

COUNCIL OF STATE DEBATES

Wednesday, 6th March, 1946

Vol. I—No. 6

OFFICIAL REPORT



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COUNCIL OF STATE

(52)

Wednesday, 6th March, 1946

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

MEMBER SWORN

The Hon. Mr. Harry Douglas Townend (Bengal Chamber of Commerce).

BILL PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE

SECRETARY OF THE COUNCIL : Sir, in pursuance of rule 25 of the Indian Legislative Rules I lay on the table a copy of the Bill further to amend the Insurance Act, 1938, which was passed by the Legislative Assembly at its meeting held on the 28th February, 1946.

STANDING COMMITTEE FOR THE COMMONWEALTH RELATIONS DEPARTMENT

THE HON. THE PRESIDENT : With reference to the announcement made by me on the 28th February, 1946 regarding nominations to certain Committees, I have to announce that the following Hon. Members have been nominated for election to serve on the Standing Committee for the Commonwealth Relations Department :—

1. The Hon. Sir David Devadoss.
2. The Hon. Mr. M. Thirumala Row.
3. The Hon. Sir Sobha Singh.
4. The Hon. Mr. M. N. Dalal.

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

STANDING COMMITTEE FOR THE INDUSTRIES AND SUPPLIES DEPARTMENT

THE HON. THE PRESIDENT : The following Hon. Members have been nominated for election to serve on the Standing Committee to advise on subjects with which the Department of Industries and Supplies is concerned :—

1. The Hon. Khan Bahadur Karamat Ali.
2. The Hon. Mr. Surput Singh.
3. The Hon. Mr. M. N. Dalal.
4. The Hon. Mr. Abdool Razak Hajee Abdool Suttar.

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

GENERAL DISCUSSION OF THE GENERAL BUDGET, 1946-47.

THE HON. THE PRESIDENT : Hon. Members, we will now proceed with the General Discussion of the Budget (Part II). As only one day has been fixed for this general discussion and as there are many members who wish to speak, I have decided to fix twenty minutes time-limit for all members, but I shall allow the Leaders of Parties ten minutes more.

THE HON. PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadan) : Mr. President, the Finance Member's speech is a notable departure in spirit from the speeches of the previous Finance Members. When the Finance Member says that "India is still confronted by a whole array of dangerous and enduring enemies—poverty, squalor, ill-health, illiteracy, under-nourishment and under-employment" he reminds one of the words used by Sir William Beveridge in his report on Social Security. He justly claims that "fiscal policy is merely one of the means to achieve national policy" and that in the present proposals, that is in the proposals which he has submitted to the House, he has "kept these long-term aims in mind". He has enunciated a policy which Indians have been insistently and unanimously demanding for so many years. There are some points

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in the speech that are open to criticism ; but I think everyone who goes through it will be struck by the desire of the Finance Member which is evident on every page of the speech to do what he can to further the economic interests of India. He has—I think it can be said without any I exaggeration—tried to look at our problems from the standpoint that a Finance Member of a National Government would have adopted.

I shall express my views regarding the financial proposals and the duty on imported betelnuts which are opposed to at a later stage. I may say however that the net effect of the remissions and the new taxes proposed by the Finance Member is to reduce taxation by about 21·05 crores.

Sir, since the economic development of India is the most important topic that should occupy our attention in connection with the Budget, we have to ask ourselves whether such arrangements have been made as will enable the Government to provide the largest sum possible for the development of the agricultural and industrial resources of the country. I shall deal in a moment with the actual situation as it is likely to be in consequence of the demobilisation of the army and the sums which have been set apart by the Central Government for capital expenditure. But I should like to say before I deal with these matters that this is a time when Government ought to see whether it is possible to save money in other directions so that as much as possible might be available for the achievement of the aim which the Finance Member has set before himself. There may be very little scope for retrenchment or economy and I am not for reduction of expenditure merely in order to reduce the expenditure provided for in the Budget to the smallest dimensions but I do want that every rupee of our expenditure both civil and military, should be used to the best advantage of India. I suggest therefore that steps should be taken to examine the present expenditure with a view to determining whether it is necessary or desirable and the utilisation of the money that may thus be set free for the achievement of those broader aims which we all have in view.

Now, Sir, as regards the future economic condition of the country, the Finance Member has told us that the reduction in the combined expenditure of the British and Indian Governments in India will be of the order of about 600 crores. We have to consider two factors in this connection. The expenditure incurred on behalf of His Majesty's Government in this country, though large, was not of such a character that its cessation may vitally affect the economic future of the country. Indeed, the quantity of goods available was so small that the Indian Legislature protested year after year against His Majesty's Government drawing on our slender output of goods in order to satisfy its demands. The reduction in the expenditure on behalf of His Majesty's Government should, therefore, enable the public to have a larger amount of consumer goods and as at present there is sufficient money available in the country I do not think that the large reduction in the British Government's expenditure in this country can have any deleterious effect on our economy. As for the rest, the Central Government have provided for a capital expenditure of the order of 100 crores. Then there are the Provincial Governments which are anxious for the development of their Provinces. What will be the total amount of money that they will be able to incur during the next five years it is not possible to say with certainty, but I think we may well feel sure that the total development expenditure of the Central and Provincial Governments will not amount to less than 150 crores. This is not a large sum at all and if we are to provide employment for those who will soon be without jobs the agricultural and industrial development of the country must proceed at a much more rapid rate. During the next two or three years, however, we shall be faced with serious difficulties and I am afraid that even the comparatively small amount of capital expenditure which the authorities are prepared to undertake may not materialise on account of the difficulty of purchasing the necessary machinery and equipment. This is a matter, Sir, which deserves the serious consideration of Government. I have no doubt that it is engaging their attention but in view of the situation that confronts us and the immensity of the problem that will have to be

faced during the next two or three years I think it is necessary that both the Government and the representatives of the people should, acting together, put forth their best efforts in order to secure for India those capital goods without which the advance that we desire cannot be achieved.

Sir, there is much that can be said on the subject of India's economic development but as we shall have other opportunities of dealing with this topic I should like for the moment to confine myself to questions that are largely of a financial character. There are many topics of this kind, Sir, which can be discussed in connection with this Budget but I should like to refer first to the question of the Dollar Pool. The debate that took place in this House on the subject a few days ago and the observations made by the Finance Member in his Budget speech have, I confess, come as a surprise to most of us. We certainly thought that the total dollar exchange which India earned during the war was much more than the sum which the Finance Member tells us would have stood to the credit of India had no expenditure been incurred. I think he has said that India earned only about 363 crores of dollars. Out of this, he has told us that an expenditure of nearly 264 crores has been incurred. Now I should like to have some details in this connection. A brief statement like that made by the Finance Member will not satisfy the country. I think that we should be supplied with a statement giving a fairly detailed analysis both of the earnings and the expenditure. We should particularly like to know what were the goods which India bought for 264 crores. This is a subject of great interest to the public and I think both in the interests of the Government and of the country that the Finance Department should supply us with the fullest information on this subject.

Another point that I should like to discuss in connection with the dollar pool is the amount of dollars set aside for the future capital needs of the country. Sir Jeremy Raisman, in dealing with this point last year, made the following observations :—

"I referred last year to H. M. G.'s willingness to set aside, each year, as a special case, a part of the dollars accruing from India's export surplus to the U. S. A., an amount earmarked specifically for India's post-war development. After a very careful examination of current figures and tendencies, we have agreed to accept an amount of 20 million dollars for the calendar year 1944 and a similar amount for 1945, subject to re-examination later in the light of the relevant statistics for that year. This figure is, of course, in addition to what we need for current requirements."

According to the promise given to us by Sir Jeremy Raisman, 40 million dollars should have been set apart by now, but I find from the speech of the Finance Member that only 20 million dollars, that is, half of that sum, has been set aside. I should like to ask how it is that the promise which Sir Jeremy Raisman gave last year has apparently not been fulfilled by the Finance Member this year. What we wanted to know clearly is this. Have Government set aside a sum of 40 million dollars for future capital expenditure by India, or have they set aside, in clear violation of the promise given by Sir Jeremy Raisman, only a sum of 20 million dollars? Apart from this, I should like to know whether a similar provision is going to be made next year, that is, in 1946-47. We know that according to article 7 of the U.S.A.-U.K. Loan Agreement His Majesty's Government will within a year of the conclusion of the Agreement provide sufficient dollar resources to enable the countries in the sterling area to meet their dollar requirements. We are of course not bound to accept the period of one year during which His Majesty's Government promise to bring about a change in the present system, but it is quite possible that we may be unable to persuade His Majesty's Government to provide us with dollar resources for our current requirements is less than a year after the conclusion of the U.S.A.-U.K. Agreement. It is desirable, therefore, that the provision which was made for the years 1944 and 1945 should be repeated for the year 1946. I know that the Finance Member has said that India's ability to obtain the capital goods that she needs will not be prejudiced for want of dollar resources. But all the same I should like to know why the system that was initiated in 1944, and on which Sir Jeremy Raisman laid so much stress last year, has not been observed this year?

A word more, Sir, about the dollar pool before I proceed to deal with other subjects. We have been told a great deal about the valuable help that the arrangements made for pooling the gold resources of the sterling area countries and some other countries have given to those countries. But

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so far as India is concerned, the Finance Department must know that the arrangements that subsisted for a long time in this connection gave rise to considerable dissatisfaction in India. The maintenance of the Gold Reserve Fund in England till recently was a subject of serious complaint; and almost till the war broke out, the diversion of gold coming to India by means of telegraphic transfers to England was another subject that gave rise to serious and legitimate complaint. In the face of these facts, to say that the century-old sterling area arrangement was convenient and economical to all the Governments concerned and should be maintained is, I think, to say the least of it to indulge in special pleading. Considering that the dollar pool will soon be dissolved, I wonder whether any purpose is served by the stress laid by the representatives of the Finance Department on its value in the past and the need for its maintenance in some form or other in future.

May, I now say a word, Sir, about our sterling balances. I referred, I think, about two years ago to the effect of the borrowings in India on behalf of His Majesty's Government on the Indian exchequer. I pointed out that according to our information the rate of interest allowed by His Majesty's Government on the sterling balances was much lower than the rate of interest which we had to pay on the money borrowed on their behalf in this country. Now, Sir, I take it that the surplus profits of the Reserve Bank are really due to the interest obtained by the Reserve Bank, or are at any rate largely due to the interest accruing to the Bank on the sterling balances. I find that the revised estimates of the surplus profits for 1945-46 amounts to about Rs. 14.69 crores and that for 1946-47 to Rs. 14.70 crores. So far as we know, the amount of the sterling balances has increased substantially during the last 12 months; yet, the interest receipts remain the same. It seems to me, therefore, that the rate of interest which was already meagre has been further reduced by His Majesty's Government. It seems that it amounts to less than one per cent. May, I therefore, request the Finance Secretary to throw more light on the matter than the Explanatory Memorandum does, so that we may know where we stand with regard to this important question?

Sir, the question of the availability of our sterling balances for the economic development of the country is a very important one. In view of the observations made by the Finance Member on the Subject I do not propose to dwell on it at any length. But I will say before I pass on to other topics that the ability of India to obtain dollar resources will depend not on the maintenance of the old arrangements for pooling the gold resources of the sterling area countries but on the conversion of a part of our sterling balances into dollars. These sterling balances will be our main source of dollar supply. To the extent that the Government of India can help us in putting forward our case in this connection they will enable us to obtain the resources that we badly need in order to bring material happiness and prosperity to the country.

Now, Sir, I should like to say a word about what the Finance Member said with regard to the restriction of the rate of dividends. I must say frankly that I am entirely in favour of it. But there is one important matter in this connection which, I think, has not yet received the attention of the authorities. It is not enough that large companies should be floated or that the material development of the country should proceed rapidly. We have also to take care that the interests of the small holders are adequately protected. The state of things at present is such that the affairs of companies, particularly of the bigger concerns, are managed by a few people. The small shareholder has hardly any voice in the management of these concerns. I think it is time that the Government stepped in, in order to protect the smaller shareholder. I cannot make any concrete suggestions on this score but I draw the attention of the Government to this matter because, so far as I know, no reference has ever been made to it in the past in official speeches. I hope that if Government takes steps in the direction desired by me, they will also be able to inspire confidence in the small investor and persuade him to invest his earnings in productive undertakings.

And now, Sir, I shall say a few words with regard to the Army—

THE HON. THE PRESIDENT: You say a very few words because already your time is exhausted.

THE HON. PANDIT HIRDAY NATH KUNZRU : I shall say a very few words only about the Army. There are two questions I want to deal with in this connection first, the question of Army expenditure, and secondly, the policy that the Government propose to follow in connection with the nationalisation of our forces. As regards the expenditure, since we do not know what the future size and composition of the forces will be, it is very difficult for us to offer any observations which will be of any use. His Excellency the Commander-in-Chief appointed a Committee to consider this matter, I think, about 18 months ago and we thought that we would be able to know by the time this Budget was presented what the decision of the Government on the subject was. But, even if it is not possible for His Excellency the Commander-in-Chief to tell us what the strength and composition of our armed forces will be, I hope he will be able to tell us whether the Viceroy's Commissioned Officer is to be retained or whether his place is to be taken by the Indian Commissioned Officer. He knows the important issues which have to be considered in this connection. We are most concerned with the question of the nationalisation of our armed forces. It is desirable, therefore, that the available supply of Indian officers should be made use of in order to replace British officers. If we try to nationalise the Indian Army and at the same time to appoint Indian Commissioned Officers as platoon commanders, our task will become unnecessarily difficult. There is another point which I would like to place before His Excellency the Commander-in-Chief in this connection. It has been decided that permanent commissions in the Indian Army should in future be given to Indian officers only, and that such British officers as are needed should be obtained by means of secondment from the British Army. The purpose of the secondment will be lost unless the arrangements that we make for the nationalisation of the army are such that Indian officer may go on steadily and rapidly replacing the British officers. If this point of view is accepted, then I think it is necessary that junior officers, that is lieutenants and captains, particularly the lieutenants should be Indians. We have at present 9,000 Indian combatant officers. Government have thus a vast field to choose from. I do not know the total number of officers that will be required for our armed forces. But whatever the number may be, I think it ought to be possible for us to fill the junior ranks of the army with Indian officers. Then we can be sure that British officers, whether attached to the Indian Army, will not be kept unduly long.

THE HONOURABLE THE PRESIDENT : Please bring your remarks to a close.

THE HON. PANDIT HIRDAY NATH KUNZRU : I will very soon do so. But if that is not done and Indian officers and British officers are spread in the Indian Army from top to bottom, then it will simply mean that the Army authorities want to establish a certain proportion between the British and Indian officers. Now, this is not what we mean when we ask for nationalisation.

THE HON. THE PRESIDENT : You could reserve your remarks on this subject for the Finance Bill.

THE HON. PANDIT HIRDAY NATH KUNZRU ; I will reserve my remarks for the Finance Bill. Since you are of that opinion, I will do that. But perhaps you will allow me to make one or two observations of a financial character—

THE HON. THE PRESIDENT : I have already allowed you 40 minutes.

THE HON. PANDIT HIRDAY NATH KUNZRU : I am sorry to request you to give me two minutes more.

THE HON. THE PRESIDENT : There are other speakers and I have to look to their interests as well.

THE HON. PANDIT HIRDAY NATH KUNZRU : I do not want to take up any more time. I do not want to be unfair to any other member. But I shall very briefly say that I should like to ask for full information with regard to

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the agreement arrived at last year between the Indian Government and His Majesty's Government regarding the apportionment of the non-effective charges between the two Governments, particularly with regard to the casualty lists. We should be supplied with a statement giving full information on this subject so that we may feel that no injustice has been done to Indians in this matter. The second thing that I should like to say is this. While we shall need adequate forces to maintain the security of India in the future, while we recognise the world as it is requires that we should be prepared to guard our hearths and homes, the Army budget can still be reduced. To mention only one subject, there is a Resettlement Directorate in the Army. Civil expenditure on this account will be a little over 6 crores, and as according to the Finance Member the resettlement of demobilised personnel will be the responsibility of the civil authorities, I do not see the need for incurring any large expenditure on this subject by the Army authorities. I should therefore like to know what the strength of the Resettlement Directorate in the Army is and what is the total expenditure incurred on it ?

THE HON. MR. M. THIRUMALA ROW : I wish to make a representation, Sir. I would request you to follow some rule in calling people to speak on the discussion of the Budget, having regard to the people they represent and the Parties in the House.

THE HON. THE PRESIDENT : I quite understand that matter. On the Budget discussion it is my policy usually to give commercial members first audience. They understand commercial matters better than politicians.

THE HON. MR. M. THIRUMALA ROW : I protest against your remarks against other members of the House. We will leave the House.

THE HON. MR. HOSSAIN IMAM : If that is your opinion, we will leave the House.

THE HON. THE PRESIDENT : That is my opinion. Please sit down.

THE HON. MR. HOSSAIN IMAM : If that is your view, we would rather not remain here if politicians are not wanted by this Government.

THE HON. MR. M. THIRUMALA ROW : We represent a bigger electorate than the commercial people and we resent your remarks against the other members of the House.

THE HON. PANDIT HIRDAY NATH KUNZRU : Perhaps you will make it clear that no reflection is meant on elected member of this House.

THE HON. THE PRESIDENT : The President calls such members to speak as he thinks proper. I have also to look to the House and see which member they would like to hear first in preference to other members. I have made no reflection on any member.

THE HON. MR. HOSSAIN IMAM : It is no part of the duty of the President to make disparaging remarks against elected members.

THE HON. THE PRESIDENT : I have said I would give preference to people employed in commerce and industry at the time of the Budget.

THE HON. MR. HOSSAIN IMAM : May I suggest that your statement that commercial men understand things better than politicians should not remain in the proceedings.

THE HON. THE PRESIDENT : That is my opinion.

THE HON. SIR SHANTIDAS ASKURAN (Bombay: Non-Muhammadan): Mr. President I was happy to read in the morning papers that my Honourable friend the Finance Member in replying to the debate in the other House has shown his readiness to meet the just demands of the people.

THE HON. MR. M. THIRUMALA ROW: On a point of order, Sir. Is manuscript eloquence allowed in this House? I want a ruling from you, Sir. It is clearly mentioned in the rules that manuscript eloquence should be reduced to the minimum.

THE HON. THE PRESIDENT: I have discretion to fix the time-limit. I have already shown the House much indulgence in that matter. I do not wish to hear anything more on the subject.

THE HON. SIR SHANTIDAS ASKURAN: Hitherto, our experience has been that the Treasury Benches always believed themselves to be right in whatever action they took and paid little heed to the suggestions made by commercial bodies or Hon. Members on this side of the House. We have been treated to the stereotyped reply: "We do not agree". As a result of this irresponsiveness the country has suffered a great deal. It is really encouraging to find the Hon. the Finance Member agree to revise the taxation proposals in response to the wishes of the Opposition. Sir, if the Government members in the past had shown the same spirit and understanding as the Finance Member, the relations between India and Britain would have been very different today.

Therefore it is in no conventional way that I offer my congratulations to the Hon. the Finance Member on the way he has framed and presented his Budget. It is a unique Budget with many new features which have come as an agreeable surprise to the public—particularly its refreshingly new approach to the whole problem of post-war finance and economic reconstruction. I cannot pretend that I am pleased with all that it contains nor am I satisfied that the Hon. the Finance Member's proposals go as far as the situation demands. But it would be generally agreed that it covers ground which his predecessors had unfortunately neglected and makes a fair attempt to do justice to all interests.

At the present time when we have emerged from the enormous strain of the most taxing and ruthless war in history and have to face the no less strenuous task of peace reconstruction and of building a new economy, the first two tests which we should apply to any budget are these. To what extent does it increase the purchasing power of the people, and how far will these proposals help in reducing unemployment? I am glad, Sir, that the Hon. the Finance Member has exerted himself in both these directions. I welcome his statement that every policy must subserve the ends of national policy and that the purpose of any fiscal policy should be not merely to raise a given revenue but to raise it in such a way as to obtain the maximum social and economic advantage and to distribute the burden as justly and as fairly as possible between the various classes of tax-payers. In former years there was unfortunately too great a tendency to think only of the revenue aspect and neglect the other aspects—particularly, the effect of taxation on the country's economy and production.

The Hon. the Finance Member has, I am glad, frankly expressed himself conscious of the depressing effect on industrial enterprise of a high level of taxation on profits, and he has further declared his conviction that it is the expansion of industry which holds out the earliest promise of increasing the national income and raising the standard of living in this country, although India will not achieve the maximum of economic health and wealth until agriculture as well as industry have multiplied their productivity many times. That is exactly the stand which we on these Benches have taken, and it has been our complaint that the Government's policy, not only in taxation but in other matters also, has brought down both industrial and agricultural production and increased economic suffering. The decision announced by the Hon. the Finance Member to discontinue the Excess Profits Tax, though as he admits it will not give immediate relief to that class of tax-payer is the right one. It will help to rehabilitate industry, open up new avenues of employment, afford scope for increased technical training and save the country from

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dependence on foreign imports, provided of course the Government help actively in getting all the capital goods required.

In one respect I am grievously disappointed. I had expected, as I am sure all members here on this side a very big reduction in military expenditure, as actual hostilities had ceased six months back. The reduction, according to the revised estimates is only about 17 crores—a mere pittance compared to the budget estimate of Rs. 394 crores. The Government are fully aware that the masses of this country are suffering from want of adequate food supplies, cloth and necessities of life owing to scarcity and high prices. Even those of the middle classes are finding these prices beyond their means. It is the Government's duty to revert as soon as possible to pre-war peace standards subject only to such modifications and increases as are necessary for administrative efficiency or for increasing the country's production and improving the people's well-being. I trust the Hon. the Finance Member will ask every Department, particularly the Military Department, to curtail its expenditure to the minimum. It is necessary to dispense with all superfluous jobs and close down those departments for which there is no need, specially those departments which have become the hotbed of bribery and corruption and increased the hardships of the people without in any way serving the public.

At the same time, Sir, taking the budget proposals as a whole, I cannot help feeling that the Hon. the Finance Member has not provided adequate relief to the poor and middle classes. A small reduction in the kerosene duty and certain adjustments in the lower grades of income-tax are all the concessions to these classes which we find in the Budget. He himself seems to be conscious that he has not been able to do much for the poor man, for he says in his speech :—

“ In the field of direct taxation, I can obviously do nothing since he does not pay direct taxes. Nor is it easy to do very much for the poor man in the field of indirect taxation. The main advantage which he will derive from my proposals will be through the schemes, economic and social, which will be financed by the yield of the taxes contributed by the wealthier sections of the community ”.

That cannot be very consoling to the hard-hit classes who—I am referring also to the lower middle classes—are on the verge of starvation owing to high prices and present economic conditions.

May I make one suggestion to the Hon. the Finance Member ? The country is threatened with famine which according to the Government representative in Washington may be worse than even the 1943 famine. Already a number of areas in Bombay and Madras Presidencies and other parts of the country have been badly affected. Even the Government are not able to state with any precision what the shortage will be this year—different figures are being given by different people. Nor is it possible to say how much India can hope to get by imports. May I suggest, however, that as one important measure of relief, the Finance Member should allot large funds for opening common kitchens in affected areas—free kitchens to the starving and destitute and cheap kitchens to the workers and middle classes. If they are organised on a large scale and started without delay, they can be of immense help in this crisis. I have no doubt Provincial Governments will also make funds available from their own resources, and even the public should consider it a privilege to contribute to so noble a cause. It should be remembered that it is not merely scarcity that is the cause of starvation, but very often the big rise in prices of foodstuffs which makes it impossible for the man with the small income to get what he needs for his existence. If the Hon. the Finance Member takes the lead and makes a large contribution for such a humanitarian purpose to save these poor and innocent people from starvation for no fault of theirs it will have heartening effect. I find from today's papers that for Maharashtra and Karnataka a Central Famine Relief Committee has already been formed with Mr. Thakkar as President to organise non-official relief and collect funds. To meet such widespread distress, covering so large an area in the country, it is necessary, however, that the Government should be first in the field and offer all necessary help without minding the cost. This will save millions of lives and themselves from humiliation.

Let me now pass on to the question of the sterling debts due to India. For months past we have been demanding that it is wrong to go on accumulating sterling balances even after the cessation of hostilities. The Committee of the Federation of Indian Chambers of Commerce and Industry in its statement has called the Government's attention to this point and asked why no action has been taken by Government to obtain tangible and other assets against India's supplies of goods and other services to Great Britain since the termination of the hostilities and thereby prevent further accumulation of sterling balances. It should be possible at least now for the Finance Member to give a definite undertaking that there will be no further addition to the sterling balances. The whole question of the liquidation of sterling balances and proper terms of settlement should be decided now and not postponed to a later date as indicated by the Finance Member. Without such a settlement it would be difficult to create an atmosphere of confidence in the country and ensure public co-operation.

According to the Budget figures India's total debt at present amounts to about 1700 crores. That figure represents approximately India's credits now lying accumulated in England. It cannot be forgotten that it is no ordinary debt. It represents the resources and services which India raised and supplied to England during the war period—the sum total of all the huge sacrifice which India has to make in order to help Britain in this time of need. And the effect of all these operations on the general economy of the country and the condition of the people has been seen in the big rise in the cost of living, in the scarcity conditions prevailing in many parts of the country, the fall in production and similar factors which we are still obliged to face. To mention only one instance, while in England the prices of essential articles did not generally rise beyond 50 per cent., the cost of living in India has gone up by 200 per cent. or over. On the other hand there is the admitted fact that organisations like the U. K. C. C. which were making purchases on behalf of Britain made their purchases in this country at specially controlled rates and to that extent helped Britain directly. I am not referring to these facts in any spirit of complaint but only to appeal to the Hon. the Finance Member to bear in mind what India has suffered, what India is suffering today, as a result of all these sacrifices and therefore insist that now that the war is over and India has to face the problems of the post-war period, there should be an immediate and equitable settlement of the sterling balances without which India cannot hope to advance at all.

Incidentally I would like to draw the Hon. the Finance Member's attention to the way in which the enforcement of controlled rates for certain important commodities are operating even today in the country, to our own detriment and for the benefit of outside interests. Take the case of cotton. The controlled prices in India are much below the American prices in parity and these prices are going up every day. The American price has gone up by 4 cents per pound after the fixation of cotton prices. Even then Britain and the Continent are buying our cotton freely at the low controlled rates. If the Government of India do not consider seriously the short cotton stocks at present in the country and the crop figures for next year and take steps in time our mills and handlooms will be forced to curtail their production. The shortage of cloth which is already a serious problem will be further intensified, and we may have to face in addition to a food famine a cloth famine also. It is due to such short-sighted policies that both agriculturists and consumers have suffered and will suffer.

One word, Sir, about the new duties on gold and silver which the Hon. the Finance Member has proposed. I am afraid it is an unwise step and, far from serving the objective he has in view, may have undesirable results. No country in the world has such duties. As he knows, gold and silver are not exactly luxury commodities. They are widely in use in this country among all classes even in the villages—for marriages and similar functions. These heavy duties which he has imposed will not hit the rich so much as the poor. And there is another danger—against which I have to warn him. The Government have not been able to put an end to bribery and corruption—their own administration. For years past the Customs Department has been trying to prevent smuggling of precious metals, but it is still going on. Is there not a danger that these heavy duties will only serve as a

(Sir Shantidas Askuran)

further incentive to smuggling and defeat the very purpose of these duties. As the Hon. the Finance Member himself has indicated it is impossible to say to what extent imports of gold and silver will be possible next year and whether they will bring any big revenues at all. Where then is the need for rushing in now with these duties. I hope the Hon. the Finance Member will reconsider his proposal.

There are a few other points arising from the Budget which I would like to deal with, but I shall reserve them for the debate on the Finance Bill.

THE HON. THE PRESIDENT: I would like to ask the Hon. Mr. Hossain Imam whether, as Leader of his Party, he would care to speak now.

THE HON. MR. HOSSAIN IMAM: No, Sir. I think it is better that the commercial members should speak first.

THE HON. THE PRESIDENT: Then the Hon. Member will have to wait till I call upon him again.

THE HON. MR. M. N. DALAL (Bombay City : Non-Muhammadian): Mr. President, the new Finance Member in his first Budget speech, and, as he expects, his last, has dealt with the problem ingeniously, though how satisfactorily will only be known in practice in time to come. His predecessor had to deal with war problems, whereas it has been his fate to deal with the difficult problems of a transition period which does not mean an immediate come-back to the pre-war problems. It is a bold Budget and the Hon. the Finance Member had grappled with the problems of the transition period by a reconciliation of conflicting tendencies and divergent views.

Coming, Sir, to a few of the salient points in the 20 new proposals for the year 1946-47, I appreciate the withdrawal of the excess profits tax from the 31st March, 1946, in consonance with the wishes of the Indian commercial community. I also appreciate the relief in initial depreciation allowances, dropped last year and put into force again this year, of 10 per cent. on new buildings and 20 per cent. on new plant and machinery. The reduction in the corporation tax is also a step in the right direction. Apart from the relief, the method of advance collection of income-tax and super-tax under section 18A should now be terminated since the war is over and deflationary tendencies are beginning to set in. This advance payment of income-tax and the penalty enforced for under-estimating the income have created innumerable difficulties to the assessee and I am strongly of the opinion that it should be withdrawn forthwith. With regard to the proposal of the Hon. the Finance Member to transfer the 26.10 crores from the two War Risk Insurance Funds to the General revenues, I for one would have suggested that a similar amount should have been earmarked for industrial research, for which we have made no provision, especially in view of the fact that these amounts have come from our industrial concerns in this country. I am aware, Mr. President, that relief is given by way of income-tax and super-tax for scientific research according to the suggestion of the Shanmukham Chetty Committee, but I would impress upon Government the necessity also of giving effect to the second recommendation of the same Committee, namely, that relief must be given for losses and expenditure that might have to be incurred for reconversion of our industries from war to peacetime.

I welcome the proposal of the Hon. the Finance Member for an Industrial Finance Corporation, a National Investment Board, and, last but not least, a Taxation Inquiry Committee, to determine the incidence of taxation in this country. Apart from the association of experts with these three important bodies, I would suggest that Government should associate members of Indian trade, commerce and industry so that they may be able to weigh the incidence of taxation in this country from an industrial point of view.

The Hon. the Finance Member says that during the year 1946-47 the United Kingdom may succeed in not increasing our sterling assets, or may even succeed in decreasing them by a very vigorous export drive. Mr. President, in any such vigorous export drive from the United Kingdom, I would request the Government to see that such drive relates merely to capital goods and only to such consumer goods as may not be injurious to our nascent Indian industries. I would prefer to reserve my remarks on the Financial Settlement with the United Kingdom, which has been prolonged for one year, and the sterling assets and the Empire Dollar Pool, in view of the fact that we still want a considerable amount of enlightenment on several points in respect of these three very important problems.

At the moment, I, for one, Sir, am satisfied with the assurance given by the Government of India that they will associate people enjoying the confidence of this country and will take them into confidence before arriving at a solution of these three vitally important problems.

But, Sir, I beg to disagree with the plea of the Hon. the Finance Member when he says that it is premature and not in the interest of this country to sever from the Dollar Pool since our sterling balance of trade with the U. S. A. has been against us for several months. Mr. President, for a period of years when our balance of trade was favourable with the U.S.A. dollars accrued thereby the same were credited to the Empire Dollar Pool without consulting us and in spite of repeated protestations. Now that the balance of trade has been against us, we have been told that it is not to India's advantage to withdraw. I must remind the House, Sir, that the unfavourable balance of trade with the U. S. A. is of a transient or passing nature and what is more important is the question of principle involved and we would rather risk the unfavourable balance of trade than continue to be a member of this Pool.

Then, Sir, the proposed duty on gold bullion and coins has been a novel one unprecedented in the monetary history of any progressive State. The justification for this impost is all the more inexplicable in view of the fact that India exported a considerable amount of gold in the pre-war years at the rate of Rs. 35 per tola, and when imports are opened and when we can bring the metal into this country, we have to pay Rs. 25 a tola more to get it back. Besides, the imposition of this duty only three days after the issue of an Ordinance by the Government of India declaring the forward markets open has created great repercussions in the Bombay market completely upset it. Mr. President, we may have no sympathy for speculators, but this particular duty has come in at an inappropriate time creating hardship even to *bona fide* business-men.

I would, therefore, suggest for the consideration of Government that they should put a total ban on the import of gold into this country, Government themselves purchasing in foreign markets and re-selling it in India.

THE HON. THE PRESIDENT: Is there parity between world prices of gold and Indian prices?

THE HON. MR. M. N. DALAL: There is not. That is why I am suggesting that Government only should buy from foreign countries and sell it in this country, instead of having a duty on it. Thereby Government will make its profit, which will serve Government's purpose, and at the same time it will prevent exploitation not only by foreign countries but also by individual importers in India.

Again, Sir, when crores have been spent in this war, I wish the Hon. the Finance Member gave a free outright subsidy to the cultivator, especially in the deficit provinces, so that all uncultivated land could be brought under the plough and cash crops could be converted into foodgrains, which has been the policy of the Government of India. Such free outright subsidy would mitigate at least, if not avert, the threatening famine in this country.

In conclusion, Mr. President, I might say that the Budget on the whole has been well received and is a good attempt to tide over the difficulties of the transition period. I do not think it affects directly the man in the street. None of the 20 new proposals put forward for 1946-47 affect directly the man in the street. I

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welcome, Sir, and appreciate the reduction in the poor man's duty on kerosene. But I wish I could say the same about his postal rates, specially in view of this Department having made this year a profit of Rs. 10 crores.

I wish, Sir, I could say the same about his salt and betelnuts, about his tobacco and matches, his only luxury in life after scarcity and high prices during the seven years of war.

THE HON. THE PRESIDENT : Hon. Mr. Thirumala Row.

THE HON. MR. M. THIRUMALA ROW (Madras: Non-Muhammadan) : Sir, I am not going to take part in the discussion in today's debate unless the unnecessary and uncalled for remarks you made about the members of this House are expunged from the reports.

THE HON. THE PRESIDENT I did not say that. If you do not wish to speak, I have no desire to ask you to speak.

THE HON. MR. M. THIRUMALA ROW : It is there, Sir ; it is in the proceedings.

THE HON. THE PRESIDENT : You are a new member. You are not aware of the practice. The President of the Council is in charge of the House. He can select speakers at his own pure discretion. He is entitled to call any member whom he thinks proper and I have made no reflection whatever on any member. I have only pointed out that it is very desirable to call upon commercial members to give them a prior audience in preference to others.

THE HON. SIR MAHOMED USMAN (Leader of the House) : Now that the President has assured the House that he meant no reflection—

THE HON. THE PRESIDENT : I did it twice.

THE HON. SIR MAHOMED USMAN May I appeal to the Hon. Members opposite not to pursue the question ? The President has clearly stated that he meant no reflection. I think that is enough. I would appeal to Hon. Members not to press the point again.

THE HON. MR. HOSSAIN IMAM : What we took objection to was to these words, that commercial members understand better than politicians.

THE HON. THE PRESIDENT : I did not say that.

THE HON. MR. HOSSAIN IMAM : If it is in the record ?

THE HON. THE PRESIDENT : I said I would give them first audience.

THE HON. MR. HOSSAIN IMAM : If it is only meant to give them first audience then we have no objection. It is entirely in your discretion.

THE HON. MR. M. THIRUMALA ROW : I simply made a request, Sir, that representatives of Parties may be given preference in calling. You have given a reason why you have not been calling any particular member.

THE HON. THE PRESIDENT : I always give preference to Leaders of Parties. It has been my practice for 12 years.

THE HON. MR. M. THIRUMALA ROW : My Leader is absent. I represent my Party.

Mr. President, before proceeding with my remarks on the Budget I wish to draw the attention of the House to a very serious piece of news that has been conveyed to the public through newspapers about the railway disaster that has occurred very recently somewhere near Lucknow. The East Indian Railway has

been notorious for having such series of disasters in the past and we thought that God has spared us these things for some time ; but another disaster has overtaken the travelling public very recently. I trust the sympathy of this House will go to all those that have been affected by this disaster and the Railway Board will try to tighten up its control over these matters and see that such things do not recur hereafter.

Another matter which has got a bearing on the Budget and which has been engaging the attention of members of the Assembly and the public is the threatened strike by postal employees. This morning's papers tell us that some sort of agreement has been affected between the authorities and the employees and we hope that something will come out which will satisfy the legitimate grievances of a large number of employees on whose efficient service depends the prosperity, trade and the safety of this country.

Coming to the Budget proper, it is the budget of a member who is not a sundried bureaucrat and he has therefore brought to bear on the Budget a fresh outlook of a liberal British gentleman who wanted to give a new orientation to the things that have been happening here. Last year there was no hope when the Budget was presented that the war would come to such a sudden collapse. But today in this year's Budget we are compelled to make provision for deflection and also to switch on with the minimum shock to peace-time budget. But still, the sorrowful legacies of the past and some hopeful aspiration for the future are manifest in the Budget document. In the limited time at my disposal it is not possible for me to deal with all the points that I want to deal with. But with regard to many things, the arrangement of business in this House is a handicap. The whole press, the whole country, the Legislative Assembly, have all discussed it and we have to discuss it at a very late stage when perhaps very little new light can be shed on the Budget. But still we have to deal with it as a constitutional body.

I want to deal with certain aspects of the Budget only. The military expenditure is at a very high figure. The authorities themselves do not know what exactly they are going to do with regard to the future military arrangements of this country. But from the statements made by Mr. Attlee in the British House of Commons and from the very troublesome atmosphere that the British Army is faced with all round, either in Egypt, Palestine or India and Indonesia, they want to maintain the troops at a certain level in the British Army for the safety and the maintenance of law and order in the British Empire. I deem it that the very heavy Budget figure for which provision has been made in this year's Budget is a part and parcel of the larger scheme of maintaining law and order in the British Empire. They want to keep a large number of troops in India also without demobilising them in order to face any contingency that this anti-Imperial policy may engender all over the Colonial Empire. We are not in a position to deal with this matter ; it is a non-voted item. We can only say that unless and until the political aspirations are completely satisfied in this country the necessity for such heavy expenditure may not be done away with by foreign Finance Members.

With regard to Bretton Woods, it has been said that India is going to have a place in the International Monetary Fund. From one point of view it may be welcomed, that it is no longer tied to the sterling area and the British sterling. It has to go out into the wider monetary market where dollar and gold exchange will come into operation and India's finances may have greater freedom to breathe and have trade contracts with whatever nation it is possible to have. But we are not told how the 200 crores of rupees which we have to contribute to the International Monetary Fund are going to be given. Where is that amount going to be found from ? The Finance Member has kept it a secret and we do not know if this amount will be adjusted from the sterling balances which the British Government owe to us or whether it will be taken directly from this country or whether a loan is going to be raised for this purpose.

With regard to the Dollar Pool, I need not say much about it. Last year, Sir Jeremy Raisman said that information as to how much India has got in the Dollar Pool could not be divulged for security reasons. This year the Finance Member says that he is not able to give the exact idea of what amount lies with the Dollar

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Pool. But still whenever Indian businessmen have asked for the dollars to be set apart, it has been the consistent policy of the Commerce and Industries Departments to ask the importers of capital goods to confine themselves as much as possible to sterling area and not to ask for imports from the dollar area much. They want to expand the industrial tempo of the country. An expenditure of 900 crores is estimated or foreseen for the coming years for industrial development, but there is no corresponding arrangement to get capital goods to keep pace with the plan. The plan is merely a paper plan. There is no concrete proposal behind. The Finance Member has not been able to give any definite idea of the plans for the future. The recent resignation of Mr. C. N. Vakil who was an economic expert brought by the late Planning Member shows that there is no co-ordination in the Department; there is no definite plan. A number of *ad hoc* schemes are worked out in each Department and there is no target to be reached; there is no time-limit within which certain industries should be started in this country. The whole thing is going on in a sort of desultory way without a plan or co-ordination. That is the criticism made by well-known persons. What is the reason for the resignation of Sir Ardeshir Dalal? It is said that his discretion was fettered and the bureaucratic Secretaries in the Departments, high-placed officers, have always come in his way in perfecting his plans. I do not know how far it is true, but it is for the Government to enlighten how far truth lies behind these allegations. No definite information has been given by the Finance Member about post-war planning. He says:—

“ My predecessor last year referred to the steps which had been taken at the Centre for dealing with post-war planning and development, and mentioned a number of important preparatory measures which had been put in hand, such as the establishment of a Central Electrical Power Board, an Irrigation and Waterways Board, the Resettlement and Re-employment Directorate and the training of students overseas. Preparatory work of various kinds has expanded.”

The whole thing is not settled. When the scheme will come nobody is able to say. How much co-ordination there is between Central and Provincial planning one is not able to make out. Is there any co-ordination or contact between the Centre and the Provinces? There are big electrical schemes which have been taken up by Provinces. Madras has taken up a scheme costing 64 crores, the Upper Godavari Project, which will irrigate one crore of acres and which will give sufficient quantity of rice to make Madras not only self-sufficient but also to produce a surplus which will benefit other provinces. The Machkund scheme is now a matter of negotiation between Madras and Orissa Governments. It is estimated to cost 7 or 8 crores and will cover an area of more than 15,000 square miles and it will give industrial and electric facilities to that area. How far there is co-ordination in these matters is not known. Again, crores of rupees have been spent on the Grow More Food campaign, but how it will come about we do not know. What is the idea of having a post-war plan and how is it going to be developed? The Government seems to be in a quandry about it. You have a programme for road-making involving an expenditure of 450 crores in order to absorb all the people that are being demobilized from war but now when you are asked to lay out trunk roads you say you have not got tractors, you have not got steam rollers, you have not got sufficient material and machinery available to lay out these roads. For every little thing the planning is passing through a bottleneck and we do not know how you are going to make arrangements for materials required in the post-war development of industry. Sir, what I suggest is that there must be a drive at the Centre which the present Government lacks and unless a popular Government, which is responsible to the people and which is amenable to public opinion is installed immediately, there is no prospect of any all-round industrial development in this country.

Then with regard to the Information and Broadcasting Department, Sir, which is bloating itself in expenditure. I do not know what it is going to do with this so-called Field Publicity Organisation with an expenditure of 40 to 45 lakhs. There was a Department during the war, called the National War Front, of which an estimable gentleman from the European Group was the head, controlling enormous patronage in his hands. That Department has now given birth to another—or rather the same Department is now continuing under a different name—called the Field Publicity Organisation. This Department produces one pamphlet which is almost

a replica of another pamphlet issued as *Indian Information*. It looks as if the gentlemen in this Department have been very loyal at the cost of their country during the period of war. I see no reason why a Government which is irresponsible to the country should maintain such a large army of officers with bloated salaries under the name of Field Publicity Organisation.

I think the propaganda that is carried on in foreign countries, especially in America, also comes partly under the control of this Broadcasting and Information Department, though it may have something to do with the Home Department also. In the newspapers we have read a welcome news that Mr. A. V. Raman, an adventurer was recently relieved from the Information Department attached to the office of the High Commissioner for India in Washington. There are several such stooges all over the world distributed by the British Government at the cost of the Indian tax-payer's money. It is time that all these people are sent out of this Broadcasting and Information Department and that the Department is controlled in a way which is absolutely necessary for the needs of the country.

Sir, in this connection I want to bring to the notice of the House that there is a Sub-Committee of both Houses called the Standing Committee for the Broadcasting and Information Department and that Committee has never met even once during the whole of the last year. Sir Sultan Ahmed, who has developed a very right type of bureaucratic temperament had written a curt letter to me—I do not call it quite a discourteous but a curt letter that he was ready to take advantage of the advice which the Committee is going to give but he never convened the Committee! They are afraid to let anybody see how jobbery and expansion has gone on by leaps and bounds and how people without proper qualifications are dumped in the Department with salaries running into four figures. Therefore, Sir, what I suggest is that even under the new dispensation, under the present Member, I hope all these things will be looked into. I am glad he has started one new section called the Art Section but still unless a National Government comes into existence with a proper understanding of the spirit and quality of the art of this country no foreign Government can do much for this section. I hope it does not mean another opportunity of patronage of undeserving people. I happened to read the comment on the Art Exhibition, that was recently held, in the *Hindustan Times* by a person who does not understand and seems incapable of appreciating Indian art. What I say is that this protection, propagation and development of our Indian art or archaeology can only be undertaken by a truly National Government who can do a good deal in this connection. I hope this provision of Rs. 4 lakhs will be better utilised in the development of real spirit of art in the country.

Sir, I want to deal with one or two aspects. We have been sending a large number of students for training in foreign countries.

THE HON. THE PRESIDENT: Please be very brief.

THE HON. MR. M. THIRUMALA ROW: There is a good deal of comment about this. They are being taken out of this country without a definite plan. They do not know which of these students will be absorbed into which departments, what the plans of those departments are and what are their requirements. Many of these students are taken into foreign countries to get extra degrees which most of them have got here and there is a kind of confusion and uncertainty about the future of these boys as is well known to those who are conversant with the news that is being published in the newspapers. I want that the Post-war Planning Department should have a definite plan of all its industrial development and a definite number of students who are required as technical personnel should be sent abroad so that they can be better utilised for the particular purpose for which they are required.

There is another point which I wish to raise and that is about Archaeology. There is a famous collection of art known in Andhra Desha, called relics of Nagarjuna Kenda Art Collections in my Province. They are from Buddhistic period. We have seen from some agitation in the newspapers that those valuable relics of art are being removed out of that area to some museums in Calcutta and Delhi.

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There has been a widespread protest that these ancient relics may be allowed to remain where they are. I will deal with this point in greater detail at the time of the discussion of the Finance Bill but I want the authorities to take note of it.

One more point, Sir, and I have done. Andhra Desha has been lacking in a broadcasting station. It was agreed last year that provision would be made in the next year's Budget for installing a broadcasting station at Rajahmundry or Bezwada. The general planning should be that we should have as many broadcasting stations as possible and that cheap broadcasting sets are manufactured and their price is brought within the reach of the poor man.

I am very much hard up for time. What I want to say is that the Budget has tried to give relief to the rich man. It has given relief to the textile and other industries who have really fattened themselves at the expense of the country by their black markets. I know, Sir, that but for Mahatma Gandhi, non-co-operation and the boycott of foreign cloth the mill-owners would not have earned these profits during the last 20 years. At the time of the real crisis when the poor man wanted cloth they have failed and they have driven whatever cloth they had underground and made enormous profits. This is a moral charge which the people at large level against it that as a class they have failed this country at the most critical moment when poor men have gone without cloth, naked and starving. It is this class of people which is helped by the removal of the excess profits tax. If this money comes out into industry and industrial development under the control of Government then all is well and good but if this goes to hoarding then it is no use removing this tax. I hope, Sir, the good intention of the Finance Member will be carried out during the next year.

With these few remarks, I close.

THE HON. SIR N. GOPALASWAMI AYYANGAR (Madras: Non-Muhammadian) : The Budget that has been presented to us this year is in refreshing contrast to the Budgets with which we have been familiar in past years. The Hon. the Finance Member has brought to his task a freshness of outlook. The Budget is a very clever presentation of facts and figures. The proposals are fairly well-conceived. They indicate a good deal of energetic thinking. There is both courage and initiative. And in the response which the Hon. the Finance Member made to the criticisms made in the other House he has shown an imagination which is welcome and which has been so rare in this country. In essence the Budget exhibits an Indian approach to things. Two main factors have governed the Budget proposals. The Budget is first permeated by the consciousness that power is passing and therefore it has been realised that the Budget need no longer be exploited for other than Indian purposes. The second factor which has governed this Budget is that there is plenty of money going about to play with, both on the revenue side and in respect of borrowings; why then should this not be disposed of in a manner which India, who will soon come to rule herself, will approve of? Those two factors seem to me to have governed the preparation of this Budget; and that those factors have been realised by the Hon. the Finance Member is all to his credit.

I would first make a passing reference to the welcome separation of the capital budget from the revenue budget. I do not think, however, the capital budget is perfect in the way in which it has been drawn up this year, but I do not propose to go into the details of it. What I wish to point out now is that the capital budget has produced a surplus of over 132 crores. The revenue and capital budgets together with other miscellaneous ways and means items will close with a balance of over 561 crores. I am mentioning these figures to prove to the House how great is the volume of money that is now available for any Finance Member who exercises his imagination in the direction of doing something really striking in respect of the finances of this country. The revenue budget, however, shows a deficit. But in my opinion it should not really be a deficit budget. The deficit has been arrived at by manipulations. I do not use that word however in any sinister sense. The figures and their accounting have been so adjusted that this deficit has been produced in circumstances where a surplus should have been shown.

The total expenditure for the year has been placed at 355·71 crores. At the existing level of taxation, the total revenue is 307 crores. The initial deficit in the existing state of things comes thus to about 48·71 crores. Then, there has been proposed a lot of adjustments and alterations in the taxation system of the country, and at the new revised levels the total revenue comes to 285·55 crores. The deficit arrived at on that basis is about 70·16 crores. I proceed to show why this deficit should not have been arrived at.

Firstly, there are items which are debited to revenue but which should, in my opinion, not be debited to revenue under present circumstances. I will take one item, the item which appears in the accounts as reduction or avoidance of debt. The usual provision under this head was something like 3 crores in previous years, out of which about one crore was appropriated to a sinking fund for paying off a particular loan. That loan has been paid off this year, and for the next year this provision is proposed to be raised from 3 to 5 crores. Now, I ask: What need is there *under existing circumstances* for this provision? The reason given is that our debt liability is mounting up and 3 crores is too small a provision to make for reduction of debt, and therefore it is proposed to raise it to 5 crores. As a matter of fact, we are going to borrow in the budget year somewhere about 300 crores, and what need is there for debiting this 5 crores to revenue and taking it as a receipt on the capital side? Instead of 300 crores, we might well have borrowed 305 crores if it came to that. Even if you borrowed only 295 crores, it would have made very little difference except to the bloated closing balance of the year.

There are two items under Army expenditure which I think might well have been debited to capital: War gratuities 17·14 crores; Special Leave and other benefits, 18·34 crores. Then, there are items which should have been taken to credit of revenue but which have not been so taken. I would first refer to the increased income-tax payments to provinces due to the amalgamation of the surcharge with the basic income-tax. That figure is 12·75 crores. I shall deal later on with the question why this should not have been done. Then there is the other item about which I have a standing quarrel with the Hon. Sir Cyril Jones, namely, the crediting of the receipts of what he calls advance payments of income-tax under section 18A of the Income-tax Act. That comes to 55 crores in the Budget year. The total of these two items alone comes to 67·75 crores. Then, Sir, I think it was my Hon. friend Mr. Dalal who referred to the crediting of the 26·10 crores under the war risk insurance funds to revenue; he suggested that it might have been appropriated in a different way. But that is really creditable to revenue under the law and it has been so credited by the Finance Member himself. Taking all these three items together we get an additional amount of something like Rs. 134·29 crores. Even if we retain the two items under Army expenditure as debits to revenue, the total additional amount that would be set free by the items that I have pointed out would come to something like Rs. 98·85 crores, which will really convert the deficit of Rs. 70·16 crores into a surplus of Rs. 18·69 crores. There is, therefore, Sir, in my opinion, a further margin for giving more relief to the poor. The Finance Member expressed his great anxiety to do as much for the poor as possible. He seemed prepared to do more for the poor even with a deficit of Rs. 40·44 crores. But, as I have pointed out, really there ought to be a revenue surplus and he should have no hesitation in discovering other means of giving relief to the poor. I propose to make only a few suggestions in this connection. Apparently, the Hon. the Finance Member could not hit upon anything other than kerosene for giving relief to the poor. This means a loss of revenue of about Rs. 65 lakhs. Sir, he proposes the reduction of the duty on kerosene on the ground that it is an important item in the economy of the poor man. I consider, and I hope the House and the whole country consider, that salt is a much more important item in the economy of the poor man than kerosene is. The total duty on salt comes to something like Rs. 893·90 lakhs and if we reduced the proposed duty in the Finance Bill from Re. 1·9·0 per maund to Re. 0·12·0 per maund, it would mean a loss of something like Rs. 429·72 lakhs, or say Rs. 4·30 crores. I have a few reasons to place before the House as to why the Finance Member should take courage in both hands and deal with the salt duty in this fashion. As I have said, salt plays a much more important part in the poor man's economy than kerosene. Past history behind the salt duty would indicate that this is one of the first items that should be taken hold of for giving relief to the poor. It would capture the imagination of the public. I am not one of those

[Sir N. Gopaldaswami Ayyangar.]

who are wedded to the abolition of the salt duty altogether, though I should very actively encourage proposals for a substantial reduction in the rate of duty. The total revenue from salt is less than Rs. 9½ crores and in the context of Indian finance today, with the revenue going up to Rs. 300 crores, it is a very insignificant contributor to the public fisc. A reduction of this duty will, therefore, have very little financial effect and no Finance Member need feel squeamish about dealing with it in that way. There is also this fact that it will give India-wide satisfaction. The Finance Member has tried constantly to keep before him the fact that Indian finance will, within the next few months, come to be handled by a Member of the National Government, and the reduction of the salt duty, if not its abolition, would, I am sure, be one of the first acts of an Indian Finance Member. Why then should the present Finance Member not anticipate this development? I believe, Sir, there is a psychological reason for his doing so. He himself said, I find, in reply to the debate in the other House :—

“ Nevertheless, on reflection and in the light of the debate, I fully confess, that while, as I submit, Government's proposals are eminently sound on economic grounds, they may in some measure be defective psychologically, in that the man in the street, and particularly the man in the village street, may not have seen the true inwardness of the Budget. Partly on these grounds and partly because the Government is anxious to be as responsive as possible to the views of the House, I undertake between now and the debate on the Finance Bill carefully to review the whole field of indirect taxation to see whether any, and if so what, relief can be granted, whether, for example, it be a cheaper postcard, a cheaper box of matches, cheaper *bidi*, cheaper betel-nut or something else.”

I would very strongly recommend to the Hon. the Finance Member that the first thing he should deal with in this re-examination of the whole field of indirect taxation should be the duty on salt.

I now pass on to a second item, and that is, betel-nut. Betel-nut is supposed to give in the Budget year an excise revenue of Rs. 1·60 crores. Betel-nut is also a very important item in the economy of the poor man and he will appreciate very much any relief that can be given to him under that head. The Finance Member no doubt expressed great concern over the interests of the grower but I would appeal to him to direct his sympathy to the interests of the consumer, especially when in the Budget year he will be getting an increased revenue from the import duty on betel nut to the tune of over a crore. The time seems opportune for him to consider the abolition of this excise duty on betel-nut altogether. I hope, Sir, nothing will stand in the way of his dealing with this matter in this drastic fashion. No tenderness for any person who may have been responsible for discovering this source of revenue should be allowed to stand in the way of this relief being given.

Then, Sir, as the Finance Member himself indicated, some relief could be given by reducing the price of postcards which might perhaps give another Rs. 4 crores relief. The total relief to the poor man, if all of these proposals are accepted, will be about Rs. 10·54 crores and that might be compared with the relief that has been given to the middle class, the moderately rich and the rich man which I believe, in the Budget comes to about Rs. 21 crores. While the moderately rich and the rich will share in the relief proposed to the poor man, the reverse will not be the case. From the net financial surplus, according to my proposal, namely Rs. 18·69 crores, the additional relief to the poor man, Rs. 9·89 crores, may be deducted; and the final surplus will then be Rs. 8·80 crores.

I said I would say something about the question of the amalgamation of the surcharge with the basic income-tax.

THE HON. THE PRESIDENT : Please be brief. Your time is up.

THE HON. SIR N. GOPALASWAMI AYYANGAR : I will finish in 5 minutes. Sir. This amount comes to something like Rs. 12½ crores. Indeed, when the Centre budgets for a deficit, it is difficult to understand why it should make this gift to the Provinces. The burden of the tax-payer will remain the same. Did the Provinces ask for this addition to their resources? Except perhaps Bengal, no other Province seems to be in need of it. Even Bengal has been spoon fed very much already. Once Provinces begin to lean on so high a rate of basic income-

tax, it will be difficult to get them to agree to a reduction of it in the future. I think that, for these reasons, this gift to the Provinces, so ill-timed, should really be withdrawn.

Then, Sir, as regards collections under section 18-A, I was not in the House when the Hon. Sir Cyril Jones replied to my criticisms at the end of the debate on last year's Finance Bill. But I have since read his speech. I do not propose to deal with it at any very great length. I think I can meet every one of his points, and to his satisfaction, just as he said he met every one of my points and hoped it would be to my satisfaction. I do not think we need waste the time of the House over that. There is only one point I wish to mention and that is this. He thought that the Government would be landed in a position of financial embarrassment if this pay-as-you-earn principle was withdrawn in any particular year and I find that the Federation of Chambers of Commerce and my Hon friend Mr. Dalal today have put in a claim to the Finance Member to see that this thing is put an end to at once. My advice to the Hon. the Finance Member is not to accept the suggestion. I can see absolutely no ground for differentiating between salaries and interest on securities on the one hand and income from other sources on the other. I can see no point of principle involved. If you are asked to pay as you earn your salaries, you must also pay as you earn your income from other sources. In the case of salaries it is an ascertained figure; in the other case it is an intelligent, reasonable, estimate of the income that you will earn in the course of the year. Both will have to be adjusted in the final assessment which is made in the following year. That being so, I personally would very strongly object to this section 18A, which is now a part of the permanent law of the land, being deleted. We have collected something like 56 crores under section 18A in 1944-45. That might as well be treated as a loan taken from assesses in addition to the assessments they paid during the year. It carries an interest of 2 per cent. If in any year you should decide to repeal this provision, there is nothing to prevent you from appropriating to revenue a portion of your capital receipts or your closing balance in that year. It would only be right to do so, because you merged these advance collections originally in your capital receipts and you either spend them or put them into your closing balance.

One more point I wish to mention and that is about the Indian Taxation Inquiry Committee. The suggestion is, I agree, a very good one. There has been, as the Finance Member has said a re-orientation in economic thought. Systems of economy have been changing. Ideas as regards the relations of the State to the individual and *vice versa* have also been considerably modified. But the question of the distribution, between the Centre, Provinces and Local Bodies, of the resources available cannot really be taken out of the purview of a Committee like this, as the Finance Member has suggested. I personally think, Sir, that in view of what we are looking forward to, until we are sure of the political set up in the country, the kinds of different taxing authorities that we shall be establishing in the country and so forth, it would be somewhat premature to set up this Committee at once.

Finally, Sir, referring as I have done to the coming political set up, I wish only to advert to one passage in the Finance Member's speech, in which he says—

“ I am conscious of the difficulties and am not insensible of the width of the gulf which has to be bridged, but it is my firm conviction that with toleration, restraint and goodwill a solution can be found. What is certain is that for every day the solution is deferred, for so long will be postponed the attainment of India's destiny which is hers by right.”

I entirely endorse the sentiments in that last sentence. But I wish the Hon. the Finance Member and the Government which he represents will remember this, that the solution may be deferred not alone by the failure of political parties in the country to come to an agreement, but also by His Majesty's Government failing to shoulder the responsibility of taking a decision which the possession of power in this country imposes upon them. Any decision is subject to risks in the future. But it is the paramount duty of His Majesty's Government to come to a decision

[Sir N. Gopaldaswami Ayyangar.]

If parties will not agree and if His Majesty's Government are really sincere about what they have been saying, namely, that they want to transfer power to the people of this country, it is their business to take a fair decision and then hand over power and leave India to take the risks of that decision in the future.

THE HON. SIE SOBHA SINGH (Nominated Non-official): Mr. President, Sir, I wish to join in congratulating the Hon. the Finance Member and his Department on presenting India for the first time with one of the cheerful Budgets that has come before us and with post-war reconstruction problems and items he has tackled so ably.

The relief which he has afforded to industries and in lower slabs of income are long overdue and we are all glad that Indian industries can once again stand on their feet with the abolition of the E.P.T. and greater allowances being granted in regard to depreciations. I do not hold with those who consider that E. P. T. should not have been abolished and should have been only reduced. A mere reduction would by no means help in this state of affairs and it is no use for getting that it is a bad tax and Government were forced to adopt it under abnormal circumstances and for a specific period.

A lot has been said about Defence expenditure. Sir, I do not agree with my Hon. friends who are in favour of reducing the Defence Budget. To my mind India can only stand on its legs and stand along with other nations of the world if it has got one of the strongest armies, Navy and Air Force. Any attempt to force Government to make a reduction in the Defence expenditure will be a suicidal policy to India. What the Leaders should press is that India should be self-sufficient as far as armaments go. India should be strong enough to have its own workshops to repair and to build aeroplanes and ships. This is the only way in which India will be able to maintain self-government or Dominion Status or Home Rule. Without it it will be at the mercy of any invader, may be a neighbour or an outsider. I request the Leaders to keep in mind when they ask for any self-government or Dominion Status, they should ask for a very strong Indian Army, fully equipped and fully sufficient to meet any emergency.

While welcoming the income-tax relief for lower grades of income, I have one suggestion to make which, I hope, the Finance Member and Sir Cyril Jones will take into consideration. I hope the taxes on lower incomes in India, especially when we take the lower economic stamina of our people into consideration, are by no means less than those levied in the United Kingdom or other similar civilised countries. In England, however, there are allowances for wife and children. In this country there are no such allowances and I would like to suggest that as the education of the children, both boys and girls, is the greatest burden on the lower middle class, some relief may be given in regard to this item and my suggestion is that on the first slab of Rs. 3,500, after the exemption limit of Rs. 1,500, 15 per cent. of the income should be tax free and on the next higher slab 10 per cent. will be income-tax free. This should be a relief. It should be known as Educational Relief to the families. As the education is getting costlier and costlier and the only persons of this class, and rightly, want to educate their children even without having to do many things they are accustomed to such relief, I think, will be welcomed by these middle class people.

I have one more subject to deal with which is in the hands of Labour and Agriculture Departments both. There are different plans of improvement and development of agriculture. Government is busy in working out programmes for irrigation schemes, building dams, electrification and other things. The experts are already working on some of the schemes especially in Bihar and Bengal. In those Provinces there are regular schemes under consideration of building a chain of dams and starting of irrigation schemes to control the two big rivers, which really are doing a great harm to Bengal and Bihar, Damodar and Sone. The schemes look very good on the paper because millions of acres of land are being ruined every year and one of the richest Provinces, Bihar, is really left with nothing. I feel, however, Sir, that there is danger ahead in building up this big chain of dams and big lakes extending over miles of land. I feel that in the Punjab we had sorry experience of seepage. Now Bihar and Bengal both are full of mines and if there is any danger

to them Government should look into it. In Bengal, several canals have been dug to fertilize the Province. Unfortunately, the canals being really of a *kutch* type the position is that our lands are in great danger of being waterlogged and the agricultural position of the Punjab in the years to come is by no means rosy unless and until the canals are either lined or made *pucca*. Unfortunately the dams which are now under consideration in Bihar and Bengal cannot be lined. It is not possible to do it and if the Government persist in building a chain of dams in all sorts of places, waterlogging might become a serious menace and the seepage of water into the collieries and metallic mines of the two Provinces might occur. If that contingency arises, the mineral wealth of this country would be damaged, several hundreds of collieries would be affected with grave and disastrous effect on our industrial structure. As the amount to be spent is a colossal one I hope that Government would exercise due caution and take all sides of the question into consideration before undertaking such an expensive scheme. There are experts working on these schemes. I hope this particular point will be brought to their notice—that there should be no danger to these two Provinces by doing one thing and damaging the other.

*THE HON. RAJA CHARANJIT SINGH (Nominated Non-official): Mr. President, this is the first post-war budget, which has been prepared with great ability and foresight. One is glad, to see in it, the downward tendency in expenditure and some relief in taxation. The latter would have been, however, more appreciated if it had not been counteracted by fresh taxation.

The solicitude shown for industrial expansion and development is a step in the right direction. India has to step up in order to secure her rightful place in the industrial world. I am sure this would give great impetus to trade as well as encourage imports. It may, however, be felt by some that the proposed sacrifice in income is not in proportion to the existing circumstances, or the general reduction in expenditure. Excess profits tax, like sur-charge, was a war necessity to meet the financial difficulties created by the war. There is a general impression that while the former is going to be abolished the latter is proposed to be made permanent by its amalgamation to the basic rates. Perhaps the Hon. the Finance Member will be able to clear this point in his reply.

The hostilities have come to an end, but war conditions are not yet over. Purchasing power of the rupee is at its lowest ebb. Food is the crying need of the day. According to the Memorandum of the Finance Department, the food index shows a tremendous increase. From 100·3 in August 1939 it shot up to 280·7 in December 1945. On the top of that we are faced with an impending famine. I hope agricultural material and machinery will be given at least the same relief from Customs duty, which is proposed in the case of industries.

There is one other point to which I would like to invite the attention of Government. It raises an important economic, administrative and constitutional issue. Since 1937 Provinces have been functioning as autonomous units. This places on them great responsibilities. With the exception of a few reserved subjects, they are entirely responsible for their development and well being. Yet it is noticed that the Centre is still spending large sums on their account. Centralisation can be useful when conditions are identical. But the fact is they differ from province to province. Should not therefore the Provinces be self-centred without any kind of spoonfeeding? The co-ordinating activity and control of the Central Government need be no more than that exercised by the Crown in Indian States. If big States like Hyderabad, Baroda, and others can run their administrations smoothly on these lines, then is there any justification to presume that British Provinces cannot. Apart from Defence, Foreign relations and similar all-India matters, the rest should be the sole responsibility of the various units themselves. This would not only remove duplication but would also bring down expenditure. I am sure the Hon. the Finance Member has not lost sight of this aspect, but perhaps other questions of high finance have had high priority.

My Hon. friend Sir Archiblad Rowlands has a very difficult task ahead, and I wish him every success in his future efforts.

THE HON. THE PRESIDENT; I think this is a convenient time to adjourn. When we re-assemble in the afternoon I shall call upon the Hon. Members representing the Bombay Chamber of Commerce and the Bengal Chamber of Commerce to address the House. The Council is adjourned till Three of the Clock.

The Council then adjourned for Lunch till Three of the Clock in the afternoon

The Council reassembled after Lunch at Three of the Clock, the Hon. the President in the Chair.

***THE HON. MR. J. M. B. GIBBONS** (Bombay Chamber of Commerce): Mr. President, Sir, in rising to support this Budget, I would like to offer my congratulations to the Hon. the Finance Member on the skill with which he has managed this difficult transition period between war and peace time-conditions. The period that we are likely to face is probably one of deflation as the result of the tremendous curtailment in Government expenditure, and I think that in so far as is possible he has made all the provision that he can to face those conditions. As far as the expenditure side of the Budget is concerned, I do not propose to go into it in detail. I do share some members' disappointment at the size of defence expenditure, but, on the other hand, I do entirely agree with my Hon. friend Sir Sobha Singh, who spoke this morning, when he said that in the present state of the international outlook, with dark clouds everywhere on the horizon, it would be unwise to look at the military budget from any other point of view than that of security. I have no doubt that there may be directions in which a reduction of military expenditure can be speeded up, but it still remains the fact that the first and only consideration at the present time should be that of security.

So far as industry is concerned, I feel that the Finance Member has dealt with it generously, but with reasoned generosity. After all, it is from the speeding up and expansion of industry during these coming years that India hopes to obtain increased wealth and increased prosperity spread abroad among all classes. In his arrangements, too, for the future, he holds out some promise of assistance. I think it is assistance to industry in the way of an Industrial Finance Corporation and a Government Investment Board. But on these I would like to suspend judgment for the moment. If they are going to be of assistance to industry, industry will welcome them; if they are merely going to be controls on industry, industry will not like them. So far as the Budget speech went, he merely drew an outline, and until the details are filled in, I do not think that I would care to offer judgment on these proposals. In one proposal the Finance Member came out into the open as far as providing for the expansion of industry went. I am rather doubtful as to the wisdom of it. That is his proposal for the discouragement of dividends. On the surface it would appear to have considerable attractions in the suggestion that it is making industry pile up reserves in order to expand and build itself up. But I am rather inclined to think that the method is incorrect. After all, the whole idea of the Planning Department is not to increase existing industries in their present sites but to create fresh industries in places where no industry at present exists. Thus, an addition to the reserves of, say, cotton mills in Bombay would really only result in increasing the assets and capacity of those cotton mills in Bombay. That is not the idea. The idea is that there should be fresh investment anywhere where there is not a cotton mill. One way of achieving fresh investment is through distribution of dividends. During the period of the greatest industrial expansion in Great Britain in the 19th Century, the real foundation of that expansion was that industrialists received large dividends out of their industries, dividends in excess of their own personal needs. They therefore had a surplus which they were prepared to invest in fresh ventures. That is a consideration which might be thought of when you look carefully into this proposal for limitation of dividends. Superficially, I think it has its attractions, but I am doubtful as to whether it is inherently sound.

I think there is one thing that industry will welcome very much at the present time, and that is relaxation of controls. I quite see that in the present period

when supplies are so restricted some degree of control is necessary, but I think it would be of tremendous assistance to industry and commerce everywhere if the removal of these controls could be speeded up. We all of us who have had anything to do with these various controls know what a tremendously long time it takes to get an answer, even if it is going to be "No"; we would much rather have that answer at once than to wait some months for it.

In one respect I have heard the Budget freely criticised, and that is that it does not do enough for the small man. I feel that when you talk about benefiting the small man—and I do say that the needs of the small man in this country are very great indeed—I think when you talk of those things it is as well to reflect on what is the true nature of wealth. Some of us are rather apt to look upon wealth as bank balances, bank notes and the like. But if you come down to first principles, in the whole of this world there are only two sources of real wealth. The first is God's good bounty of the earth, and the second is the sweat of man's brow. The whole complicated structure of modern civilisation is based on these two fundamentals—God's good bounty of the earth, and the sweat of man's brow. The man who goes into the field, ploughs it, sows it, harvests the crop—there you have the creation of true wealth. In the same way, the man who goes into the forest, cuts down a tree, fashions it into a chair or table or bed—there you have the creation of wealth. You can multiply instances as often as you like, but in fundamentals everything comes down to that. And so, when you talk of benefiting the poor man, you have got to increase his true wealth, and too often you see the proposals for benefits merely reduced to the very simple expedient of an increase in wages. Increases in wages will not in the long run help. It can do nothing at all. After all, it is likely even to have the opposite effect, because if a man at the present moment, working for, say, Rs. 50 a month, can buy his food and his clothing, if you increase his wages to Rs. 100 a month, you must give him something extra on which he can spend that extra Rs. 50. Otherwise, the tendency for him—and a very natural one—is to work for half a month in which he can earn Rs. 50 which he can spend. The alternative, of course, is inflation of prices, but I will not touch on that. The only way, in these times when there is insufficient supply of consumer goods, in which you can keep that increase in wages is through the medium of savings and I am very glad to see that the Finance Member is continuing in his campaign for encouraging savings among the small men. But that cannot go on indefinitely. You have to increase the supply of consumer goods if you are going to improve the lot of the poor man. It all comes down to this, that an increase in spending power must go hand in hand with an increase in production. If one gets too much ahead of the other, you have the trouble of inflation. During the past few years we have seen in this country a good many of the evils which arose out of an increase in spending power and a very grave shortage of production. As far as the present time is concerned, until an increase in consumer goods can be adequately provided, my own feeling is that the benefit for the poor man should be confined much more to schemes of improvement, health improvement, as has been provided in the Bhoré report, educational improvement as in the Sargent report and I welcome the Finance Member's idea of improvements in building and that kind of thing—shorter hours of work. But the one expedient which I do think should be avoided as far as possible at the present time is the simple but pernicious one of mere increase in wages. I hope nobody will misunderstand me. There is nobody who is a greater advocate of an improvement in the lot of the poor and humble in this country than myself. They live on the verge of starvation. They have barely enough to feed themselves, not enough to clothe themselves. Creature comforts they have practically none. But, at the same time, I do think that one has to approach the question of improvement with a very great degree of caution. I think it might not be out of place if I reminded you of those great freedoms of the late President Roosevelt. He talked of freedom from want. That is a freedom which above all it is essential that India should obtain. I think that in this Budget, not in its actual provision but in the promise that it holds out, it provides the first rung in the ladder. It is a very steep ladder that India will have to climb. On the other hand, I think it would not be out of place if I mentioned another of President Roosevelt's great freedoms, and that is freedom from fear. At the present moment, opinion in India is absolutely united in their demand for early constitutional

[Mr. J. M. B. Gibbons]

freedom. But, at the same time, it does seem to me that the demand for freedom is in some degree accompanied by a fear of the consequences of that freedom. President Roosevelt, of course, was referring, as far as I remember, to fear of outside aggression. But, in India, it is the fear within the country which I feel must be dispelled. I entirely disagreed with my Hon. friend Sir N. Gopalaswami Ayyangar this morning when he said that failure of agreement among leaders in this country should be met by the imposition of a constitution by the British Government. I am afraid I cannot accept that point of view. The whole foundation of democracy is based entirely on consent of the governed and I cannot see how any constitution imposed from outside can be said to be government by consent of the governed. I should say, myself, that at times, during the last 6 years, an observer from Mars who has been looking down on India and on Great Britain, would have said that India was a free country and that Britain was under a very severe and autocratic Government. He was wrong, of course, although in actual fact, in matters of personal liberty, Great Britain had to put up with restrictions of a nature that were quite unknown in India,—identity cards, restrictions on travel, ration cards and restrictions of all kinds and sorts. And yet no one would have associated with those restrictions anything but democracy in its finest and best form—democracy triumphant. So, I feel myself very strongly that in these coming months, when great constitutional changes are impending, it is for the leaders of political thought in this country to remember that one criterion of true democracy, consent of the governed. It is no good, when you are approaching him in this matter, to look to your opponent and see how much you can get from him. What you have to see is, how much you can give to him, how much you can accommodate your view point towards his— —

THE HON. MR. M. THIRUMALA ROW : Why does not Great Britain do that?

THE HON. MR. J. M. B. GIBBONS : Great Britain is quite prepared to do that. It is for the leaders of local opinion. They must do that. After all, the whole industrial promise of this Budget is based on the ability of the ordinary man to go about his peaceful avocations. If you cannot do that, all your plans for industrial improvements—industrialisation of the country, agricultural developments and other schemes—will be entirely brought to naught, unless you have at the same time post-war peace and stability. If I remind you again of these two freedoms of President Roosevelt, freedom from want and freedom from fear, I am perfectly certain that India will never escape from the spectre of want if all the time she is haunted by the spectre of fear.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : Sir, may I take a very few minutes of the time of the House? I know that there are many Hon. Members who can make valuable and constructive suggestions. Unfortunately I can do neither. I can only supply a few facts. Representing an unproductive Department, unproductive in peace whatever it may be in war, I am in the unhappy position of being regarded at all times with great suspicion by my friends in the Finance Department. I have put up with that. But it is always present and it is quite right that they should regard me with suspicion, because, as I say, we spend and we produce nothing in peace for the expenditure that we incur. We are an insurer and it is for Government to decide, and for the representatives of the people in the future to decide, how much that insurance will be. It is for me to say how that insurance can be best applied so as to achieve the desired result. I would like to refer to the remarks made by my Hon. friend Pandit Kunzru this morning. First of all, as regards the shape and size and composition of the post-war armed forces of India. He referred to the Reconstruction Committee which was set up to advise me. It is not a Government of India Committee. I set it up over a year ago, nearly 18 months ago, to carry out what could not then be carried out by my staff, because they were engaged in the prosecution of the war against Japan. It was obvious that we had to begin to consider the question and the only way to do it was by this Committee. The Committee was advisory only. Its recommendations were not binding on me. They have been very fully considered by me and by my staff

and are still being considered. There is no doubt at all that when I make my final recommendations to the Government of India for the final composition and organisation of the armed forces that India should keep for her own purpose, the recommendations of that Committee will undoubtedly weigh very heavily with me—and they have weighed very heavily with me. I would like to remove any misapprehension that may exist as to the Committee being a final body whose recommendations have got to be accepted. That is not so. The shape, size and composition of the final armed forces of India present an extremely complicated problem, as I think every Hon. Member who has any experience of dealing with these matters will understand; and quite lately I and my advisers have reached conclusions as to what we think from the military aspect would be advisable to have. As I have often said in this House, I look at these things from the Indian standpoint. But what we think is necessary from the military point of view has got to be fitted in with what is available from the financial side, and the two are not, as I have said, corresponding. They generally disagree, and disagree to a very marked extent. Then you get a situation in which I as the Commander-in-Chief say “I want this. I think India must have this.” On the other side, there is the point that there is not enough money and therefore you cannot have it. We reach an agreement—we hope to—but that takes time. It means reconsideration, recasting and replanning. But I hope that before long we will be able to reach a conclusion on that. I have reached a conclusion, but the Government of India has not yet reached a conclusion, because it has not yet had my recommendation. I think that would answer my Hon. friend's point.

The second point he raised was about the future of the Viceroy's Commissioned Officer. This has been very carefully considered by myself and my advisers and also by the Defence Consultative Committee, whose advice I sought on the subject last year. I have reached certain conclusions and I think the Defence Consultative Committee have reached certain conclusions too. But this again is a very big question and a very complicated one and it is one which cannot be introduced or settled without very careful thought, because this is bound to have a certain unsettling effect on the army at present. At the present moment the army is in a process of demobilization and recomposition, which is already unsettling. But that is not the reason why I have not yet reached a final decision on this matter. There are other points. There is the financial point. The Viceroy's Commissioned Officer will have to be replaced, if you do not want him, by an ordinary Indian Commissioned Officer. That can be got over, but it is a point to be considered. It all comes into the size of the armed forces of the future. There is another point too. We all hope and expect that constitutional changes will come about in the next few months, and this point is a major problem almost; and it may be that it will be better to defer it until another Government comes into power. I am not shirking responsibility, but that is a point to be considered. I would also like to add that the newly constituted Defence Consultative Committee, so far as the other House is concerned, in future will be more representative and I think will carry more weight—

THE HON. MR. M. THIRUMALA ROW : On a point of information. Is this House represented on the Defence Consultative Committee?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : Yes, certainly. I hope I shall have the advice of the Defence Consultative Committee of this House, because I require no better advice.

The next point if I may keep you a few minutes longer, is the question of the junior officers; and my Hon. friend said and I think quite rightly—that although he agrees that for the future for some time we may require British officers with our Indian forces, until such time as we have sufficient Indian officers of the right qualifications and experience to take their place—I think that is generally admitted—the junior ranks should be nationalised, should consist of Indian officers from now on. I can say that I entirely agree with him. I would like to point out one or two matters connected with this question because it is not a simple problem. He asked, I think, why not take all the Emergency Commissioned Officers who are now serving, about 9,000? We have to impose certain age limits, otherwise from an actuarial

[His Excellency the Commander-in-Chief]

point of view you will get some time in the future a block of officers all of the same service of whom very few can be promoted. But those age-limits have been very carefully thought out and very reasonably applied. Every Emergency Commissioned Officer within those age-limits is free to volunteer for a permanent Commission and 2,500 have so far volunteered. Of those about 1,800 have been interviewed by the Selection Board about which you know ; and of those 1,800 who have been interviewed, 500 have been chosen ; that is to say, 30 per cent. That figure is quite fortuitous—almost the same figure which has come about in the British Army. Quite separately the same figure has emerged from both examinations, and it is a reasonable figure. Those 500 have been chosen and they are being commissioned or have been commissioned already. We hope there will be more coming forward, because there are still Emergency Commissioned Officers who have not yet reached the upper age-limit, still below the lower age-limit. That is the case as regards the Emergency Commissioned Officer. You will say "Why not take more" ? If you take more, you lower the standard and so far since I have been here, since I have had this great responsibility, I have steadily refused to lower the standard. I can assure you that that is done in good faith and not with any idea of shutting out any Indian officer. If I lower the standard, I feel I shall be failing in my duty towards the Army and India and India of the future. It may be our standards are too high ; perhaps they are—but I do not think so. If the future Government thinks that they are too high, they can lower, but I could not lower them without doing an injustice to myself, to the Army and to India.

As regards other sources of recruitment for officers, we have opened the Indian Military Academy for regular commissions and the first course has already started and the next course begins on the 1st of May. There are 300 cadtships and for 300 cadtships we have only had 195 applications; and of those 195 applications judging, from previous experience, it is extremely unlikely that we shall get more than 25 properly qualified cadets for the Academy. That is a very serious situation ; and it is through no lack of advertisement or inducement or publicity or urging. That is the crux of the matter. If you desire the junior ranks to be officered by Indians, as is also my desire, you must produce the right men. And I say this in all good faith and I do hope that I shall get assistance. It may be that the list may remain open till the 30th April. We want many more names. Also I may have in addition a short service commission as a temporary measure and it may be that some of these Emergency Commissioned Officers who do not wish to join permanently or are too old to take up regular commissions may find scope for the next 3 or 4 years. That is an expedient ; it is not a good expedient to fill the ranks ; and that again, I think, proves that we are acting in good faith.

The next point—I am afraid I am rather taking the House too quickly with me—is the question of the Resettlement Directorate. My Hon. friend asked why have a Resettlement Directorate in the Army—rather, it deals with all the three services; it is an inter-Service Directorate dealing with Navy, Army and the Air Force—when it has a civil responsibility. Well, that is quite true and a very legitimate question and the answer is this : that the Civil Departments responsible were not ready to shoulder their responsibility when the war came to an end—I don't think—and I am sure due to no fault of their own, because the war came to an end very abruptly—there were many problems that were to be solved and we were caught unawares—and they were not ready to shoulder their responsibility—a very grave responsibility as, I think, Hon. Members know—and that is the sole reason why we kept on this Directorate, but the earlier they take on their responsibilities the better I should be pleased because it has added another burden to an over-worked Department. The strength of the Directorate for the moment is 30 officers and about 80 others. The cost last year was about Rs. 7 lakhs but I hope as the year goes on, and as the Civil Departments assume their responsibilities to a larger extent, we shall certainly reduce our Resettlement Directorate accordingly, and that is my object.

Sir, one more word as regards the size of the Defence expenditure. I am not in the least surprised that this should be criticised and I can assure the House, Sir, that so far as we are concerned we are doing our utmost to reduce the forces as

quickly as we can, but it is a very difficult, complicated and delicate problem. It does depend to some extent on the return of forces from overseas—I am glad to say they are now coming in very rapidly—but there are many other problems to be considered, but I think I can say that certainly we are doing our utmost to reduce the size of these armed forces consistent, as my Hon. friends will agree, with the need for ensuring security. I can assure the House that we are not taking refuge behind the cloak of “ensuring security”. (*Applause.*)

THE HON. THE PRESIDENT (to the Hon. Mr. H. D. Townend): We will now proceed with your maiden speech in this House.

THE HON. MR. H. D. TOWNEND (Bengal Chamber of Commerce): Thank you, Sir.

Mr. President, it takes a little effort to turn our minds back from war and defence problems to the more dreary problems of taxation and finance, but I did not realise that His Excellency the Commander-in-Chief was about to address the House, or I would not, Sir, have tried to catch your eye just at that moment.

I just wanted to say that this Budget, which we have been and are considering, is a good Budget. It makes for enterprise. It is an antidote to that deflation which we must now face with the cessation of war-time spending. There is a point about the Excess Profits Tax that can perhaps bear examination. The abolition of E.P.T. is a courageous act and a sound one. The Excess Profits Tax had its advantages but it pressed unfairly on certain undertakings. The proposed scale of taxation does not entirely free us from the burden. It does not go from one extreme to the other, for in freeing industry from the burden of E.P.T. we must necessarily pay more income-tax. The industrialist and the investor alike will have to pay income-tax on what they have been freed by E.P.T. and perhaps you may, Sir, be interested in some figures that I had worked out for me for a company just taken at random with which I happen to be concerned. The figures show that whereas before the Budget proposals we would be paying 81 pies in tax if we put all our profits to reserve, we shall under the new proposals pay 72 pies. Well, there is a difference of 9 pies in 81 which is a relief of 1/9th but no more, and if we were to pay all our profits in dividends—and you will remember the point about extra taxation on dividends in the Budget—we shall be paying 87 pies where we paid 93, so that there is not much relief. I mention this as much emphasis has been placed on the relief to the rich man. Well, now, in passing I would like to remind you, Sir, that the rich man is not the only shareholder of companies. Most companies have a large proportion, if not of poor men, at least of men who are not very rich, and I was glad that my Hon. friend Mr. Gibbons referred in this connection to the poor man. The poor man the interests I represent are concerned with is the worker, the man employed by commerce and industry, the factory worker; and the greatest contribution the industrialist can make to the poor man's welfare is by way of healthy and expanding industry and commerce. I am not one of those, Sir, who hold the view that benefits are best canalised through Government channels and that Government as an employer can best create employment. To take money from industry by way of tax does not, I consider, mean that the money will be better spent than if it were being spent by the industrialist directly through wages or through welfare schemes which he must provide, if he is a good industrialist, for the benefit of the worker. I mean, of course, good housing, proper water supply, medical benefits, industrial canteens. I could go on mentioning a large number of things which the industrialist has provided and which he must provide in the future either because he is a good industrialist or because Government schemes of welfare are going to make him do so. We have had in the past year, announced by Government, a most ambitious scheme of welfare for the factory worker. Well, those schemes, Sir, depend on flourishing industry, and industry will not flourish if burdened by excessive taxation or with its enterprise cramped and its expansion made difficult, and that is why this Budget is a good budget and that is why through prospering industry the poor man is going to be benefitted too.

[Mr. H. D. Townend]

Reverting, Sir, to this question of Government control or Government management of industries, services such as the telephone service are not improved by the mere fact of Government taking them over. The contrary may be nearer the truth. That great country, the United States of America, where the telephone system is unsurpassed, relies on private enterprise for its telephones. Mere transfer of ownership does not necessarily mean an improvement, or progress. I have in mind the transfer, such as has been suggested, of the management of business undertakings from my community to other hands. That will not necessarily be of benefit to the country. In fact, Sir, emphatically the contrary. My community have given to this country, where we spend our working lives, every bit as much as we have received.

We have been told much about the sterling balances. Those sterling balances must be repaid in goods and services, and the payment will have to rely largely on the maintenance of British trade in and with India. Quite soon the Cabinet delegation will arrive in this country. I suggest that there are two necessities for ushering in the self-government which they are expected to bring to this country. One is sound finance. I think this Budget is an indication that the financial foundations have and are being soundly laid. The other, Sir, is respect for law and order. Sound commerce—I will not mention the political features of the case—sound commerce and industry cannot flourish except in an atmosphere of tranquillity. Those of us who may have seen the recent happenings in Calcutta or Bombay know that one necessity for the future of this country will be respect for law and order.

*The HON. MR. SUSIL KUMAR ROY CHOWDHURY (West Bengal : Non-Muhammadan) : Sir, at the outset I want to lodge a protest through you that the Finance Member has not thought fit even to be present here for a few minutes—

THE HON. THE PRESIDENT : The Hon. Member has anticipated me. When the proper time came, I fully intended to bring it to the notice of the House that the Finance Member is unfortunately indisposed today, otherwise he would have been too glad to have appeared before this House. I was going to mention this fact when calling upon the Hon. Sir Cyril Jones to address the House later.

THE HON. MR. SUSIL KUMAR ROY CHOWDHURY : Thank you.

Sir, this Budget, as introduced, is mainly to help industrialists, and it also gives some relief to persons paying income-tax up to a certain level. I have nothing to say against that. This Budget has undoubtedly pleased the vociferous section of the public. But the vast majority of Indians are neither industrialists nor have they any taxable income. What has the Finance Member done for them? He says that he has done something for the poor by reducing the duty on kerosene. Sir, to my mind this is a very small relief. Most of the poor people in villages take their meals early and go to bed early, and they use very little kerosene. If the Finance Member had wanted to do something for the poor, he could have reduced, or, better altogether done away with, the taxes on salt, tobacco, matches and betelnuts—daily necessities of the poor man in this country. I am glad to know the Finance Member has agreed to review his taxation proposals in the light of the criticisms made by the elected members in the Legislative Assembly. I suggest that provision should be made for opening subsidised Government stores in every town and every village unit for supplying food grains at cheap rates and below cost price to poor men having an income below a certain level and to agriculturists who do not possess at least five acres of cultivable land and who have minor, female or infirm dependants to maintain.

The Finance Member talks of poverty, squalor, ill-health, under nourishment, etc. It is all the creation of this Government of which the Finance Member is in charge of the finance. They have not only made them poor, they let them die like rats in epidemics like cholera, small-pox and other diseases for want of medical help. Not only that ; the Government have made them nude. They have rationed cloth, but they do not supply the cloth. The first principle of rationing is a regular supply of the quantum allotted to every person. In Delhi, people who have got cloth coupons could not get their quota during the last quarter from any of

the ration shops, and they are told that their quota for that quarter is forfeited. This is very unfair. I know in Bengal in villages they are lucky if they get one piece of cloth in one year for the whole family, and that also in many cases 32 inches in width. The Hon. the Finance Member has withdrawn the excess profits tax. The result is immediate inflation in the market values of shares. The share prices of industrial concerns jumped up to an enormous extent immediately after the Hon. the Finance Member's announcement regarding the excess profits tax. Now, Sir, why cannot it be enforced by legislation that no company can pay more than 5 per cent. as dividend on its subscribed capital or in bonus shares to its shareholders? The rest of the income after keeping sufficient for reserve, depreciation and dividend equalisation funds should be spent for the benefit and welfare of the employees. Five per cent. dividend is by no means a small return on the capital invested. There will not be any dearth of capital for the starting of new industries.

I want to say a few words with regard to the Defence expenditure. I shall only quote from the Audit Report of Defence Services, 1945, to point out how unsatisfactory is the way public money is spent and accounts are kept by the Defence Department. This is what the Accountant General, Bengal, says on page 8 of the Audit Report, Defence Services, 1945 :—

The Accountant General, Bengal, reported as follows :—

"(i) In certain military works executed by a District Officer through the District Engineer the following important irregularities were noticed :—

(a) No detailed estimates were framed, no tenders called for, and no formal requisitions obtained from the military officers concerned. The bills were mostly countersigned by them however in token of acceptance, apparently without any authority.

(b) A sum of Rs. 5,61,179 was paid on bills not counter-signed by any military officer. Another sum of Rs. 1,61,355 was similarly paid on muster rolls without counter-signature or requisition by any military officer."

Then, Sir, there are a larger number of irregularities.

"An unauthorised payment of Rs. 1,80,938 was made to a contractor on several bills passed for payment by the overseer-in-charge, in respect of coolies numbering between 5,414 to 32,881 supplied on different dates apparently without any evidence as to the number of coolies actually entertained, and without any requisition by military officers."

About house replacement costs.

"A sum of Rs. 91,000 was overpaid as replacement cost of houses in two *mauzas* as the payment was based on wrong measurements. A sum of Rs. 19,000 was paid in respect of huts which could not be traced. In certain cases the replacement costs were calculated at rates higher than the normal with the concurrence of Government; but the basis on which the higher rates were approved was not known to audit. The extra amount involved is about Rs. 1,89,000."

I can add any number of instances. A Planter's Association was authorised to make arrangements for labour and to keep their accounts. This is what the Report says about them :—

"A scrutiny of the accounts kept by the Controller of Military Accounts indicates that up to the end of October 1943 the Association drew amounts totalling Rs. 8 crores 24 lakhs. Against this, audited accounts had been received for Rs. 6 crores 19 lakhs only up to October 1944, leaving a balance of 2 crores 5 lakhs not accounted for at all—"

THE HON. THE PRESIDENT : Are you going to exhaust all your time in reading extracts? There will be no time left to speak on any other point.

THE HON. Mr. SUSIL KUMAR ROY CHOWDHURY : I will not exhaust my time. I will only add one more remark as to how high profits were made by certain firms. This is on page 26 :—

"A company was formed in India in June 1941 by the combine of a British and American firm, the first producing the stores in India and the second importing them."

How they increased their share capital is like this :—

"In the new venture the capital of 57 lakhs included an amount of Rs. 30 lakhs for goodwill of the two parent companies, which was created and related to the profits earned by them in the past. This goodwill was admitted as a part of the capital employed in negotiating the profit margin to be allowed on Government orders. The point for consideration is how far such goodwill should be included in the capital of a subsidiary company for computing the capital employed for purposes of allowing profits."

[Mr. Susil Kumar Roy Chowdhury]

I say, Sir, this is nothing but cheating the Government of India. What do the Government think of this Report and what steps have they thought fit to take ?

There is not enough time left for me today and I shall deal with the serious irregularities about public funds, mentioned in the Report of the Public Accounts Committee, during the debate on the Finance Bill.

Lastly, Sir, I hope the Government will have at least good sense in acting up to the terms of the Resolution moved by the Hon. Mr. Motilal the other day regarding the raising of the number of elected members of this House before the next general election in order to take away to a small extent at least the public opprobrium attached to this House.

THE HON. SIB RAMUNNI MENON (Nominated Non-Official) : Sir, the Finance Member is to be congratulated on the general approval that has been accorded to his Budget in all sections in this House and elsewhere. If I propose to offer a few remarks by way of criticism it is not to be supposed that I am in any way unappreciative of the general merits of his proposals or of his sincere desire to set the economy of this country going along proper lines. The first subject that I should like to touch upon is the rise in prices. Curiously enough, this subject is hardly mentioned in the Finance Member's speech, though it has been the subject of casual reference in the course of the debate by one or two members. I do not wish to touch upon any controversial issue, but I think the fact of the rise in prices which has taken place during the war will not be denied ; nor that this rise has been to a considerable extent the inevitable result of the increase in currency. Rise in prices is an accompaniment of war-time finance. We all know that. Such rises have taken place in other countries. In the United Kingdom there has been a rise in prices. But the peculiar thing about the rise in prices in this country is that it has been so very much out of proportion to the real economic requirements of the country. I believe I am right in saying that the rise which has taken place here is something of the nature of 240 per cent. That is to say for an article for which one would have had to pay Rs. 100 in pre-war times, you have now to pay Rs. 240, whereas the rise in prices in England is something of the nature of 60 per cent. We need not stop to argue why this differential increase has taken place. For my present purpose it is sufficient to inquire what Government are going to do about it. Have they got any price policy at all ? It cannot be that they have not thought of this matter. But is it that they are unwilling to come to a decision or to announce a decision if they have already reached one ? Anyhow, the point is of very great importance to the community as a whole. It certainly is of very great importance to certain sections of the community. I know that big business interests and big landlords have materially benefited by his rise in prices. On the other hand, I am painfully aware that sections of the community notably those with very low incomes, and particularly those whose incomes are fixed, have been terrible sufferers from this increase in prices. I suggest that something should be done to relieve some of the burdens which these sections have borne so patiently during these six years. I know there will be tremendous opposition to any proposal of that kind. But the Government should be strong enough to resist pressure that is likely to be brought to bear upon them from interested quarters. This question of price is of very great interest from another point of view. Nobody has ever suggested that this country will, in the near future, wish to be self-sufficient. I suppose it will have to export all kinds of goods. We can only export if we are prepared to produce goods which will compete with goods of other countries in our export markets. How can we export to any advantage unless we can fix a very low price on our export commodities ? Therefore, from the point of view of international trade as well as from the point of view of justice to particular sections of the Indian community, it is essential that some attempt should be made to lower the present level of prices. In what practical way can we bring about a reduction ? Obviously there are certain methods. By mopping up all surplus purchasing power that now remains in the country; in other words, by imposing taxation up to the highest limit, and by persuading people to subscribe to all kinds of Government loans or savings banks or securities of any kind. Secondly,

by increasing the production of consumer goods in this country. And lastly, by bringing the fullest volume of imports into this country of consumer goods as well as capital goods. On this last point, I know I am voicing a very unpopular sentiment. But popular or unpopular, the proposal should be seriously considered in the interests of the large masses of poor people in this country. I therefore hope that the Government will seriously consider whether it cannot take steps—positive steps—along these lines in order to mitigate the hardship that the rise in prices has inflicted on considerable sections of the Indian population.

Another subject on which I would like to say a few words is this. It is gratifying to be able to note that the provincial five-years programmes have all been received. They are undergoing examination in the appropriate departments and in the course of a few months all these schemes will be finalised. I suppose the next step will be that the Provincial Governments will be asked to proceed with these schemes, taking up first such of them as will be of immediate use in regard to resettlement. So far I have no complaint to make. But in one or two places in the Hon. the Finance Member's speech stress is laid on one aspect of this development programme. The Finance Member,—I am not quoting his words exactly—as far as I am able to remember, has urged upon all the Provincial Governments the necessity of concentrating in the next few years upon schemes of a productive character, that is schemes which are likely to produce revenue. If the Finance Member really means what his words seem to convey, two considerations emerge, namely, that a distinction is to be drawn between measures of development which will bring in revenue and those which will not. Among these latter I would include things like the expansion of education and other forms of social service. Secondly, that financing of schemes should be confined at present to measures which are in a way absolutely essential or likely to produce income. I must express my strong disapproval of these lines of demarcation. We can only conceive of development in its totality. We cannot split up various schemes into two different classes, one set tending to produce revenue—productive—and the other non-productive, and apportion expenditure according to our estimate of their income yielding quality. No country can progress along these lines. I would ask the Government of India to take a leaf out of the book of the poor man in this country. The poor parent, if he has no income, borrows money to educate his son, because he knows to educate his son is to give him a means of livelihood. I therefore hope the Government will abandon this idea of distinguishing between productive and non-productive schemes in their post-war planning.

I should like to say a few words about another important subject. The Finance Member has announced his intention of setting up a Taxation Enquiry Committee. I think that proposal is highly welcome. He has asked for opinions of members. I am quite willing to express my opinion. I suppose there will be a set of terms of reference given to this Committee. In the terms of reference a very clear emphasis should be put upon certain aspects of finance. The immediate need of the State is finance—to finance not only its ordinary activities, but its exceptional responsibilities in regard to the future development of this country. This finance it can only get either by taxation or by borrowing. I am an advocate of full-blooded taxation and I would like the Government to require this Enquiry Committee to carefully investigate and ascertain all methods of taxation which we can reasonably bring into use. Secondly, a very important feature of taxation is that it is a very convenient and recognised method of redistributing income among various classes of income-earning groups. Such redistribution has taken place to a considerable extent in Great Britain. In the well known White Paper on the Sources of War Finance and Estimates of National Income and Expenditure, which was published in England last year, there is a very interesting table to which I would like to call the attention of members. It is a table showing the number of individuals included in different ranges of net income in two separate years. There is revealed in this table this interesting fact. The number of people in England in 1943-44 who had a spendable income of £6,000 and over was 80—eight times ten. That is a remarkable figure. I have seen in another place a statement that all those who possess £7,000 and over of spendable income in England can be put into one bus. I do not know how many seats there will be in the bus, but probably

[Sir Ramunni Menon]

its holding capacity including straps, will be about 50 or 60. I would like to know how many people there are in this country who possess a spendable income of one lakh and over.

If the Hon. the Finance Secretary can in the next year's Budget statement give us a table giving the number of individuals in the different income groups, it would provide most interesting information. I therefore hope that these two aspects—as a distributionary factor and as an income-bringing factor—would be considered by the Committee.

Another point, Sir,—

THE HON. THE PRESIDENT : You have already exceeded your time by ten minutes. I cannot allow you further time.

THE HON. SIR RAMUNNI MENON : A Taxation Enquiry Committee, consisting only of experts who shall have no connection with any business or landed interests in this country, should be appointed. If possible—I am making a suggestion which would be unpopular—the Chairman should be a man, if one is available, brought out either from England or from some place outside this country.

THE HON. SIR MAHOMED USMAN (Leader of the House) : May I know, Sir, when you intend to call the Finance Secretary to speak ?

THE HON. THE PRESIDENT : There are so many members who are very anxious to speak, notwithstanding the fact that I have told them not to speak unless they have anything new to say, but they still persist in repeating many of the arguments.

THE HON. SIR MAHOMED USMAN : How many members are going to speak ?

THE HON. THE PRESIDENT : There are, I think, four and Mr. Hossain Imam. I am afraid we shall have to sit till 6 P.M.

THE HON. SIR MAHOMED USMAN : Some of us have got to attend a meeting of the Executive Council. May I suggest, Sir, that we follow the practice in the other House of allowing only the Leaders of Parties, and not every member, to speak and after they have had their say you can call on the Finance Secretary.

THE HON. THE PRESIDENT : I agree, or, on the next Finance Bill day, I would ask the House to sit at 10 A.M. I shall have to do one of the two things.

THE HON. KHAN BAHADUR KARAMAT ALI (Assam : Muhammadan) : The Budget that has been presented before us has been so thoroughly thrashed and re-thrashed both inside and outside the Legislatures that I think nothing has been left for us, the back-benchers of this House, to comment on at this fag end of the day.

I, however, feel that I shall be failing in my duty if I do not place the case of my Province before the Finance Secretary who is in this House so that he may do something for us to improve our lot.

Sir, the Hon. the Finance Member has tried to adjust the power to produce and consume with a view to bring about an uniformity between war and peace. Only the future will show how far he has succeeded. Although in his speech he has said that he is anxious to give relief also to the poor his proposal to do away with the E.P.T. and continue the duty on betel nuts does not justify his statement. Betel nuts is a commodity which is largely used by the poor and now that the war is over there is absolutely no justification to continue this burden on the poor people. In Assam this tax is very much resented because it is not only the tax itself that is hated but the procedure followed in Assam to realise the tax is faulty and detrimental to the tax-payer.

Sir, on page 17 of his Budget speech the Hon. the Finance Member says that the quinquennium grants on post-war schemes will approximately amount to Rs. 250 crores and this will be distributed on population basis. I suggest that instead of taking population as the basis the Australian system of taking into account the natural resources of each province and its capacity for industrial development should be the main factors for consideration in the distribution of such grants.

Sir, while giving relief to the poor the Finance Member took into account kerosene oil alone. It has been pointed out that salt and tobacco are also things in which the poor are mainly concerned. I think the Hon. the Finance Member instead of giving relief to the richer class of people should have first abolished the taxes on these two commodities. The postal rates especially on post-cards should have also been reduced.

Sir, I have come from a Province which has been systematically neglected by the Government of India. This is a province which seldom found any place in the records of the Central Government whenever any big project or scheme was taken up for the benefit of Indian provinces. This is a province whose feeble voice, if it has any voice at all, in matters of all-India decisions about provinces, could hardly reach the ears of those who held the helm of the Central Government. This is a province which according to certain Assam officers did not even find a place in certain maps prepared for the Government of India Secretariat. It is this province that the Japanese selected to invade. This invasion brought horrors into my poor country. Hundreds and thousands of people were forced to leave their hearths and homes to make room for the military and to facilitate military operations. All this happened because of the gross negligence with which my province was treated in the past by the Government of India. There were no roads worth the name, no proper telegraph or telephone connections, no post offices, except a few scattered here and there, no railway lines at places where there should have been such lines and absolutely no arrangement for defending the country from any sort of attack from outside and it was therefore no surprise that our enemy was encouraged to spot this place as the most convenient to fight their way into India. When they came the Government of India and the British Government had to pay a very heavy penalty for their past criminal omissions. Roads had to be made, railway lines had to be increased, telephone connections had to be put up, telegraph lines had to be doubled and post offices had to be given in places where there were none and as all these had to be done in as short a time as possible without any loss of time, lacs and crores of rupees had to be spent and this colossal expenditure had to be incurred because the province was deliberately neglected in the past. In spite of all that we suffered our sufferings were indescribable, our miseries were inconceivable. I must admit that there was one silver lining because it is the war that brought my province into prominence. It is that tiny little Assam, unknown and utterly neglected to which not only the Government of India but the whole of India looked to for the safety of this great sub-continent, India. If Assam is safe, India is safe was the cry at the moment. I have come from this province. The battle of Kohima was fought only about 60 miles away from my home.

Now that the war is over, may I know from the authorities concerned whether Assam will go back into the same old dark and dusty shelves of the Government of India Secretariat or will she be kept before their eyes so that the province does not fade away from their minds? Well, if you want to remember Assam, if you want to remember the lessons of the war, I would like to remind you of our old story, a story which was repeated to you times without number but which you refused to hear.

Assam should have been treated as the North East Frontier Province but her position as such was never recognised by the Central Government and though they lavished enormous sums of money on roads, railways, etc., for the North West Frontier Province, not a single farthing was given to Assam. On the other hand, Assam was made to pay for about 25 years an annual contribution of 5 lakhs of rupees for the Assam Rifles, a sort of militia organisation guarding the Frontier on the plea that the force was available for us of Assam in times of local emergency.

[Khan Bahadur Karamat Ali]

In India Assam is the only province where sufficient quantity of petrol and kerosene is produced from crude oil pumped from the bowels of the earth. The Assam Government gets on an average only 7 lacs of rupees as royalty on the crude oil but the Central Government takes away on an average 1½ crores of rupees on excise duty on the same petrol. When the Government of Assam protested against this inequity, she was even denied an official representative to the Round Table Conference of 1935, lest the Assam representative would press the allocation of the excise duty on petrol, etc., to Assam,—the injustice of this will be apparent when it is remembered that on the pressure of Bengal representatives to that Conference for giving them relief from the jute export duty a concession of half a rupee per maund was given to jute-producing provinces, though jute is an annually growing commodity while the crude oil pumped, means the using of capital, the natural wealth of the province, and it cannot be replenished.

Assam is as big in extent as Bengal, roughly—

THE HON. THE PRESIDENT: This is not the time to make comparisons between Assam and Bengal. I may tell you that I will take your speech as read if you like, but I cannot allow you to read all that manuscript.

THE HON. MR. HOSSAIN IMAM: Let it be taken as read.

THE HON. KHAN BAHADUR KARAMAT ALI: The Province is divided into two valleys,—the Brahmaputra and the Surma, as a ridge of hills start from Mymensingh the borders of Bengal right up to the tri-junction of India, China and Burma. This necessitates double Public Works Department roads in the two valleys. Even in the valleys such road system has to be duplicated in the two banks of the rivers. For example, the Assam Government has to build and now maintain two trunk roads on either side of the Brahmaputra. Long distances separate the headquarters of the hills from the plains and costly roads are necessary to join them, e.g., Shillong the headquarters of the Government is joined by a 69 miles road from Pardu on the north side and 89 miles road from Sylhet side.

Yet this Province did not get any help from the Central Government in any way. When the Percy Federal Finance Committee came along with the Senior Commission, they after due deliberations advised that Assam could not be put on an even keel unless she was given a subvention of 65 lakhs of rupees annually from India. Assam claimed more, but even this recommendation of the Percy Committee was reduced to meagre 30 lakhs by the award of Sir Otto Niemeyer. This preceded the inauguration of the 1937 Reforms. Bengal got about 20 crores of rupees as help from the Central Government between 1942—1945, but Assam got nothing during this period when her home lands were invaded by the Japanese.

Sir, the Province of Assam has been suffering from many disabilities from nature as well as from the step-motherly treatment received from the Government of India.

Now that a new constitution is in sight may I request the Government of India to see that justice is done to Assam and she receives a fairer deal. In the intervening period Assam should be helped by a substantial contribution and sooner this contribution is made the better for the Province.

I think I can reasonably demand better treatment for Assam especially in consideration of the fact that when India wanted her help in the matter of food she gave it unhesitatingly. Assam was a deficit province as far as rice was concerned. We had to import about 12 lakh maunds of Burma rice every year. But Assam started her "Grow More Food" campaign in 1940-41, bringing up more area under rice cultivation by selecting Government waste lands, though on a limited scale, and by diverting jute and mustard seed land to paddy cultivation to the extent of 28 and 18 per cent. respectively. Thus, from 1943 onwards Assam has become a surplus rice area, and during the war period Assam supplied about 27 lakh maunds of rice annually to the military and 15 lakh maunds to Bengal in her famine year. When the Government of India tried free trade between the Surma Valley of Assam

and East Bengal, very nearly 25 lakh maunds of rice were carried away to Bengal by country boats. In 1944-45 also Assam supplied to the army and to the deficit areas on an average about 60 lakh maunds of rice. Assam could supply one crore maunds to needy provinces if the rest of her cultivable waste lands were settled and brought under cultivation, but a perverted settlement policy of successive Governments of Assam is responsible for not throwing more lands open to settlement for cultivation. There are thousands of applicants, both local people and outsiders, for settlement, but as the Government of Assam has not been able to come to a clear cut policy, there are still vast areas lying unproductive.

Sir, Assam has a population of about 12 millions, and the sugar quota for the province is about 19,000 tons a year. This means less than one chatak a month per capita. Instead of the quota being increased, I understand that it is going to be reduced. If this is done, the rural population is bound to go without sugar, because rationing at one seer per individual per month in towns takes away the lion's share of the present quota. The last census figures are no criterion for the present population of Assam. The Bengal famine, the war projects and the post-war schemes have naturally brought in more people. Therefore, the pre-war estimates on which the Assam sugar quota was fixed are not applicable now. It may be remembered that there is no sugar mill in Assam and therefore no sugar outside the quota is available.

Mustard oil is another problem in Assam, specially in the Surma Valley. This is due to transport difficulties. If private traders are allowed to import from the United Provinces or the Punjab under some arrangement, I think the situation may be easier. Salt should be thrown open to trade. The present arrangement of giving Assam one-seventh of the allotment to Bengal is most unsatisfactory.

Sir, I have all the time cried for Assam. I hope I have not cried in the wilderness.

*THE HON. MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Mr. President, I regret that I have neither the bouquets to present—because the garden of the agriculturist has been laid waste—nor any brickbats left, because the people have cleared even the rubble from their houses and we have nothing left to throw at the Finance Member or the Finance Department. I look at the Budget from the point of view of the ordinary man in the street. I know that it has been received with a grunt of satisfaction by the bloated capitalists, and with a grain of appreciation by the earned-income-wallas who have received different kinds of presents ranging from Rs. 25 to 100 as tax relief under the present Finance Bill. I know that the poor man in the street has only groans, not because the tax burden has not been removed from him—he is so poor that he cannot be subjected to a tax—but because no appeal has been made either by the Finance Department or by the representatives of the people to the industrialists that they must pass on the reliefs which have been given by the Finance Department to their ultimate masters. I am not opposed to the abolition of the excess profits tax because, after all, it is not the capitalist who pays it, but his ultimate master—the consumer—from whose pocket he has filched it. It was only yesterday evening that the Hon. the Finance Member did express, I will not call it a reprimand, I would call it a little warning—the Finance Member issued a little warning to the capitalists. But the whole of the speech of the Hon. Member does not contain any indication that he expects the capitalist to pass on the tax relief to the consumer. I think it would be in the fitness of things to issue a stern warning to the capitalist that the excess profits tax has been removed so that its benefit may be passed on to the ordinary consumer. Sir, I do not know whether in England it is proposed to abolish the excess profits tax or not. But even if they did abolish it, they would be doing it in order to reduce the costs. England has to live now—

THE HON. THE PRESIDENT : They reduced it to 60 per cent. in the supplementary budget, and at that time I saw in the papers that they had promised to abolish it altogether in April.

THE HON. MR. HOSSAIN IMAM: I do not advocate its retention here. What I do advocate is that its removal should be accompanied with a stern warning that unless the capitalists bring down the prices they charge to the consumers the Government will be compelled to take other steps which will be more persuasive. I am making this assertion because of the fact that in the Explanatory Memorandum which the Hon. Member has submitted there is an indication, on page 61, that in the space of one year the price of iron and steel shares has gone up from 369 in August 1939—taking 100 as the base for 1927-28—to 583 in January 1945, and to 699 in December 1945; and today, if you compare the prices of Tata Deferrods, you will find that it is touching 750.

THE HON. THE PRESIDENT: But that does not represent the correct value. It is all speculation.

THE HON. MR. HOSSAIN IMAM: I knew that this kind of remark would be made, and I have strengthened myself. I am prepared to quote to you other figures. Take the figure for the coal industry: it rose from 310 in January 1945 to 373 in December 1945. This includes 13 shares. The iron and steel section includes three companies—Tatas, Indian Iron and Scob. Tea shares have gone up from 125 in January 1945 to 139 in December 1945 because it is more or less an agricultural commodity. But the worst offender in this respect was the paper section: the price went up from 495 in January 1945 to 635 in December 1945. And this in the course of one year, and without the abolition of the excess profits tax.

If the abolition of excess profits tax means only putting more money into the pocket of the capitalists, then we are bound to oppose it. But if it means giving some relief to the consumer, then it should be welcomed by all, not only by the capitalists, but by everybody who is interested in the well-being of the country. I think the Finance Department should make up its mind one way or the other. What is it that they propose to do? Do they wish to deal with inflationary effects, or do they wish to deal with deflationary effects? I find that the actions which have been taken by the Department are not of one kind. On the one hand, you give relief in taxation and thereby fight deflation. On the other hand, you want to take loans, which is a pronouncedly deflationary measure which was resorted to during the whole of the war period merely on the ground that you wanted to take away the additional purchasing power from the hands of the public into the coffers of Government. I find a strange remark in the speech of the Finance Member. I do not think he ever considered that his remark would recoil on his own head. On page 11, at the end of paragraph 25, he says:—

“I greatly hope that the day is not far off when the people will cease to keep the bulk of their savings in the form of hoarded currency, or bullion or superfluous ornaments, and will put their savings to work to create new wealth. It has always seemed stupid to me that man should expend so much effort in digging out treasure from mineral deposits only to bury the bulk of it in safe deposits.”

And what is the Government of India doing? It is digging money out of the pockets of Indians in order to put it back in sterling securities. It is as bad as burying gold under the earth, to keep your money in sterling without any need for it. Sterling has ceased to be a hard currency, a currency which can purchase commodities from outside. When we passed the Reserve Bank Act there was, rightly or wrongly, an impression that sterling was as good as gold, and we made provision that our foreign assets should be held in sterling as well as in gold. Now that sterling has ceased to have any purchasing power outside the British Empire, it is idle for us to take money at 3 per cent. interest and deposit it in England and invest it in treasury bills in the United Kingdom at 16·35 shillings for £100. Nothing could be worse and nothing illustrates better the subordinate nature of the Government of India than this. The opening balance on the 31st March, according to the Hon. Member, will be about Rs. 500 crores. We will have about Rs. 1,700 crores in the sterling balances and still we must go into the market and start a deflationary process of taking money out of the pockets of private persons. Why not leave this money where it is and thereby save some money to the Indian tax-payer? What is the good of borrowing money and leaving it in the Reserve Bank? If you want to have deflationary measures, say so. Take all measures which will have that effect. Then you will not be justified in giving tax relief.

I would have liked to stress certain important points but I think I will have to defer them for the discussion on the Finance Bill. Just now I would like to mention only two or three important points. Firstly, I should like to say a few words about the expenses of our Defence Department. The Hon. the Finance Member himself has laid down some very sound principles in his speech. I would like to quote him.

“ While the war lasted, the budget estimates of the defence services ceased for the most part to serve as instruments for restricting and generally controlling expenditure. This was inevitable in view of the impossibility of foreseeing the course of the war.”

But what is happening now? The war is ended after 6 months of the current year but the war expenses have not fallen to anything comparable with the necessity of economy. I would like to specify two items—I am referring to the Defence Estimates, page 3, Main Head 3, certain measures of Military Defence. The original budget was for Rs. 98 crores and you have brought it down to Rs. 96 crores—a reduction of less than Rs. 2 crores after 6 months of war and 6 months of peace. Does that show that there has been any effort made by the Defence Department to curtail military expenditure? Then under the head “Miscellaneous”, the fall is from Rs. 36,65 lakhs to Rs. 35,67 lakhs. There are heads in which there has been a little increase even. Against the head “Certain measures connected with local naval defence” there has been a slight increase of Rs. 6 lakhs. Does that show that there has been any control on the war expenditure? I do suggest, Sir, that there is urgent need of retrenchment. Our expenses are so bloated. I will just give you one instance. The system in the Secretariat was that every one should have a pass for entering the building. The system was abolished and the receptionist and his staff still remain there. There are any number of instances of this kind. If you go through the accounts you will find that there is ample room for reducing expenditure provided there is a will for it. It will be said that everybody is now busy with the work in hand and they cannot find time to consider how expenses are to be reduced. That was the excuse we used to get in the beginning too. But when the times became bad enough, even the then Finance Member felt the need for it, and after the Legislature had finished its session—I am referring to 1931—a Retrenchment Committee was formed and it did wonderfully good work. I am one of those who believe that Government expenditure is a very necessary expenditure. In order to have a better and more equitable distribution of wealth it is necessary that Government should spend money. Without Government expenditure you cannot have prosperity in the country where there is so glaring a difference between abject poverty and extreme wealth. Government perform the very useful task of drawing out money from those who can afford to pay and giving it to those who need it.

In this connection, Sir, I wish to congratulate the Finance Member as well as the Leader of the House for the way in which they have dealt with the grievances of the postal employees. I think that both of them have behaved handsomely and I hope the postal people will be satisfied, and if they are not satisfied, they will urge their grievances before the body which has been formed.

I rather regret that no mention has been made, as if we were still in the midst of the war, of our armed strength. The U. S. A. has been trumpeting even during the war what the strength of their army, navy and air force was. Everything was being trumpeted and they did everything openly. But here we are not trusted. We are not told what is the number of non-Indian troops stationed in India. Even that fact is hidden from us. Yesterday, Mr. Mason, in reply to a question made a statement that the British tommy costs 2½ times that of the Indian sepoy. That is a thing for accounting. You do not know how far it is correct. But what is the harm in telling us what the number of the standing army at the moment is? I know that there is a suspicion of a third war in the offing. I know that the way in which the European powers are manoeuvring for position may lead at any moment to a further conflagration. But I do not think that the fact that India has got an army of, say, 2 million Indians and a quarter of a million Europeans, if this information is published, will make the power you have in mind keen on attacking and that if this information is withheld, it will act as a damper on the audacity or the rapacity of that power. Sir, even now we have had no details of the expenses of the U. K. in England, how much of it consisted of export of foodgrains, how much consisted of export of clothes, how much consisted of supply of munitions of war and so on. No

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information has been given to us on these heads. We are only told that so much money has been spent by H. M. G. Does it mean that a single Indian soldier is paid for by H. M. G. in India? Or does it mean that we are making supplies for trade purposes? This is what I wish to assert that there is a suspicion that supplies taken for progress of trade are calculated in H. M. G.'s account. The way in which our Dollar Pool has been squandered—I use the word squandered, Sir, because we have no information as to how 265 crores worth of hard currency has been spent by India up till March 1945—means probably that our lend-lease supplies which have been coming to us have been taken credit as hard currency purchases. There must be something fishy, otherwise I know that India has not purchased so much worth of goods on private account, and we know that Government purchases were being made under the lend-lease agreement. In this connection I found a little legerdemain in the Capital head of the Defence Department. I refer to page 8 of the Defence Estimates, Air Force Airfields. The budget was 2,42 lakhs. In the Revised Estimate after the termination of the war it has trebled to 6,05 lakhs. Does that indicate that there has been any control by the Finance Department? What really happened, I think, was that under another head Reciprocal Aid Airfields the expenditure has come down from 10,74 lakhs to 4,49. That has been shifted from Reciprocal Airfields to the ordinary Airfields: otherwise there would be no justification for making airfields in India for the defence of India. From the 1st April 1945 the danger to India has ceased to exist. The Indian Army was operating in Burma and very near Mandalay—I am not sure whether we had then taken possession of Mandalay or not—but the danger from Japan has ceased to exist and there was no justification for capital expenditure on airfields for the defence of India. As I have said before, we have been made to pay for all reciprocal aid given to Americans in India, whether the supply is received from America or by England or by China or by India. Credit was taken for supplies coming into geographical India by three parties, the U. K., China and India: but all the reciprocal aid was given by India alone. This is one of the black chapters in the history of the British connection with India out of many black chapters that exist.

I thought that the Finance Department would give us full details of gold sales by U. K. and U. S. A., but we have been denied that. The Hon. the Finance Member has taken credit in washing out the hard currency assets by stating that 25 crores worth of gold came from Great Britain. They came into India as free import and were sold at black market rates. When we said that either there should be a tax on it or it should be purchased by the Government, we were ignored. Are you wise after the event? You are bolting the door after the horse has gone. You are imposing this 25 per cent. duty now that England has not got to sell gold in India. Is that the way in which a National Government would have behaved? You can console yourselves that you have done the best. But history will show—

THE HON. THE PRESIDENT: As leader of your Party I have given you half an hour. You have five minutes more.

THE HON. MR. HOSSAIN IMAM: I am very glad you have reminded me. I have not much to say. I am reserving all my remarks for the Finance Bill.

I would have expected that greater details of our trade balances with hard currency countries would have been given by the Government but we have not been given anything. Last year the Finance Secretary gave us a very informative chart, but he has this year not been inclined to give it. There were two very useful charts given. This time he thought perhaps he had given too much of a good thing.

I should like to enter a protest against the war risk insurance and factory insurance money being utilised towards reducing the deficit of revenue account. One of the best uses to which you could have put that money was industrial research, because the money was taken from industries and as such it should have returned in a manner which would have directly benefited industry: and there is no better method by which you can benefit industry than by industrial research.

I would like to ask the Hon. the Finance Secretary whether the debit which he has made to our account on account of the Bombay Explosion has been recovered from H. M. G.? Nobody seems to have remembered the fact that this was account debited with the cost of the Bombay Explosion

We were told at the time of this tragedy that Government were in communication with H. M. G. and that the money would be repaid later. I have a sad experience that whenever we do pay something on account of H. M. G. we never get it back from H. M. G.

I am very glad on a personal ground that my suggestion to state more fully liabilities other than interest-bearing ones has been given effect to. I am glad, Sir, that that has been done, although not in as much detail as I would have liked. I would suggest your bringing forward in every capital account your existing liabilities together with the existing assets. For instance, credit for the Govt. of India paper rupees paid to the Reserve Bank is to be found in the revenue account. It is not mentioned in the capital head. This is a sort of capital liability. The effect of deposits of 26 crores has not been mentioned in the capital account. You have not brought forward your last balance in this account. In order to behave as a National Government or a shadow of a National Government, the present Government must not only take credit for reliefs but it must also take credit for strength and it must issue a fiat to industries that prices must come down. In this connection, the Hon. the Finance Secretary had promised that raw materials required for industry would come free. I have received—and some of my friends have received—a representation from the cinema industry that their taxation of the raw film is on the present basis increased, because there the exposed film represents the processing and it is taxed at the same rate as raw film. It is inequitable that you should subject to equal taxation both raw material and a finished product. I think the Hon. the Finance Secretary should give this matter fuller consideration. It is also open to him under the Sea Customs Act to give relief whenever he feels convinced and I leave it at that. I hope that his successor will not find it more difficult when he comes.

THE HON. SIR CYRIL JONES (Finance Secretary): Sir, I have listened to this debate with the very greatest interest. I cannot profess to agree with everything that Hon. Members have said. In fact, that would be impossible where the views expressed by Hon. Members themselves frequently conflict with each other, but the general tone of the debate, Sir, and the strict relevancy of by far the larger portion of it have made it an extremely interesting debate. Of the many points that have been raised, those to which I am unable to refer in detail in my reply will undoubtedly receive the consideration of the Government.

This Budget, Sir, has, as Hon. Members have recognised, been an extremely difficult budget to frame for the reason that it relates to a year which is a year of transition—and transition in more senses than one. We have, first, the transition from a war economy, to which we have more or less grown accustomed, to the threshold of a peace economy which may well be the beginning of a strange new world, to which we have been unaccustomed in the past. It is also a period of transition in the political sense, for reasons which I need not explain as they are well known to the House.

There are other complicating factors one of which, in particular, I would mention, namely, the difficulty in appraising the general economy of the country at the present time. The Hon. Mr. Hossain Imam asked whether we were expecting inflation or deflation. The position, as I would describe it, is that the economy of the country is something like a knife-edge, or, if you regard that as too alarming, like a "hog's back" threading its way between inflation on the one side, and deflation on the other. There remains as a residue of war-time economy a plethora of money and shortage of goods and, therefore, it is beyond question that there is an inflationary potential in existence which speculators, hoarders and profiteers are always prone to turn to their advantage whenever they see a chance, and a speculative or inflationary 'flare up' is thus possible at any time. On the other hand, there is bound to be a heavy reduction in defence expenditure, and a large number of people will inevitably be discharged from war-time jobs. There is therefore the possibility of local pockets of inflation and, if the situation were not carefully handled, we might start on a downward spiral of deflation which might lead to a collapse of prices and widespread unemployment. When you are on a nicely balanced economy of that sort with the risk of a fall on either side it is a little difficult to steer one's course. You have to be prepared for both possibilities. I think it is common

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ground among all Hon. Members of this House and of the people of the country generally that public expenditure must not be allowed to fall too rapidly. We must maintain a fairly high level of public expenditure to maintain employment and to steer clear of the risks of deflation. To me that implies a corollary that a fairly high level of public revenue must also be maintained—

THE HON. MR. HOSSAIN IMAM : Hear, hear.

THE HON. SIR CYRIL JONES —and yet, having now emerged from the stress of six years of struggle and strain with an extremely high level of taxation, some measure of relief is reasonably and rightly looked forward to. Therefore, Sir, the framing of this Budget involved a balancing of conflicting conditions and conflicting objectives. We had to draw a balance between present needs and long-term requirements. We had to consider the relative importance of relief in war-time taxation, to the need for an increase in the sources and the yield of our public revenues, and we had to balance between the possibility of an inflationary upsurge and the necessity for avoiding too precipitate a deflation. The Budget that we have been considering today, Sir, represents the Government's solution to this many-sided problem, and I would suggest that in forming a view of the Budget it is necessary to consider the proposals as a whole before one can judge as to how far they have succeeded in reconciling conflicting objectives. Inside this House, Sir, as generally outside, the Budget has been favourably received.

I would like to deal with one or two of the main criticisms that have been raised in the course of today's discussion. I think the most common criticism that has been raised is that inadequate relief has been given to, some say, the poor classes and some include also the lower middle classes. I cannot understand that charge in so far as it applies to the lower middle classes because the Government are fully conscious that, for instance, the black-coated worker on moderate pay has been perhaps one of those hardest hit by war-time taxation levels and goods shortages, and a definite relief has been given to him by the reduction in income-tax rates for the second and third income-tax slabs and the very material extension in earned income relief. I have had the results of our proposals for taxation for 1946-47 against various typical incomes worked out in opposition to those which were in force before the war, and I find that next year every person who has an earned income of Rs. 8,000 per annum or less will pay less income-tax than he did in 1938-39 and the relief in the lower stages is particularly noticeable. For instance, a man earning Rs. 2,500 a year in 1938-39 paid Rs. 85 per annum as tax. Next year he will pay Rs. 31. A man on an income of Rs. 3,000 per annum paid Rs. 102 before the war, and will pay Rs. 56 next year. That relief, I would suggest, is indeed substantial and as far as one could reasonably go in the fiscal sphere, having regard to our responsibility for maintaining a high level of public revenue for the financing of a forward policy of national development, including improved social services for the poorer classes.

But the most insistent criticism has been in respect of the poor man, and I would like to explain how I regard this Budget as affecting the poor man. There is, of course, the direct cheapening of his kerosene. There is the prospect of cheaper bus travel on account of the reduction in the petrol duty. There is the prospect of his benefiting by a subsidised building scheme, which is designed to benefit those who are not in a position to pay an economic rent. But all these I regard as small compared with the results to the poorer classes as a whole which will flow from the provision in the Budget for social schemes and interim development works. We are providing for employment-producing schemes, largely through provincial agency, by lump sum provisions of 35 crores by way of grants and 15 crores by way of loans for such schemes as have been selected from provincial development schemes for providing emergency employment. We have ourselves provided for a number of social schemes of benefit for the poor man ; and I would further suggest that the reliefs which we have given to industry and business through our income-tax proposals are designed for, and are likely to result in, the creation of employment to the benefit of the poorer classes as a whole.

Then, Sir, in the matter of prices, I entirely agree with the many members who have said that we should do everything we can to secure a reduction of India's abnormally high price level. But so far as fiscal measures can bring that about, I suggest that the indirect effects of our income-tax proposals in the way of reduced rates, and above all the progressively steepening tax on distributed profits, should encourage our industrialists to lower the prices of their goods and sell cheaper. I do not think Hon. Members have appreciated the rate at which and the extent to which taxation on distributed profits increases as distribution increases—if e.g., anything like 50 to 60 per cent. is distributed the increase in tax is very material. Although it is possible that a result of that measure will be to encourage industries to build up their reserves, I think it is bound also to encourage industrialists to reduce the level of their prices. Therefore, these income-tax proposals as they affect trade, commerce and industry should have an indirect effect in reducing the general price level.

The House is aware that in the other place the Finance Member stated that he was prepared to review the whole field of indirect taxation to see if some agreed measures could be taken which would secure the passage of the Budget through the Legislature. This is a very complicated problem: it is not quite so simple as it might at first sight appear. There is room here for weighing relative advantages and disadvantages of either course. For instance, take the suggestion which has been made today of a 50 per cent. reduction in the incidence of the salt tax. That would mean a direct relief to the people of this country of something less than two annas per head per annum, and the loss to public revenues would be Rs. 4½ crores. I am not attempting to draw any conclusion from those figures, and I do not wish to say anything which might in any way prejudice the discussions which are going to take place: I am merely stating facts, as we know them to be facts, and indicating considerations which should be borne in mind in approaching problems of this sort. It will be necessary to take a view as to whether the poorer classes of this country will be benefited more by securing a direct cash benefit of less than two annas per head per annum, or whether the 4½ crores which would otherwise flow into the coffers of Government could be used, in common with similar receipts from other taxes which may be under consideration, for the benefit of India's lower classes themselves. Much the same considerations apply to the post-card rate. India, I think, has been fortunate in that her post-card rate has remained constant throughout the war. India is unique among Commonwealth countries in that respect. In every other country the price has been raised either by 33 1/3 per cent.—which applies, I think, to Australia alone—or by 50 per cent. or, in the majority of countries, by 100 per cent. That is a sort of negative benefit that has been preserved to the poor classes of India through the war. A reversion to the pre-1931 level of post-card rates when we are entering a new era with an altogether different price structure, with a loss to public revenues of Rs. 1½ crores, is a matter which can be argued both ways. That again is one of the considerations that will have to be taken into account when these matters are considered. We shall have to balance the proportionate value of these small gifts, where the individual benefit in each case is comparatively trifling, with the obvious benefits which can flow to the masses of the country from a Budget which is framed on developmental lines, as we hope our future Budgets will be.

The next most insistent point that was raised was that of the high military expenditure. Fortunately it is not necessary for me to detain the House on that, because His Excellency the Commander-in-Chief has dealt with it in his speech and we have now for the first time for six or seven years an Explanatory Memorandum on the Defence Estimates which gives the facts of the case, explains the considerations involved and enables Government for the first time for some time to place the majority of their cards on the table.

Less attention has been given during today's discussion than I had anticipated would be given to the question of post-war planning and development and the measures that we are taking to implement the plans that have been laid during the last year or two, because, to me, this is one of the directions most pregnant with the possibility of good and of advancement for this country in the future. Hon. Members are aware that we have provided in our Budget something like Rs. 99 crores for development purposes in the Provinces and at the Centre, capital and recurring.

[Sir Cyril Jones]

There have been in the past many allegations that our planning work was largely eye-wash and humbug. We now, Sir, are at the stage of benefiting by all the quiet and patient work that has been done in the past in that, when suddenly we were struck with the emergence of peace and the prospects of demobilisation and unemployment, we could quickly get under way in bringing into action plans for public expenditure in useful directions which would replace the war-time expenditure of past years. Our approach to the problem of planning, Sir, has been strictly practical. First, there has been the evolution of an all-India policy in the main directions such as health, agriculture, education, and so on. The bulk of actual planning proper has been done by the Provinces consistent with the all-India policy directives but based also on their special needs. These plans, produced by the Provinces, are subjected to review by the Central Government in the interests of co-ordination. Co-ordination is a continuous process and has been in progress ever since planning started. There is still plenty of co-ordination work to be done, but it is not true that the plans which we are now setting in motion merely consist of a collection of unconnected paper schemes. As regards industrial planning, the House knows that 28 Industrial Panels have been at work. They work quietly and unobtrusively, but they have now made considerable progress. Many of them have submitted their reports, others are just about to do so. Plans in respect of textiles, cement, vegetable ghee and sugar—I do not know if this list is exhaustive, but certainly in respect of these commodities—are now in the stage of actual implementation and others will shortly follow. The Budget provision we have made has been largely a shot in the dark. So far as what we call our interim plans are concerned, that is, those which are to be implemented and set in motion quickly to provide employment to fill the gap caused by the reduction of war-time expenditure, we have asked the Provinces to go ahead for all they are worth to the largest extent they can, subject only to general approval by the Centre, which is given as urgently and as freely as possible. If their requirements are more than the Budget provision we have made, there should be no difficulty in securing from the Legislature a corresponding increase in funds to avoid interruption to the work. But one thing I must mention, and that is, that all this work that we are doing, this planning and execution, requires staff, and shortage of personnel is most acute. That is the main bottleneck at the present time. It is not so much funds that constitute the bottleneck, or even capital goods, as staff. The staff difficulty is acute. We can neither plan nor execute nor administer without men. The administration burden these days is exceptionally heavy, and I would ask the House to bear this in mind when they speak of the failure of the Government to reduce their civil expenditure to anything like the pre-war level. We are doing what we can in reducing expenditure following the end of the war, and we started early, soon after the war finished. But the shortage of personnel is so acute that where we are able to reduce in one direction, the men thereby released are by and large required elsewhere, and our efforts at retrenchment and reduction are represented more by a transfer of men in accordance with present needs rather than in a direct reduction of expenditure.

Several Hon. Members, Sir, spoke about the Sterling Balances and the Dollar Pool. I do not think I need say much under the latter head because of the discussion which took place in this House only recently when I replied to the Resolution moved by the Hon. Mr. Motilal. There has been a tendency to question the figures which have been given in the Budget speech of India's earnings of hard currencies since the beginning of the war and India's utilisation of hard currency. Those figures, Sir, in their general picture admit of no question whatsoever. The chief agency in compiling them has been the Reserve Bank of India. As I explained to the House, the transactions are involved and complicated and we cannot guarantee our figures, nor can the Reserve Bank or His Majesty's Government or the Bank of England. We cannot guarantee our figures in detail. But there is no doubt whatsoever that the general picture that they give is reasonably correct and true. The point that it does bring out is that the sum involved in what we might call India's net contribution is comparatively small. I would explain to Hon. Members that these figures do not relate only to Dollar receipts and Dollar expenditure. That would not be fair because it would not be a true picture. The figures give the result of all India's

transactions in hard currencies. India's dealings with certain hard currency countries such as Sweden, Canada, Portugal and Switzerland is, I believe, consistently adverse, and has been adverse for some time—

THE HON. MR. HOSSAIN IMAM : Is Canada in the sterling area or is it a hard currency ?

THE HON. SIR CYRIL JONES : Canada is not in the sterling area. Canada is in the Dollar area and the Canadian dollar is every whit as difficult as, if not more difficult than, the U. S. A. dollar. The picture is undoubtedly correct in its essentials, although we could not possibly guarantee the figures on which it is based in detail. We have, however, so far as the Dollar Pool is concerned, a sure prospect of its liquidation within a reasonable time if the Anglo-American Agreement is ratified. If that Agreement is not ratified by America, I am afraid that dollars will remain as they are at present, acutely scarce. The Government of India regret the fall of dollar shortage as much as anybody in the country. It is however a matter which does not flow from British policy or from Indian policy ; it is conditioned largely by American policy. And so long as dollars remain scarce, I submit, Sir, that it is the essence of wisdom to see that such dollars as are available are used to the best advantage in the national interest : and that is the one and only reason why in respect of the import of capital goods we require indentors to satisfy us that the goods they require are not in fact available from the sterling area, because obviously if they are available from the sterling area, those dollars can be utilised to better advantage by securing other goods from America or other hard currency countries which are not otherwise available.

My Hon. friend Pandit Kunzru referred to our Post-war Dollar Fund. The position is that the expenditure from and commitments incurred against the initial 20 million dollars now amount to approximately some 10 million dollars. About half of it is thus spent or earmarked. We hope to receive a further credit to the Fund for the year 1945. A credit in respect of the year 1944 was hardly settled by this time last year—although it was mentioned in the Budget speech, the actual earmarking of the dollars was made in May 1945. The position was that India would receive a second instalment into her Post-war Dollar Fund in respect of the year 1945 provided that the position of India's dollar transactions justified a further credit being made into the Dollar Pool from her net contribution of dollars to the Empire Pool in respect of the year 1945. We do not know yet quite how the position for last year has worked out, but the matter is now under correspondence with His Majesty's Government.

There was a reference made by two Hon. Members to the import duty on bullion, Sir. From the fact that only two Hon. Members referred to it I assume that it is not a matter of intense interest to the House as a whole. All that this duty was intended to be was a sort of machinery for an orderly and regulated return of Indian bullion prices to the world price level. That return, Sir, is bound to come sooner or later—

THE HON. SIR SHANTIDAS ASKURAN : If you can import.

THE HON. SIR CYRIL JONES : Yes, if we can import. If we do not import, the duty will remain inoperative. If we can import, the duty has been fixed at a level so that at present prices there is a definite inducement to exporters in other countries and to importers in this country to bring bullion into the country. The inducement is reasonable but not excessive. If on account of imports prices fall, we can *pari passu* reduce the rate of import duty by successive notifications under the Sea Customs Act.

THE HON. MR. HOSSAIN IMAM : Has the ban on import into India been removed ?

THE HON. SIR CYRIL JONES : The licensing system has not been removed. There is no question of ban. When we see a prospect of imports coming into the country we shall do what we can to secure them.

THE HON. SIR SHANTIDAS ASKURAN : Is there any chance of any country exporting, and our importing, gold ?

THE HON. SIR CYRIL JONES : All I can say is that there is a possibility. But I could see very little possibility if the Government of India were to act as certain Hon. Members have suggested and try to buy gold at international prices for sale in India on Government of India account. I should think the chances of gold being obtainable for that purpose would be very small. But if we can import gold through private commercial channels with a definite inducement which can be shared between the importer and the exporter—a reasonable profit inducement—then it is possible that some might come, and it is to provide against that contingency that this duty has been imposed. It has been asserted that the imposition of this duty upset the markets. Everybody knows that the gold and silver markets are subject to speculative influences ; in fact they are run largely by speculators and it does not take very much to upset this highly sensitive market. The upset, I venture to suggest, that the Government might have caused has been minor in comparison with the stresses, strains and upsets to which the market has been subjected in the past by the operations of speculators or bulls. I might refer, for instance, to the fact that the price of bullion was driven up after the appearance of our Demonetisation Ordinance to the great profit of certain speculative bullion interests ; and I think it is correct to say that by and large those are the same interests which have now been adversely affected by the imposition of this duty. But the ultimate objective of our proposal is to open the way and clear the path to a reduction in bullion prices, which, in view of their reactions on the general price level, is, I would suggest, in the interests of this country, and particularly of the people who are affected by the level of prices of essential commodities.

My time is nearly up, but I would like to refer to the speech made by the Hon. Sir Gopalaswami Ayyangar, a friend of mine of many years standing. His speech was as stimulating as ever and to me as interesting as ever, although I find myself still under the painful necessity of having to disagree with much that he said. The time might possibly come when I shall have the privilege for the second time in my career of working under a responsible Finance Minister ; and it is quite on the cards, I suppose, that that responsible Finance Minister might be the Hon. Sir Gopalaswami Ayyangar, in which case my advice to him will be just the same, although in that case the decision would rest with him. At present I must confess to disagreement on most of the points that he raised. He considered it improper to show in the revenue account an appropriation for reduction or avoidance of debt at a time when the revenue budget was working at a deficit. That, Sir, seems to me to be the essence of sound public accounting where the public debt contains a substantial unproductive element. A provision for amortization should appear in the revenue accounts even if you do not realise it and have to borrow to cover it. That debit in the revenue account is carried as a credit in the capital account, and indicates the intention or the ideal of converting so much unproductive debt during the course of the year into productive debt ; and even if your revenue account is running into a deficit, one should not camouflage the size of the revenue deficit by omitting provision which is necessary and proper and which should be made for the amortization of such unproductive debt as the country is carrying. Sir Gopalaswami Ayyangar mentioned a number of devices by which the revenue deficit might be turned into a substantial surplus. He would show as current revenue abnormal war-time revenue such as Excess Profits Tax receipts (which will last us only one more year and then will come to an end or be reduced to a mere dribble)—but he would transfer abnormal war-time expenditure to the capital head. I suggest, Sir, that such a procedure would not be sound accounting, and that it is just as right and proper that abnormal war-time expenditure should be debited to revenue as that abnormal war-time revenue should be credited to the revenue account. The Hon. Member probably has noticed that we are trying to break away from the rather conservative finance of the past, and the 35 crores which we are giving by way of grants to the Provinces is being debited to the capital account, for the reason mainly that the expenditure will result in the creation of useful assets although those assets will belong to the Provinces and not to the Centre ; but I would further suggest that the devolution of income-tax revenue to the Provinces must necessarily appear in the revenue account and that

the additional 12½ crores could not possibly be shown in the capital account. It is a revenue charge, a payment out of Government revenues which according to the Constitution are not even Central revenues at all.

THE HON. SIR N. GOPALASWAMI AYYANGAR : May I point out that probably the Hon. Member misapprehended what I said about the 12½ crores ? I did not say that they ought to be shown as a debit in the revenue account. What I did say was that there was no necessity, there was nothing which compelled the Government of India, to make a present of these 12½ crores to the Provinces when they were themselves in deficit by amalgamating the surcharge with the basic income-tax.

THE HON. SIR CYRIL JONES : I thank the Hon. Member for his correction. On that point I did misunderstand him. I can explain in a sentence the reason for this further devolution of income-tax to the Provinces, although many of them are favourably placed financially. The reason is that we want to urge and stimulate the Provinces to bolder planning and to get on with development work, whereas the tendency in the Provinces with which I can sympathise, having been a provincial Finance Secretary myself, is always to look to the recurring commitments and to be over-cautious in sanctioning new schemes. In our view, over-conservative finance is out of place in present conditions, and this devolution of a further 12½ of recurring revenue to the Provinces, is extended to stimulate them to bolder planning by increasing their recurring resources by that amount. It is a fact, Sir, that provincial revenues are somewhat straitened, though nothing like so inelastic as it has been customary to describe them ; but they are on the meagre side compared with the vast responsibilities of the Provinces, particularly for the developments of social services. The Government of India Act itself provides a way of meeting this state of affairs by a devolution of excise duties, by giving the Provinces the proceeds of death duties and so on. But this particular method is already in use, and the Government deemed it fit and proper to expand provincial receipts by merging the income-tax surcharges with the basic rates so as to increase provincial revenues for post-war development purposes.

THE HON. MR. HOSSAIN IMAM : A welcome change.

THE HON. SIR CYRIL JONES : The Hon. Member also referred for the second time to the credit of advance payments of income-tax to a suspense head. Whether the scheme of advance payments of income-tax should be made permanent or should be abandoned is, I think, essentially a matter for the future Government which will assume the reins of office, it may well be, before the next Budget season ; but until that decision is made, until a firm decision is taken to make pay-as-you-earn a permanent feature of income-tax law and practice, we have no option but to treat these as advance payments—as in fact they are—and to take them to the credit of the suspense head until they are ultimately credited to revenue when the assessments fall due under the ordinary income-tax law.

I think I need not detain the House any longer. The hour is now late. In my view, this Budget marks a real beginning of planned development and development on a sure and sound financial basis. It shows that the national finances have been husbanded in spite of difficulties and strains and that they are essentially sound. The Taxation Enquiry Committee which will follow shortly should help to put the raising of adequate revenues on a scientific basis by sound methods, but until that is done the Government have tried to maintain an adequate and broad-based revenue system which can be built upon and expanded as development requirements demand. Meanwhile, we have concentrated on so designing and utilising our revenue as to encourage industrial and business activity, to promote employment and, by so doing, to contribute to the solution of the problem of poverty which, as the Hon. the Finance Member mentioned at the outset and at the close of his Budget speech, is, in his view, the first objective of Governmental policy in present conditions.

THE HON. MR. M. THIRUMALA ROW : I want to make a suggestion, Sir. Three new elected members have not spoken and they are keen on having their say. I would request you, Sir, to give them, say, 10 minutes each and to prolong the sitting till they have finished.

THE HON. THE PRESIDENT : I was going to suggest that I would give them a chance to speak on the Finance Bill. However, if they are anxious to have their say now I will give them 10 minutes each.

(At this stage the Hon. Mr. Surput Singh rose to speak.)

THE HON. THE PRESIDENT : I think Mr. Surput Singh has already spoken for more than 10 minutes.

THE HON. MR. M. THIRUMALA ROW : No, Sir, he has not spoken at all today. He is one of the new members who would like to speak.

THE HON. THE PRESIDENT : But then the Hon. Member must not take it for granted that each and every member of the Council should speak on the Budget. There must be some limit when the President is bound to close the debate.

THE HON. MR. M. THIRUMALA ROW : This is a special request, Sir. hope you will show some indulgence to these newly elected members.

THE HON. THE PRESIDENT : Very well. Please try to be brief.

THE HON. MR. SURPUT SINGH (West Bengal : Non-Muhammadan) : Sir having come to this Council at the fag-end of its existence, I feel naturally somewhat diffident to enter into a detailed discussion of the General Budget. Besides the time for a thorough study of this difficult subject has been much too short to enable me to do proper justice to it. But conscious as I am of my own limitations, I shall content myself with a few general observations on such important matters as have come to my mind. But before I do so, I shall be failing in my duty if I do not thank the Hon. the Finance Member for his Budget manifesting imagination, foresight and grasp of the political and financial situation.

Sir, coming as I do from that luckless province of Bengal, I must say that the subvention grant of Rs. 8 crores is quite insignificant for her plentiful needs. Ravaged by terrible natural calamities, devastated by disastrous famine, swept by epidemics, without any drugs or medicines, coupled with relentless mass evacuation of villages and mass deprivation of boats and other properties in numerous places by injudicious and over-zealous British civil and military authorities, in pursuance of a denial policy, the ills to which my province has been subjected, by both man and nature, are too numerous and of a festering kind. A veritable change in the physical and geological conditions of the Province has been brought about by the creation of as many as 69 airfields by wholesale destruction of big and valuable trees and by thoughtless levelling up and down of the earth's surface, numberless military roads and embankments and other fixtures, here, there and everywhere, contributing not a little to those ominous physical changes. Then, Sir, the financial resources of the Calcutta Corporation and other municipal bodies and district boards in Bengal have also been most disastrously affected by military camps and movements operating within their jurisdictions without making adequate contributions to those bodies. Then, the Bengal Government, in order to carry favour with the Central Government, have gone on adding taxation after taxation during the years of the war, while the self-governing institutions have only followed the example of their Government. The picture presented is, no doubt, dark and dismal, but such is the real picture. A generous and special treatment of my war-torn, distracted and distressed Province was thus so much needed at the hands of the Central Government. Even if the population basis had been adhered to, Bengal would be entitled to more. I can now hope that when the Australian Federal system of grants comes into vogue, Bengal will not be let down so meanly and meagrely in return for all her manifold sacrifices and privations she has undergone for the winning of the war and the unjust Meston Award will be scrapped altogether.

Sir, the redeeming features of the new proposals in the Budget are, to my mind, pleasing to the industrialists, capitalists and professional people, who undoubtedly needed some relief and consideration after the war. But the proposals distinctly leave out of consideration the common man. Poverty, for which the Hon. the Finance Member has shed so much tears—if they are not crocodile tears—should have received some consideration in his new proposals. Surcharges of all kinds, both Central and Provincial, which are sitting as nightmares over the masses, should have been lifted altogether. The duty on tobacco, the poor man's comfort and relaxation, should also have been withdrawn, as also the duties on salt, sugar and match boxes. The proposed duty on imported betelnut will hit indirectly the poor man.

Sir, I whole-heartedly welcome the proposal to set up a Taxation Enquiry Committee at an early date. The present taxation structure has, in all conscience, become quite outworn in relation to the prevailing financial world situation and trends of thought. It is heartening, therefore, that not only the Central but also the Provincial and Local Bodies' taxation structures will figure in the overhauling enquiry by a representative Taxation Enquiry Committee. The taxations in some of the provinces, specially those in Bengal, have become a duplication of the Central, the Local Bodies imitating their Government in their operations. A vicious circle is verily present in the entire taxation structure of that Province and that should be removed anon; otherwise the people, driven to desperation, may any day resort to something like a "no-tax campaign". The present united protest against the increase in the sales tax of the Bengal shopkeepers, as marked by the entire closing of their business for well nigh a fortnight, ought to be an eye-opener to all tax-imposing authorities.

Sir, I must point out that the subsidised housing scheme should have first started its operations in those areas from where the inhabitants have been dehousing wholesale as done in numerous places in Bengal on the plea of war, and not in New Delhi and the Punjab, which have least been affected by forcible requisitioning and mass evacuation operations of the military.

Sir, it is quite a sagacious move on the part of the Hon. the Finance Member that he has bestowed his timely attention on the deflationary tendencies that threaten to bring in widespread depression and unemployment, while not ignoring the consequences of the uncommon inflation—that concealed taxation—forced by the conditions of the war. Sagacity really is needed for guarding against the untoward results of both the factors.

The House, and for the matter of that the whole country, feel greatly happy over the announcements regarding India's sterling balances and the Dollar pool, about which so much misconception and misunderstanding had prevailed. We only look eagerly forward to the day when we shall come by our own dues and the day for such settlement, I am sure, will not be deferred too long.

Sir, the drop in the military expenditure, however small it may be, is just a welcome sign of the hour and will be such a great relief to the country, so much financially distracted by war operations of the last five years. Again, when in the near future India is also freed from the financial settlement with His Majesty's Government, we shall feel all the more freed from a great burden as we feel we have not been treated quite judiciously in that financial arrangement. The proposals for a National Investment Fund and a National Finance Corporation for planned economic growth of the country are quite reassuring.

Sir, in numerous instances our country has been committed to proposals and given undertakings without our knowledge and consent as done in the case of Bretton Woods Agreement. In such cases, it is needless to say, our country has felt itself quite let down, as every self-respecting country with growing national consciousness is bound to be. It is natural, therefore, that in the future scheme of things we shall disown all such back-door obligations that may come to our knowledge.

Sir, the statements and declarations that have from time to time been made by the Food Chiefs of the Central Government have in the ultimate analysis been found to be clear claptrap, not borne out by subsequent facts and figures, because they have put trust in luck and drift so much. The customs figures have disastrously belied

[Mr. Surput Singh]

their declarations as exports of foodgrains have gone on when they have assured us to the contrary. There has been awful bungling everywhere of the food problems. But it is really a matter of the greatest surprise that when tons and tons of foodgrains have been wilfully and negligently wasted and destroyed, despite prevalence of terrible scarcity conditions, none of the officials responsible has been punished. Forsooth the country is getting sick of the corrupt, inefficient, irregular and cruel control measures. It is high time, therefore, that the whole policy regarding controls is modified and regularised. It cannot but be an evil omen that when the war is over and things are coming to normal conditions, the war-time restrictions and controls will be still continuing in this country.

Sir, I must congratulate the Hon. the Finance Member on his very many ambitious projects regarding post-war planning. If successfully carried into execution those projects promise to bring in the millennium for this country. While I am not concerned so much with what is done or achieved by the contemplated projects, what I would insist on is that students who are sent abroad for training should be given a guarantee to be provided with jobs suitable to their qualifications directly on their return. They should not be treated in the way the Bevin boys are now being treated. Then, among the technically trained students there should not arise any question of communal ration in the matter of employment. Merit and efficiency should be the only tests for service. I must say, by way of warning, that the Central Electric Power and the Central Irrigation and Waterways Board must not be made to operate depending upon any contemplated or expected Provincial cess, inasmuch as some of the provinces are already overburdened with all manner of local taxations.

Sir, in the midst of our dark and dismal surroundings the national health improvement proposals of the Bhow Committee are to be accorded our heartiest welcome. Malaria, cholera and small-pox ravages which have been taking untold millions year by year in both Bengal and Bihar because state medical relief has been so meagre and sporadic, must be controlled and stopped. We cannot any longer allow our people to die like rats and flies from epidemics. Immediate adoption and working according to lines indicated should forthwith be commenced.

Sir, my great regret is that the Finance Member has not given us any outline of his Government's future food and textile programmes. Sir, in an admittedly agricultural country like that of ours, where for want of food, people are ever undernourished and for want of cloth have to go almost naked, it is really a great reflection on the administration of the Government that nothing has been done or is yet being done to bring under cultivation culturable fallow and open lands, which will be millions and millions of acres either to grow food crops or for the purpose of cotton cultivation. I hope therefore for the most essential needs of the country this matter will engage the attention of the Government before all others forthwith. Grow more food campaign only will not solve our dire present difficulty. There have been some suggestions that my Province of Bengal should not be spoon-fed. According to that most inequitable financing arrangement brought about by the present constitution which goes by the Meston Award, Bengal is afforded very little for her various needs. She has up till the beginning of the war done without any spoon-feeding through her multiple taxation measures. But the war conditions—Burma and the Far East—being so near have occasioned such dismal inroads upon her financial resources that she has come to this plight. But she is prepared to do without any outside help if the unjust Meston Award is done away with and she is permitted to utilise all that she earns.

Next, Sir, our Bengal irrigation scheme has been commented upon as being dangerous by Hon. Member of this House, I can only say that will not be so as Bengal is not wanting in engineering and minning experts who will be able to tackle the problem better. The cloth distribution scheme at present prevailing in the Provinces of Bengal and Bihar cannot but be condemned in the most scathing terms. What is really wrong with the system is not easily accounted for. In the urban areas where people need particular sort of textiles they do not get them; while in the rural areas people are forced to take those stuffs which they do not like. This state of affairs has, therefore, become quite disgusting. Again, people have been forcibly subjected to such ways and means in their procurement of cloth that they have become quite intolerable.

One point more and I conclude. Sir, it is not quite in the fitness of things, but rather out of tune with the times and temper of the people, these Victory Day celebrations which are on. When the Province, nay the whole country, is in the very grip of a famine of food and cloth, and there is a distinct deficit in the Budget, it ill becomes the Government to get the people to participate in the enjoyment of festivities. The Central Government would have shown both grace and imagination if, in place of the celebrations, they had given doles of food and cloth to the famished and naked, or had banked the amount proposed to be spent on them to insure against unemployment that is soon to come. Prohibition of cereals exports to Ceylon and ban on food parcels to the United Kingdom are, therefore, only small good gestures of the hour. Sir, the Government of India must not be fiddling while India is burning.

The Council then adjourned till Eleven of the Clock on Monday, the 11th March, 1946.