend will support me when I say that we have had no cause of complaint in the matter of carrying letters by air mail. I suggest letters by air mail should be carried by both the services which run every day to Bombay. All the letters should be delivered the same evening, so that unnecessary delay could be avoided.

Today we read in the newspapers about a Trade conference meeting in Geneva very shortly. I must say that no commitments should be entered into by India which would militate against our newly born industries. We must not tie ourselves down to any policy pursued by any foreign power. We must pursue our own independent policy. As we know America is out for lowering the tariffs. In this connection, I am glad to notice that the delegation is going to be headed by the Honourable the Commerce Member himself. I am sure that the case of India will not go by default. I must also congratulate the Honourable the Finance Member for selecting eminent non-official Members of this House, I mean my Honourable friend Mr. Haji Abdus Sattar Haji Ishaq Seth and my Honourable friend Mr. Karmarkar who comes from my constituency. I am very happy that the Honourable the Commerce Member has given effect to the frequent requests and repeated demands made from this side of the House that non-official Members of this House should be associated in such overseas delegation. I am also very glad that he has taken a Member from the other Party. I congratulate him for this. I am sure Honourable Members of this House will wish them good speed and success in their great mission and greatest responsibility that lies ahead of them.

**Prof. N. G. Ranga:** Only the agriculturists are left out.

**Mr. President:** The Honourable Member's time is over.

**Mr. Ahmed E. H. Jaffer:** I thought I had 20 minutes to speak.

**Mr. President:** I have no objection to give any length of time to the Honourable Member. But I find that a large number of Honourable Members are anxious to take part in the debate. I also find that from about 3 P.M. there will be no further time for any non-official Members to speak. Therefore those Honourable Members who wish to speak should squeeze themselves between now and 3 P.M. and adjust their speeches. If any Honourable Member wishes to speak at greater length, then it means other speakers will be crowded out.

**Mr. Ahmed E. H. Jaffer:** Then, I have done.

**Dr. G. V. Deshmukh** (Bombay City: Non-Muhammadian Urban): Sir, the Bill before the House has been alternately praised and condemned by speaker quoting authorities for their support. Now, Sir, when experts differ, I think it is high time that a common man, an ordinary man like me who does not know much about the principles of economics should intervene. It does seem to me that there cannot be any settled principles of economics, indeed there may be as many economic as there are persons. Economics cannot be termed an exact science in the same way as chemistry can be called an exact science or physics can be called an exact science. We see one expert saying that the budget should be balanced, others say balancing of the budget is not necessary. The free trader of today becomes protectionist at some other time, the protectionist of one time becomes a free trader of the other time. Therefore I feel emboldened to intervene in this debate if only to put the point of view of my constituency with which I entirely agree. Sir, what is the point of view of my constituency, which as you know is a commercial constituency and which pays a good bit of income tax to the Finance Member, I mean the constituency of Bombay paying income tax. They think, and I entirely agree with them, that this budget as it is now framed will certainly make the capital shy. It will interfere with the industry and it will interfere with production. I personally think that I have no reason to disagree with the view taken by my constituency.

Sir, in the short time at my disposal, I do not want to urge this point on this House because I feel that it has been sufficiently discussed by other Honourable Members who took part in the debate. What I want to urge on the Finance Member, and here I do not want to criticise him, I say 'render unto Caesar that which is Caesars' and acting on this principle I say that the Government have a right to tax the people and the people ought to be prepared to submit themselves to that taxation and give the taxes, if not cheerfully, at any rate submit to the taxation. But I refuse to admit that the State has only the right to tax and that the subject has no right of his own. I say that just as I feel it is the duty of the people to pay taxes to the Government, I say it is the duty of the Government in spite of their being in power to see that the human beings under their charge in the State are properly supplied with the ordinary comforts, that they are free from anxiety, free from harassment, free from blackmailing by the Government officers. I think it is incumbent on the part of the Government, and also on the part of the subjects, to fulfil their mutual obligations. Well, Sir, under these circumstances, I feel that we have gone all over the world borrowing principles of taxation. Whereas all other countries have a taxation policy of their own, we, in India, go to England. If we do not find taxation principles in England we go to America, we go to the antepodes. We borrow those principles of taxation. What I want to ask the Finance Member is this. Are the Finance Department so blind that whereas they are so fully alive to the ways of taxation prevalent in other countries, they completely ignore the relief that those countries give to the subjects relief which is inherent in every kind of taxation. When the Income-tax Bill was on the anvil in 1939, unfortunately at that time the Finance Member was a foreigner, Sir James Grigg, and he did not pay as much attention to the reliefs given in other countries, as he should have done. I say today times have changed. We have an Indian Finance Member and therefore he must look at it from the Indian point of view. At that time when the Income-tax Bill was under discussion, I pointed out to the then Finance Member that while he was borrowing taxation principles from England, why not give relief to the State subjects on the same principle as they give relief in England. Sir, I have no time to dilate on this point, because the time at my disposal is short and I have to get through a lot of

points which I have to submit to the House. In England relief is given for marriage, for wife and children, for dependents, for education of children and so on. In this so called socialistic democratic budget, do I see anything of the kind, any relief given to the common man. It is all right to tax the people. But what is taxation for? Taxation is not merely to collect money, taxation is the ways and means for making the subjects happy and those principles of taxation should be carried out. Otherwise there is no justification for taxation at all. Whatever modern theorists may say about taxation, I say so long as the economy of the country is not similar or does not accord with the Soviet economy, there is no use of telling us about Soviet economy, in this country, where there is at present a capitalistic system in existence. I say it is only throwing dust in the eyes of the public. Therefore my suggestion to the Honourable Finance Member is this, side by side with this, in this democratic regime bring in the principle of relief, just as you are expanding the ways and means of taxation, enlarge the relief, enlarge the principle of relief to the greatest extent possible. I, for one, and I know that many would cheerfully submit to taxation provided we feel that we are relieved from the anxiety incumbent on our being subjects of the State. Applying this principle of relief to the ordinary income-tax payer, I say that if the Finance Member wants to have any distributive justice, any socialistic kind of budget or any idea of fairness, then he must consider what concessions he is going to give to the family members of the income-tax paying man. Besides, Sir, you know that this country is a country where there are many dependents on those people who earn. Even in a country like Australia I find that a concession for two dependents, for nurses to children etc., are given. The Finance Member should adopt this principle.

**Mr. President:** The Honourable Member has two minutes more.

**Dr. G. V. Deshmukh:** I thought I would be allowed 20 minutes like others. If not 20 minutes, at least a quarter of an hour. I have just begun my speech and I have still many more points to cover.

**Mr. President:** I have no objection to giving the Honourable Member as much time as he requires. But as I said just now when Mr. Jaffer was speaking, the time has been rationed by agreement of parties, and the request that has come to me shows the allotment of time which each party proposes to give for particular speakers. I have no objection to giving the Honourable Member the whole time up to three O'Clock provided the time is debited to his party's account. Other speakers will be crowded out.

**Dr. G. V. Deshmukh:** I submit to whatever you say. From the way in which discussion has been going on till now, I thought I would be given at least a quarter of an hour. But if you want me to finish in two minutes, I have no objection. I shall just run over.

**Mr. President:** Let the Honourable Member run over.

**Dr. G. V. Deshmukh:** I say if this principle of relief is applied to B. P. T., then the Government must logically talk of nationalisation. It is no good robbing people of their business profits and doing nothing except carry on the capitalistic system of economy and then fleece them. Take whatever they earn from their individual private enterprise by this kind of taxation and do nothing for them in return. This is not equitable. If you apply this to the B. P. T. I think the suggestion made by my Honourable friend of the European Group yesterday should receive consideration, namely, that there should be a division of productive and unproductive capital, i.e., capital that is ploughed back into the industry.

[Dr. G. V. Deshmukh.]

With regard to the Commission that is going to be appointed I have no objection to it. But you know what country this is, what laws we have and what kind of administration there is. I urge on the Finance Member that the members of this Taxation Commission should not only be above suspicion but should continue to be above suspicion because their environments and temptations are going to be very bad. Not only should the laws be improved but the administration also should be improved. I do not think it right that for the purpose of this Commission the Evidence Act should be abrogated or the right of appeal should be denied. Sir, I had a lot more to say on this; I come from a constituency which pays more than 50 per cent of the Central Government's income-tax. My constituents wanted me to speak out on this but as my time is up I will say only one thing in conclusion. I know there have been black marketeers. But for a few rotten trees in the forest the Finance Member cannot burn the whole forest. In other words, in getting at these industrial black marketeers and tax-dodgers he must not damage the entire industry in any way. In trying to get rid of the dirty water in the industrial bath—the crooks and the parasites—he must not throw out also the industrial baby and the people's welfare along with the dirty water which he will be throwing out.

**Maulvi Abdul Hamid Shah** (Rajshahi Division: Muhammadan Rural): Sir, at the very outset I should like to offer my unstinted praise to the Finance Member for the courage with which he has presented this Budget. For the first time the budget, I must say, shows the touch of a man who is deeply conscious of the sufferings of the common masses. He has been bold enough to lessen the disparities of incomes and attack the underground and unsocial activities of big business. He could do more than what he has done and the common people would have welcomed some relief. He could have reduced the taxes on kerosene, tobacco and betel-nuts, which are necessities for the daily consumption of the common people. Along with these reductions he could levy an estate duty which last year the then Finance Member proposed to introduce. These taxation Bills as passed by the Select Committee have suffered deterioration and after what the Finance Member told us the other day they have suffered further deterioration. One argument advanced by the Chambers of Commerce is that through these measures industry cannot expand and be rehabilitated. I am not a economist or an industrialist, and I may be wrong if I don't believe that argument. But some years ago I read a speech made here by Mr. Jamnadas Mehta in which he said that England which is one of the most industrialised countries in the world has more taxes than what the Finance Member proposed here. I know that the will of the capitalist will prevail and Government is completely in their hands and the country also is at the mercy of these capitalist black marketeers. Their conduct has often been brought to the notice of this House but the Government reply always has been that they are conscious of these and are trying to do their best, and so on. This kind of thing takes us nowhere. I regret to say that the advent of the Interim Government has brought no amelioration of the condition of the people or the prevention of corruption. Nowadays necessities of life like food and cloth have become scarcer than ever. We are told that the production of cloth is too low to meet the normal demands of the people, but any amount of cloth can be purchased in the black market if the buyer is prepared to pay more than the legitimate price. Again ready-made garments are very much available. One cannot buy two yards of longcloth or two yards of shirting, but one can buy two dozen shirts if one is prepared to pay fancy prices for them. It is surprising that so little has been done to check this inflation to end corruption and to augment the supplies. Government should take more drastic steps than they have done so long. Half-hearted measures

or sentimental appeals to these black marketeers to stop their mischief, will not do.

Then, Sir, I will deal with grants to provinces. Attention does not seem to have been paid to the fact that during the war years certain provinces accumulated huge funds for their development schemes while other provinces nearer the theatre of war could not build up any fund to go ahead with their own schemes. I am speaking for Bengal. The other day my Honourable friend Pandit Maitra criticised the Bengal Government for misusing their money and appealed to the centre to take the Bengal Government to task. A suitable reply can be given to that but in accordance with your ruling that it is beyond the scope of this debate I will not go into that, specially as I fear some bitterness may be created by that. Due to the denial policy of the Central Government Bengal suffered heavily from devastation and famine and so she deserves special treatment at the hands of the centre. And she can legitimately demand it because I think she pays more taxes on jute and tobacco and tea than other provinces. The Bengal Government presented a deficit budget this year. If Bengal is to be rehabilitated, she needs special attention from the Central Government.

Now, you will please allow me to say something with regard to the constituency to which I have the honour to belong. I belong to Rajshahi Division to the northern part of Bengal. River Brahmaputra on the eastern boundary of this Division runs north to south comprising four districts. The land in this riparian area is fertile and culturable, but the agriculturists of this place suffer very much if there is flood in the early part of June. They cannot reap the crops namely *aus* paddy and jute due to the sudden entrance of water. And again in the month of September if there are heavy floods the *rabi* crop, *aman* paddy, is damaged, with the result that all the efforts of cultivators go waste. If these floods can be checked and controlled, I think this area can produce sufficient food for the use of the general population. I hope the Central Government, which is spending so much on their grow more food schemes will take steps to move the Central Irrigation Commission to investigate into the causes of these floods and prepare a scheme in co-operation with the Provincial Government which will prevent all this waste.

Another matter which I would like to mention is with regard to Burmese Refugee Organisation. I am referring to one particular refugee camp which is located in Subirnagar in the District of Rangpur of Mr. G'osh's fame. There were about 40,000 refugees in this camp most of whom have already left and the remaining refugees are going away very soon. I think this camp will soon be demolished. Round about this camp there are thousands of acres of land which is lying uncultivated due to want of irrigation. If the Agricultural Department or the Food Department of the Government of India could take some steps to provide irrigation facilities it will be to the benefit of the general public. Sir, I have done.

**Sree Satyapriya Banerjee** (Chittagong and Rajshahi Division: Non-Muhammadan Rural): Mr. President, Sir. Whatever differences of opinion there may be about the budget proposals, however much can be said for or against them it is an event, firstly because for the first time in the history of British rule in India it has been presented on behalf of a people's Government by an Indian Finance Member. Secondly because for the first time social objective has been prominently kept in view. The Hon'ble the Finance Member has been pleased to observe in paragraph 46:

"India is a land of glaring contrasts and disparities; we have here on the one hand a class of multi-millionaires rolling in wealth and holding the economy of the country in their grip by exploiting for their own profit the labour of the poorer classes, and on the other hand the vast multitudes who eke out, somehow or other, a miserable existence precariously near the starvation line."

And his proposals relate to the removal of these glaring contrasts and disparities.



[Sree Satyapriya Banerjee.]

I would have been grateful to the Honourable the Finance Member if the Budget which he has presented before the House had really gone a great way to the removal of this inequality. But I am sorry to have to say that it may be that his proposals may succeed in making the rich not so much richer as it would otherwise have been, the case but his budget proposals will not raise the poor to a level at which we should like them to see.

**Mr. President:** The Honourable Member may resume his speech after Lunch.

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

The Assembly re-assembled after Lunch at Half-Past Two of the Clock. Mr. President (The Honourable Mr. G. V. Mavalankar) in the Chair.

**Sree Satyapriya Banerjee:** I was saying before lunch that this budget will be an event firstly because it is presented for the first time in the history of British rule in India by an Indian Finance Member on behalf of the peoples' Government; secondly, because social objectives have been prominently kept in view of this budget, thirdly because a wrong has at long last been righted, a wrong which has been continued to be perpetrated on the unfortunate and helpless people of this country since the days of John Company: a wrong for the removal of which nationalist India has been persistently and consistently demanding: a wrong which has been the starting point of the historic movement inaugurated by the famous Dandi march of Mahatmaji and which culminated in the 'Gandhi-Irwin Pact' I mean the salt tax, Sir,—This wrong has been righted in spite of protests, vehement protests from expected quarters.

It has been said it is a socialist budget. If, Sir, it is a socialist budget, then I say that socialism has to be reconsidered. It is not a socialist budget. There cannot be any socialist budget unless there is socialist economics in the country based on the abolition of private property and if I may say so, the economics that obtains here as also elsewhere, save and except Soviet Russia, is capitalist economics and there can be no socialist budget in an atmosphere surcharged with capitalism. And I am supported by the Finance Member himself when he says in paragraph 46: 'I am not one of those who consider the abolition of Private property as the only remedy of these ills.'

Sir, the budget is the balance-sheet of the nation, a nation that is and a nation that you want it to become. But I am afraid, I cannot congratulate the Finance Member when the budget is viewed from this perspective. What do we find today? We find a nation without food, a nation without clothing, a nation without education, a nation without health. Not one of these Departments has been tackled, not to call it successfully in these budget proposals. The revenue which has been estimated at Rs. 279 and odd crores, Rs. 188 and odd crores have to be taken out for defence expenditure. What remains, Sir, to rehabilitate the people in education and in all other sphere of their lives? Not even 100 crores. Is it not mockery? Is it not playing with the lives of 400 million of people of this country. I will ask the Finance Member to take a leaf out of the book of Soviet Russia and remind him, in the words of the great economist Pignon in his book Socialism verses capitalism says that the most important of all investments is investment in the health and intelligence and character of the people. Defective economy in this field would be a criminal offence. Sir, I think I am not far from the truth when I say that the present Finance Member has been guilty of this criminal offence.

I will not dilate on other points because the time at my disposal is very little. I will now come down to grievances that I think ought to be placed before the House. I think I shall be failing in my duty if I did not refer to the problems of I. N. A. men. These problems can be classified into three categories

the release of I. N. A. men, the payment of arrears of pay of the I. N. A. men and the rehabilitation of the I. N. A. men by way of appointments in Government services.

**Mr. Sasanka Sekhar Sanyal:** There is no one from the Defence Department to take notes!

**Sree Satyapriya Banerjee:** I find that there is no one, as my friend reminds me, to take notes of these points. I hope the Honourable the Finance Member will take down notes for him and hand them to Defence Member in charge for reply and necessary action.

**An Honourable Member:** Wall have ears!

**Sree Satyapriya Banerjee:** I know. That is in Shakespeare. The I. N. A. men have been rotting in prison. They thought that with the advent of the Interim Government they would be released. They thought also that their arrears of pay would also be met. They thought also that they would get services under the Government. But all their hopes have been belied. And hopes deferred maketh heart sick. A respected member of the I. N. A. writing to me says: "You possibly know that our arrears of pay have been forfeited by virtue of a special ordinance promulgated by the Viceroy." I do not know about this myself but if it is a fact, the Secretary of the Defence Department will enlighten the House about it. Sir, the I. N. A. is a sacred trust in the hand of the Interim Government and whole country is looking forward to that day when it will discharge that trust to the satisfaction of the I. N. A. men and the people in general.

Another important matter relating to the department of the Honourable the Finance Member himself is this. Yesterday's papers brought out the news that the Secretary of the Department is going away and in his place Mr. Turner is going to be appointed superseding one of the most able and senior officers of the Department, I mean Mr. Narahari Rao. I hope the Honourable the Finance Member will personally look into it and right the wrong.

Then I hope I will not be guilty of raising any communal issue when I say that in regard to the Dacca post office there is a demand from a certain community to remove it from the place where it is now. I hope and trust that this demand will not be conceded, because it is as unreasonable as importunate and undesirable.

I will, Sir, conclude by saying that I am happy that a compromise has been effected on the financial proposals. I see in it the prospect of coming events that are already casting their shadows before. I hope this spirit of compromise will deepen and extend to the most important sphere of national life at the present moment. I mean the framing of the constitution of a free independent, undivided and united India. If that is done the compromise will have its own reward and the people a vision of a glorious future.

One word more, Sir, and I have done. We have come to a stage in our national life when we must either plan or stagnate, decay and perish. Planning of all our resources, animal, human and material on truly socialist lines is the only means which if properly worked out would help to build up an India in which there will be abundance of wealth, abundance of health, abundance of education, abundance of intelligence, abundance of culture and abundance of every thing else that goes to make life worth living.

**Sri Jagannathdas** (Balasore *cum* Sambalpur: Non-Muhammadian): Sir, I congratulate the Finance Member for abolishing the salt tax, which has inspired the common man of the country with the feeling that he has his own men at the helm of affairs. Regarding the other aspects of the Budget I leave it to better equipped men to deal with. I have neither the time nor the inclination to go into them. I am here to voice one of the demands of my own province.

[Sri Jagannathdas.]

This province was created in 1935 and it is going without a capital for these ten years. The government has no building of its own nor a capital of its own and they are driven from house to house. At present they are having their offices in an old dilapidated building. They wanted two crores of rupees. It is not a big sum for the Finance Member of the Government of India to find somewhere from the large sums that he is going to distribute to the Provinces. He could easily give this amount had he intended to do so.

This province of mine was a very prosperous province before the British came to India. It had its sea ports till the latter half of the 18th Century. From every part of the world people came there to trade in this country, people from France, Holland and England, so much so that the father of one of the famous Prime Ministers of England, the Earl of Chatham, came to Orissa as a trader and there bought the famous diamond called the Pitt's diamond. These ports have been neglected and their ruin has brought poverty and disease to the province which are its common features now. When the province of Bihar and Orissa was created in 1911, Orissa was attached to Bihar for the main purpose of giving a sea port to that newly created province. The rivers in the province are silting up and instead of being an advantage to the province they are proving very harmful to the land. A sea port is badly required for the province, because the Railway Department are going to open new lines to tap the almost untapped and unexploited forest and mineral resources of the province. For this purpose a port is urgently required either in Balasore or at the mouth of the Mahanadhi river at the "Falls Point". The Finance Member when he replied to a question put by my Honourable friend Mr. Madandhari Singh said that he would advise the Government of Orissa not to build their capital now. I might tell the Honourable Member that it is a requirement which wants very urgent help from the central Government now and I appeal to the Honourable the Finance Member to grant 2 crores of rupees at once to Orissa Government for the purpose.

**Pandit Mukut Bihari Lal Bhargava** (Ajmer-Merwara: General): Mr. President, I rise to raise my solitary voice on behalf of what are known as the Chief Commissioner's provinces. They are under the direct administration of the Government of India and they have perhaps been the worst sufferers at the hands of the Central Government. Unprecedented autocracy has been prevalent in these provinces throughout British rule, the Chief Commissioner occupying a position which is just like that of a Nawab or a Maharaja and the conditions are reminiscent of the mediaeval ages are still prevailing there. Even in New Delhi and Old Delhi, which are the Central capital of India you find anti-democratic and reactionary influences. The local boards and the municipalities are of a reactionary type and it is an official Chairman who still presides over the New Delhi Municipality and the entire municipality is a nominated body. The conditions in Ajmer Merwara which I have the honour to represent in this House are no better. The district board is of a very reactionary type and its numbers are swelled by ex-officio and nominated members. With the advent of the National Government the people of these centrally administered areas naturally entertain great aspirations and it is the paramount duty of the Central Government that they should bestow their best attention upon these areas which are directly administered by them. In respect to questions relating to other provinces, when they are raised on the floor of this House, they are shelved on the ground that they are provincial subjects but so far as Delhi and Ajmer-Merwara and Baluchistan are concerned this cannot be said: for every act of omission and commission in these areas it is the Central Government which is responsible. Owing to the very limited time at my disposal it is not possible for me to dwell upon the various aspects of the administration in my province. But I would like to draw the attention of the Honourable the Finance Member to the fact that whereas in all reformed provinces of India like U. P. and other provinces the

Provincial Government is going to take steps to curb the drink evil by means of prohibition, if you refer to the excise revenue of Ajmer-Merwara you will find that the excise revenue which was only Rs. 6 lakhs in 1939-40 has been raised to Rs. 13 lakhs in 1945-46. The drink evil is spreading like anything and I think it is the duty of the Central Government to patronise the policy of prohibition and curb this evil in the general interests of the masses of these areas.

Similarly, Sir, in respect of education, even in the post-war scheme I am sorry to mention that Ajmer-Merwara has been given a very step-motherly treatment. As revealed by the census of 1941 the percentage of literacy there was only 8 per cent. whereas here in Delhi, as the census of 1941 shows, the percentage of literacy was as high as 27.7 per cent. Still we find in the present Budget figure that only Rs. 2 lakhs has been allotted to Ajmer-Merwara for education, while not less than Rs. 64 lakhs has been allotted to Delhi. Simply because Delhi happens to be the capital as also seat of the Cabinet Ministers it does not mean that any differential treatment should be meted to a province like Ajmer-Merwara. Its historic importance is by no means less. It is still the centre of Hindu as well as Muslim culture. We have got in Ajmer Khawaja Moinuddin Chisti's shrine to which Muslims from all parts of the country go for worship. Similarly Pushkar Lake is the guru of big places of pilgrimage in India. Consequently its historic importance which has been there from ancient times is intact. I respectfully submit that the Central Government should bestow its attention in the proper degree on Ajmer-Merwara.

Similarly is the case in respect of Public Health, I was surprised to learn from an answer to a question of mine a few days back that there is no Department of Public Health still in Ajmer-Merwara. Only Rs. 3½ lakhs has been allowed for the reorganisation, or rather the introduction, of the Department of Public Health.

In rural areas there is only one primary school in 7.7 sq. miles. Even secondary schools there is no vocational education imparted, like handspinning or weaving or similar vocational training. As for technical training there is no scope. There is no medical college, no Law College and nothing of that sort. My submission therefore is that the duty of the Government of India so far as the centrally administered areas are concerned is very heavy. In fact the administration of these areas should serve as a model to all provinces. I hope that the matter will receive due consideration now that there is a National Government at the centre.

The introduction of the Advisory Council recently by Government is a step in the right direction. We hope that the experiment will prove successful. I hope that the Honourable the Home Member will see that the Chief Commissioner in respect of the Advisory Council acts only as a constitutional head, otherwise the benefit that is sought to be introduced by the Advisory Council will be negated. If he behaves as the constitutional head so much so that the decisions of the Advisory Council may by convention be binding upon him, then and then only can there be reform in the administration. Otherwise it will be almost a continuance of the very same conditions. I hope that with Sardar Vallabhbhai Patel, our revered leader, at the helm of affairs democracy will be established there and that the voice of the Advisory Council will not be of a formal but of a binding character upon the Chief Commissioner.

**Mr. B. P. Jhunjhunwala** (Bhagalpur, Purnea and the Sonthal Parganas: Non-Muhammadan): Sir, at the outset I want to say that the distribution in this country and also in other countries is highly uneven and it is inhuman to let it drift. While introducing the taxation proposals the Honourable the Finance Member said that one of the objects of the taxation proposals was that there was deficit and he wanted to meet the deficit. The other thing he said was that it was a kind of social measure also. Sir, I have looked for the social measure in vain in the speeches of the Honourable the Finance Member

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and of those who supported save except fashionable slogans. I thought that the Honourable the Finance Member will give us a plan for greater production in the country so that there may be some employment for the poor as well as for the middle classes and increase the wealth of country for utilising the same for the poor. Instead of doing that he has taxed the rich, thereby concluding that simply by taxing the rich he will be doing a great good to the poor as well as the middle class people. Sir, so far as the B. P. T. is concerned it will affect more the middle class people rather than anybody else. In most of the companies there are middle class shareholders. If the dividend on their shares is limited and if B. P. T. is levied the whole burden will fall on these middle class people. They subsist only on the dividend they get. There are many Parsi widows who are holding shares and their subsistence demands only on them. Nobody has taken into account as to how far it will affect the middle class people. The Honourable Member has also said in his speech that most of the shareholders are middle class people. If the income of a particular individual does not exceed the taxable amount in that case the income-tax will be refunded to him, similarly if any proviso is added in the Income-tax Act that this B. P. T. will also be refunded to such persons whose income does not exceed the taxable income limit, in that case there will be some relief to the middle class people and the helpless widows.

I do not think I have got so much time as to dilate upon the subject that it is neither a poor man's budget nor a middleman's budget. And a rich man's budget it is not—that is what the Honourable the Finance Member has himself said. But my Honourable friend Mr. Tyson who is a great economist and I should say that he is a practical economist, without debbling into the niceties of economic principles has explained to the House very well that this budget of the Honourable the Finance Member will cripple the industries. This will hit the poor and the middle class people more. I was expecting that the Honourable the Finance Member after there has been discussion of the General Budget would give us some concrete scheme by which there will be industrialisation in the country, even if the rich people cannot go on with the small income which will be left with them, as there will be no incentive to start the work. He did nothing. He simply said that there were applications before the Examiner of Capital Issues to the extent of 280 crores of rupees and out of that 268 crores have been allowed. From this he concludes

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that industrialisation is sure and even if he levies the tax, it will not affect industrialisation in the country. When there has been no application from the shareholders to take shares or anything of the kind, I cannot understand how the country will be industrialised simply because the Examiner of Capital Issues has given permission for floating of companies to the extent of 268 crores. Beyond saying this, he has not said anything. This betrays his utter ignorance of the subject. Then he said one thing more. He said if the capitalists do not come forward and take it into their head to go on with industry, then he will take to some other course. I have not been able to follow what course he will take but what I conclude from his speech is that he will take to national planning and the industries will be nationalised. In this connection I have to bring to the notice of the House one concrete example. You and the House will remember—I do not know whether it was specifically brought to the notice of the House or not—that the country requires fertilisers for greater production of food. In order to have fertilisers, many private leading industrialist and firms had approached the Government in order to have license for starting fertiliser factories. This was in the year 1944. Instead of granting license to them it was decided that the factory will be started by the Government itself. In 1944 there was a technical commission appointed and it gave a full scheme for the fertiliser company but the Government has not been able to produce anything yet. If the

thing had been left in the hands of private enterprise I am sure they would have been able to produce fertilisers in India, but the Government is still proceeding with this information and that information in spite of all the resources at their command. The result is that we have had to import 8 crores worth of fertilisers from foreign countries. 8 crores every year is going to foreign countries and to add to this then we have to beg from them and say—you kindly oblige us and save us. Last year we did not get as much as was required and most of the crop had to go without fertiliser with the result that we did not get the same quantity of produce as would have been the case if fertiliser was applied. Further the fertiliser we imported and one importing cost us twice as much as it would cost, if we manufactured them in India. The technical commission said that we can produce in India sulphate of ammonia at the rate of Rs. 120 per ton, while the imported stuff cost us 245 rupees per ton. It means that the cultivators have to pay four crores more every year which goes into pockets of the foreigners and adds to the cost of production. If the country is to nationalise these things, we have to take into account whether we are in a fit position to do it or not. Merely to say that we shall take to some other course is no good. If that is not so, then this is not a poor man's budget, or a middle class man's budget. It is certainly not a rich man's budget. It is a foreigners' budget. The wealth of the country instead of remaining here will go into the pockets of the foreigners and they will produce more and more and dump their goods here.

**Mr. G. S. Bhalja** (Government of India, Nominated Official): Government have noted the general demand for reduction in defence expenditure. While appreciating this demand, I would like to point out that this expenditure has been brought down at a very rapid pace. I suggest that it is fallacious to compare the estimates for 1947-48 with those for 1938-39 or for 1941-42. The comparison should rather be made with the expenditure for 1945-46 and for 1946-47. The peak expenditure on defence services was Rs. 458 crores during 1944-45. The expenditure for 1945-46 was reduced to Rs. 395 crores and the revised estimate for the current year is Rs. 240 crores. The budget estimate of Rs. 188 crores for the ensuing year 1947-48 therefore represents a very big reduction. The demobilisation programme has progressed fairly satisfactorily and it is hoped that by the end of 1947-48 the strength of the armed forces will approximate to the ultimate post-war forces about which a decision is likely to be taken by Government in the very near future.

For the sake of comparison it would not be out of place to mention here that the United Kingdom is far from achieving complete demobilisation by the end of 1947-48. It is understood that at the end of that year the strength of the forces in that country will stand at a much higher figure than the ultimate post-war strength that country is going to have. We are as anxious as the House to bring down the cost of the defence services to a figure which the country can afford. The Government have drastically pruned the budget and have made severe cuts in the original provision recommended by the service authorities. We are anxious to save every pie and shall observe a strict watch on the expenditure during the course of the year. We shall make every effort to effect economy and in this task, Sir, we shall be assisted by the Economy Committee announced by the Honourable the Finance Member in his Budget speech. This Committee will have an opportunity to scrutinise the expenditure on the armed forces in detail and its advice will be welcomed by Government.

Sir, more than one Honourable Member in this House has commented on the training aircraft in use for the R. I. A. F. It was suggested that this aircraft was obsolete and unreliable. This is not so. The training aircraft at present in use by the R. I. A. F. are *Tiger Moths*, *Harmards*, *Oxfords* and *Spitfires*, *Marks VIIJ and XIV*. With the exception of *Spitfires Mark VIII*,

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which have been used up and are no longer available in U. K., all these aircraft are in current use of R. A. F. as trailers. If they are good enough, for the R. A. F., presumably they should be good enough for the R. I. A. F. *Spitfire XIV* is still the equipment of certain R. A. F. squadrons and no Mark of *Spitfire* aircraft has ever been condemned. *Spitfire, Mark XIV*, was grounded in India on one occasion on account of magneto difficulties. fl,

It may be that neither the R. A. F. in India nor the R. I. A. F. is equipped with the latest type of aircraft. The *Tempest, Spitfire, Mark XIV* and the *Dakota* with which the R. I. A. F. is equipped are still in current use in the R. A. F. outside India. The latest development in aircraft is the jet propelled and turbine engine types. It remains to be seen, as a result of the experience which is being obtained elsewhere, whether these types are suitable for use in tropical countries. The *Spitfire XIV* is a well tried and normally reliable aircraft. It is true that there have been some accidents in India of this type and a searching and high level enquiry is proceeding to determine their causes.

It has been also stated by my Honourable friend that the Air Headquarters are only manned by R. A. F. personnel. This is not correct. The fact is that on the 1st March 1947, the number of R. A. F. officers was 200, R. I. A. F. officers 76, R. A. F. Airmen 331 and R. I. A. F. Airmen 333. In this connection, it is necessary to remember that when the war started in 1939 there was only one Indian Air Force squadron which was then in the development stage. It was equipped with *Wapiti* which aircraft came into service in 1930 and was a first class type for India's main needs at the time, which were Frontier watch and ward.

It was also stated by the same Honourable gentleman that there was duplication of work inasmuch as, besides the Labour Department, which is responsible for the resettlement of ex-service personnel, the G. H. Q. had also a Re-settlement Directorate. The facts are that the war came to an end much earlier than we had expected and much before our plans for demobilisation and re-settlement were ready and the Labour Department was not fully equipped at the time to perform its task. That Department has, however, now absorbed a considerable amount of re-settlement work and a rapid run-down of the re-settlement directorate is progressing. The need for economy is fully realised and during the months of April and May 1947 only a staff of 8 officers will remain in the G. H. Q. and this staff will also be disbanded in May 1947 when the Re-settlement Directorate will cease to exist.

Again, my Honourable friend stated that the Armed Forces Nationalisation Committee had recommended that three-fourths of the armed forces could be nationalised straightaway and gave instances of certain Directorates which could be nationalised in this manner. Sir, I have ascertained from the Armed Forces Nationalisation Committee that they have not yet reached any conclusions and they are not yet in a position to make recommendations on this subject. Government are awaiting the report and, as stated by the Honourable the Defence Member the other day on the floor of this House, Government have every intention of implementing the recommendations of this Committee to the best of their ability. As this House is aware, the British Government have declared their intention of transferring responsibility for the Government of this country to the Indian people by June 1948. The Armed Forces Nationalisation Committee are engaged in the task of examining how best to help in smoothly effecting this transfer of power by making well-considered plans for nationalisation of the higher ranks of the armed forces by June 1948.

Then, Sir, there was criticism about the composition of the Indian Contingent in Japan. A point was made that there was no Indian officer in the Brigade Headquarters in the Indian Contingent in Japan. I have stated before in this House that it would not be in the public interest to publish the details of the composition of the Indian Contingent in Japan. I shall, therefore, content

myself by saying that the Contingent is commanded by an Indian officer, namely, Brigadier Shrinagesh and that there are three Indian officers on the Brigade staff.

**Sardar Surjit Singh Majithia** (Punjab: Landholders): Out of how many?

**Mr. G. S. Bhalja**: I am not prepared to give further details. Whatever that may be, Government have already announced their intention to withdraw this Contingent as soon as possible.

Then, Sir, the same Honourable gentleman observed that Government had declared no policy about the future of the military medical service and that in the I. M. S. recruitment was proceeding on the basis of two British officers to one Indian officer. Apparently, he is not aware that the recruitment to the I. M. S. stopped in 1939 and has not been revived again. The future military medical service in India will be the Indian Army Medical Corps. The I. M. S. will be wound up along with the other services of the Secretary of State and the recruitment to the I. A. M. C. will be restricted to statutory Indians only.

Then, Sir, my Honourable friend Mr. Tamizuddin Khan referred to the speech of Brigadier Nathu Singh, Director of Selection of Personnel, to the effect that the right type of young Indians were not coming forward to serve as officers in the three services. What Brigadier Nathu Singh said is a fact. He rightly observed that India's position in the world depended on the quality of men who officered the three services. He emphasised the qualities which would go to make a good officer, namely, leadership character, personality, grit, devotion to duty and, above all, love of one's country. The Honourable gentleman rightly stressed the need of creating a proper atmosphere in this matter. This is exactly what the Government have been doing. No opportunity is now lost for emphasising that the armed forces are the national forces of India. This has been done in broadcasts and speeches of the Honourable the Vice-President of the Interim Government and the Honourable the Defence Member. Government are also actively engaged in examining the recommendations of the National War Academy which will lay the foundations for producing the right type of officers for the future forces of India. I am confident that young men with the requisite qualifications will come forward in increasing numbers to join the forces. I have no doubt that given opportunity and training, an Indian can hold his own in any position and can creditably acquit himself in any walk of life.

It was also stated here that Government have made no plans for scientific research in the defence services. The scientific element in G. H. Q. is being reorganised on 1st April 1947 and the normal scientific responsibility hitherto carried out by the M. G. O. will from that date be reorganised. The Government have got a report from an Officer specially brought out from England to advise them as regards the future set up of the scientific organisation in the armed forces in India. Unfortunately on account of the uncertainty as regards the size of the forces and the uncertainty as regards the amount of money to be allotted to the defence budget, the Government are not in a position to take decisions on this report.

My Honourable friend Sreejut Rohini Kumar Choudhury complained that no Assamese were recruited in the Indian Army. The facts are that they are now enlisted as Assamese or other Muslims, according as they are non-Muslims or Muslims. Actually the recruitment from Assam during the war was over 20,000 persons. In the post war army, it is proposed to give due representation to the Assamese.

Then, Sir, the House has shown considerable interest in the "class composition" of the army. The composition of the various arms and services is roughly as follows. I. A. C. and infantry regiments have up to four classes in each regiment, a number of them having "one class" only. R. I. A. regiments, R. I. E. units, Divisional Signals units, R. I. A. S. C., M. T. and A. T. companies, Indian Pioneer Corps Companies are all on a "one class" basis. The



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remaining units, including units of the Airborne Division are on an "all class" basis the personnel of all classes are enlisted and they are fully mixed up for all purposes of organisation including promotion and accommodation. I would emphasise that the composition of the units has throughout been on the basis of class and not religion. Religion was of course one of the constituents of class, but locality, physique, tradition, folk lore, outlook on life, social customs and general characteristics were other factors.

**Chaudhri Sri Chand** (Nominated: Non-official): What about officers?

**Mr. G. S. Bhalja:** I will come to that later. The classes comprised men who could live well together and fight well together and in whose man-management experience of the class was an introduction to the knowledge of the individual. Such are the Gurkhas, Jats, Punjabi Muslims, Dogras, Sikhs, Pathans, Kumaonis and others. The class composition of a unit is decided from time to time, and in the light of experience reviewed with two main objectives firstly that the unit should be capable of rapid expansion in case of need and, secondly, the representation should be spread fairly and evenly throughout the country. Thus, it can be categorically stated that there is no communal representation in the army as in the civil services. The army consists at any given time of so many units of such and such a class composition and by a process of addition, the total numbers of various communities serving in the army can be worked out. From these totals again the percentages can be, and are, worked out. The result however is a fact rather than a policy. There is of course no such thing as class composition among officers.

**Chaudhri Sri Chand:** Are the Government ready to select officers according to the strength of the community in ranks?

**Mr. G. S. Bhalja:** I have repeatedly said on the floor of this House that selection of officers is on the basis of merit and merit alone. No class composition is laid down for the R. I. N. or the R. I. A. F., either for the service as a whole or for units. Men of all classes, religious and communities are treated alike and live and feed together.

**Chaudhri Sri Chand:** Will Government appoint officers from communities which never joined as soldiers in the army?

**Mr. G. S. Bhalja:** The privilege of service should not be confined to any one community. I hope my Honourable friend will not interrupt me any more.

It should be noted that so far there had been no complaint of any class or community not finding a place in the armed forces. In fact in the last war, the Government wanted every man who could come forward. In fact there was no restriction of recruitment to any one class or any one community. October 1945 saw the peak effort of recruitment in the country and in fact it represented the maximum recruiting potential of each class as shown by the willingness to join the forces during the war. I hope it will be agreed on all sides that the post war army should bear close resemblance to the composition of the army as in October 1945.

I sincerely and earnestly appeal to the House not to import political and communal considerations in the armed forces. The armed forces are singularly unsuitable for the introduction of the principle of communal representation as in the civil services. The last war was a total war. If there is another war, which God forbid, it will be a still more total war embracing all classes and communities in the country. I am not a prophet, but my personal view is that if India is unfortunately involved in a major war in future, she will have to resort to conscription. That means equal sacrifice for all classes and communities. Conscription will bring forth the maximum number of men for the fighting services, but it will naturally be limited to the man power of a particular community. A future war will bring nothing but "blood, sweat and tears" to the whole people of a country; for the personnel of the armed forces it will

in addition involve death, destruction and annihilation. Now, Sir, I hope it will be accepted by all that rights and privileges should correspond to obligations and responsibilities and that claims in peace should be commensurate with sufferings in war. This can only be done if no class or community is given a special privilege. What the State should look to is to ensure conditions in which equal opportunities will be available to all citizens irrespective of caste, creed or colour. This is the basis on which the army has been composed in the past and I hope, Sir, the same basis will continue in future.

I have just one more point before I close. I would like here to refer again to the morale and discipline of the armed forces which in spite of trying tests to which they have been subjected to is indeed of the highest order. I shall read only two or three short extracts from the Security Reports received in G. H. Q.

**Sardar Surjit Singh Majithia:** I raised three points on which I wanted to get some information, but no reference has been made by the Honourable Member.

**Mr. G. S. Bhalja:** I have hardly time to refer to all the points.

**Mr. President:** He has already exceeded his time limit.

**Sardar Surjit Singh Majithia:** He can refer to my points in one minute. He will be able to cover my points in a short time.

**Mr. G. S. Bhalja:** I have made a note of the points raised by the Honourable Member. As I said there is no time for me to refer to all of them. I want to close now with short extracts from the reports received in G. H. Q. The first one is from the Headquarters 5 Indian Division, dated 29th November 1946:

"Most men in the division have been employed in Eastern Bengal or Bihar on internal defence duties and they have carried out their duties in an exemplary manner and have shown no indication of any political or communal bias."

"On the contrary, the Indian Other Rank has regarded the inter-communal disturbances with disgust, and values even more highly than before the harmony that exists between all communities within the army. He feels that in helping to terminate disturbances, to give protection and to establish confidence, he is performing a valuable and worth-while task for India."

Another is an extract from Headquarters, Delhi District, dated the 28th November, 1946:

"The attitude prevalent among Indian Other Ranks throughout the district and their work in connection with local communal disturbances have been most commendable. This was brought out recently during the *Id* celebrations at the Raj. Rif. Regimental centre where the occasion was celebrated by all Muslim ranks, from officers downwards, who shared the feast with their Hindu comrades."

And the last one is from 4 Kumaon No. 350 Security Summary, dated 13th February 1947:

"Recently when on duty in Bombay City some men were asked if they were Muslims or Hindus. The reply given was, 'We are Indians, so be careful!'"

Sir, these are heartening reports. Recent events have demonstrated that the members of the armed forces have deserved well of their country. In achieving her goal India will need all the support that her armed forces can give. I am confident that the men in these forces will not disappoint her. I should like to send to members of the armed forces a message from the House that we are proud of them.

**Khawaja Nazimuddin** (Burdwan and Presidency Divisions: Muhammadan Rural): Sir, I am proud of the fact that a representative of the much-maligned Muslim League has introduced a budget which has received the universal support of the toiling masses of India. He has introduced a budget which has been the main topic of conversation throughout India among all sections. Besides, it has been attracted the attention of foreign countries. Sir, before I proceed further I should like to give the House a very short summary of the reactions of the press to these budget proposals. The following English

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papers are strongly opposed to direct taxation: *Hindustan Times*, *Statesman*, *Times of India*, *National Call*, *Leader*, *Pioneer*, *Civil & Military Gazette*, and *Madras Mail*. General support or absence of criticism to the budget, particularly the taxation proposals came from seven pro-Congress papers, three Muslim League papers, one pro-Hindu Mahasabha paper and one independent paper. The names are,—*National Herald*, *Dawn*, *Hindusthan Standard*, *Amrita Bazar Patrika*, *Bombay Chronicle*, *Free Press Journal*, *Morning News*, *Star of India*, *Hitavada*, *Tribune*, *Sind Observer* and *the Nationalist*. Sir, I think no further comment is necessary beyond the fact that on the one side we find papers controlled by big money opposing the budget proposals and on the other papers which are not under the control of these big capitalists supporting them. But still more interesting is the fact that practically all the vernacular papers have given their support to the budget proposals. Of the Tamil press three out of the four leading Tamil dailies—all pro-Congress—welcome the budget with enthusiasm while the fourth criticises the new direct taxation proposals. Of the Urdu press, three pro-League and one independent which have commented have all welcomed the budget proposals. Of the Hindi press, six leading Hindi papers—five pro-Congress and one independent—generally welcome the budget proposals except one which has taken exception to the business profits tax. And out of four Bengali papers—two pro-Muslim League and two pro-Congress—all have supported the budget proposals.

Sir, there is a clear line of demarcation between those who have supported the budget proposals and those who have opposed them. On the side of the opponents are chiefly people who are supposed to be multi-millionaires, controllers of big industries and their supporters; and their main argument is, I am afraid, not a new one. It is brought out whenever they are taxed, and if I were to repeat here the reports of the discussions that took place when the E.P.T. was first introduced in this House it will be found that the very same arguments that are now being brought forward against the present proposals were brought forward then and by the same class of people. The chief opponent at that time was Sir Homi Mody and I believe he has now been replaced by Mr. Manu Subedar.

**Mr. Manu Subedar:** No, Sir, that is not true.

**Khawaja Nazimuddin:** I stand corrected; I am told it is Mr. Vadilal Lallubhai. But the point still holds. Then there was Dr. Banerjea also who opposed to E.P.T., and the ground was that it would prevent the development of industries, curtail private enterprise and give a set-back to production.

**Pandit Lakshmi Kanta Maitra** (Calcutta: Non-Muhammadan Urban): Dr. Banerjea was not a multi-millionaire.

**Khawaja Nazimuddin:** I said, "supporters of multi-millionaires".

Sir, the same arguments are being brought forward now. But I maintain that if we go by actual facts it is exactly the reverse. One effect of the E.P.T.—I think it will be borne out by most people—has been that when the capitalists found that a large portion of their profits would go to Government they started spending that money on raising the wages of their labourers and improvement of the factories and the living conditions of the workers and made general improvements not only in the interest of the industry but also of the workers. I can cite the cases of companies whose workers were very poorly paid; they never thought of raising their wages because that meant parting with a certain amount of their own profits. But when they found that that profit was going to get into the coffers of Government they thought of giving it to the workers. I can cite the case of the *Amrita Bazar Patrika* itself. Its staff was one of the worst paid among newspapers. But after the E.P.T. came the wages were so increased that they could compare favourably with those paid by the *Statesman*.

**Pandit Lakshmi Kanta Maitra:** That is why they were on strike.

**Khawaja Nazimuddin:** When they went on strike *Amrita Bazar Patrika* compared their wages with those of the *Statesman* and they showed that their wages were higher than those of the *Statesman*. Therefore, Sir, I maintain that these budget proposals and this Business Profits tax and other taxes will not only bring about social justice by reducing the profits of the rich people but will indirectly benefit the wage-earners and bring about an improvement in the living condition of the workers. Money will be spent on ameliorating their conditions, lot of improvements will be made because the incentive for keeping that money would be gone, and that I maintain is going to help us in developing the industries.

Sir, there is another argument that has been put forward. Cases have been cited by previous speakers where it has been said that as a result of these proposals some of the big businessmen have decided to stop the various undertakings which they were thinking of starting. I maintain, Sir, and—I have got evidence also that applications have been made for capital issues—that people who had made applications previously have, since the budget proposals, asked that permission should be given for capital issues, which means that it has not had a deterrent effect in starting of new industries and new ventures. I believe in the papers recently some facts and figures were given and the amount of new capital that has been sanctioned by Government very recently, and I maintain that since these Budget proposals those people—majority of them at least—are still anxious to obtain permission from Government for new capital issues which means that it is not going to cause so much set back to the development of new industries.

There is one very curious feature of these Budget proposals. Those who have represented themselves as the supporters of the poor man, the working classes and the under-dog have now somehow or other appeared in the role of opposing these proposals which are supposed to be a poorman's budget. On the other hand those who have been dubbed as belonging to the party of vested interests, people who have always been accused of siding the capitalists, a party which is supposed to consist of richmen, have come forward and are now supporting this Budget which is supposed to be a poor man's Budget. It appears at least that there is a great difference between preaching and practice. Those who have preached socialism are not prepared to support it by their action. But, Sir, the poor Muslim League has been misrepresented for a number of years. Bengal and its Ministry has been the subject of criticism in this House during these debates. But what are the facts? From the time of Mr. Gokhale they have been attacking the British Government for not introducing free and compulsory primary education. When the Bengal Ministry introduced a Bill for free and compulsory primary education—and I may tell you that this is the only province where an Act has been passed for compulsory primary education—it was opposed by the Congress whereas the Muslims and the Scheduled Castes gave their full and wholehearted support, and the Press of that time declared that that Act was an anti-Hindu Act. Later on when the Congress Ministries came in and the United Provinces, Madras, Central Provinces, Bombay, Bihar, all these provinces passed Tenancy legislation, passed Agricultural debtors Act, passed the Moneylenders Bill, they were hailed as great benefactors of the poor. The ministries were congratulated for passing those Acts, and when the Bengal Government passed the very same Act in Bengal, what did the Press say? This is a communal ministry and has passed communal measures.

**Pandit Lakshmi Kanta Maitra:** Which paper said that?

**Khawaja Nazimuddin:** Every paper.

**Pandit Lakshmi Kanta Maitra:** That was on the Secondary Education Bill.

**Khawaja Nazimuddin:** I can assure my Honourable friend, Mr. Maitra, that most of the papers declared those Acts as being communal.

Now, let me refer to my Honourable friend, Mr. Rohini Kumar Chaudhuri.

**Sreejot Rohini Kumar Chaudhuri** (Assam Valley: Non-Muhammadan): What have I done?

**Khawaja Nazimuddin:** Don't be frightened.

He has complained of the ill-treatment which Assam has received from the Centre and especially by the successive Finance Members. Let me remind him that Bengal and Assam for the last twenty years have been treated in a most step-motherly fashion by the Centre. This has been their grievance not today, but for the last twenty years, and I refer him to his speech and it will be found that Bengal and Assam has been the milch cow for the rest of India. The Export duty on jute, the Export Duty on Tea, the Export Duty on betelnuts, the Excise Duty on petrol—these things are not produced in the United Provinces, Central Provinces, or Bombay, but it is the poor cultivators of Bengal and Assam who have to work and sweat to fill the coffers of the Government of India and the other provinces who have had for successive years surplus budget while Bengal and Assam have suffered from deficit budgets, retrenchment, reduction and curtailment of all expenditure on nation-building departments. . . .

**Pandit Lakshmi Kanta Maitra:** All by extravagance and waste.

**Khawaja Nazimuddin:** May I tell him, Sir, that if God forbid Bengal and Assam remains with the Centre in the future his grievances will be much greater and his complaints will be much more. On the other hand, if Bengal and Assam become an independent country, just think of the financial resources of such a State.

**Pandit Lakshmi Kanta Maitra:** Nothing but absolute beggary and ruin.

**Khawaja Nazimuddin:** You will see.

**Mr. President:** I am afraid this controversy need not be carried any further.

**Khawaja Nazimuddin:** I bow to your decision.

**Prof. N. G. Ranga:** This is not Bengal Assembly.

**Mr. President:** It is not proper for the Honourable Members to interrupt in this way. His point of view is that the Centre has not been treating Bengal and Assam properly, and he is quite within his limits in saying that.

**Khawaja Nazimuddin:** I will not dwell on this point as you have said that I should not deal with the question of what would happen if Bengal and Assam become an independent country except to say that the resources at their disposal would be tremendous. But I would point out that there is a great deal to be said for the claim that has been put forward by Mr. Chaudhuri that when a few provinces are taxed for the rest of India, those provinces should get a share of the profits of that tax. There is a good case for Bengal and Assam getting a share of the tea duty, Assam getting a share of the petroleum duty and a share of the export duty on betel-nuts which really comes mostly from Bengal, Assam and Madras. Sir, I maintain that we have been very badly treated in this matter in the past and I was surprised to find for the first time a representative from Bengal stating in this House that Bengal should not receive any assistance from the Centre.

**Pandit Lakshmi Kanta Maitra:** Who said that?

**Khawaja Nazimuddin:** Mr. Ananda Mohan Poddar. But he is absent so I will not deal with him and leave him. But what about those gentlemen who have signed the minute of dissent to the budget proposals? They are the people who have been professing sympathy for the poor. I am reminded to

add "from the housetops". As a matter of fact, I would like to quote a Persian couplet:

*Waisan Kin Jalwa bar mihrab-o-minbar mikunand Chun bakhilwat mirawand an kai digar mikunand.*

Translated, it means: "Champions of the poor wax eloquent on the platform and in the Assembly. But they sing in a different tune in the Select Committee."

Sir, it is the fashion nowadays to give warnings to the Muslim Leaguers. From all sides warnings are given to the Muslim League. Let me give a warning to my friends who have signed the note of dissent and those who have supported that note of dissent. Nemesis is waiting for them. One day they will have to face their electorate and you have given a weapon in the hands of Mr. Jai Prakash Narain and Mr. Patwardhan of the Socialist Party; Mr. P. C. Joshi of the Communist Party (not my friend over here) and Mr. Jogesh Chatterjee and Mr. Pratul Ganguli of the Revolutionary Socialist Party. They will use this weapon against you not only effectively but they may even destroy you with that.

Sir, I would very briefly refer to one of the remarks that had been made by Mr. Manu Subedar. He said that production has been going down and the effect of this budget will be that there will be further curtailment of production. May I remind him that the E. P. Tax was taken off last year and according to his arguments and logic there should have been an increase in production. But on the other hand production has gone down. So I see no reason why as far as this tax is concerned there should be any reduction in production. On the other hand I feel now there will be an increase in production if they want to make some profit for themselves.

Then, Sir, I would like to support Mr. Nauman's suggestion. And here I would include not only Bihar but other parts of India, where owing to communal rioting vast areas have been devastated and people have suffered heavy losses. I feel that there is great merit in his suggestion that the money which the Government of India accumulated from the insurance scheme introduced during the war against air raid damages, a part of that money should be given to those people who have suffered heavily.

**Sir Cowasjee Jehangir** (Nominated: Non-Official): Where is that money?

**Pandit Lakshmi Kanta Maitra**: What about the devastation in Noakhali and the Punjab?

**Khawaja Nazimuddin**: I am so sorry. I said not only Bihar but other parts of India. I made it clear in anticipation of remarks of that character.

**Pandit Lakshmi Kanta Maitra**: Nor other places.

**Khawaja Nazimuddin**: Yes, I said other parts of India.

**Mr. President**: Order, order.

**Khawaja Nazimuddin**: Therefore, I think there is a good case. No province is in a position to bear the heavy expenses if these people have to be compensated. There have been terrific losses and great suffering has been caused. Therefore, I feel that there is a great deal of justification for the claim that has been put forward by Mr. Nauman.

Lastly, I would like to state that this Budget lays the foundation for ameliorating and uplifting the conditions of the dumb millions. It is the only silver lining in the dark clouds that are gathering over the Indian horizon. Sir, I congratulate the Honourable the Finance Member for his courage and honesty of purpose.

**Mr. P. J. Griffiths** (Assam: European): Mr. President, when I spoke on the Finance Bill last year, I reminded Honourable Members that we in this House, in our budgetary procedure were the political heirs and successors of those knights and burgesses of my own country, who, throughout the long centuries, hammered out the principle that the redress of grievances must proceed the grant of supplies. And it seems to me today, that when India, for the first time for many years, is moving once again into full freedom and full self-government, that that procedure takes on a new significance. From now, in a more real sense than ever before, we are competent in this House, in practice as well as in theory, either to grant or to refuse supplies for those purposes which Government proposes to carry out with the funds made available to them. It seems to me too, that this new access of power, like any access of power, lays upon us new and heavier obligations, and it is perhaps worth while, even at the cost of digression for a minute from purely financial matters, to remember that when this same procedure was hammered out in Britain, the liberties of the British people grew not primarily from the claiming of their rights, but from the recognition of their obligations. It is worth remembering that when the knights and burgesses were summoned to the early English Parliament, they went unwillingly. They went not as men going because they claimed the right to go, but as men going because they were called by the king because they were expected to go, because they had to accept their attendance as part of a public and social duty. So too we today ought to be more mindful of our obligations than of our rights in our approach to these problems of finance and taxation. In one sense, the two complementary aspects of the functions of a citizen—rights and obligations—stand forth clearly and distinctly in our budgetary procedure.

First we deal with the demands for grants. There we exercise a right. We tell Government how much money they may spend and on what. Having exercised that right, in the next part of our procedure, we undertake an obligation, the obligation to provide for Government the funds to carry out those duties which we, in exercise of our rights have imposed upon them by the demands for grants. It follows that, in the case of any Finance Bill, a *prima facie* obligation lies upon us not to withhold the supplies demanded except for the most cogent reasons.

I make these preliminary remarks not by way of a political lecture, but in order to explain the background against which we, in this group, approach the somewhat unpalatable tax proposals.

In the course of the general discussion on the budget, I expressed our very strong dislike, nay disapproval, of the entire structure of taxation as presented to us by the Honourable the Finance Member. I pointed out that however objectionable some of the taxes by themselves might be, the real gravamen of our objection was to their cumulative effect, to the crushing and sudden burden which the Finance Member proposed to impose on industry as a result of these new taxation proposals. At a later stage I shall have to explain why though we still feel that strong disapproval we nevertheless propose in the voting in this House, to support the Finance Bill, though I intend to make an appeal to the Finance Member to make one important change in it. We propose likewise to support the Business Profits Tax and the Capital Gains Tax. I will come later to the reasons which have led us, very reluctantly, to support these measures which we regard as new.

I want to be quite clear at the start, that we have no whit abated our conviction that the measures proposed by the Finance Member are not wise in the long view. They are calculated to harm rather than to help the general economy of the country, and though in the immediate future, in the year under budget, they may perhaps provide the sums that the Honourable Member requires, it is almost certain that in the long run they will diminish

the resources of the country and will present his successors with an even more difficult problem than that which he has had to face.

I want, in the first place, to examine the structure of the taxation as a whole, after which I shall pass on to the Finance Bill in some of its main aspects. When I sat down to consider the structure of the taxation as a whole, I asked myself, not for the first time, whether there were any such things as canons of taxation, whether there were any principles which could be applied, whether there were any measuring rods by which to determine whether the taxation was reasonable or excessive. Two or three measuring rods or canons were presented to us in the course of the debate. In the first place the Honourable the Finance Member himself gave us such a measuring rod. He said in effect "The aim of my budget and of my taxation proposals is not purely financial, but is a part and parcel of my conception of social justice." Sir, I yield to nobody in my respect for the sincerity and integrity of the Finance Member. I know him well enough to know that when he talks of social justice, he means social justice. Nevertheless, my respect for him as a man cannot conceal the fact that I have the most profound distrust of those abstract phrases, which sound so well in Assemblies and on public platforms, but which mean so very little, when you try to translate them into practical and definite terms. Social justice is grand to talk about you get into trouble when you try to define it—and into still greater trouble when you think how to implement it.

Let us start with the difficulty of definitions. Instead of proposing a definition myself I shall take some of the definitions which, I imagine would be subscribed by various members of the House and by political parties in the country. I suppose Prof. Ranga would define social justice as meaning equality—but perhaps I am out of date about this—I should have said that he would have defined it as equality before his conversion to the capitalist cause. Judging, however, by the long tenor of his speeches throughout the years, rather than by his performance on a particular recent occasion I take it that, to Prof. Ranga social justice means equality. That I imagine is not the conception which is accepted by most members of this House. So I will pass on from Prof. Ranga to the Congress Party in general. I suppose I am a bit out of date even there. At any rate, not very long ago, the Congress party's conception of social justice appeared to me to be Rs. 500 a month and no more for anybody. Like so many conceptions of social justice that conception has passed into the limbo of things forgotten. I am not particularly concerned at the moment with whether that conception was right or whether it was wrong. The point I am trying to make is that social justice is far too subjective a term, a term which each man will interpret in his own different way. It is not the kind of term that you can usefully apply to taxation proposals though every right-minded man ought to have it at the back of his mind, when he considers the taxation structure of his country.

Then again you find another class of people, who will tell you that social justice means that there should be no unearned income, there should be no inheritance, every man should earn what he gets. And then passing still further afield let me go over to certain other countries where in recent times the conception of social justice has undergone a radical change even during the course of a few years. When the Russian Revolution first broke out what was the conception of social justice? It was equality. Does anybody pretend that that conception has been maintained? Who does not know that in Russia today you have as much class distinction, as much classification and stratification as you have in almost any other part of the world?

**Pandit Lakshmi Kanta Maitra:** It is not correct.

**Mr. P. J. Griffiths:** It is correct. I will tell the Honourable Member more about it on another occasion. But the point I am concerned with at



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the moment is, that the conception of social justice which Communism represented to the Russian people 20 years ago has been abandoned.

Social justice is a high sounding phrase and like most high sounding phrases it is far too nebulous and undefined for us to make it a touchstone of our taxation proposals.

Let us take for example the comparison between the worth and the salary of my Honourable friend the Finance Member and the worth and the salary of a sweeper. I do not suppose for a minute anybody, least of all the Finance Member himself, will maintain that the sweeper and the Finance Member should get the same salary. Nor do I pretend to know whether my friend's salary ought to be 100 times, 200 times, 300 times or 500 times the salary of a sweeper. I do not know how you measure the correct ratio. That is why I say that this kind of abstract talk about social justice, although it indicates a good heart, is of very little help when you consider financial measures. It is much too nebulous and too incapable of scientific and precise definition. It also overlooks the question as to whether what a man gets should be measured by his needs or by his relative value to the rest of the world. I am not trying to answer that question. It is a question which every man will answer differently according to his own philosophic view of life. But as long as these questions are undetermined, social justice means nothing in the sphere of taxation.

Let me examine the social justice conception from another angle. I suppose that what it really means, is that everybody must get his fair share of the loaves and fishes of the world. Is this what are we really worried about? Is our main anxiety that everybody should get a fair share of the loaves and fishes or that everybody should have plenty? Suppose for example there were more loaves and fishes in the world than are required; we should then not bother about fair shares but we should be concerned to see that everybody got plenty. Therefore the starting point on the road to social justice, is to ensure that there are sufficient loaves and fishes to go round. That means that production must be the starting point of any form of social justice which is to be implemented in taxation proposals. In other words, phrase social justice is too simple: it does not help us. At any rate it does not enable me to answer the question as to whether this taxation is too steep or not steep enough.

My friend Mr. Gadgil, for whose economic knowledge and judgment I have great respect, made another attempt to analyse the problem. Mr. Gadgil is a realist. He knows that although various economic abstract phrases have to be used from time to time, you must not stick too long to them, you must leave them behind and pass on to wider realms of practical reality. Mr. Gadgil began by talking about deserts. He began by saying that every man and every industry should get its deserts and that what was left after that was a fit subject for the State to tax. He did not attempt to answer the question as what the deserts of a man or the deserts of an industry mean. He went on from that to a slightly sounder point of view and said that every man must have what is necessary for efficiency. Even here I am puzzled. I do not know how you determine what a man needs for efficiency. One man's meat is another man's poison. I may perhaps be most efficient if I eat a lot and drink a lot. My friend, on the other hand, may perhaps be most efficient if he lives on a handful of rice a day and behaves like an ascetic—I do not know if that so or not. The point I am trying to make is that these phrases like "deserts", "what is necessary for efficiency" and the like do not really mean anything at all when you come to apply them to taxation measures. Mr. Gadgil knows that. He is even more a realist than I am, and so he quickly turned away from that line of thought and said that production must not suffer. That was the really important point about Mr. Gadgil's speech.

He said to the Finance Member, "When you are making your taxation proposals first and last consider their effect on production." Now we are getting away from the abstract realm, we are getting nearer to something concrete. And so I want to ask the question: Are there any practical tests which we can apply with regard to the taxation proposals?

It seems to me that there are three tests. The first one of course is: Does the State need the money? We all have to start from that point of view. Ever since man emerged from the stage of the caveman, the state has been fundamental to his life and it is therefore axiomatic that the money required for the state must be found. You cannot define in abstract terms what the State's needs are. Their conception, their amount varies from age to age with every change in economic thought. But you have a rough and ready test of that in the demands for grants passed by this House. So the criterion of the needs of the state roughly means this: is the taxation proposed required in the light of the demands for grants?

The Honourable the Finance Member says in effect 'There is a gap of Rs. 56.71 crores in the Budget. I must fill the gap. Therefore there must be this new and startling taxation'.

Here I want to deal very briefly with this question as to whether a deficit must necessarily be filled. I believe my friend the Finance Member knows better than I do that very few modern experts on economic theory hold the view that the deficit of a state must necessarily be filled in a particular year. To put it another way the occurrence of a deficit or a surplus arises very largely from the fact that we have chosen a particular arbitrary period for accounting purposes purely for reasons of convention and convenience. We have taken a period of twelve months for accounting purposes. Nobody maintains that say in April and May, receipts must exceed expenditure and nobody will say for short periods of two or three months you have got to balance the budget. We have chosen an arbitrary accounting period of 12 months and for certain generally convenient reasons we expect to balance our budget in that period. But there is nothing sacred, nothing sacrosanct about that period at all and it may well be—and it is certainly the case when you are passing through abnormal times, particularly when you are in a period of transition from war to peace—that you should take a longer view than twelve months. You should ask yourself the question, not 'can I balance my budget this year?' but 'can I over a period of three or four years be reasonably certain that the deficit will continue?' Provided you keep that principle in mind I see not the slightest objection whatsoever, in a particularly abnormal year to allowing a moderate deficit to exist. My friend the Finance Member agrees with me. He is not saying so at the moment but he said so three weeks ago. He said so when he introduced the Budget. Even with this additional taxation he said he would be leaving a deficit of Rs. 16 crores. I agree with him that he is right not to fill the gap, that there is nothing sacred about the idea that in a particular year the receipts must exactly balance the expenditure. If that theory had been sacred my Honourable friend the Finance Member would not have left a gap of Rs. 16 crores. He knows perfectly that these matters are purely relative, and that the questions he has to ask himself are: "During this particular year, is the gap that I am proposing to leave too high, is it disproportionate? Is it just a casual deficit accruing for this particular year or is it a deficit which will be repeated?" I want to emphasise this distinction between a continuing deficit and a casual deficit arising from some particular circumstances. In this year it does seem very clear to me that we are in the aftermath of war financial conditions. We still have hopelessly swollen and inflated Departments, we still have G.H.Q. occupying as I said the other day 42 pages of the telephone directory. Incidentally, when I pointed out that fact I did not know one even better fact. I did not know that if the G.H.Q. only occupied 42 pages of the telephone

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directory, it was because the authorities had forgotten to include the telephone numbers of the Air Headquarters. I won't dwell on that point any further. What I am trying to explain at the moment is this—at the moment we are still suffering, perhaps unavoidably, from the swollen effects of war finance, the War expansion of all departments. The deficit which results, has therefore to be regarded as a casual deficit, rather than as part of a permanent deficit which we can expect to continue on from year to year. I believe therefore that the Finance Member should not have been unduly frightened by this deficit. He certainly should not have been frightened so much as to embark on these startling experiments which have already caused so much consternation in the country. I cannot stop to discuss this point in detail, but we very much doubt whether the deficit is a real one. We think there are a number of important items in which the Finance Member has considerably under-budgeted. I cannot dwell on that point now. But before we would accept the Finance Member's view that the deficit must be filled by taxation we should need to be very much more than convinced than we are that the deficit is a real one.

I pass on to the next practical test. I have dealt with the needs of the state and I have tried to show that I am not convinced, on that test, that this new taxation is necessary. The second test to be applied to all taxation is whether it will be so serious as to destroy incentive. I must dilate on this for a minute, because it has become the fashion to say that talk of incentive merely means that some people don't want to face the burdens of taxation. In the world today there is scarcely enough ability, scarcely enough energy, scarcely enough planning capacity to do all that we require. We have to take every possible care that what brains, what capacity, what ability exist are harnessed to the service of the common man, in the sense of being harnessed to the job of production. There are two ways—though one I think is purely the theoretical—in which you can harness these abilities to the service of humanity. The first is the way which the socialist would claim to be the right way namely that the state should take charge of everything and that selfless service to the State should be the order of the day. I do not propose to enter into a detailed discussion of the pros and cons of state ownership and state control. I will merely say this. At the present moment our greatest need is a dynamic impulse behind forces of production. Has anybody ever found any dynamic impulse in a Government Department? Does anybody here really believe that if we handed over all production to the state, with the selfless service of its officials, the wheels of industry would at once start turning faster, that production would expand and that the country would soon become a rich and wealthy country? Is there anybody who really believes that here? I very much doubt it. Never mind, let us assume such a combination of selfless service and creative drive is possible and that you can harness a dynamic impulse to state ownership and state control. That is a delightful ideal. But no one contends that here and now, or during the next two years, the state in this country can run every industry, every form of business and every form of commerce. Whether we like it or not, private enterprise has got to carry on for the time being. It is no use getting rid of the driver of your car until you arrive at the stage where you can drive yourself, or where you can find another driver. You may curse the driver, as most of us curse the drivers in Delhi, particularly the taxi drivers, but you have to use him. So, we have got to assume that the economic system with which we are concerned today—and not that ten years or twenty years hence—must proceed on the basis that private enterprise has to be kept going for the time being. As long as you have private enterprise you have got to have the profit motive. It may be that if all our businessmen were angels and if everybody was inspired by the highest motives with no thought of self

the industrialist would go home and could say to his wife, 'Well, dear, my profit is not much this year, but I am serving the state and shall go on running my particular industry'. But the businessman does not think like that, and if he did, his wife would be very angry. If you want private enterprise to continue, the profit must be adequate. When I say adequate I do so bearing in mind that it is not every time that a commercial or industrial venture results in a profit. It very often results in a loss, and it is only the hope of a reasonable profit—perhaps so large that my Honourable friend Prof. Ranga will not call it reasonable—it is only that which makes people face risks and bear losses and go ahead with the business of starting new enterprise and expanding production.

The third test I want to apply is: is the taxation too sudden? Is the increased imposition too sudden? There is nothing more harmful to business in the economic sphere than sudden and intensive changes. Business requires forward planning and forward planning depends on assuming that conditions will not vary too suddenly in the years for which you are planning. Let me take an example arising from the Capital Gains Tax Bill. I had brought to me the other day the case of a certain concern which sold a capital asset for Rs. 30 lakhs and put the entire money into a new project. When it did so it had no expectation of being told by the Honourable the Finance Member this year 'I want Rs. 7 lakhs back from the proceeds of that capital gain'. It now has to hand back Rs. 7 lakhs to the Finance Member. It has not got that Rs. 7 lakhs. (*An Honourable Member*: Rs. 7 lakhs profit?) No. It is starting a new concern. Unlike some members of this House, businessmen have to look ahead. The new concern has not made any profit yet. And it has no means of paying the money the Finance Member wants from it. I do not know what will happen. I do not suppose the concern will manage to float new shares—shareholders are backward in coming forward at the moment. It is very much more likely that new project will be closed down.

I could go on giving instances of this kind, but the point I am trying to make is this. There is nothing more important than looking ahead and there is nothing which destroys the possibility of looking ahead more than unduly severe taxation imposed at one time. The Capital Gains Tax and some of the other taxes which my friend is introducing would have been far less harmful if they had been applied at the lower rates in the first instance.

**Diwan Chaman Lall** (West Punjab: Non-Muhammadan): Did you support the Capital Gains Tax?

**Mr. P. J. Griffiths**: I have not yet told you why I am supporting these three measures, although I do not like them. If my friend will have patience, I will tell him in due course. Let me first apply my practical tests to a typical company. Under the original Business Tax Bill, what was proposed was that the company should pay 4 annas in the rupee. I will assume that it was a large company to which a lakh of rupees abatement meant more or less nothing. On top of that, it is going to pay 5 annas 4 pies, income-tax and super-tax. This means a total taxation of 9 annas 4 pies, leaving to that company little more than 6 annas for every rupee of profit earned. The taxation is 50 per cent. over what that company was called upon to pay up last year. I say that bold forward planning of business becomes impossible if every business is suddenly called upon to pay tax at this rate, not because of any public emergency but merely because somebody has invented a new theory of taxation.

Let us take another example. Let us take a company with a capital of a crore of rupees and 10 lakhs worth of profits. Under the present scheme of taxation that company will be left with about half, about 5 lakhs or slightly under, of its 10 lakhs of profits. Now, my socialist friends will ask

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—surely 5 lakhs of profits ought to suffice. What my socialist friends overlook is with taxation at this level it is not worth while for a capitalist to embark on a new venture unless he can expect twice the profit which he could have expected before severe taxation was the order of the day. My friends may say—five lakhs ought to be enough for anybody. My friends want production and if they want production what they must pay attention to is not their text book theories but the views of the men who have to take the risks and run the industries and I can say from my personal knowledge of business circles, both Indian and British, that a great many businessmen will not think it worth while to embark on new ventures and take the risk of loss if they are taxed at the rates now proposed.

**Diwan Chaman Lall:** Why did you support it then? May I interrupt my Honourable friend and ask. . . .

**Mr. President:** Let him proceed. He is arguing his case.

**Diwan Chaman Lall:** On a point of order. . . .

**Mr. President:** There can be no point of order now.

**Diwan Chaman Lall:** The point of order is that we are entitled to interrupt a speaker if he gives way. It is the constitutional right of any Honourable Member to interrupt a speaker if he gives way.

**Mr. President:** He is not giving way. There is no use of arguing.

**Mr. P. J. Griffiths:** May I say that nobody enjoys interruptions more than I do but I have got my eye on the clock and on your stern face Mr. President and you may ring the bell before very long.

The point I am trying to make is that when taxation reaches a certain level two things happen. In the first place companies themselves do not launch out into new ventures and in the second place there is no incentive on the part of the ordinary man to invest in those companies. Take the case of a company which before taxation became severe made 5 per cent. dividend, and if taxation cuts the dividend down to 2½, then who is going to invest in the company? There is always an element of risk in commercial investments. Why invest in them and get 2½ per cent., when you can invest in Government paper and get very much the same.

This kind of crushing taxation thus not only discourages a company from development, but it also deters the small man from putting his money into a company.

I do not think there has ever been a scheme of taxation in India with regard to which there was such unanimous condemnation as there has been with regard to these proposals, among those people who are really competent to judge them. I am not thinking of the toiling masses but of those who know how business works, how markets react and who know what the psychological reactions to taxation measures are.

My Honourable friend will probably say that those are selfish views. He will ask 'Why should I pay attention to people who stand to lose by my particular taxation measures?' There are two answers to that view.

The first is—here I speak for my own Group—that our past record does not justify the belief that we oppose taxation measures when they happen to hit ourselves. As far as I remember, during the last 12 years, we have supported every taxation measure brought forward in this House in the past. My Honourable friend Khwaja Nazimuddin referred to the E. P. T. and said that the same industrialists who had been declaiming against the present taxes and contending that they would ruin industry, said the same about the E. P. T. If my friend will turn to the debates of 1940 he will find that no such view was ever taken on any occasion by the members of this Group. We supported that tax. We regarded it as necessary and we also took the

view that in the rising tempo of business which then prevailed we could afford to pay. This group has a clear record in this matter. My Honourable friend the Finance Member who has long been a member of this House, will appreciate this fact and he will know that opposition on our part to taxation measures does not proceed from a mere dislike of taxation. Nor am I prepared to accept that thesis with regard to my Indian friends. I cannot believe that Indian industrialists are so unpatriotic as to oppose taxation measures even if they know that those measures are really good for the country, merely because they touch their pockets. I do not believe that and I am reminded of what my friend Mr. Rajagopalachari said the other day speaking from those benches. He said you cannot divide society into different sections. You cannot say that one section is good and another section is bad. If the industrialists are bad, which I do not believe, it only means that we are all bad. If the industrialists lack patriotism and as a class are incapable of putting the country before self—which I do not believe—if that is so, then it is true also of the whole country and my friend the Finance Member is indicting the whole inhabitants of the country in one general condemnation. I do not accept that indictment. If I accepted it, I should despair of the future and should regard it as useless for us to talk of the welfare of the common man. I must ask the Honourable the Finance Member to assume that the great majority of us who have criticised his taxation proposals have been actuated by sincere motives. He then has to face the fact that most experienced observers who know the working of business at first hand and who are able to judge the probable reactions to the financial proposals, think that they will have a depressing effect on the country.

My friend Mr. Manu Subedar whose ability and facility in producing bright imagery has always fascinated me, used an extremely apt and appropriate simile when he spoke of throwing a man off the balcony. He said to the Finance Member When you do that, you do not know how frightful his injuries may be. He may get away with a few bruises. He may break a rib or he may be killed. You don't know. I would ask my Honourable friend the Finance Member—does he feel so certain that he and his colleagues are magicians—that they have such power of wizardry that if a man is killed they can bring him back to life again? Are they quite certain that if as a result of these dangerous experiments with taxation business is killed, they are competent to bring it back to life again? If they are, they possess a source of happiness which is denied to me.

So far, I have spoken about the general tax structure. I want to speak now very briefly about the super-tax, a tax which appears to me to be, as one of my friends described it the other day, the spearhead of the Finance Member's attack upon industry and business. Here, of course, I am on very difficult ground because in these modern days when we are governed by all sorts of shibboleths, it has become fashionable to sneer at the rich, to pretend that a rich man is necessarily a parasite and to assume that he has no place in the body politic. I shall not therefore try to plead for justice to the rich. I shall not even try, though I could do so on good historical grounds, to urge that much of human progress and civilisation has come from men of independence, men of leisure and men of money. I will not take that ground. I will confine myself to applying to this case of the super-tax the same cold practical test, the test of incentive, which I have mentioned before. The first point that strikes me is that under the Finance Bill the peak of taxation is reached at an unearned income of a lakh and half, while it is at 3 lakhs or so in the United Kingdom. Now, my friend, the Finance Member, will say that that is a very fair proportion. He will say that the standards of life in India and in England are different; that England is a wealthy country, and that a man with a lakh and a half of rupees in India has the same

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position in life as a man with 3 lakhs of rupees in Britain. My friend is thinking of it far too much in terms of the individual and not sufficiently in terms of the State, not sufficiently in terms of the surplus available for investment. If you cut off large incomes by taxation at a stage far lower than in Britain, you cut off a corresponding source of investment. This may be perfectly fair as far as the individual is concerned, but you are taking away some of the most important sources of investment. Let us look at it in another way. Under the proposed scales a man who earns a lakh of rupees is left with Rs. 49,000; a man who earns 2 lakhs of rupees is left with only Rs. 6,000 more; and the man who earns 3 lakhs of rupees is left with Rs. 2,000 more than the 2 lakh man. Now, my socialist friend will say: "Should anybody be left with sums of that kind?" But the point I am trying to make out is this. The one lakh man is, for all practical purposes, condemned to remain a one lakh man and there is no incentive on his part to develop his business and become a two lakh man. The average human being is not going to exert himself very greatly under such conditions. Certainly, he is not going to take risks and embark on ventures which bring him loss but which cannot put anything in his pockets. No doubt we all ought to be full of ideals and to live for the purpose of helping others, but we are not all like that in real life. As long as human nature remains much as it is, now capitalism and private enterprise will depend on not taking from people so much in taxes as to leave them with no incentive to exert themselves further. By all means let Government examine the question of nationalisation, State ownership, State trading and form plans about them if it so wishes. To implement all those plans will take 15 to 20 years and during that period you must leave the capital system alone if you want your people fed, clothed and given the good things of life. If you want this country to go forward as one of the mighty nations of the world, you have got to keep the capitalist system vigorous till you have something else to take its place. The present plans of the Finance Member are not calculated to keep it alive. I will not say it will die out for it is a hardy plant. It may survive the rude shocks which he is administering to it but it is not good financial policy to deal these serious blows at that machinery on which the whole prosperity and expansion of the country depend. I cannot develop this further, as I have still to explain briefly why, in spite of these views which are very strong and emphatic and in spite of our fear that the Honourable the Finance Member is doing great harm to the industry of this country, we in this Group still propose to support him in his Finance Bill, as well as in his Business Profits Tax and his Capital Gains Tax.

Before I explain why we are supporting him, I would like to clear away the doubts which may exist on this subject in some people's minds. In one of the daily papers today, a paper which is especially closely associated with truth and non-violence, I found a mysterious and unfair innuendo, which seemed to suggest that the European Group had somehow changed its attitude towards these taxation measures and that there was some connection between that change and certain financial transactions which were said, rightly or wrongly, to be taking place. I much regret that a responsible paper, a paper, as I said, which is particularly closely associated with truth and non-violence, should have thought fit to distort the truth in that psychologically violent way. I should consider it beneath the dignity of this Group to repudiate that allegation. I content myself with saying that it would augur ill for the future, if every public man expressing an honest view, were liable to be maligned, in that rather cowardly way, by the suggestion that his actions had been influenced by ulterior motives. I myself hold the view that if reasonable debate is to be possible, we must all assume that the various

parties who are taking part in the discussion are guided by sincere motives. Without that assumption, discussion becomes impossible.

Sir, I now propose to give the reasons why we propose to support this Finance Bill, which we dislike so much.

We in India find ourselves today in a very special position. India has at last come into her own. India has at last taken over the business of Governing herself. The last stage is at hand and the practical transfer of power has already taken place. The eyes of the world are on this country at the moment. Other nations are looking on India anxiously to see whether she can handle her affairs well, whether the new Government of India is going to lay the foundations of stability and order and whether international dealings with the Government of this country will be as satisfactory as in the past. They attach much importance to finding out whether the administration of the country will continue stable and on sound lines. There is nothing that I can think of which would do more harm to the prestige, to the influence and to the future position of this country, in the world at large, than if the first Finance Bill introduced by an Indian Finance Member were thrown out by this House. I, for my part, under no circumstances will be a party to any attempt to throw out the first Bill of the Indian Finance Member and I should regard any such action as savouring of treachery to the country in which I live. I have urged upon the Finance Member the unwisdom of the taxes proposed by him and I shall still continue to do so. I shall still endeavour to convince him that some mitigation, particularly of certain taxes, is required and I shall go on to the very last begging him not to take this unwise action. But if he persists, I will not be a party to going in to the lobby against the first Finance Bill of an Indian Finance Member. I do not believe anybody in this House will cavil us at our reason for this decision. And I do not believe there is anybody in this House who would not have felt it wrong, if the European Group had taken upon themselves to say to the first Indian Finance Member that they will try to turn down his Finance Bill. It would be wrong it would lower the prestige of this country in the eyes of the world and it would not contribute to the attainment of the principal aim of everyone in this House today—the aim of seeing that this country starts along the right lines to orderly and prosperous Government, the right lines to the achievement of the full fruit of independence. Sir, I have therefore no hesitation in saying that I and my Group propose today to vote for the Finance Bill, although we heartily dislike its provisions and although we ourselves consider that it is possibly the most unsound Finance Bill presented to this House for many long years.

As regards the two other Bills, the position is rather different. If the Business Profits Tax and the Capital Gains Tax Bill, had remained in their original condition, we should have opposed them. We should have gone into the Division Lobby against them because we thought they were radically unsound. We still think they are unsound, but not so radically unsound as they were before the Honourable the Finance Member made modifications in them, not little modifications, but substantial modifications in them. We are not so obstinate, as to think that we can have things all our own way. The Finance Member has met certain of our objections, and we consider it only fair that we should accept the measure as amended. We do not particularly like the Bills even now, we still think they are not in accordance with such principles of taxation as we understand to be sound, but since the Finance Member has met us half way we are prepared to reciprocate and meet him half way. We therefore do not propose to oppose these particular measures.

Sir, there are many other matters germane to the Finance Bill, and germane to the general administration of the country which is under review at the



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moment, on which I should like to have touched, but already I have exceeded my time.

Let me now conclude by summarising our views. We consider the tax proposals in many respects unsound, we consider the Finance Member has underestimated his receipts and, we are not satisfied that it is the path of wisdom to insist on making good the deficit; but nevertheless we recognise the right of the Indian Finance Member to make good that deficit if he so wishes. We recognise that if he chooses to do so, we in this House are morally bound to give support to his attempts in that direction. We do this somewhat less reluctantly, because we believe that the Finance Member is determined to do two other things which will make these measures somewhat less unpalatable.

Firstly we believe that he is really determined to go ahead with the business of retrenchment. We believe that when he spoke the other day about his plan for an Economy Committee he meant what he was saying. We expect to see, in the near future, the utmost possible attempts to start pruning an administration which has grown seriously top heavy. We believe that there is great scope for retrenchment, and we believe that the axe, properly applied can go a long way towards filling up the gap which at present exists in his estimates moreover—and this is my last point—we support these taxation proposals because we believe that the Finance Member is going to be resolute—the first time that Government ever has been resolute—in the particular matter of catching the tax dodgers. Every one in this House knows that tax evasion is the rule rather than the exception. Every one of us who has business experience could give the Finance Member half a dozen cases of tax evasion. We expect him to take active steps about this matter. It is partly the fault of this House, it is partly our fault, that such steps have not been taken in the past, because from time to time we have refused to arm the Government with some of the powers necessary for this purpose. But in spite of that Government still have very considerable powers. If only Government would exert their powers under section 34 of the Income-tax Act and make arbitrary assessments if only they would show resolution in the matter of catching the tax dodgers, they could bring into the coffers of the State vast sums of money which are at present being lost to us. It is, Sir, in the confident expectation that the Finance Member will take these two measures and thereby justify our support, that, in spite of our dislike of these taxation proposals, I offer our support to the Finance Bill.

**The Honourable Mr. Liaquat Ali Khan** (Finance Member): Mr. President, the debate on the Finance Bill has been going on for four days.

[At this stage Mr. President vacated the Chair which was then occupied by Mr. Deputy President (Khan Mohammad Yamin Khan).]

Mr. Deputy President, so far 43 Honourable Members have taken part in this annual feast which is held on the floor of the House. Sir, I hope my Honourable friends will forgive me if I do not deal with every point that has been raised during this debate. Mr. Deputy President, Honourable Members of the Congress Party have described me as the financial quack, they have showered on me all the blame for the sins of commission and omission of all my colleagues. One of the Honourable Members of the Congress party has disliked my proposals not because there was anything inherently wrong with them, but because I used the word 'sub-continent' in my speech for India and not *Bharat Mata*. Sir, my Honourable friend Mr. Mohanlal Saksena, who, I notice is not here, has been attributing to me dishonest motives, that my intention in bringing forward these proposals was to ruin the economic life of the country and then to go away to *Pakistan*. The Honourable Member did not recognise, he did not realise that today the whole of India is one and if I ruin one part of India, I am definitely ruining the other part of India.

Then, Sir, my Honourable friends are angry with me because, not I, but the people in the country and a large section of the Press has described my budget as the poor man's budget. If people in the country described it as such, how is it my fault? Why do you want to blame me for it? Then, Sir, I have been accused, I have been blamed, my proposals have been criticised because again vast numbers of people and a large number of newspapers have described this as a socialist budget. Sir, I made no such claim for my budget. All the claim that I made was that I have framed these proposals not merely from the financial point of view of meeting the deficit, but I had certain social objectives in view as well. Therefore, I do not know why my Honourable friend Prof. Ranga should be angry with me if my budget proposals have stolen the thunder out of his socialism. I did not make any such claim. I am sorry that my Honourable friends look at these proposals with blurred glasses, blurred with prejudice, and they find nothing good in the budget. Some of the Honourable Members seriously stated that there was no provision in this budget for amelioration of the masses. My Honourable friend Prof. Ranga who as a rule studies all the papers that are supplied to him has not taken the trouble to look at the expenditure side of the budget. He spent all his time in finding out how to interpret on the floor of the House the views that had been expressed by a certain section of people through certain newspapers which are my friend Prof. Ranga's Bible. I can assure my Honourable friends that I do not mind criticism, but I do certainly expect that Honourable Members who criticise would at least take the trouble to study the proposals on the expenditure side as well. I was told not only by Prof. Ranga—he is sitting in front of me and so I find it convenient to address my remarks to him—but by several Honourable Members of the Congress Party who criticised me that there was nothing for the masses in the budget. As a matter of fact Mr. Saksena forgot for the moment when he was speaking that he was discussing the budget of the Government of India and not the budget of the Municipal Board of Lucknow, because he seriously turned round and said, "There is nothing in this budget for milk for mothers, for free primary education", and so on. Sir, I wish these Honourable Members had really taken the trouble to study the budget. For their benefit and in the hope that next time before they criticise me they will study the facts and figures let me tell them what provision there is in the budget for the amelioration of the poor man. As I pointed out in my budget speech, I have already reduced the burden of indirect taxation in the form of removal of the salt tax and raising the incometax limit, to the extent of 9 crores and 50 lakhs. Then there are food subsidies. I am told by my Honourable friend Prof. Ranga that food subsidy does not help the poor; it is the rich man who benefits. I can tell you, Sir, that the rich man eats very little of cereals; he eats something better than your wheat and gram. Sir, in the way of food subsidies there is a provision of 17 crores and 35 lakhs. There is a provision of 45 crores to be given as grants to provincial Governments to be spent not on engaging a larger number of officers but for the benefit of the common man on improvements in irrigation, education, public health, medical facilities, 'Grow More Food' and better communications. Apart from that there are loans to provinces for the same purpose to the extent of 32 crores. Then for the purpose of 'Grow More Food' in the central areas there is a provision for 27 lakhs; development expenditure in tribal areas which will be mainly on hospitals and schools, etc.—40 lakhs; central expenditure on schemes for research and on institutions the benefit of which will pass to the common man—36 lakhs; agriculture, fisheries, dairy research, cattle breeding, etc.—2 crores and 32 lakhs; education schemes—1 crore and 44 lakhs; medical schemes—98 lakhs; irrigation schemes—70 lakhs; irrigation research—12 lakhs; power development—14 lakhs; scientific grants—89 lakhs; fertiliser factory, so that we may have better and more manure for agriculture—5 crores and 98 lakhs; buildings for development projects—3 crores and

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25 lakhs; housing schemes for coal-mine labourers—50 lakhs. The total of all these comes to 110 crores and 70 lakhs. Now can any Honourable Member seriously say that in this budget there is no provision made for the amelioration of the condition of the poor people? I wish my Honourable friends had really taken the trouble to study the budget before making this criticism; or, if they had studied it, I wish they had stated facts before the House and not fiction.

Sir, I will not at this stage say very much about the two Bills, namely, the Business Profits Tax and the Capital Gains Tax; they will be discussed when we take them up for consideration. My Honourable friend Sir Cowasjee Jehangir, for whom I have real regard and affection, was very much annoyed over these proposals. He felt that the effect of these proposals would be that instead of living on interest all the time he will have to touch his capital. And that, Sir, reminds me of a story. A big industrialist was walking down the Bombay Chowpatty with a friend and as he was going along some lady passed by—a very ugly old woman—and this industrialist took off his hat. The friend asked, "Who is this old hag that you took off your hat to?" The reply was, "That is my wife". The friend was very much upset about it and offered his apologies. They proceeded further when a smart young girl came along,—lip-stick and so on,—and this industrialist raised his hat again. The friend asked, "Who was that?" "That is my sweet-heart" was the reply. So this friend said, "Look here, in the name of",—I will not use that unparliamentary word,—"how did you come to marry a woman like that?" The industrialist replied, "Well, you see, being an industrialist I live on interest and do not touch the capital". So what I feel is that these rich friends of mine—the industrialists—will have to touch their capital now; they cannot go on living on interest all their lives.

Sir, I do not expect that my proposals will have the effect of ruining the industry of this country. There was an argument advanced by some Honourable Members that because certain amendments were accepted by me in Select Committee and certain other amendments have been agreed to thereafter my proposals were conceived in a hurry and I did not give due consideration or attention to them. And here I would like to give an answer to a question that was asked by my Honourable friend Mr. Saksena. He asked me whether these proposals are of Government or of the Finance Department. I want to tell him that the budget proposals were and are the proposals of the Government of India. It has been suggested that because certain changes have been made in the Bills they were really defective and hastily conceived. Sir, this is really a very strange world. If I had behaved like a sun-dried bureaucrat and not accepted any amendments to the Bills that I had introduced my Honourable friends would have said, "Look here, this Indian Finance Member never responds to what we say; he does not listen to us, he comes forward with certain proposals and he wants to push them through as his predecessors used to do." Instead of appreciating my meeting the point of view of the Members of this House to a certain extent, I am being blamed for having done a right thing. Let me tell you another thing. There was one other consideration that appealed to me more than any other consideration and that was that I felt that the condition of the labour in all these industries needs improvement and I felt that if I could leave the industry with a little more money than what I originally intended to take from them,

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the industry will be able to spend that money not for swelling their profits but for improving the condition of the poor labourers. There are so many reforms that these industries have to do, and I do hope and appeal that the money that will be saved by my reducing the tax will be used not for swelling the profits or the pockets of the big people but for improving the lot of the poor labourers.

Both my Honourable friends, Sir Cowasjee Jehangir and Mr. Vadilal Lallubhai said that the super-tax rate had been increased and it was much higher than what it was in England. In England the maximum is reached at 20,000 pounds and here, according to my proposal, the maximum in the case of unearned income will be reached at Rs. 1,20,000. But when we are thinking of these amounts we have got to take into consideration certain other factors. Firstly, is £20,000 in England equal to Rs. 1,20,000 in India, or not. A man who has got an income of Rs. 1,20,000 in India I submit is better off than a man who has got an income of £20,000 in England. Secondly, when you are thinking of these incomes and incometax you have got to take into consideration the wages of the people in that particular country. Now in England the wages of an average man are about 5 guineas a week, that means 20 guineas a month, which comes to about 270 or 280 rupees a month. The highest wages than an average man would get in this country is about Rs. 60 a month. If you calculate on that basis the maximum in this country should have been reached at Rs. 60,000 and not at Rs. 1,20,000, and I have indeed been more than generous to my Honourable friends when I have put the limit at Rs. 1,20,000, and it is no use their comparing it with the income in England of £20,000.

Before I proceed further, let me clear up one point that was raised by Dr. Deshmukh. He said you are going on increasing the tax like what it is in England, but you don't provide relief. May I point out to him that I have not raised the tax in the lower reaches where relief is necessary, and I would like to point out to him and give him figures comparing the rate of incometax in England with the rate of income tax in India. I have got some figures here. Let me tell you that I am giving you figures with regard to the tax of a person with a family of three children. That means it is excluding all those concessions.

Income	Rate of tax in India	Rate of tax in England
£ 300 (Roughly Rs. 4,000)	2.7 %	
£ 600 (Roughly Rs. 8,000)	4.0 %	11.4 %
£ 900 (Roughly Rs. 12,000)	6.6 %	21.0 %
£ 3000 (Roughly Rs. 40,000)	26.7 %	41.0 %
£ 6000 (Roughly Rs. 80,000)	42.7 %	54.0 %

Therefore when my Honourable friend says that we should have provided relief as they have done in England when we were raising the tax, I am afraid he was not quite right. For one thing I did not raise any tax on these incomes.

**Dr. G. V. Deshmukh:** May I interrupt the Honourable Member for a minute. You said £20,000 in England are equal to Rs. 60,000 here.

**An Honourable Member:** No, no.

**Dr. G. V. Deshmukh:** You said.....

**Mr. Deputy President:** The Honourable Member should address the Chair.

**Dr. G. V. Deshmukh:** I am addressing the Honourable Member through you. To make the point clear, Rs. 60,000.....

**The Honourable Mr. Liaquat Ali Khan:** I am afraid the Honourable Member really has not understood it and being a Doctor I can forgive him.

**Dr. G. V. Deshmukh:** Sir, I accept the apology from a lawyer.

**The Honourable Mr. Liaquat Ali Khan:** Lawyers are well known for commonsense.

Now, Sir, I must proceed with the next point. I only wanted to meet Mr. Deshmukh's point that I have not increased any income-tax on the income of these people, and apart from that the income-tax even now is much lower than what it is in England. And, therefore, I think, he was wrongly informed by his constituency which he was representing here that I had really done something which was absolutely wrong and which had no moral justification.

**Dr. G. V. Deshmukh:** I do not want to say anything now, but we will discuss it.

**The Honourable Mr. Liaquat Ali Khan:** Yes, we will.

Dr. Deshmukh referred to another matter and that was about the Investigation Commission. I can assure him on that point and other Honourable Members of this House that I am fully aware of the importance of finding the best people for this Commission, men with knowledge, experience and what is more with great integrity and honesty, because I feel that unless we had members of this Commission men of that type it would not only not do any good but it would do a lot of harm to have such a Commission at all. Sir, I am sure that India will be able to produce three men with those qualifications.

Now I come to my Honourable friend, Mr. Manu Subedar. Most of the points that he raised were really raised in the discussion on the budget. He has referred to planning. I am afraid here again some of those friends who have criticised me with regard to this matter have again not looked at it from the angle from which I looked at it. They are so much obsessed with this idea of the Muslim League having as its goal *Pakistan* that whatever any Muslim Leaguers utters they see *Pakistan* in that. When I was talking of planning, I was not talking of planning on the basis of Muslim majority zones or Hindu majority zones. I was talking of zonal planning on the basis of economic zones in this country.

**Prof. N. G. Ranga:** What are these zones?

**The Honourable Mr. Liaquat Ali Khan:** May I tell you? There is the Indus Valley Zone: there is the Ganges Valley Zone: there is the Brahmaputra Valley Zone: the Damoodar Valley Zone: there is the Godavari Valley Zone. Does my friend want any more zones?

But the moment you talk about something my friends begin to feel that it is *Pakistan*. If I talk of zonal planning and economic development of the country they see *Pakistan* in that. If I present a budget which according to me is the budget which consists of principles which I believe India should follow, they say now, here is *Pakistan*. This fellow is ruining the finances for this.

I wish members would really look at these problems not from that angle. I can tell him, and I can assure you, Sir, that as long as I hold this portfolio which I am doing, I shall discharge my duty and this trust with honesty. I shall not use the powers which I have for destroying one community or the other because I feel that that would be a most dishonest act for anyone holding a position of trust and responsibility.

Sir, my honourable friend, Mr. Subedar, referred to section 40 and 41 of the Reserve Bank. I thought I had finished with that question by giving an answer that the Bill was under preparation at the moment. But as he has raised this question I want to tell him that I hope to introduce that Bill within the next two or three days. It is ready and I think the House will have it very soon.

My Honourable friend, Mr. Subedar, used rather a peculiar argument. He said that the Finance Member has provided Rs. 45 crores for the provinces when last time the provinces were not able to use all the grants that were

provided for them, and from that he concluded that those provinces were not able to use the money that was placed at their disposal because they had too much money of their own. That is not a fact. The point is as my honourable friend knows that because of the shortage of material and because of so many other considerations, it is not possible for the provinces—it was not possible last year for the provinces—to utilise all the money that was placed at their disposal for development purposes. I hope, and it is my desire that the provinces should use this money which we are placing at their disposal for development purposes.

**Mr. Manu Subedar:** The Finance Member has not got my point. I was questioning the propriety of making a provision of Rs. 45 crores in this year's budget when they could not spend Rs. 25 crores and that some of those provinces did not need money, especially when they were bulging with accumulated funds.

**The Honourable Mr. Liaquat Ali Khan:** I do not see any unpropriety in this because my friend does not know that this Rs. 45 crores has not been provided out of revenue. Therefore it would have had no effect on the deficit in the budget. If I had not provided the Rs. 45 crores the deficit would have been the same as it is after providing for it because this Rs. 45 crores had been provided out of capital and not out of revenue.

My Honourable friend, Mr. Subedar, referred to my proposals as being like throwing a man from the balcony and not knowing as to what would happen to that man and my honourable friend, Mr. Griffiths, was very much struck with this story. I am not throwing a man from a balcony on to the pavement. I am only pushing him from an eiderdown cushion to a silk cotton cushion! And therefore, Mr. Deputy President, there is no danger of this man either breaking his head or breaking his legs.

**Mr. C. P. Lawson (Bengal: European):** He might catch a cold!

**The Honourable Mr. Liaquat Ali Khan:** My friend, Mr. Lawson says he might catch a cold. I think every Indian, if he has to face the future in this country, must be more hardened than that!

There was another point that was raised by Mr. Subedar, and I was rather surprised that a man of his knowledge and ability should have said this. He said no previous Finance Member has ever put such a heavy direct tax as I have done. Naturally, because every previous Finance Member was interested in capitalism and capitalists, because whenever any of my predecessors had to put a tax, he had to think not only of the Indian industrialist but also of my friend, Mr. Griffiths and others over there. Therefore, all the burden during these years that was put was put on the back of the poor man. The policy of the previous Finance Members was not to put direct tax because it was going to effect the pockets of all those in whom they were greatly interested and I do not want to follow that practice or that example. I want to put the burden where it should be put and take off the load from the back of those poor people who have carried this load for hundreds of years in this country.

Some of my honourable friends have said, and rightly so, that I have not been able to remove some of the excise duties. Nothing would have given me greater pleasure than to do that. But surely I am not a magician. You do not like me to tax the rich: and you want me to remove the burden from the poor. Now I do not know of any method by which I could just create money: of course I know I have the machinery. I have the Nasik Press. But then I do not want to see millions suffer. I was saying I can do that but it would mean death to hundreds of thousands of people. You can create money, but then you have got to suffer also for that and therefore, Sir, I do not propose to follow that policy. Now, Sir, Prof. Ranga and as a matter of fact some other members also stated that my estimates of revenue were

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wrong, that I should not have depended on my officers of the department but that I should have depended like them on the figures supplied by those who are to be directly affected by these proposals. I would much rather depend on the estimates prepared by the officers of my department who do not stand either to gain or lose by these taxes than depend on the figures supplied to me by those who are going to be affected by my proposals. I believe that the figures that have been given are accurate. I said in the Select Committee and I say it here that with regard to the figures about the Capital Gains Tax we really have no correct data, because it is a new tax, it is being imposed for the first time and it can only be, after you have worked that for two or three years that you will be able to have a very correct estimate of the income from that particular source. But I am not prepared to accept the figure that was given by Mr. Manu Subedar, *viz.*, that I shall get 20 crores by this tax and if I do get that much, Mr. Deputy President, I can assure you that I shall be the happiest man, because, as I stated in the beginning in my Budget speech, my object is not only to cover the deficit but my object is to get as much money as I possibly can, without ruining or injuring or hurting the economic life of this country. Because the more money I have, greater the schemes that we can carry out for the good of the poor people and therefore if I get 20 crores as my Honourable friend said, I shall be very happy indeed. As a matter of fact one of my industrialist friends repeated to me the same thing, *viz.*, that we will get 20 crores. I said that I would sell this tax to him for ten crores, but even though he was a businessman he would not take it. (Interruption). I said that to show to him that he was only trying to fool me by putting forward this proposition that I will get 20 crores from this source. I only hope, that Mr. Manu Subedar's estimate is correct.....

**Mr. Manu Subedar:** I shall bet a hundred rupees with you. You will see it next year.....

**The Honourable Mr. Liaquat Ali Khan:** I shall thank my Honourable friend from the bottom of my heart if I get 20 crores, because then I shall really feel very happy that although I had to go to America to get the basis for this tax, it was after all a very useful measure.

Before I deal with the speech of the Leader of the Opposition I had better say something about a suggestion or a proposal that was made by Mr. Nauman and supported by Mr. Nazimuddin. All that I can say is that if any province sends a request to the Government of India for financial help to rehabilitate those poor victims of the communal frenzy and communal riots which have brought disgrace on the whole of India, the Government will examine the requests with sympathy and on merits. But at the same time the provinces must recognise that it is their duty in the first instance to do all that they can for those unfortunate people and they can only come to the Government of India for help if they find that their finances really cannot stand this expenditure. I know that in some provinces the havoc has been terrible and I am making this statement, because I feel that those provinces may not be able to incur the expenditure which would be required for the rehabilitation of the unfortunate victims.

I now come to the speech of my Honourable friend Mr. Griffiths. As usual he has spoken with great eloquence but I do not think he has really raised any new point. There is one difference between my Honourable friend and myself and only the result can show who is right. He thinks that my taxation proposals will ruin industry. I am convinced that they will not. So we will have to wait till next year and see whose prophesy is right. His is a mere guess and a fear whereas my belief is based on facts. The B.P.T. as I stated the other day, will be a tax on profits that have already been

earned by the industrialist for 1946-47 and I feel that there are sufficient profits to be taxed without doing any harm or injury to industry as such. I have got the figures from my Department and I am convinced that on the basis of those figures industry will not feel the pinch of this taxation. As a matter of fact let me tell my Honourable friend that industry never expected the removal of the E.P.T. last year and I think practically every industrialist was expecting that there will be a reimposition of the E.P.T. for 1946-47. Now in connection with this E.P.T. my Honourable friend Prof. Ranga and some other members also said that the industrialists say that the E.P.T. would have given you more money and so why are you such a fool that you would not take more money but still insist on imposing the B.P.T. (Interruption by Shri Mohan Lal Saksena). My Honourable friend Mr. Saksena says that the department gave the figures. I am afraid he did not understand those figures. When the time comes to discuss those figures I expect that it will be one of the points that will be raised in the debate on this Bill and I shall then deal with this question. But the point is simple. If my original estimate of 30 crores was going to paralyse industry, then the E.P.T. with a much higher yield must paralyse it more. How it can paralyse industry less I do not understand, because after all it is money that has to come out of the industry. As a matter of fact let me tell my Honourable friends here and others that large sections amongst these big industrialists got off lightly under the E.P.T. It is the smaller industries, and the newly started industries which have suffered more on account of the E.P.T. and it is the newly started industries and the smaller industries which will benefit more on account of the B.P.T. than they would have under the E.P.T. As far as the total effect on industry is concerned if industry is going to pay more than what my proposals contemplate then surely the industry must be paralysed more. Therefore I would request my Honourable friends to consider this. I have not got any special love for B.P.T. Neither B.P.T. nor E.P.T. affects me. It is not that I was thinking of my interest or that of some of my friends. It was because I was convinced that the B.P.T. was a fairer tax than the E.P.T., because the incidence of the B.P.T. was more equitable and fair than the incidence of the E.P.T.

Now, Sir, there is one point that my honourable friend Mr. Griffiths raised and I think some other Honourable Members also referred to it. It was that I should have really prepared my budget for the next three or four years. That is no doubt one of the methods, of preparing a budget for the next two or three years. But I am sure my Honourable friends would recognise it is no use burying our head into sand like an ostrich and declaring that there is no storm. The statement of His Majesty's Government of the 20th February has made a great change with regard to the future political position in this country and I think I would have been foolish to try and foresee as to what would happen two or three years hence. It is not that I do not want to do it or it is not that I would not like to do it. One thing is certain. Everybody recognises whatever his views may be about united India or divided India, that the Government of India as it is today is not going to be in the future. Therefore it would have been foolish for me to prepare a budget for the next two or three years and on that basis not try and get money from those who can pay at this time when they have got the money. If I had come forward with a budget for three or four years and in that I had shown that there won't be any deficit, I am sure none of my friends would have voted for any fresh taxation. They would put forward this argument against me namely, 'After three or four years your budget will be balanced. Then why do you want to put this tax now?' Even now it is very seriously suggested that I should leave the deficit, that I should not bother about it, that it is nothing, that we should live on deficits. Well, Sir, I do not believe in that policy. I believe that as long as it is possible you must try and meet the deficit to whatever extent you can by means of taxation, without injuring



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the economic life of the country in any way. I do not agree with this theory that we should not try to meet our deficit.

Sir, I have heard it said that the effect of my proposal on income-tax would be that it would stop incentive and that the big industrialists would not really put their heart and mind into their work and that consequently production will suffer. I entirely agree with my honourable friend Mr. Griffiths. I do not think that all the industrialists are bad people. But this taxation will show who are real patriots and who are not. Those who are working for money—well, I say let them not worry. But those who are working for the good of the country and for the economic uplift of the country will go on working. Let me tell you, Sir, that the reward for an honest man for his labour is never measured in terms of money. It is the return that he gets in terms of success or failure which really matters. Therefore, as far as incentive also is concerned, let me tell you, Sir, that there is plenty of incentive. I am told that these people will not put in their money and that they will not work. Where will they go? Will they go and sweep the streets of Delhi? Everybody will have to work.

Then, Sir, I am told that if you say that the dividend is 5 per cent, why should people go and put their money in industry? The man would go and buy government paper at 2½ per cent.

**Sir Oowasjee Jehangir:** 2½ per cent, you will never get.

**The Honourable Mr. Liaquat Ali Khan:** I am not saying at what rate I would get it. But I am only quoting my Honourable friend Mr. Griffiths.

**Mr. P. J. Griffiths:** On a point of personal explanation, Sir. I said that if as a result of taxation a company was only likely to pay 2½ per cent, then people would invest rather in government paper.

**The Honourable Mr. Liaquat Ali Khan:** My honourable friend says that if it will pay only 2½ per cent, and therefore people will invest in government paper. If people will invest in government paper at 2½ per cent, then the Government will have to utilise the services of these big industrialists and establish industries. I really don't understand my Honourable friend saying that the Government cannot do it. I do not follow that logic. Why cannot they do it? If my Honourable friend Mr. Griffiths can work for some industrialist why can he not work for the Government?

**Mr. P. J. Griffiths:** When the Finance Department exercise such a stranglehold on enterprise how can he work Government

**The Honourable Mr. Liaquat Ali Khan:** I am not talking of private enterprise. I was saying that if I get money at 2½ per cent, and the State had to start industries, with capital got at 2½ per cent, is it contended that the state would not make any money?

**Mr. P. J. Griffiths:** It is contended that it will be too cumbrous to do anything quickly and efficiently.

**The Honourable Mr. Liaquat Ali Khan:** I entirely agree that that has been the position in the past. But I hope the state of the future would be different.

**Mr. P. J. Griffiths:** It would be just the same.

**The Honourable Mr. Liaquat Ali Khan:** If that is not the position, if capitalism in this country has come to stay for all time to come, well then God help this country. As a matter of fact, I do not for a moment believe that all our industrialists are really mercenaries. It is natural that everybody, if he can get more, wants more. But when I find I cannot get, then I have got to put in my best effort and get whatever I can out of it. What we have to see is this whether we are really leaving sufficient for him or whether we

are not. And I submit, Sir, that according to my proposals there is sufficient money being left not only for the development of industry but for the development of industrialists also.

There was another point. I have taken a lot of time, but as I said, Sir, I have to reply to 43 speeches, and the debate has been going on for four days. My Honourable friend Mr. Griffiths said that they are supporting these measures. I am grateful to him and to the Members of the European Group for the support that they have given me in this belief that tax evasion will be stopped with great vigour and every step possible will be taken in that direction. I can assure him that it is my desire and it is my intention to do everything that I possibly can because I think those men who evade taxes are greater moral criminals than a poor man who goes and steals something to fill his stomach. I will forgive a poor man if he committed burglary and took some money or some stuff to feed his wife and children who were starving and dying, but I cannot forgive a man rolling in wealth trying to cheat the State. Here I think it is really public opinion which must come forward and create a feeling amongst this class of people that they are social pariahs and they are no credit to the society in this country. I was told by my friends and told very seriously that if I raise the tax there will be more dishonesty. I am not willing to accept this proposition that the Indian character has so degenerated that we can brook dishonesty like this with complacency. We must create public opinion that any man who tries to cheat the State in this way is really a social criminal and a dangerous member of the society. The other point that Mr. Griffiths raised was...

**Mr. Leslie Gwilt (Bombay: European):** Sir, may I know, before the Honourable Member proceeds to another point, whether he would be prepared to consider the enactment of the clause proposed in the Income-tax Bill introduced at the time of the 1944 Budget giving the right of entry to income-tax officers and stamping of books and which was objected to by this House? Does he propose to reconsider such enactment?

**The Honourable Mr. Liaquat Ali Khan:** I think the Honourable Member is referring to the Bill which was not accepted by the House. In that connection I would like to say that that is only one of the methods. The object in appointing the Investigation Commission is two fold, firstly to advise the Government in the light of the experience that they might gain as to what steps should be taken to make the income-tax machinery more effective and what laws should be passed to see that there was no tax evasion or that tax evasion could be stopped as far as possible. The other point is to see if we cannot get some money out of those who have made big fortunes and have not paid tax which is due to the State. The suggestion that has been made is indeed one of the matters which will be taken into consideration. The other point that my friend Mr. Griffiths raised was about the Economy Committee. I can tell him that as soon as I get a little respite I shall at once devote my attention to this matter. As a matter of fact, I have already asked my officers to prepare a draft regarding the terms of reference and so on, so that we can start it as soon as possible.

**Sreejuti Rohini Kumar Chaudhury:** What about the excise duty on betel nuts. Will this also benefit the poor man?

**The Honourable Mr. Liaquat Ali Khan:** As regards the Income-tax Commission, I did give a reply to one of the questions that were put and I said that it was the view of Sir Gopalaswami Aiyangar that unless there was some light with regard to the future constitution, it was futile to start this inquiry. I myself wanted it but I thought that this gentleman who has got great experience and great knowledge, when he said that, there must be something in it and I think there is something in that proposition.

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Now, Sir, I do not think I have left any point of importance. Once again I would repeat that I am convinced that my taxation proposals will not injure industry in any way. I am convinced that the policy of taxation which I have adopted, whatever may be the theories in books and by economic experts, is the correct policy in this country. The policy is social justice. I repeat that phrase again. My Honourable friend Mr. Griffiths said that there was no scientific definition of it. There cannot be a scientific definition of it. Social justice will depend on so many factors. The first thing that has got to be done is to remove as far as possible those glaring disparities that exist in this country and there are two ways of doing it—raise the level from below and bring the level down from above. I have done that. I repeat that the State should not look at taxation from this point of view—that so much money is needed to meet the bare requirements of the Budget. The State must also see that taxation is raised to the extent which the people can bear, without injuring the economic life of the country in any way.

Sir, I have done. I do hope that the House will accept the motion that I have moved.

**Mr. Deputy President:** The question is:

“That the Bill to give effect to the financial proposals of the Central Government for the year beginning on the 1st day of April, 1947, be taken into consideration.”

The motion was adopted.

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The Assembly then adjourned till Eleven of the Clock on Friday, the 28th March, 1947.