

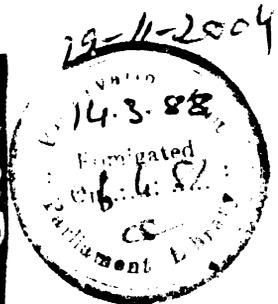
Thursday, 11th April, 1935

THE
COUNCIL OF STATE DEBATES

VOLUME I, 1935

(11th February to 17th April, 1935)

NINTH SESSION
OF THE
THIRD COUNCIL OF STATE, 1935



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Monday, 8th April, 1935—

Members Sworn	689
Questions and Answers	689—92
Bills passed by the Legislative Assembly laid on the table	692—98
Message from His Excellency the Governor General	693
Indian Finance Bill laid on the table	693
Message from the Legislative Assembly	693
Motion <i>re</i> Nomination of Members to serve on the Joint Committee to consider and report on the Parai Marriage and Divorce Bill—Adopted	694
Statement by the Honourable the President on the future course of business	694—700

Wednesday, 10th April, 1935—

Questions and Answers	701—0
Motion for Adjournment <i>re</i> refusal of the Government of India to hold a public enquiry into the Karachi disturbances—Leave to move, granted	702—03
Statements laid on the table	703—09
Bills passed by the Legislative Assembly laid on the table	710
Indian Tariff (Amendment) Bill—Considered and passed	710—38
Indian Tea Cess Amendment Bill—Considered and passed	738—43
Motion for Adjournment <i>re</i> refusal of the Government of India to hold a public enquiry into the Karachi disturbances—Terminated under time limit	743—66

Thursday, 11th April, 1935—

Members Sworn	767
Indian Finance Bill, 1935—Motion to consider, <i>not concluded</i>	767—826

Tuesday, 16th April, 1935—

Questions and Answers	827—32
Motion for Adjournment <i>re</i> inquiry by tribunals into the conduct of Government officials—Leave to move, disallowed	832—34
Indian Finance Bill, 1935—Considered and passed	835—90

Wednesday, 17th April, 1935—

Short Notice Questions and Answers	891—97
Motion for Adjournment <i>re</i> communal riots during Mohurrum—Disallowed	897—98
Salt Additional Import Duty (Extending) Bill—Considered and passed	899—903
Indian Mines (Amendment) Bill—Considered and passed	903—06
Motion <i>re</i> expression of loyalty and devotion to His Majesty the King-Emperor on his Silver Jubilee—Adopted	906—09

COUNCIL OF STATE.

Thursday, 11th April, 1935.

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

MEMBERS SWORN :

The Honourable Mr. A. deC. Williams (Government of India : Nominated Official).

The Honourable Mr. A. H. Lloyd, C.S.I., C.I.E. (Government of India : Nominated Official).

INDIAN FINANCE BILL, 1935.

THE HONOURABLE MR. P. C. TALLENTS (Finance Secretary) : Sir, I beg to move :

“ That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1934, to fix maximum rates of postage under the Indian Post Office Act, 1898, to fix rates of income-tax and super-tax, and to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, in the form recommended by the Governor General, be taken into consideration”.

Sir, this is the first time that the Finance Bill has been brought before this House for consideration after the beginning of the financial year to which it relates. The Honourable Members are aware of the reason why this has occurred. The passage of the Bill through what one of the Honourable Members on the other side of the House described the other day as “ the polluted atmosphere of the lower regions ” has taken longer than usual. The Honourable Members are, I know, anxious to get to grips with this Bill as soon as possible. They have been anxiously waiting for it and the last three days, during which they have been examining it, has, I see, produced a goodly crop of amendments.

I will only say this, that the Bill as commended to the consideration of this House gives effect to the taxation proposals which I explained in my budget speech and which were then generally approved by this House. The salt duty and the postal rates, it is proposed, should remain as in the past year. Certain small changes are made in connection with the duty on silver and the export duty on skins. The principal change which it is proposed to introduce is in connection with the surcharge on the income-tax and the super-tax and the tax on the smaller incomes. This it is proposed to reduce by one-third. These are the principal provisions of the Bill which I need not explain any further. I do not propose to anticipate criticisms of the clauses which may be made in the course of the debate : they can be answered when the various amendments are moved.

[Mr. P. C. Tallents.]

With these words, Sir, I commend this Bill to the consideration of the House.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadan) : Sir, I should like first with your permission to welcome the Honourable Kunwar Jagdish Prasad as Leader of the House here. Sir, the Honourable Kunwar Jagdish Prasad is a very distinguished citizen of the United Provinces and we of the United Provinces are particularly happy in seeing him here. He has a distinguished record of public service behind him and I am sure that in the discharge of his duties he will bring to bear a broad and liberal outlook. We expect, Sir, great things from him and we of the United Provinces are particularly proud to have a man from our province as our Leader of the House.

Sir, the Finance Bill has come to us at last but it has come to us in a certified and recommended form. The debate on the Finance Bill is in the circumstances bound to be unreal. We can offer observations on the proposals embodied in the Finance Bill but what is after all the value or what can be after all the value of these observations ? The Bill is not going to be changed by a comma or a semi-colon. And we have to be parties to the enactment of this farce. The fiat has gone forth that the Bill shall become the law of the land and it will become law, whatever this Council may do, assuming that it wants to do anything.

THE HONOURABLE THE PRESIDENT : Order, order. The Honourable Member is under some misapprehension in regard to recommended Bills. A recommended Bill does not necessarily imply that the Governor General is not liable to make any changes or accept any amendments if this House makes it. It was pointed out in 1924 by the President of the Council that the fact of the Bill being passed not in the recommended form does not in any way fetter the Governor General. He has discretion and there is nothing to compel him to exercise his power. It is within the province of Government to withdraw the recommended Bill and re-introduce the Bill with the amendments made by the Council of State. Your statement is not correct. I may also point out that this point was raised in the time of my most distinguished predecessor, Sir Alexander Muddiman, and his ruling on that point was reported in 1922. So the debate on a certified Bill is not necessarily infructuous as contended by Mr. Sapru.

THE HONOURABLE RAJA GHAZANFAR ALI KHAN : Sir, does the Government accept the position put by you ?

THE HONOURABLE THE PRESIDENT : It is not bound to accept. The Government may if it likes accept the suggestion. What my Honourable friend Mr. Sapru has been informing the Council is that it is a fiat and no useful purpose will be served by discussing this Bill. I want to correct his misapprehension.

THE HONOURABLE MR. P. N. SAPRU : Sir, I just pointed out that it is more than a recommended Bill. It is a certified Bill.

" Now, therefore, I, Freeman, Earl of Willingdon, in exercise of the power conferred by sub-section (1) of section 67B of the Government of India Act, do hereby certify that the passage of the said Bill is essential for the interests of British India ".

The distinction that I draw between a certified Bill and a recommended Bill, with all respect, is this, that a certified Bill can only be passed by the Governor General in the form recommended by him. If he accepts any amendment made by this Council, then the Bill must first be withdrawn and a fresh Bill introduced in the other House. Sir, if I may just invite the attention of the Council to section 67B—

THE HONOURABLE THE PRESIDENT : That point does not arise at present.

THE HONOURABLE MR. P. N. SAPRU : My point is, that the Bill is a certified Bill, not merely a recommended Bill and therefore it cannot be changed. It is open to us under the Standing Orders to propose amendments, but those amendments cannot be accepted by Government without disturbing the certified character of the Bill.

THE HONOURABLE THE PRESIDENT : I am afraid you are again incorrect. Every recommended Bill has to be certified. When the Governor General thinks that a particular measure is required for the safety and tranquillity of India, he has first to certify the Bill under section 67B of the Government of India Act.

THE HONOURABLE MR. P. N. SAPRU : Sir, am I to understand that the Government are prepared to consider any suggestions or any amendments that we may have to make ?

THE HONOURABLE THE PRESIDENT : The very fact that the debate takes place here means that the Government may consider, if they think proper, to do so.

THE HONOURABLE MR. P. N. SAPRU : I should like the Honourable the Finance Member to give a reply to this question. Is he prepared to consider any suggestions of a reasonable or moderate character in regard to the Bill ?

THE HONOURABLE SIR JAMES GRIGG : The Honourable Member is in possession of the House. Will he finish his speech ? It is better to consider after knowing what he has got to say about it.

THE HONOURABLE MR. P. N. SAPRU : I think it would facilitate matters if I got an answer now.

THE HONOURABLE SIR JAMES GRIGG : You are making a speech, not I.

THE HONOURABLE MR. P. N. SAPRU : Then I will go on.

THE HONOURABLE RAJA GHAZANFAR ALI KHAN : On a point of order, Sir. Is it not in the power of the Chair to ask the Government to give a definite reply to a particular question ? Because, otherwise, if the Government do not accept the position which you have very kindly laid before the House, then it will be a sheer waste of time to proceed with the discussion of the Bill or the clauses.

THE HONOURABLE THE PRESIDENT : We must proceed according to the rules of procedure. I cannot compel the Government at an earlier stage to make any pronouncement.

THE HONOURABLE MR. P. N. SAPRU : Very well, Sir. I take it that the Honourable the Finance Member is not prepared to accept any amendments and I shall make my observations on the basis of that assumption. All that we can do, therefore, in the circumstances, is to dissociate ourselves from the measure, to refuse to share the responsibility for it and enter our protest against the procedure that has been adopted. Sir, in the circumstances which have arisen, the question of over-shadowing importance is this : Is the action taken by the Executive Government wise and proper ? I will not use the word "constitutional" because that is a very difficult word to define. I will put it this way : Is the action taken by the Executive Government in the circumstances which have arisen wise and proper ? Sir, I will frankly admit that the refusal to pass an essential measure, by the Legislature, particularly a measure relating to supplies, is a very serious matter and that an Executive which has got to carry on the King's Government cannot be blamed ordinarily if it refuses to accept amendments which would deprive it of the power to carry on the administration of the country. Government, it is quite clear, cannot function without supplies, and if a Legislature refuses supplies, it cripples the Executive. Now, Sir, what is the position in India ? Here, the Executive is irremovable and irresponsible. It is strictly speaking neither a Parliamentary Executive nor a non-Parliamentary Executive. It is unique in its character. It is an Executive which is responsible to a person who is responsible to the Parliament and electorate of a country which is 6,000 miles away from the scene of its activity. The Executive here is a subordinate branch of His Majesty's Government. It has no individuality of its own, and it is in this difficulty that it has to discharge its responsibility to the Secretary of State and at the same time regulate its relations with a Legislature which has an elected majority. In the best of circumstances, a constitution like the present one, as my Honourable friend the Finance Member said in another place, is a very difficult constitution to work. The position under the present circumstances is difficult both for the Government and the Opposition, because the Opposition has to pass taxation measures and yet it has no control over the spending departments of the administration for which the taxation is necessary. Government on the other hand has normally to depend for its supplies and legislation upon it. Sir, a constitution like the present one can only work satisfactorily if there is the will to work it in a reasonable spirit on both sides. It takes two to work a constitution smoothly, and the question of paramount importance is whether the responsibility for the present deadlock rests with the Government or the Opposition, and I have no hesitation in saying that the responsibility for the present deadlock rests not with the Opposition but with the Government. What are the circumstances which have given rise to this deadlock ? Let us examine those circumstances with some care. Sir, I would ask the House to examine the position from this point of view. Was certification necessary for the peace, order and interests of British India in the circumstances of the present case ? What is the position ? To start with, you have a surplus budget, and you have the surpluses of previous years also. This surplus budget should have enabled you to cover even the salary cuts if you want those cuts to be restored. The utilisation of a surplus for reduction of taxation is not an unknown practice. If you wanted to show a co-operative spirit with the Legislature, you could have utilised the surplus for the reduction of taxation. You have been having surpluses and that

shows that you have been under-estimating, that you have been over-cautious and conservative in your budgetary estimates. It is true that you propose to spend these surpluses on objects which the other House has agreed to and to which we are also agreeable. But the point is, it was not necessary, having regard to the considerable modifications made in the Finance Bill by the Legislature, for you to spend these surpluses on these objects suggested by you and approved by us. You could have utilised this surplus in reducing taxation, and if you had done that it would not have become necessary for you to certify the budget. That is my starting point. You could have balanced the budget by utilising this surplus for the reduction of taxation. Therefore it cannot be said that certification has been used here for the discharge of the Governor General's responsibility or for the interests of British India. Sir, there was another way in which you could have restored equilibrium in the budget. You could have balanced the budget by postponing the restoration of the salary cuts and by maintaining the salary cut at the original figure of 10 per cent. Indeed, the cut should not have been restored until the emergency taxation measures to which this House was a party in 1931 had also been done away with. In any case, assuming that it was necessary for you to certify part of the Bill, it was not necessary for you to certify the whole of the Finance Bill. There was another course open to you. You could have sent for Leaders of the various groups in the Legislature before certifying and asked them to indicate what in their opinion were the items that they regarded as essential. You could have taken the line that it was obviously not possible for you to accept all the amendments but you were prepared to meet them half-way. You could have said to them, "Will you gentlemen tell us which are the amendments which you consider most important. We shall be glad to co-operate with you in finding a way out". You could have done that and if that conference had succeeded you could have come to this House and moved amendments on the lines of that agreed solution and I am sure that this House would have supported you in seeing that those amendments were carried out. Before recommending and certifying there was another course open to you. You could have come to this House and said there are certain amendments made by the other House. We cannot agree to those amendments, we want you to help us in restoring the original position.

THE HONOURABLE THE PRESIDENT : Is there any precedent for such a course ?

THE HONOURABLE MR. P. N. SAPRU : So far as the law is concerned I would submit that this House has the same rights over a money Bill as the lower House. There is no provision under the Government of India Act as far as I know which makes it obligatory for a money Bill to be introduced in the lower House only.

THE HONOURABLE THE PRESIDENT : But the provisions of the Government of India Act when a Bill is thrown out or mutilated in the other House are quite explicit and do not require explanation.

THE HONOURABLE MR. P. N. SAPRU : My point is this. I do not think I have made it quite clear. Suppose a Bill is thrown out or amended by the other House. It comes to this House and then it is open to the Government of the day to move amendments to that measure. Though I am a lawyer and I have great respect for precedents, yet I think, Sir, that statesmanship is something greater than precedent and we should not be absolutely

[Mr. P. N. Sapru.]

precedent-ridden in these matters. Sir, what was the position? The Finance Bill had not been passed by the 1st of April by the first Chamber. There was an Ordinance in operation. You could have carried on the government and all that this procedure would have entailed was a little delay. Well, does it very much matter whether you have to stay five or ten days more in Delhi or five or ten days less in Simla? Where would have been the calamity if a procedure like this had been adopted by the Honourable Finance Member? If after this course had been adopted the Legislature had been obstructive, then you could have been in a much stronger position than you are in now. As it is I am not wrong in saying that you have shown extraordinary contempt for all shades of public opinion. You have treated all amendments alike, you have ignored all political parties equally, including the European Group in the other House. Sir, the issues raised by this action are of tremendous importance. You encourage by this a disbelief in constitutional action and Parliamentary methods of government. By the course that you have adopted you have done nothing to strengthen the hands of those who wish to approach their task in a constructive manner. Let me be quite frank about this. What is the defence that the Honourable Finance Member has put forward in the other House? It was a most amazing defence that he put forward, a most extraordinary statement that he made in the other House. What did he say? I am only trying to paraphrase him. He said:

"The Legislature has been obstructive, the Legislature has been unresponsive, the Legislature has been giving us endless trouble in the other House. Therefore, as the Legislature has been unresponsive and obstructive, we are going to be unresponsive, we are going to be obstructive".

I say, Sir, it is a most extraordinary statement for any responsible Finance Minister, for any responsible Minister of the Crown to make. For what did he say?

"We shall be unreasonable if you are unreasonable; we shall be unresponsive if you are unresponsive; we shall be obstructive if you are obstructive".

Does the Honourable Finance Member wish to encourage obstruction? Does he wish to encourage unresponsiveness? Is that the object of the Honourable Finance Member? Is that the object of His Majesty's Government here? Sir, I think an answer is due to us on that question, and I say with a full sense of responsibility that the statement of the Honourable Finance Member is a very dangerous statement from a constitutional point of view. It makes the task of those who have so far believed in constitutional action, who have so far believed in Parliamentary action, very difficult. For after all you are by making statements of that character encouraging the forces of lawlessness in the country. By these statements you are destroying faith in the utility of these Legislatures. Sir, a Government cannot afford to act in a petty and revengeful spirit. A Government in a country like this must act in a more generous and more magnanimous way and I say, Sir, that, assuming that the Legislature was unreasonable, you have not shown that you were reasonable. Really your position is this, you want to punish all the political parties in the country for the sins of a single political party. I am not saying that that political party was wrong. That is a matter of opinion. But if that political party has obstruction on its programme—and it has not got obstruction on its programme now—then there are other political parties which do not believe in obstruction for obstruction's sake and you are encouraging those other political parties also hereafter to believe in obstruction. Where is sense, where is justice, where is fairness in this line of conduct?

Sir, I now pass on to another consideration. I ask, has the Opposition been really irresponsible and unresponsive? Sir, you come to us with proposals which involve some increase in military expenditure, a question on which we hold very strong views. You come to us with proposals for the restoration of salary cuts at a time when the emergency taxation still more or less continues. You come to us with salaries restored and this restoration of salaries is leading to deficit budgets in several provinces. You expect us, who hold strong and definite convictions, convictions which we cannot put into effect as we have no chance of occupying the Treasury benches, to support you in these measures. Sir, I ask is it unreasonable for us to say that we cannot go thus far? Sir, I do not understand the word "co-operation" any more than I understand the word "non-co-operation". We come here in this House to discuss measures on their individual merits. If we find that a measure is in the interests of the country we support that measure; if we find that that measure is not in the interests of the country we refuse to support it. We cannot surrender our individual judgment; we cannot surrender our individual conscience, and, Sir, if co-operation in the dictionary of the Government means surrender of individual judgment, then I have no hesitation in saying that I am a non-co-operator, and everyone of us is a non-co-operator in that sense. However, it takes two to co-operate. I have shown that you are not co-operating with us so far as the financial sphere is concerned. What is your record in regard to other than the financial sphere?

You are, Sir, forcing a constitution on this country for which the country has no use, for which no organised political party in this country has any use. You will not modify that constitution in the direction that we desire; you will not give us the Legislature which we desire; you will give us a Legislature indirectly elected at the centre and you expect us to support you when you are depriving millions of people who enjoy the right of vote of this right in future. That is the constitution, Sir, that you are giving. If we say that we do not regard it as a clean constitution, then you say that we are unresponsive, we are non-co-operating, we are obstructive. Well, Sir, it is a very difficult position for us to be in in all conscience. We have after all primarily to look to the interests of the country in which we live and if we think that we are not getting a clean deal I think it is essential for us to be straightforward and plain and outspoken.

THE HONOURABLE THE PRESIDENT: You have sufficiently dilated on that point. Will you now proceed with your next point?

THE HONOURABLE MR. P. N. SAPRU: Then I come to another point. Take your army policy. You are not prepared to reduce the number of British troops in this country. You are not prepared to reduce expenditure on the army. You are not prepared to speed up Indianisation and if we press these proposals, if we express dissatisfaction with your army policy, then you say that we are obstructive. I am just mentioning the items on which there is difference of opinion in order to show that obstruction is not on our side, that lack of co-operation is not on our side, and that lack of responsiveness is not on our side. It is on your side, not on our side, that there is lack of co-operation. Sir, you link the rupee to the pound and you will not listen to us when we say that we need a change in the currency policy, that what the masses want is increased purchasing power and that they will not have this increased purchasing power so long as the ratio remains fixed to the sterling. You ignore Indian commercial opinion altogether and yet you expect this House to swallow the bitter pill that you are giving it. Sir, you

[Mr. P. N. Saprū.]

force a treaty, an Indo-British treaty, on India without any reference to Indian commercial opinion. You say that that treaty makes no change in the existing position. Your supporters in England, the people who, I believe, understand, their interests just as well as you do, say that it makes the position better for them. I am referring to the statement made by Mr. Clare-Lees. You say as it makes no change in the existing position it was not necessary for you to consult commercial opinion, though it was necessary for you to consult British commercial opinion at every stage of the negotiations. After doing this, you disregard the vote of the Legislature and then you expect that Legislature to be responsive, you expect that Legislature to be co-operative and you expect people who hold strong political conviction to be responsive, to be co-operative with you. Sir, it would be a strange phenomenon indeed if you could have real co-operation under those circumstances. Sir,—

THE HONOURABLE MR. MOHAMMAD YAMIN KHAN : Is the Honourable Member addressing the Chair or is he addressing the Government direct ?

THE HONOURABLE MR. P. N. SAPRU : I am addressing the House, Sir. I am using the word you, which has an impersonal meaning. You continue your attack on labour organisations even of a moderate character and you make even moderate and honest labour work difficult and you expect labour to be grateful for this. Sir, after following a policy like this, do you wonder that Indians are not supporting you ? You look upon Indians either as superhuman or sub-human. I think they are human. And lastly, when we talk of planned effort at industrial development, of an ordered economic development, you dismiss us as irresponsible left wing theorists who do not understand what they are talking about. I will not use a stronger word for which I have as much horror as the Honourable Finance Member, the stronger word that he used with reference to a certain political organisation, or the leader of that political organisation in another place.

Sir, that brings me to the question of planned economy for India.

THE HONOURABLE THE PRESIDENT : Order, order. I have been waiting for some time to see whether the Honourable Member would approach the question of the Finance Bill. He has spoken now for over 30 minutes and has not yet touched at all on the financial aspects of the Bill. Since I have held this office I have allowed considerable latitude to Honourable Members on budget day and also on the occasion when the fiscal Bill is brought up to the House, to talk on and discuss other subjects. But that latitude must have its limitations. If I strictly follow the ruling of my predecessor in office, I would not allow on the occasion when the Fiscal Bill is debated, other questions to be gone into. I will first draw the attention of Honourable Members to my predecessor's ruling reported in Volume V of our proceedings. On that occasion the Honourable Mr. Ramadas Pantulu went into the question of the reforms and many other considerations and my predecessor said :

"I am afraid I cannot allow the Honourable Member on the Motion now before the House to enter on a general discussion of reforms in India or of the general policy of the Government of India. The Honourable Member will be perfectly in order on the Motion for consideration of the Finance Bill in attacking the financial policy of the Government of India. Beyond that I am afraid I shall not be able to allow him to go".

Then the Government Member replied, the Honourable Sir Narasimha Sarma, and he also transgressed the rule and wanted to discuss other matters. On that occasion, my distinguished predecessor said :

" I was waiting to see whether the Honourable the Leader of the House said anything to defend specific actions of the Government of India in detail, and I should have felt obliged in that case to ask him to confine himself to the general aspect. As the Honourable Member has pointed out, I did not allow him to make specific attacks on the policy of the Government of India except in so far as he might deal with aspects of the financial policy of the Government of India. I would ask the Honourable the Leader of the House to follow the same line that I induced the Honourable Mr. Ramadas to follow ".

I may say that I do not wish strictly to follow this precedent and as I have hitherto allowed considerable latitude to Honourable Members, I shall continue to do so, and I hope that Honourable Members will not compel me to alter my position and rule that I shall in future not allow other aspects of the case to be discussed. I would request the Honourable Member to keep within reasonable limits and confine himself to the discussion of the Bill as far as possible. I have no objection to his attacking the financial policy of the Government but to go into other irrelevant questions is obviously both needless and improper.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : May I ask, Sir, if planned economy is not part and parcel of the financial policy of the Government ?

THE HONOURABLE THE PRESIDENT : No. You can bring that aspect of the question by a Resolution before this Council. Non-official Members had ample opportunities of discussing those questions in the past. In fact, the planned economic question to a certain extent was discussed in this House when other Resolutions were discussed and I hope therefore Honourable Members will co-operate with me in saving time and help me so that I may not strictly limit Honourable Members to the Bill before the Council.

THE HONOURABLE RAJA GHAZANFAR ALI KHAN : Sir, the observations which you have just made, if they are in the nature of a ruling, then I would request you kindly to put it more definitely and clearly ; for as you know, Sir, when a man is speaking he really feels very much upset when suddenly against all expectations the Chair pulls him up. If it is in the nature of advice, then, Sir, I would only submit that we must go by the ruling which was given by Sir Frederick Whyte and which has been continuously followed by all the Presidents so far. The main principle is, Sir, the redressing of grievances before supplies. If you are going to rule that we should only talk about finance and we should not bring forward any grievances which we would like to be redressed before we vote supplies, I would like a clear ruling on this point.

THE HONOURABLE THE PRESIDENT : I have already at the initial stage stated that I have allowed considerable latitude to Honourable Members to refer in the past to other grievances and even today I allowed 35 minutes to the Honourable Mr. Sapru to refer to general matters. But I do not feel inclined to give a ruling, unless Honourable Members compel me to give a ruling. I want to give every opportunity, if Honourable Members are

[Mr. President.]

reasonable, to allow them some discretion to talk about other matters when discussing the Finance Bill, but if I am compelled I shall follow the ruling of my predecessor and altogether prevent the discussion of these other subjects.

The Honourable Member has referred to Sir Frederick Whyte's ruling. I am perfectly aware of that ruling and I will quote that ruling. I will even say that what he wanted to do was exactly what I am striving to do. He wanted to avoid a ruling as far as possible that no subject other than the Finance Bill should be discussed and that was his view. You have misunderstood his ruling. I will read to you his statement which is dated the 22nd March, 1922 :

" I have refused so far to give a ruling on this subject as I did not wish to bind the Assembly and myself down too closely to an observance of the mere letter of the Standing Orders. It is a well recognised Parliamentary procedure that on a Finance Bill general discussion may arise. If, as I pointed out before, I were to maintain the point which Dr. Gour has put to me now, it would not be in my power to give the Assembly liberty to range over the public administration of India under the Finance Bill, which I hold it is in the power of this House to do at present "

He was exactly following what I have been trying to do for the last three years, and I would therefore request Honourable Members to co-operate with me in this matter and not to go into needless other subjects which could be brought before this House by way of Resolutions.

THE HONOURABLE MR. P. N. SAPRU : Sir, may I just very respectfully point out that the question of planned economy has a bearing on the Finance Bill.

THE HONOURABLE THE PRESIDENT : Well, as you assure me that is the case I will try to follow you. You can address the House on the point. I will see if it does affect the financial question.

THE HONOURABLE MR. P. N. SAPRU : Sir, the Honourable the Finance Member stated, I think in the statement which was placed before us in connection with the budget that he was not an imaginative financier and I was going to suggest to him that I did not want him to be an imaginative financier but I wanted him to be a financier with some imagination, and it was for that reason, Sir, that I was going to make some reference to the doctrines for which he stands—the doctrine of absolute *laissez faire*. If a different policy is pursued, it would be possible for you to have a better financial equilibrium in this country, and it is from that point of view that I was going to approach the budget and attack the Finance Member. Perhaps I did not make my position clear in the first instance. Now, Sir, there is need for organised effort on the part both of the people and the Government so far as the economic development of this country is concerned. The most painful fact about this country is that the great mass of its people live in a state of absolute semi-starvation. Our population is increasing but reduction is not increasing correspondingly with our population. Our average income per head is only about Rs. 82. The corresponding figures for other countries are, Japan 271, Germany 634, France 636, United Kingdom 1,092, Canada 1,268 and the United States of America 2,053 per head. That is to say, the average income in the United States is 13 times that of India. This is an old estimate. I have taken these figures from a book by Sir M. Visvesvaraya on *Planned Economy for India*. The Honourable the Finance Member knows a very

great deal more about finance and economics than we on this side do. He can spend his leisure time usefully if he would go through some of the suggestions which Sir M. Visvesvaraya has made in this book. He is not communistically inclined. He does not want the development of India on communistic lines. None of us want India to develop on communistic lines—not at any rate any one in this House. But it is possible to be a believer in planned economy. I would say that his predecessor, Sir Basil Blackett, was a believer in planned economy. In a small book called *The World's Economic Crisis*, he will find an article by Sir Basil Blackett and there is a reply to it also in that book by Sir Josiah Stamp. What I was saying is that there is need for planned effort on the part of both the people and the Government so far as this country is concerned. We wish to develop our export trade. We wish to have trade agreements with other countries. We wish to have a rates policy which is in accordance with the wishes of our commercial people. We wish to have better marketing facilities provided by the State. We wish a rapid development of communications and we want organising skill and expert knowledge of the State to be available to our agriculturists and industrialists. There is much that the State can do by way of scientific research and scientific development in regard to these matters. There is nothing communistic, there is nothing even socialistic about proposals of this character. When we tell you that the chief cause of the present poverty and backwardness of the country is illiteracy, is there anything in that which any one ought to regard as extreme left wingist? Therefore, I say, that the low income of the whole country is due to the absence of an active State policy and we want an active State policy in regard to these matters. The first necessity for all this is that there should be a proper collection of statistics in regard to the economic condition of the country. Professor Bowley and Mr. Robertson were sent for by the Government, and they made these observations :

“ The statistics of India have largely originated as a bye-product of administrative activities such as the collection of land revenue or from the need of information relating to emergencies such as famines. As a result, the statistics are unco-ordinated and issued in various forms by separate departments. The only co-ordinated general publication is the Statistical Abstract which omits some important statistics, which must be searched for in other documents ”.

Sir, I would say that it is not enough for a Government to give us a balanced budget. It is not enough for a Government to maintain the credit of India, whatever that expression might mean. The question that a Government has to answer is, is the condition of the people as reflected in the country better? Sir, turning the corner in our case means very little. That turning the corner may benefit a few people. Even in days of prosperity people here have to eke out a pretty miserable existence. Therefore, I urge that there is need for approaching the problem from a fundamentally radical—I am not using that word in any party sense; I am using that word in its literal sense—from a fundamentally radical point of view. Sir, what do we mean by planned effort? I will explain by just reading out from Sir M. Visvesvaraya's book :

“ It is proposed under the Plan to bring all economic problems of India into one conspectus; to prepare an analyses of Indian conditions and examine how they stand in relation to foreign countries; to concentrate attention on increasing production and the use of modern tools and machinery; to obtain for this work all the guidance that can be had from foreign experience; to mobilize the country's resources in men and money to give effect to the plan; to review progress periodically and maintain a record from year to year. Such, in brief, are the objects of the plan. The Indian plan should avoid *communistic* tendencies; its basic policy should be to encourage collective effort without interfering with individual initiative. The developments should be more on the lines followed in the United States of America and in Turkey ”.

[Mr. P. N. Saprú.]

Therefore, Sir, it is no use, in this age of national socialism, of planned efforts on the part of other countries, of protective tariffs and import duties and all the paraphernalia of protection which has been developed by modern countries, ours being advocates of extreme *laissez faire*. It is necessary for any planned economic advance to have a trained organisation for the analyses and interpretation of economic facts. Therefore, there should be an effort to collect statistics in regard to these matters, because statistics are the basis of any solid structure of planned economy.

The second essential, from my point of view, is to have an organisation which would act as a thinking centre, a centre which can mould the thought and guide the future. I would therefore suggest that there should be a Central Economic Council representative of all interests and definitely subordinate to the political Parliament, to work out schemes of economic development from time to time. These are two suggestions which can be put into effect without disturbing the present position. Sir, it is not irresponsible to suggest that for this kind of economic development, for capital expenditure on productive works, you ought to borrow money at the present time. Money in these days is cheap and you can borrow as much as you want. I am not going into figures. I am not suggesting Rs. 100 crores or Rs. 50 or Rs. 20 crores. (*An Honourable Member* : " Sir M. Visvesvaraya suggested Rs. 500 crores,) Well, Sir, I have great respect for Sir M. Visvesvaraya, and if he has suggested that he must have given thought to it. But I am not bold enough to suggest any definite figure. All I say is that you can borrow money in the market today fairly cheaply and you can use that money for productive purposes.

THE HONOURABLE THE PRESIDENT : Can you borrow Rs. 500 crores in the Indian market ?

THE HONOURABLE MR. P. N. SAPRÚ : I do not suggest Rs. 500 crores. The suggestion is Sir M. Visvesvaraya's and all that I say is that he must have given thought to the matter. I am not prepared to assume that Sir M. Visvesvaraya is necessarily wrong and the Honourable Sir James Grigg is necessarily right. I say that there should be a development loan raised for productive purposes in this country. There is a great deal of work to be done, roads have to be built, slums which are a blot on our civilization have to be cleared, drainage systems have to be improved. There is a great deal of work that can be done. Therefore I would suggest that Government should seriously apply its mind to this, if it wants the co-operation of thinking India, of intelligent India, not of the India which considers it a sacred duty to support it whether it is right or wrong. But if Government wants thinking India to support them they should work along these lines and show that they are capable of adapting themselves to the changing needs of a dynamic world. Sir, this country needs a new deal, just as much as any other country. We want a better social order just as much as any other country. We want more justice in the economic sphere. We want the ordinary man, the ordinary cultivator, the tiller of the soil, to have the chance of living a useful and healthy existence. I say that there is something fundamentally wrong with a State in which a single individual, able and willing to work, finds it difficult to find employment. Sir, the question is not merely economic. It is fundamentally an ethical question.

Then, Sir, I come to the individual criticisms on the Finance Bill. There is first of all the question of the salt tax. The salt tax has a long history behind it. The late Mr. Gokhale always objected to it. He made many strenuous efforts to have it reduced and it was finally reduced. Sir, it falls on the poor. Salt is an article of universal consumption and I think that, having regard to the enormous poverty of the country and having regard to the fact that salt is essential for the cultivator's cattle, there is a case for the reduction of the salt duty. I think the Legislature was not very unreasonable when it suggested, not total abolition—that may be our eventual goal and objective—but immediately a reduction by eight annas of the duty. Twelve annas was the figure suggested. You could have come forward with a suggestion that the reduction should be to Re 1. But you never came forward even with a suggestion of that character.

Then, Sir, there is the case of the income-tax payer with an income between Rs. 1,000 and Rs. 2,000. The lot of the poor income-tax payer is very hard these days. The lower income-tax payers in this country have a large number of dependants. You know, Sir, what the joint Hindu family system means, and this tax does act harshly on these poor income-tax payers. I think they ought to be exempted from this tax. The exemption limit ought to be Rs. 2,000 and not Rs. 1,000 as at present.

Then there is the question of the reduction of postal rates. We want the villages to be opened up. We want some more cheerfulness in the life of the villager, and if you keep the postage on postcards at three pice you make it very difficult for him to occasionally correspond with his people. One pice may not have any value for us, but for men who have to eke out a miserable existence, who are not making even Rs. 6 or Rs. 7 a month, one pice has a very great deal of value. Then there are the commercial firms who are also affected by these postal rates. It was not unreasonable on the part of the Legislature to press these amendments and I would suggest to the Honourable Finance Member to be more imaginative and to show a spirit of responsiveness towards this House which he was not prepared to show towards the other House. If he is prepared to accept these suggestions he will be showing that there is some imagination, that there is some statesmanship, in the Government of which he is a Member. If, on the other hand, he cannot accept these suggestions, then he must not blame us for thinking that Government have got no regard for public opinion, that they delight in flouting public opinion and that the only way of making ourselves felt is by making ourselves a nuisance.

Well, Sir, I am very sorry to have taken so much of the time of the House. The issues raised by the Finance Bill are of tremendous importance. The actual financial proposals may be sound or they may not be sound, but they have been put in a form, a procedure has been adopted in regard to them, which makes it incumbent on us as men who have got some very definite and strong convictions to record our protest. I shall consider it therefore my duty to vote against this measure both at the consideration stage and at all subsequent stages.

Sir, with these words, I oppose the Motion that the Finance Bill be taken into consideration. (Applause.)

THE HONOURABLE SIE NRIPENDRA SIRCAR (Law Member): Sir, if I take part in this debate and that at a very early stage, it is because I want to disabuse this House of the impression which may have been created by the speech of my Honourable friend Mr. Sapru that by following the procedure

[Sir Nripendra Sircar.]

which we have done what was intended was a slight on this House. I want to assure this House that it was farthest from our thoughts. But to explain the situation, I may be permitted to remind this House of the previous occasions when this question had cropped up both before the Legislative Assembly and this House. Sir, without trying to be exhaustive, I will give you possibly all the relevant occasions which have any bearing on the situation which arose a few days ago. The Finance Bill of 1923 was introduced. Then during the stage of detailed consideration clause by clause, certain adverse amendments were passed by the Assembly. No recommendation was made at that stage and the Bill was sent to the Council of State. Amendments were suggested before this House and the amended Bill was passed. The amended Bill as passed by the Council of State then had to be returned as required by the rules to the Assembly with a recommendation to pass it in the form in which it had been accepted by this House. The result was that that was not accepted. It was again rejected as the Assembly declined to accept the recommendation and the Bill was certified. That was a different procedure.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : In what year was it, Sir ?

THE HONOURABLE SIR NRIPENDRA SIRCAR : It was the Finance Bill of 1923.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : May I remind the Honourable Member that there was a time when the recommendation was accepted by the Assembly and it was adopted by the Government ?

THE HONOURABLE MR. P. C. D. CHARI : In 1927.

THE HONOURABLE SIR NRIPENDRA SIRCAR : It is rather a jump from 1923 to 1927 and 1929, and if my Honourable friend will have a little patience he will see he need not have reminded me, because I have not forgotten the matter.

Now, Sir, that is the other procedure and the grievance of my Honourable friend Mr. Sapru must be that we have not followed the other procedure, that is to say, allow the Bill to leave the Assembly in the form in which we knew it would not be acceptable to Government, then come up before this House, have the recommendation made and go back again with that to the Assembly. I ought to remind this House as to what happened in 1923. A very strong protest was made by the Opposition and the Opposition included very eminent men, some of whom were profound lawyers, and the point taken by them, which was very clearly stated in a petition which was sent up to His Excellency the Viceroy, was that the Government has no right to make any recommendations after the passage of the Bill so far as the lower House was concerned had been finished. They said if you want to have any recommendations, you must do it before the final stage so far as the lower House was concerned. It is quite true, Sir, that we refused to accept that interpretation of the law ; it is quite true, and we if necessary shall again maintain that that interpretation was not right ; but I am simply reminding the House that the point was very severely pressed that the proper course—apart from the legality of the thing—was to have the recommendation before the Bill left the House. That was what happened in 1923, Sir.

Then we come to the Finance Bill of 1924. There are really five or six incidents which are relevant. The Motion for consideration of the Bill when it was moved in the other place was rejected, a recommendation was made by the Governor General and on his recommendation an attempt was made to reintroduce the Bill in the House. That Motion was again rejected. Then the Bill was certified and the certified Bill came to this House. That is what happened in 1924. I am not making any comments, but giving facts to this House.

Then, Sir, we come to 1925 when the Bengal Criminal Law Amendment Act of 1925 was being discussed in the House. Here again during the consideration of the Bill clause by clause three of the clauses were struck out. In fact what was left was only the preamble. The result was nothing of substance was left of the Bill. At this stage the Governor General recommended that the Bill should be passed in its original form. I want this House to kindly note these facts, that here again the Bill was recommended by the Governor General before it had come up to this House. The amendments were rejected and the Bill had to be certified as one would expect.

Then, Sir, I am not referring to 1929 because in that case (although that is a case in point, namely, the Bill was recommended before it came to this House), because that was the only occasion when a Bill after it was sent back in the recommended form to the Assembly, it accepted the recommendation and so there was an end of the trouble.

But there are two more instances. First of all the Finance Bill of 1931. There again during the consideration of the clauses some of the amendments which had been made were unacceptable to the Government. What happened there again was that the Governor General made his recommendations. They were later on rejected and the Governor General had to certify the Bill. The situation arose again in 1931, in the very same year in connection with what was called the Supplementary Finance Bill of 1931. Here again adverse amendments were introduced by the lower House during the passage of the Bill and recommendations were made by the Governor General and I believe they were again rejected, when the Governor General had to certify.

Now, Sir, in the debates of 1929 I remember when there were very elaborate discussions about the construction of the different sections and the different Legislative Rules relating to procedure and so on, Sir George Schuster dealt at some length with this question and he said that the only honest course was to follow what he had done, namely, before the Bill left the House the recommendation should be made and that the House should be given a chance of reconsidering and accepting or refusing as it chose the recommendations made by the Governor General.

Therefore, Sir, to put it shortly, since the point was raised in 1923 that we have no power whatsoever to introduce recommendations after the Bill had left the lower House—a position which as I have said we do not accept—since that on every occasion this course has been followed and I submit to this House that this is the only proper course to follow. I ask Honourable Members to consider another aspect of the thing. As I understand, my Honourable friend Mr. Sapru was not attacking so much the legality of the thing as its propriety. He did not raise any point of order that this course cannot be followed, but his point was that it was improper to follow this course, and if I accept that argument, then what we should have done, talking of the present occasion, was this. We ought to have introduced no recommendations before the lower House, but allow that Bill which we knew perfectly well was not going to be accepted by Government, allow that Bill in that

[Sir Nripendra Sircar.]

unacceptable form to pass out of the Assembly, come up here and have certain amendments and then go back, Sir, again to the Assembly, knowing perfectly well what the result was going to be. My own humble view is that if we had followed that course (apart from the fact that we have not followed that course on any previous occasions barring 1923)——

THE HONOURABLE MR. P. C. D. CHARI: It was followed in 1923.

THE HONOURABLE SIB NRIPENDRA SIRCAR: I said, Sir, barring 1923. If Honourable Members would not be so impatient, probably interruptions would not be necessary.

Now, Sir, if we had not followed the course that we have done, the result would have been further waste of time, further acerbation of feeling; and that is, Sir, all that we would have gained by following a course which would have been a departure from the course which we have been following since 1923, and we would probably have been open to the charge in the other place that

“ You are now departing from your practice which you have followed on half a dozen previous occasions, the sinister motive being that you want to flout this House ”.

The complaint would have been that they had no chance of accepting the recommendation before it had come back from this House. So that I am quite sure, Sir, that the House will agree we are to give a simile which may not be appropriate, between the devil and the deep sea. (*An Honourable Member*: “ Who is the devil and who is the deep sea ? ”) That is for you to choose!

Now, Sir, I would ask Honourable gentlemen again to look at it from another point of view which I say is not a point of law but a point of practical commonsense. Either this House will after the deliberations be prepared to accept the recommendations which have been made by the Governor General or they may find themselves unable to accept them. Now, in the first case, that is to say if this House is able to accept the recommendations, then surely nothing has been lost, no harm has been done. If, on the other hand, they are unable to accept these recommendations, I would ask Honourable Members to say what would have been gained by this House, if we had adopted the procedure followed in 1923. What would the Government, or anybody, have gained by adopting the other procedure, namely, bring the Bill here, get it rejected here (we had already the rejection of the lower House), and then go back to the other House and ask them to accept it. Sir, I want this House to accept my assurance that we had no idea and that nothing was further from our thoughts when we adopted this course than to do something which would be construed as a slight on this House.

Sir, as regards the financial problems, there are others more competent to speak and I do not desire to take up the time of this House. Only one matter, Sir, I would like to touch. My Honourable friend, Mr. Sapru, has taken a considerable time in discussing the reasonableness of the Opposition and the unreasonableness of the Honourable Finance Member in not co-operating on account of political reasons. May I ask him to consider only one aspect? I do not think my Honourable friend the Finance Member has ever said that he refused to accept the decisions of the other place because they came from obstructionists. I think he made it perfectly clear that he was not accepting the decisions because they were unacceptable on the merits of the case. On the question of co-operation, I would ask my Honourable friend Mr. Sapru to remember that this is not the proper place nor would

it be right to make adverse criticisms on the conduct of another House on the floor of this. That I think would be improper—but I would ask him to remember, when he was reminding us that there was co-operation, to read carefully the few lines of a short speech delivered by the Leader of the Opposition in the other place, in connection with the demand for celebration of the Silver Jubilee. Sir, the purport of the speech is that as British rule has been injurious to this country, therefore his party will not do anything which in any way may help that rule. Now, Sir, that rule is represented by the Government of India. Sir, I want my Honourable friend to consider this aspect of the matter. If any section of the House—I am saying this for the sake of argument—if any section of the House, not to speak of the largest section of the House, were to be actuated by the dominating motive that “We are not going to do anything which will help the present Government to administer the country”, would you not expect, Sir, that their sole desire at all times will be to create situations where the Government will be compelled to certify, compelled to have recourse to emergency powers, so that they can go to the country and say: “We have exposed the naked autocracy of the Government: See how this Government is flouting our decisions”. (Applause.)

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: Sir, I want to ask one question of the Honourable the Law Member. What does he think of the desirability of having a joint session of the two Houses on such occasions?

THE HONOURABLE SIR NRIPENDRA SIRCAR: The question has not arisen and as a matter of fact I have enough to do without applying my mind to situations which do not and may not arise.

THE HONOURABLE MR. SHANTIDAS ASKURAN (Bombay: Non-Muhammadan): Sir, in the somewhat peculiar circumstances under which the Finance Bill is being introduced in this House for discussion, I recognise with keen disappointment and regret that there is no possibility of any proposals from this side of the House being accepted by the Government. Sir, every section of the community in the country has protested in the strongest terms against the certification of the whole of the Finance Bill and the rejection of all the proposals for reduction in taxation, some of which had the support of even the European Group in the other House. I am afraid, Sir, I cannot congratulate the Honourable the Finance Member on this most unfortunate beginning of his career. Certification of a Finance Bill, Sir, is a step which should never be taken until the Government has exhausted all other means of convincing the people's representatives, that its taxation proposals are absolutely necessary for its purposes. I understand, Sir, that on a previous occasion, during Lord Reading's Viceroyalty, informal discussions were held and non-official leaders were taken into confidence with a view to see whether any compromise were possible. I warn the Honourable the Finance Member that this policy, Sir, of holding all of us at arm's length augurs no good at all for the Government. I sincerely trust for the sake of goodwill and peace that there will be some indication of a spirit of accommodation in the future; and it is in this hope, Sir, that I venture to make some observations on the Bill before us.

Sir, a great deal has been said about the necessity of balancing the budget of the Government of India. I, as a businessman, fully recognise that necessity. But I would ask the Honourable the Finance Member not only to

[Mr. Shantidas Askuran.]

look at the budget which he has presented, but also to examine the budgets of the various provincial Governments. Sir, I want to ask him whether it can really be a matter of satisfaction to him to balance his budget only by compelling the provinces to increase their taxation and to cut down their expenditure on nation-building departments to the barest minimum. It is all very well, Sir, to put forward a balanced budget for the Government of India. But the question is, does it reflect truly the conditions both of the provincial Governments and of the taxpayers? I say, Sir, the budgets of millions of taxpayers have been thrown out of balance and several provincial Governments can make both ends meet only with the greatest difficulty. These, Sir, cannot be secure foundations for a so-called balanced budget of the Government of India.

Sir, let me for an instance turn to my own province of Bombay. As was acknowledged by Sir George Schuster in his speech last year, our annual revenues have dropped by about Rs. 2 crores during the last fourteen years, which is a very big sum for a provincial Government; this, Sir, is in spite of the fact that we have had to resort to extra taxation by means of motor fees, electricity duty, tobacco duty, increase in court fees and stamps, betting tax, entertainment tax and other devices. I know, Sir, that His Excellency Lord Brabourne and his Finance Member in Bombay are ceaselessly vigilant in cutting down expenditure in every possible way. Drastic economies have been introduced but even then it is a desperate struggle for the Government and the people. Hospital accommodation in Bombay has, as everyone knows, been seriously curtailed. But, Sir, such is our condition that the Government is not able to meet even our essential requirements in regard to medical relief and education. I want to assure this House that I am not actuated by a provincial outlook, though as one of Bombay's representatives I must point out that the actual rate of taxation per head is 6·4 rupees in Bombay, while in the Punjab it is 4·6, in Madras 3·5, in the Central Provinces 3, in the United Provinces 2·4, in Bengal 1·8 and in Bihar and Orissa 1·3.*

Sir, this is a matter which needs very deep consideration. Recently, on the floor of this House, the Honourable the Finance Secretary announced the appointment of a Committee of Experts to investigate the problems of the resources of the various provinces. I sincerely trust that this Committee will not do Bombay another injustice of the kind perpetrated by the Meston Committee. I hope also that it will not be misled by the apparent inability of some other provinces to balance their budgets. Sir, I do not wish to be misunderstood in regard to this matter; but what I do ask for is justice as between the various provinces. I also ask the Government of India to reduce its demand on the pockets of the taxpayer so that the new constitution may begin to function in the provinces without the dark clouds of financial insecurity gathering on the horizon.

Sir, at this stage of the discussion of the Finance Bill, no practical purpose will be served by going into any detailed consideration of the various proposals carried by the other House but rejected by the Government. Speaking for myself and, I am sure, for the entire business community in India, the amendments of the postal rates such as the reduction of the price of the postcard to half an anna and of letters up to the weight of one tola to one anna would have met with such deep and widespread approval as to justify some risk being taken

* These figures were quoted by Sir Cowasji Jehangir in his speech last year and accepted by Sir George Schuster.

by the Postal Department. I also hold strongly that a loss of Rs. 50 lakhs in income-tax, which would have resulted from raising the level of exemption from Rs. 1,000 to Rs. 2,000 a year, would have been welcomed all over the country as an indication that the new Finance Member recognises the level of taxation in this country to be unduly high. I must also express my deep disappointment that the surcharges on income-tax and super-tax were not completely removed this year. Sir, I maintain that the Honourable the Finance Member had no right to give complete relief to the public services at the expense of income-tax and super-tax assesses.

It is most unfortunate, Sir, that all these reasonable and modest suggestions have proved unacceptable to the Government. The Postal Department, in my opinion, should not be looked upon merely as a commercial department. It is a vital necessity in India for the general awakening of the people. I am glad, Sir, that the Member in charge of Posts and Telegraphs has recently announced that efforts would be made to revive post offices in the rural areas which were closed down in recent years as a measure of economy. I sincerely trust that this policy of extending postal facilities in the rural areas will be continued in the future.

Sir, at this stage of our discussions, I should not detain the House for long statistics and figures to show that the burden of taxation is far too heavy for the taxpayer. Prices according to the latest review of the trade of India available, have shown an average fall of 47 per cent. in regard to our principal agricultural crops as compared with the prices of 1928-29. There has also been a considerable shrinkage in the purchasing power of the masses. How far, may I ask, has the Government made sincere and whole-hearted attempts to cut down its expenditure in proportion to the lowered capacity of the people to meet the demands of taxation? Far from taxation being reduced, we have had heavy extra taxation since 1928-29. In 1930-31 the additional taxation levied was between Rs. 11 and 12 crores. In the two following years there was extra taxation of over Rs. 22 crores. Then, Sir, we have had surcharges of 25 per cent. added on as an emergency measure. Only this year there has been no new taxation proposed and only a very slight and in our opinion utterly inadequate reduction. Is it not a fact that while businessmen and private persons have had to cut down their expenditure because of lowered incomes, the only exception is the Government. Is it fair to contend, Sir, that the emergency has passed only so far as the Government and the public services are concerned, but not for the people of this land?

Sir, how utterly unsatisfactory is the position from the people's standpoint is clear from a brief reference to the analysis of our tax revenue. As a general proposition it may be stated without fear of contradiction that while our rates of taxation have gone up, the amounts collected have gone down, and at the same time the cost of collection has risen out of all proportion thus proving, Sir, conclusively, that far greater efforts have to be made than before to collect taxes, and even then the results are not what they used to be. Let me just take two or three instances. A customs revenue of Rs. 51.28 crores in 1929-30 cost Rs. 97 lakhs for collection, but this year a revenue of Rs. 51.84 crores costs Rs. 115 lakhs. In regard to income-tax the contrast is even more glaring. In 1921-22 to collect Rs. 21.89 crores it cost the Government only Rs. 22 lakhs, while this year to collect Rs. 16.40 crores (over Rs. 5 crores less than the previous figure) it will cost the Government no less than Rs. 92 lakhs, or about 4½ times the previous figure. In regard to excise also, while the collection of Rs. 54 lakhs in 1921-22 cost the Government only Rs. 3 lakhs, this year it will spend Rs. 16 lakhs to collect only Rs. 40 lakhs.

[Mr. Shantidas Askuran.]

And now, Sir, I want to make a brief reference to the policy of selling silver pursued by the Government of India. I have put down a question on this subject, and until I get an answer, I do not wish to dogmatise. But, Sir, can the Government deny that while it purchased silver in recent years at a very high price, it commenced selling it when prices had reached the bottom, although at that very juncture America started buying silver and there was every reason for anticipating a rise in the price of silver. I do not know, Sir, what the total loss of this transaction will be, but venture to estimate it at several crores of rupees so far. Conditions in Europe are unsettled, and the Honourable the Finance Member recently referred to this factor as justifying a cautionary estimate of revenue. May I ask, Sir, whether this very consideration should not be extended also to his policy of selling silver? The Finance Member seems to have ignored the experience of his predecessors in this respect. Is he sure that externally also with the improvement in trade conditions and a possible rise in commodity prices, there may not be a demand for more silver rupees? Can the Finance Department be sure that the need will not arise in the future when the Government of India will have to re-purchase silver, possibly at greatly enhanced rates? I shall say no more on this point today.

The Honourable the Finance Member has given clear indications that he regards the present revenue tariff wall as undoubtedly high from the standpoint of the consumer and proposes to commence investigation as soon as his pre-occupations with the present budget are over. Sir, I want to warn him that this is not merely a departmental matter. Behind that tariff wall, raised though it may have been from revenue considerations, there have grown a number of comparatively small, but important industries. Before, Sir, any decisions are taken in regard to alteration of the tariffs prevalent at present, I would appeal to the Honourable the Finance Member to give adequate opportunities to the Indian business community to make its representations, so that its interests may not suffer. I must confess in this connection that I was rather alarmed by the misleading statement he recently made in regard to the sugar and textile industries that, while only Rs. 7 crores went to the Government of India, Rs. 27 crores have gone into the pockets of the industrialists. Sir, so far as the textile industry is concerned, let not the Honourable the Finance Member forget that this industry is not only responsible for the consumption of more than half the cotton crop of the country but has been the means of employment of hundreds of thousands of poor workers. Sir, does he know how many mills have been closed down and how many even sold as scrap, because they could not survive the depression in the industry? Sir, has he any conception of the number of mills which have not paid dividends, either on their preference shares or on their ordinary shares, for a number of years? What is the good, Sir, of making these sweeping statements and creating the impression that the industrialist in this country is exploiting the consumer? Sir, if the Honourable the Finance Member has any doubts in this matter, I would suggest a close scrutiny of the balance sheets of all the mills in British India, so that he may appreciate the critical position in which the textile industry finds itself. Sir, he is labouring under a great illusion if he thinks that the industrialist in India is fattening at the expense of the consumer.

Let me pass on, Sir, to another matter to which also I want to make a brief reference. That is the Rs. 113 lakhs set apart for rural development purposes in the provinces. I congratulated the Honourable the Finance Member in my speech on the general discussion of the budget on this evidence of his interest in the welfare of the rural areas. But I want to impress upon him that

the needs of Bombay should not be considered in terms of the population of the presidency. Is it fair, Sir, that the most heavily taxed province in India should receive a far smaller sum than that allotted to Bengal or the United Provinces or Madras ?

Sir, I now turn to military expenditure. The actual expenditure is not Rs. 45 crores, but at least Rs. 48 crores, if one takes into account only two major items : almost Rs. 2 crores which is a loss on strategic lines and approximately a crore which was announced by the Financial Commissioner for Railways in the other House as the amount of concession granted to the military authorities by the Railways. Sir, I hope I shall be pardoned for referring to this question at some length. The problems of defence were considered by a Sub-Committee of the first Round Table Conference in 1930 with the Right Honourable J. H. Thomas, the Secretary of State for the Dominions, as Chairman. The Sub-Committee came to certain unanimous conclusions of which I shall mention two here : first, with the development of the new political structure, the defence of India must to an increasing extent be the concern of the Indian people and not, as hitherto, of the British Government alone ; and secondly, in order to give practical effect to this principle, immediate steps should be taken to increase substantially the rate of Indianisation in the Indian Army to make it commensurate with the main object in view.

Unfortunately, Sir, the present policy seems to be that a certain number of units will be completely Indianised and the results of the experiment watched carefully. And until the military authorities are satisfied that the experiment is a success, there will be no change in policy. May I point out, Sir, that Sir John Shea, who appeared before the Indian Sandhurst Committee in 1926 (otherwise known as the Skeen Committee), expressed the opinion

“ We shall have a far more efficient army if a mixture of Indian and British boys in the same unit is permitted than by totally Indianising certain units ”.

The Skeen Committee came to the conclusion that

“ both for psychological and practical reasons the continuance of the scheme can only conduce to failure ”.

Sir, I shall not repeat the arguments I used in my speech on the general discussion of the budget regarding the adverse reactions of India's heavy burden of defence expenditure on her general position. But in view of the fact that His Excellency the Commander-in-Chief recently stated on the floor of this House that there can be no reduction in the number of British troops at the present moment and that its present size is absolutely in India's own interests, I may be permitted to make a reference to some correspondence which has passed between the late Lord Rawlinson, at that time Commander-in-Chief in India, and Field-Marshal Sir Henry Wilson, the Chief of the Imperial General Staff. The Government of India had decided to recommend as a measure of retrenchment, after investigation by Lord Inchaape's Committee in 1922, a reduction of British troops in India by four battalions and two cavalry regiments. Lord Rawlinson appealed to Sir Henry Wilson for help and the following is a record in his diary*

“ At five o'clock, I got a S. O. S. from Philip Chetwode (now our Commander-in-Chief in India) who reported a wire just received for me from Rawly which said that, in spite of his most strenuous opposition, the Viceroy in Council had ordered a reduction of British troops by four battalions and two cavalry regiments. Rawly says this is madness and asks for my help. I have wired to Philip to go to Montagu (a that time Secretary of State for India) and to find out whether I am, or am not, his adviser ; and I told

* Sir Henry Wilson's *Life and Diary*, Vol. II, page 276.

[Mr. Shantidas Askuran.]

Philip not to be put off by being told that this was a matter of internal economy to be decided by the Viceroy in Council, because the internal security of India, the protection of her frontiers, the power to send troops to countries outside her frontiers such as Mesopotamia, Burma, Singapore and Hong Kong and finally the obligation on the Home Government to reinforce India in case of necessity were all matters interwoven in imperial strategy and, therefore, came under me.

"I wonder what Philip will get as an answer? As I said a week ago, when writing to Rawly, Montagu and Chelmsford have set up a Council with a lot of natives on it, and have lost control, and now they dare not impose the extra taxation necessary. The same Council will before long refuse to allow Indian native troops to serve outside India! And then?"

Sir Henry Wilson's blunt outburst explains perhaps far more than a carefully prepared memorandum the soldier's view on the subject. What dangers there are of external aggression today, it is not for me to say. But, Sir, in regard to internal security, I must repeat that the better way of maintaining it is to increase the contentment of the people through reduced taxation, so that funds may be available for nation-building services. As a businessman, I shall be the last person to suggest a reduction in the number of troops in this country beyond the margin of safety. In His Excellency the Commander-in-Chief is convinced that there can be no immediate reduction in the size of the army, I, for one, will be content to accept his view, however much one may regret the necessity. But, Sir, I want to put it to His Excellency that he should realise our difficulties in the matter and, before he lays down his high office, effect substantial economies in military expenditure. I cannot help feeling, Sir, that for the cost of administration of the army—such as army headquarters, divisions and brigades—Rs. 191 lakhs seem a somewhat extravagant item. I cannot also understand the need for soldier clerks drawn from the rank and file of the British Army, who draw large salaries, sometimes exceeding Rs. 1,000 a month. Let me again refer to the high cost of medical services, which is more than Rs. 147 lakhs this year. Sir, may I suggest that the Army Department should consider at what a terrible cost these departments are maintained. Only the other day, the Minister for Medical Relief in the United Provinces, in making a demand for Rs. 31 lakhs for the department, mentioned the fact that lack of funds was impeding at every step the expansion of the activities of the department. The same complaint is voiced from Bombay, Bengal and almost every other province. The medical services of the army, the medical colleges and schools and the medical stores depots and workshops cost in the aggregate this year over Rs. 175 lakhs. In other words, Sir, the medical needs of the Army in India cost us between five and six times the expenditure on medical relief in the United Provinces with a population of nearly fifty million. Then, Sir, I observe from the estimates that the aggregate pay received by British and Indian soldiers, Indian officers and followers, is about Rs. 9½ crores. As against that, the officers' pay comes to Rs. 3 crores and 58 lakhs, and the total overhead charge for officers and command is Rs. 5½ crores. It seems to me strange that out of a total wage and salary payment of Rs. 15 crores, 40 per cent. should go to the superior services. I am afraid, Sir, that this top-heavy arrangement is very far from being businesslike.

I would earnestly request His Excellency the Commander-in-Chief to consider whether the Army in India exists for the people, or whether the people exist in order to maintain the army at this high standard of efficiency?

The milk supply available in the country, as was pointed out by Sir John Megaw on the condition of health in the rural areas, is greatly deficient, except possibly in the Punjab. I can speak from personal experience, Sir, that when

I was in Kathiawar in my younger days, while butter-milk was an article of common consumption, it is becoming a rare luxury today among the masses of the people.

The serious deterioration in the health of the people and the urgent need for expanding the activities of nation-building departments in the provinces are my main reasons for making an appeal to His Excellency the Commander-in-Chief to view the problems of defence from a national standpoint, keeping India's interests first, and not merely from a departmental point of view taking orders from Britain. Finally, I should like to observe that the various suggestions that have been made during the last five years for decreasing the burden of defence should be considered at this juncture. The Capitation Rates Tribunal has, no doubt, given us some relief in the neighbourhood of Rs. 2 crores per year. But it is also agreed that the amount is inadequate and the Government of India has made no secret of the fact that it demanded much more. I am not prepared to believe that the Government would have made that demand unless it was convinced of the absolute justice of its claim. It is manifestly unfair that we, who are one of the poorest people in the world, should be asked to meet the entire cost of British troops in this country, a considerable portion of which is admittedly in imperial interests. His Excellency the Commander-in-Chief may not be with us at this time next year; but his name will be remembered with gratitude for ever if, before he gives up his office, he will give sympathetic consideration to the various alternative suggestions which have been made and to which references have been made in the Report of the Capitation Rates Tribunal—suggestions which in terms of money would vary between £10 and £16 million per year.

Last year His Excellency the Commander-in-Chief pleaded with us that when Britain was undergoing financial strain it would not be proper to ask her for a greater contribution to Indian revenues than what she had agreed to pay towards capitation charges. But I find, Sir, that the revised estimates

I P. M. for this year show a balance not of £800,000, but of £7½ million, that is, after reducing the rate of income-tax from 5s. to 4s. 6d. and after restoring the cuts in unemployment benefits in full and the cuts on salaries of public servants by half. This, Sir, I maintain is an opportune moment for pressing our claims for large-scale relief.

Speaking entirely as a businessman, I affirm that the success of any constitution will depend primarily upon the amount of funds available for nation-building purposes. Let the army authorities, realising the seriousness of the position, reduce their demand on the Finance Member; let the Finance Member, in his turn, set free larger funds in the provinces so that the provincial Governments of the future may go ahead with their task of reconstruction without anxiety.

THE HONOURABLE MR. S. D. GLADSTONE (Bengal Chamber of Commerce): Sir, I rise to support the Motion that this Bill, in the form recommended by the Governor General, be taken into consideration.

In doing so, Sir, and as it is unlikely that I will have an opportunity of speaking on the individual clauses of the Bill, or on the amendments, notice of which has been given, I want to make a short explanation of the general attitude of the European Group to the Bill, and to the line of action taken by my Group in the other House in order to make our attitude clear.

As is well known, Sir, when the amendment restoring the salt duty to the level at which it stood in the original Finance Bill came before the other House, the Members of my Group abstained from voting, thereby causing the

[Mr. S. D. Gladstone.]

defeat of the Government to be by a larger margin than would otherwise have occurred. This was done, despite the fact that their action was inconsistent with what they had done before because, when the amendment reducing the salt duty was carried, the European Group voted against it and, if it had been the sole issue on the second occasion, they would certainly have voted with the Government.

But unfortunately it was not the only issue because, owing to the rule^s of procedure on a recommended Bill, in the event of rejection of the amendment—which seemed in that particular case tolerably certain—there would have been no further opportunity for the Members of my Group to make a statement upon the position taken up by the Government.

The policy we adopted may have been right or wrong but in spite of statements which have been made in one of the newspapers to the contrary, this policy had the unanimous support of our Group and our distinguished leader, Sir Leslie Hudson, had the support of every one of us then present when he made his statement in the other House. To say the least of it, Sir, we are disappointed that the Government have not deemed it possible, or have deemed it inadvisable, to accept any of the amendments which were supported by our Group and carried in the other House. (Hear, hear.) Moreover, so far as I know, the Honourable Finance Member has offered no satisfactory explanation of the reasons which caused him to adopt this uncompromising attitude.

It might almost be suspected that the attitude of the Honourable Finance Member so far has been to say :

“This is the budget I have framed for you. You may take it from me that I am an expert in these matters and that I am satisfied that what I have drawn up, what I have estimated and proposed is the best possible for you. If you think otherwise you are quite mistaken and in any case I don't intend to listen to you. Take it or leave it, you will get it any way whether you like it or not”.

Now, Sir, that the budget is a good one may be admitted and I would award credit for this not only to our present and past Finance Members but also to those who have provided the revenue. The budget is such a good one that it is tragic it has suffered the fate which has befallen it. On its merits it did not deserve such an unhappy fate and I venture to say with all respect that it would not have had such a disastrous passage if the helmsman had been a little less rigid in adhering to the straight line on his hart. (Hear, hear.)

Sir James Grigg is an expert—that too is admitted—indeed I would venture to say that he has possibly few equals in his own particular line of business. But for all that I suggest with all respect that his unbending attitude towards all form of counter-suggestion, whatever its origin is not one to promote an atmosphere of co-operation or responsible criticism.

Personally I find it difficult to approve of the explanation of the attitude of Government which the Honourable Finance Member is reported to have given because in spite of all discouragement it would seem to me to be a poor attitude to take up to abandon all efforts to win the co-operation of all parties. It should surely be his endeavour, his aim to win them over to his way of thinking—or some of them anyhow—to get them to eat out of his hand. And how better to win over some mulish person, to get him to eat out of your hand, than to place some quite small though tempting morsel in that hand ?

It is definitely our belief that some amendments might have been accepted without detriment to the budgetary position and in the best interests of the existing and future government of this country.

We have our constituents to consider and there is no doubt that there is a large body of European opinion which is gravely disappointed with the budget proposals.

In the matter of emergency taxation may I make a comparison between what has happened here in India with events in the United Kingdom.

1. In the United Kingdom in the emergency budget of 1931 6*d.* was added to income-tax raising it from 4*s.* 6*d.* to 5*s.* and at the same time the services were subjected to a salary cut—graded—with about 10 per cent. in the superior grades going up to 15 per cent. for Cabinet Ministers and so on.

It was laid down by Lord Snowdon that the sacrifice should be distributed equally and that no one burden should take precedence over any other in the matter of relief.

In 1934, the budget provided for a restoration of 50 per cent. of the salary cut and 6*d.* off the income-tax.

Now just contrast the position in India.

2. In the emergency budget of 1931 surcharges all round of 25 per cent. on income-tax and customs and a 10 per cent. cut in service salaries, subject, however, to their exemption from the income-tax surcharge.

In the 1933-34 budget (that is, 16 months later) the exemption referred to was removed and 50 per cent. of the cut restored. No relief whatever to the general taxpayer. In 1935-36 the remaining 5 per cent. of the cut is restored and only 33½ of the income-tax surcharge is removed.

3. In the United Kingdom no pledge was given of any privilege in the matter of relief from burdens but in India, in 1931, Sir George Schuster gave his quite unpardonable pledge that the first charge on the revenue would be the restoration of the service salary cut.

I recognise that Sir James Grigg is bound by this pledge but it does not seem to me that he has made as great an effect as was possible to rectify the position.

Sir, I am aware that amongst some members of the services there has been a good deal of resentment at the attitude some of us have taken up in this matter of the salary cut, but do such members realise what the mercantile and trading community has been through during the period of depression? Do they realise that we have all suffered cuts—and cuts not on a 10 per cent. basis but frequently rising to 25 per cent. and over. Do they appreciate that on top of these cuts many thousands of European and Indian employees have lost their posts, their entire means of livelihood? In the circumstances is it surprising that there is resentment in many quarters when the very imposts which have contributed to these cuts and to these dismissals are maintained in order to make it possible to restore in full the salaries of the services?

We are all in favour of a restoration of salary cuts but I maintain that there has been a grave miscarriage of justice in the manner they have been restored and further that the Honourable Finance Member in this present budget has not gone as far as he might quite reasonably have gone to do justice to the taxpayer.

THE HONOURABLE MAHARAJADHIRAJA SIR KAMESHWAR SINGH OF DARRHANGA (Bihar and Orissa: Nominated Non-Official): Sir, pleading its weary way and receiving many cuts and bruises by the slings and arrows that were thrown on it in the other place, the Finance Bill at last managed to come to this House under the protecting wings of the Government. I

[Sir Kameshwar Singh of Darbhanga.]

have no doubt that this House will help it to heal up its bandaged wounds and carry on its existence, of perhaps less than a year, undisturbed.

This has indeed been a remarkable budget session. A remarkably short statement with which the budget was introduced has been followed by a remarkably long debate in the other House and this is the first occasion ever since the country is governed by the Government of India Act of 1919 that it has become necessary to promulgate Ordinances in order to fill up the gap between the old and the new Finance Acts. I hope, however, that following the admirable example set by the Honourable the Finance Secretary, this House will demonstrate in this debate that brevity is the best recommendation of a speech.

I do not propose to wade through the labyrinth of the figures marshalled before us in bulky volumes and intricate statements prepared with much dexterity by the financial pandits of the Indian Government. Nor do I think that I shall be justified in questioning the *bona fides* of the Government in putting forward their budget proposals, which have taken the Finance Department so long to prepare, or examining them at length. But I cannot restrain myself on this occasion from bringing one or two matters to the notice of the Government. I shall do so as briefly as I can. But before I deal with some of the features of the budget proposals that appear to me highly objectionable, I should like to congratulate the Finance Department and particularly my Honourable friend, the Finance Secretary, who, I am proud to say, comes from my province on the presentation of a surplus budget ; on the introduction of Finance Bill, which does not make provision for any fresh taxation, and reduces some of the existing ones to some extent ; as well as on utilising last year's surplus for rural uplift, roads, broadcasting and civil aviation—items that will undoubtedly play a great part in the future development of this country.

I am afraid I cannot include in this list the transfer of the Agricultural Institute from Pusa to Delhi which, to my mind, is the most obnoxious proposal in the current budget. I have already expressed my opinion on this subject in the course of the debate that took place in this House last year. Ever since the proposal was made known, public opinion has been widely expressed on this subject. I need not go into the details of the discussions that have taken place, as I think the Government is fully aware of the same. The proposal is indefensible either from the point of view of economy or efficiency. The Government has not established the fact that on account of its location at Pusa the Research Institute has not been working efficiently. The Government did not find any fault with it so long. It has been calculated that the cost of repairing the damaged building would be much less than the proposed cost of transplanting it to Delhi. It is sheer obstinacy—or shall I say “mere whim”—on the part of the Department of Education, Health and Lands which was till lately presided over by Khan Bahadur Mian Sir Fazl-i-Hussain that, I think, is responsible for this move. Of course now, arguments are invented and multiplied, and facts are unearthed to justify the *fait accompli*. I am sorry that I have to refer to Sir Fazl-i-Hussain when he is not here. But he is so much mixed up with the affair that I cannot help it. The decision was taken during his term of office and I feel that in the teeth of the vehement opposition, with which the proposal was greeted, no one else would have thought it proper to make the change by treating public opinion with so much contempt. Of course, he carried the Government of India with him in this matter. But that did not change its character. Apart from the

fact that the opinion in Bihar, the province which is touched by it, is dead against it, the discussions that have taken place on the subject in the Assembly clearly show that the feeling against the transfer is not confined to Bihar alone. All those who are competent to voice the popular feeling in that province and quite a number of responsible persons outside it, have opposed the proposal. The Press has condemned it in unmistakable terms. The House is perhaps aware that the Bihar and Orissa Legislative Council has passed a Resolution against the transfer and with your permission, Sir, I should like to quote recently expressed opinions of two sober-minded eminent public men of my province in order to show the strength of feeling there. I refer to Mr. Sachchidananda Sinha, ex-Finance Member of the Bihar and Orissa Government and the present Leader of the Opposition in the Bihar and Orissa Council, and Sir Sultan Ahmed.

Mr. Sinha says : " In view of the verdict of the Assembly on the Government of India's scheme to remove the Agricultural Institute from Pusa to Delhi, I earnestly hope that they will even now stay their hands. The opposition to the removal of the Institute to Delhi is unanimous in Bihar and now that the Assembly has expressed its view clearly on the subject I hope the Government will accept that decision and not persist in carrying out the scheme actuated with a false sense of prestige. On the contrary, by repairing the buildings at Pusa, and maintaining the Institute there, the Government will have enhanced its reputation for a sense of economy and fair-mindedness "

Sir Sultan Ahmed observes : " We are very happy that the Assembly has voted down the demand to cover the cost of the transfer of the Pusa Research Institute. I only hope and trust that His Excellency the Viceroy will accept the verdict of the Assembly and let the Institute remain where it is "

" Only two days ago, I motored through Pusa and I felt that the decision to transfer the Institute was wholly unwarranted and unjustified. The huge expenditure of over Rs. 30 lakhs, which this transfer involves, cannot be characterised except as a public scandal, and I feel certain that the verdict of the Assembly has behind it the opinion of all right-minded and responsible citizens not only of Bihar, but also outside. I hope and trust that the decision of the Government will not be adhered to on a false notion of prestige "

and mark what follows :

" To correct a wrong decision enhances the prestige of the Government, and adherence to a wrong decision is bound to react the other way "

I endorse every word of what has been said by these esteemed friends of mine and earnestly appeal to the Government not to take shelter under technicalities or be actuated by a false notion of prestige, but to respond to the volume of public opinion, expressed in a constitutional manner, and undo the wrong that has been perpetrated on the Indian taxpayers in general and the province of Bihar in particular by this arbitrary and unjustifiable decision. May I hope that the Honourable Kunwar Jagdish Prasad, whom I welcome here today, will go into the matter sympathetically, and signalise his entry into the Department of Education, Health and Lands, by reversing the scandalous decision reached by his predecessor and showing that it is never too late to mend.

The second matter which I wish to bring to the notice of the Government is that the reduction in the surcharge is unsatisfactory. This has been an emergency measure and it would have been fair if the Government would have treated all such measures with the same consideration. I do not see any reason why the cut from salary is to be treated differently from compelling the over-taxed tax payers to pay extra taxes on their hard-earned income ; and why the one should have preference over the other. There would have been perhaps little

[Sir Kameshwar Singh of Darbhanga]

cause for grievance if the anticipated surplus would have been utilised for reducing the emergency taxes and cuts in equal proportion. The position today is that while Government servants have got back their former income, those engaged in trade, manufacture, commerce, industry, etc., still have their income considerably reduced on account of the economic depression, which has not yet passed, and therefore the taxation affects the latter more adversely than the former and the material progress of the country is arrested. I hope, however, that the Finance Department will see that the surcharge is completely wiped out in the next financial year. We generally find that the Government goes on increasing its expenditure for one of its proposals or the other, on one pretext or the other, and makes the emergency taxes permanent. The super-tax, which was introduced merely as a war measure is a glaring instance of the same. We wish to be reassured that nothing of that kind will happen to emergency taxes that have been imposed merely on account of the stress of grave economic crisis. We have before us the prospect of an increased expenditure as a result of the introduction of the new constitution and this makes us apprehensive of the fact that the Government may go on deferring its pledge for the reduction of these emergency taxes to Doomsday.

Sir, with these observations, I support the Motion before the House.

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

The Council re-assembled after Lunch at Half Past Two of the Clock, the Honourable the President in the Chair.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central: Non-Muhammadan): Sir, I entirely associate myself with the remarks of my colleague Mr. Sapru so far as the constitutional position of this Bill is concerned. We on this side of the House believe that the Bill, coming in a recommended and certified form, is certainly an insult to the House. Sir, I am sorry that my Honourable friend the Law Member is not present here as I wanted to put a definite question to him when he made his speech and gave references to certified Bills coming to this House. He agreed that in 1923 the Finance Bill came to this House and was returned to the other House and then was certified and he said that except in 1923 on all occasions Bills came in the same form. Sir, I beg to differ from him and I would point out that in 1931 the attitude adopted by the Government was quite different. It was one which we are prepared to accept this year also and it was this, Sir, that the other House made a cut of about Rs. 2,40 lakhs in the taxation measures brought by the Government. When the Governor General sent the Bill to this House they accepted a reduction of about Rs. 1 crore. Thus it was a certified Bill in a compromised form. So many amendments were moved and carried in the other House this year and if the Government had accepted two or three amendments and met half-way the situation would have been quite different. It was on account of this attitude that the Government found their supporters, the European Group also, not voting with the Government. So we on this side of the House are in entire agreement with the remarks made by my friend Mr. Sapru.

Sir, now coming to the Bill, I must say that when Government comes to demand supplies, to ask us to vote for taxation to carry out their policy we must criticise and thoroughly criticise their policy and give them a chance to defend before we agree to taxation and grant supplies. If the policy of the

Government has been for the betterment of the country we on this side of the House have absolutely no objection in voting for taxation measures, but if their policy has been otherwise we certainly think that we should not vote any more taxation as we consider that the taxation measures have reached a limit. Therefore, Sir, with your permission I will examine the policy of the Government and give them a chance to defend their policy of carrying on good government, deserving the vote of this House for further taxation. Sir, we all know that in 1931 the Government brought taxation measures as an emergency measure and they wanted the vote of the House to an extent of about Rs. 15 to Rs. 20 crores. At that time a definite promise was held out that it was due to the unprecedented economic depression and these measures would not last more than 18 months. Since then what we find is that the emergency measures have become an annual function and we are called upon every year to come and vote for the taxes which we were asked then as an emergency measure to agree to. The question is whether the emergency that existed at that time exists today or not and if it does not exist to the same extent to what extent does it exist now? We all know that the Government had a surplus budget last year and they are estimating a surplus budget for the next year, 1935-36. They have not taken into consideration the surplus budget. And what was the surplus—about Rs. 3 crores and 39 lakhs, and they distributed it in the way they thought proper. May I put a question to the Honourable the Finance Member? How far was it reasonable and proper to distribute the surplus in the way in which he thought convenient instead of reducing the burden from the taxpayers who are already overburdened? Sir, the Honourable the Finance Member proposed that Rs. 92 lakhs should be spent on civil aviation. May I ask if it was a necessary measure—or was reduction of taxation a more necessary measure? Then, Sir, another Rs. 20 lakhs were set aside for developing the broadcasting stations at Delhi and Madras. May I ask whether these things could not have waited for a year or two? It was in the fitness of things that the Government should have reduced the burden of taxation before giving effect to these measures. Then, Sir, the Government thought it proper to restore the 5 per cent. cut in the salaries of their servants before even consulting the Legislature. How far was this policy reasonable and proper and how far can the action of the Government be justified? When the 10 per cent. cut was made in the salaries, we were given to understand that it was done to justify their 25 per cent. surcharge; so that when they restored the 5 per cent. cut, it was their duty to see that the surcharge was removed before any further cut in the salary was restored. But they have not done this. They have not even cared to consult the Legislature. On the very eve of holding the Legislature, they announce that they have taken this action. And what was the result of this policy? The result was that the imperial budgets have been decreased to the extent roughly of about Rs. 2 crores including the railways, and the provincial budgets have also been upset wholly. Province after province produced a deficit budget on account of this short-sighted policy, and the local Councils have been asked to vote for numerous taxation measures. It was a very short-sighted policy and it was not in the interests of India at all. We all know, Sir, that the salaries of officers in India are the highest in the world. Let me examine what are the salaries that are being paid to the high officials in England and in India and how far the action was justified. As far as I know, Sir, there was also a cut in the salaries of officers in England and I do not know if it has been restored yet? I know for certain that they have been trying to reduce taxation year after year after the economic crisis was over. But in India they are not reducing taxation. They are continuing their taxation measures. But they have thought it fit to restore the salaries cut. Sir, the Prime Minister

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

of England who governs the Empire, of which India is a part, only gets £5,000 a year, while the Viceroy of India gets £20,000 a year, though he is only a subordinate and representative of the British Government. The pay of the Secretary of State, who is superior to the Viceroy, is also £5,000.

THE HONOURABLE THE PRESIDENT : Yes, but the Secretary of State has not got the same expenditure as the Viceroy.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Sir, the Viceroy is allowed other expenses also. As far as I think this is the net salary he is getting excluding all the other charges.

THE HONOURABLE SIR DAVID DEVADOSS : The Viceroy of Ireland also gets £20,000.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Then, Sir, the Commander-in-Chief gets here about Rs. 1 lakh a year, while his superior officer in England—I mean the Secretary of State for War—gets £5,000 a year.

THE HONOURABLE RAJA GHAZANFAR ALI KHAN : But he has no technical qualification.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Then, Sir, the salaries of governors, executive councillors and ministers are all higher than the salaries of the ministers in England. So, Sir, so far as the question of salaries is concerned, a 5 per cent. or 10 per cent. cut is nothing in comparison with the salaries which the superior officers are getting, and the Government should have considered very seriously this question, as well as their good name, the imperial and provincial budgets, before they came to this unfortunate decision of restoring the cut.

Sir, I understand that the highest salary that any permanent official gets in England is £3,000 only. May I know if the highest officials there have no such work or responsibility to perform as the highest officials have to perform here in India? India is a poor country and the average income yearly of an Indian is one-sixth of the income of an Englishman. Therefore, Sir, the salaries here ought to have been much lower instead of at such a high rate, and if the 10 per cent. reduction was made, it ought to have been continued for a time till the emergency measures were all wiped out and taxation lowered. But this has not been done. Therefore, the Government is responsible for continuing these emergency measures. Their showing a balanced budget or a surplus budget is all due to these taxation measures. If they were withdrawn, I am sure the Government would not be able to produce a balanced budget or a surplus budget unless they made heavy reductions in their expenditure. So, Sir, this leads me to one conclusion, and it is this. The policy of the Government has been not for giving any relief to the country but to exploit the country. Other countries have spent enormous sums in building up their nation-building departments, but in India, after more than 80 years of rule, the Government have not been able to develop to the extent that other countries have developed in 30 years. During the last 30 years, Japan has developed its resources enormously. It has not only made its country self-contained, but it is exporting articles to other foreign countries, competing with the greatest nations of the world. If the Government could

not have brought India to the same condition, it could at least have made an honest effort to make India self-contained and to increase her wealth. They have not done so. Whatever income is derived from taxation, they spend more than 80 per cent. of it in the reserved departments, in the maintenance of an army of occupation, and in paying high salaries to the top-heavy departmental officials. We consider certain things to constitute the wealth of nations. Let me see how far the Government has tried to develop the wealth of our nation and whether they are justified in the amount of taxation that they have levied on the country. In regard to education, after more than 80 years of rule, they have not been able to educate more than 10 per cent. of the male and 3 per cent. of the female population of India. If they had tried to develop education in the country, I am sure the wealth of the country would have been developed and the Government would not have felt the necessity for levying such high taxation, or even if there was a necessity, people would not have felt the burden as they would have been amply compensated by getting education and enlightenment. Sir, we know that when the emergency existed, only two Universities, Benares and Aligarh, which were getting a paltry contribution from the central revenues were subjected to the 10 per cent. cut. Now, the whole of the salary cut has been restored, and yet the 10 per cent. cut on the Benares and Aligarh Universities has not been restored. May I ask whether this is a policy meant for the betterment of the condition of the masses in the country or a policy of exploitation? Take another instance, of agriculture. Agriculture is the main industry of the country. Most of the taxes come from the agriculturists. More than 90 per cent. of the people of this country live on agriculture. What has the Government done for their improvement? The whole policy of the Government has been not to help them in any way, and whatever they have done is merely a drop in the ocean. The masses are practically starving. A large number of people do not get even two meals a day. If you go to the interior of the villages, you will find that people are wearing torn clothes; they look emaciated, as they do not get food and the other necessities of life. It was only yesterday that we wanted Government to protect the wheat grower. We wanted them to continue the import duty of Rs. 2 per maund. But they could not see their way to do it. I gave notice of an amendment which was only to maintain the *status quo*, but it was not allowed, and the duty has been reduced from Rs. 2 to Rs. 1-8-0. I am sure that this will affect the wheat-growing provinces of the Punjab and the United Provinces bitterly. This is the policy of the Government so far as the agriculturists, who are the mainstay of this country, are concerned.

Let us see if Government have helped the industries of the country, which also contribute largely to the wealth of the nation, and if so, to what extent. Whatever protection has been given to the industries is only nominal. If Government have tried to protect an industry on the one hand, they have levied an excise duty at the very infancy of the industry on the other, so that the industry may not develop to its full height. Sir, we all know that exorbitant excise duties have been levied on sugar, matches and steel, during the last year. The result is that these industries will be killed in the course of two or three years. The money invested by capitalists will be mostly lost and when Government come forward to give protection to other industries, the capitalists will not come forward to invest money therein thinking that if it comes into the head of the department to levy more taxation, they will put on an excise duty and finish the industry. So far as trade with foreign countries is concerned, we see that Government has made agreements without consulting the Legislature and business men. There was tremendous opposition to the Ottawa Pact, but as Government wanted it, they have concluded it. So far

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

as the Anglo-Indian agreement is concerned, Government did not even think it proper to consult the merchants and Legislatures of the country. What is the idea behind this? We think, Sir, that India is being sacrificed at the altar of imperialist policy. Government want to help the United Kingdom and the Colonies at the expense of India. We are prepared to make treaties, not only with the Colonies and the United Kingdom but with other countries also, but on an equal footing. We do not want that any kind of preference should be given to any country. They should accept all the terms which they want us to accept, and that is the only treaty or pact that we would like to accept. This also has not been done.

Now I come to military policy, on which the major portion of the central revenue is spent. If you look to the budget proper it would appear that Government is spending only Rs. 45 crores on the army. But if you go minutely through the budget you will find that in many other ways expenses are being incurred which are purely military. For example, in the railway budget you will find certain lines, specially constructed for military purposes and certain roads and bridges built for them. In the public works department, the railway department and in many other departments, you will find that money is being spent simply for army purposes. Then the Government fixed a certain ratio after the Mutiny of 1857 for British and Indian troops. They fixed a ratio of two to one as between European and Indian forces. In spite of so many changes and in spite of protests in this and in the other House, Government has not changed its policy. They still maintain the ratio of two Indians to one European. They have admitted that the cost of a British soldier is more than three times the cost of an Indian soldier. If the Government were to substitute even one-fourth of the present British strength in the army with Indian troops, they would make tremendous savings, and we would not be required, as we are required today, to vote for these taxation measures. Not only has that ratio been maintained in the fighting ranks but they are not prepared to change the ratio of two to one even in the case of Indian Medical Service officers. It was only the other day that I moved a Resolution in this House and got a plain and straightforward reply that Government cannot change its policy. They want a certain number of Indian Medical Service officers for the requirements of the army to be kept as a reserve and therefore they are not going to change that ratio of two to one.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY (Bombay : Nominated Non-Official) : Sir, I would like to ask the Honourable Member whether he recollects that in reply to his speech I had stated that the Army Secretary had mentioned in the other House that Government had the ratio under consideration and that the result would be declared in due time and the Lee Commission ratio was not sacrosanct?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Sir, I am talking about past policy. I would ask my friend to wait and see whether there will be any change or not. If you come next year to this House you will see how much change has been made in this policy of Government. That is only a paper assurance. My friend will see that there will be absolutely no change.

Sir, we know that all countries have reduced their military strength during the time of peace. So far as India is concerned, there is no menace from anywhere. They have developed the Air Force; they have established a Royal Indian Navy. These are in addition to the other forces and I think they help

to a great extent and therefore it was but proper, since they have incurred extra expenditure on the establishment of these forces, that they should have made at least a corresponding reduction in the other arms. But they have not done so. Another extraordinary feature is that this year army expenditure has been increased by as much as Rs. 67 lakhs over last year. We all know that the prices of foodstuffs and of other materials have fallen. We therefore expected that there would be an enormous reduction, if for nothing else, on account of the fall in prices of foodstuffs and other materials. But instead of any reduction, we are surprised to see that Government have increased army expenditure by Rs. 67 lakhs this year. The whole military policy in not admitting more Indians both as officers and sepoy and in not reducing British forces is based on *distrust of Indians*. In spite of the fact that the Indians have fought shoulder to shoulder with British troops in the Great War and in spite of the fact that Government have admitted the integrity, quality and bravery of the Indian soldiers time and again, both inside and outside the House, still the whole military policy is based on distrust of Indians. In this connection if you will permit me, Sir, I will read a passage from the opinion of a Government expert, Sir Walter Layton, who came as financial adviser to the Simon Commission about the taxes imposed on India on account of the military policy. I think his opinion ought to have proper weight with my Honourable friend the Finance Member. He said :

" It has to be remembered that the extent to which taxation is felt as a burden depends very largely on the objects on which the Government spends its revenue. Thus, it has been frequently pointed out that taxation for the purpose of paying interest on an internal debt is economically speaking a transfer of wealth within a country which may be true hamper enterprise if the method of raising revenue is unwise, but which need not do so or affect the total saving power of the community ".

Again,

" Wise expenditure on social services and particularly on health and education should be remunerative in the sense of increasing the wealth producing power and therefore the taxable capacity of a country. Security is of course essential, if production is to develop but it cannot be claimed for expenditure on defence either it is a mere redistribution of income, or that it promotes productive efficiency. Indeed, economically speaking, it is the most burdensome form of expenditure, and this is particularly the case where, as in the case of India, the army contains a large element drawn from elsewhere. If, therefore, the high defence ratio in India Government expenditure is partly due to the low level of other expenditure, it remains a peculiarly burdensome one, and it would be reasonable to assume that, even if the total expenditure of India were increased, the burden would be more tolerable and more readily borne, provided this particular charge were diminished ".

Sir, this is the opinion of Sir Walter Layton and we on this side of the House are thoroughly in agreement with the opinion expressed by him and we feel very bitterly these taxation measures on account of the enormous expenditure by the Government on military affairs. Sir, if my Honourable friend the Finance Member will take into consideration the amount of expenditure per head of the other countries with the income he will find that India spends the highest amount in consideration of the income per head. I would strongly protest and urge the Government that it will be in the fitness of things and the time has come that they should change their military policy; they should effect more Indianisation and reduce the forces as far as possible.

Then, Sir, I come to another question, namely, the ratio. The question of ratio is a very old one and it has been repeatedly brought to the notice of the Government that as long as they link the rupee to the sterling the wealth of India will be reduced correspondingly and there will be no contentment in India. The ratio is telling severely on our agriculturists. We cannot

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

expect a revival of trade and industry as long as the rupee is linked with sterling. Sir, we do not want devaluation of the rupee from Government, but certainly we want that it should not be overvalued. The value of the rupee should be fixed as it is ; they should not fix overvalue of the rupee and this is very important so far as the nation-building departments of the country are concerned. In this connection, Sir, I may also mention the export of gold. Government have been repeatedly requested to levy a heavy export duty on gold, but they have not found their way to do so. The result is that every week we see in papers so many crores of gold are exported out of India. I consider that gold is the lifeblood of a country and the exportation of gold is drawing blood out of India. The time will come very soon when India will have absolutely no gold left. Some of the gold in distress form also comes from our agriculturist and on account of economic depression whatever ornaments they have in gold or silver have all been used to maintain themselves and pay rents or to meet their expenses.

THE HONOURABLE THE PRESIDENT : Do they not get rupees in return ?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : They get them certainly but they cannot save ; they pay revenue and meet other expenses.

Sir, by putting to a critical test the administrative policy of the Government we on this side have come to the conclusion that there is absolutely no case for supplying the Government with more monies to carry on their administration so lavishly if they do not want to have any change in their policy. The whole policy of the Government is, to put it in a nutshell, based on this, *that people live for Government and it can do nothing for them.* Sir, as long as this policy lasts, we on this side are not prepared to co-operate in supplying funds to the Government.

With these observations, I oppose the consideration Motion of the Finance^e Bill.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal : Muhammadan) : Sir, my Honourable friends who preceded me have spoken each in his own way splendidly and eloquently on the Finance Bill. But I must point out that I would be failing in my duty, being an elected representative, if I do not speak out my mind fully and unreservedly today. This Finance Bill, as all Honourable Members are aware, is unprecedented in its character so far as it imposes a large volume of taxation which has been presented here in a certified form by the Governor General. Sir, I desire to confine my review to the one thing which strikes me most prominently in this Bill ; it is the deceptive feature of the surplus of this year which my Honourable friend, Sir James Grigg, had the courage to place before us, which is nothing but a clever manipulation of the Member-in-charge, which might be golden, but far from gold, the real metal. But, Sir, it would have been doubly welcome if this central budget had really indicated as it should have the much needed relief in taxation and thus lessening of misery among the people. But are we able to recognise any material improvement in the lot of our people, the agriculturists ? What I expected was more relief to taxpayers but the only satisfaction it has brought was the restoration of salary cuts which goes to a contented official class. But are we able to recognise any material improvement in the lot of our people, the agriculturists ? Are they able to find a market for their agricultural produce ? When on one side foreign rice is being

dumped into India, large exports of gold, mostly drawn from villages, leave India in alarming proportions. Without discussing the arguments for and against these exports an ordinary observer will be able to see that it is not all to the good of India. Sir, what after all does this surplus mean? If it means anything it is bad housewifery. There are housewives, Sir, who would starve their children without healthy food only to increase their credit with the bank in their greed for the expert's fame. Such is the case with Sir James Grigg too. But let me tell him in clear and emphatic words. You had no right to budget for a surplus by starving the nation; you had no right to continue the imposition of the iniquitous taxes on salt and the exorbitant postal and telegraphic charges; in fact you had no right to continue measures that were sought to cope with the exigencies of a war-time down to a decade after the peace. We do not want your surplus. What we want is an equitable balance between both sides of the sheet, a reasonable adjustment between the nation's income and expenditure, the lack of which is tantamount to a woeful negligence of the principles of national economy and a scientific budget.

Now, Sir, I shall proceed into some of the details of the working during the current year. It has been admitted that the surplus on the revenue side has been mainly due to customs. I see, Sir, however, that the tariff wall stands as high as ever and the surcharges are not removed. My Honourable friend the Finance Member has recognised the justice of demand of the local Governments, especially Bengal, in point of the allocation of the proceeds of the jute duty. But five new taxation Acts in Bengal would hardly be a very welcome method in dealing with the situation. Bengal wants more money for the internal development in rural areas. Bengal is essentially an agricultural province and Bengal therefore should receive in full the export duty on her jute as a matter of right. I draw the attention of the Honourable Members of the House to the provision in section 137, clause (2) of the Government of India Bill.

Let me now turn to the expenditure side for the year 1935-36. The expenditure as planned shows an increase of Rs. 96 lakhs which, according to my friend, the Honourable the Finance Member himself, is almost entirely due to the restoration of the pay out. The Honourable Member himself admits that there has been a good deal of criticism on the Government's action in this matter. I admire him for his courage and straightforwardness. Any impartial observer, Sir, any one who views both sides of the ways and means should be convinced of the fact as to how entirely uncalled for and inopportune this restoration of the cut is felt to be. Whereas we expected a substantial diminution in the miseries of the agriculturists, who are the backbone of the country, we are given this satisfaction, namely, of seeing highly paid officials adding a little more to their comforts.

Speaking, Sir, on the defence cost, Burma should bear proportionately her share as it has to defend the North-East Frontier. The Howard-Nixon suggestion of Rs. 150 lakhs is too small, and Burma should spend at least Rs. 4 crores in defence and India should be relieved of Rs. 4 crores, cost of her defence. This sum should go to give relief to the provinces.

Then, Sir, comes the question of military expenditure. But, Sir, speaking of the amount of beneficent expenditure the Finance Member while speaking on this Finance Bill has admitted in the other place in his analysis that

"the expenditure is approximately equal to the amount of the defence budget, namely, between Rs. 40 and Rs. 50 crores a year. So it is a little grotesque to suggest that the care of the Government for the direct improvement of the lot of the Indians is only measured by the one crore which has in this year's central budget been allocated for rural development".

[Mr. Mahmood Suhrawardy.]

He further observed, addressing the Opposition in the other place :

" You may argue if you like a comparatively high proportion of national expenditure goes on defence against external aggression, and preservation of internal order, but I think he would be a rash man who would deny that self-preservation is not man's first law'.

But, Sir, despite the halt cry of a whole people groaning under over-taxation, despite better conditions prevailing both inside and outside the country, despite the much advertised activities of the League of Nations talks of world-peace, disarmament proposals, international arbitration and war being made an impossibility, the Honourable the Finance Member has bluntly declared that reduction is out of the question if India is to face the conditions of the world. " Self-preservation " and " world conditions "—fine phrases indeed to cover a multitude of indecent vices ! Why not speak out the plain facts ? Say that so long as Japan will look to lording it over the Pacific, China shall be unwilling to be " Chinese dogs " within her territorial limits, Russia will be carrying on the message of her new gospel and making ever new friends, and a permutation and combination of political alliances going on between the East and West, and India's neighbouring monarchs awaking to world realities—so long India, the open sesame to the Orient, the master key to the Eldorados of exploitation, India cannot be untagged from the chariot wheels of British imperialism, for this car of Juggernaut must go on and India must be bled white of men, money and munitions.

THE HONOURABLE THE PRESIDENT : Are you speaking on European politics ?

THE HONOURABLE MR. MAHMOOD SUHRAWARDY : Sir, to make the matter short I cannot in the circumstances look with complacency upon this Finance Bill now before the House when I notice that Bengal's persistent demand for the immediate transfer of the whole and entire proceeds out of the duty on jute to the provincial exchequer has been treated with scant courtesy, when I notice that no indigenous industries like the salt industry has been vouchsafed with adequate measure of protection, when I notice that the postal and telegraph rates are weighing like nightmares upon an entire people, when I notice that about one-third of the total expenditure of the nation is swallowed up by its military, when I notice that Government is always trotting out the fifth rate excuse of " limited resources " whenever the question of beneficent and welfare activities of the Government crops up, I for one, the moderate of moderates, cannot aid or abet the Honourable the Finance Member in his unblushing performance of self-laudation or commend this Bill to the country at large.

Sir, this is an occasion for reviewing the whole situation, political, economic and financial of the country, and in this connection I would like to touch, as lightly as I may on the long expected topic of immediate autonomy in the provinces or the immediate responsibility at the centre. But, Sir, as a practical politician of common sense I venture to say that without the settlement of the communal problem neither provincial autonomy nor responsibility at the centre will be of any avail, and I think that the money which has been wasted on the proceedings of the Round Table Conferences and Joint Parliamentary Committee could have been utilised for more beneficial purposes, if the communal problem had been settled in India before Mr. Gandhi and Pandit Madan Mohan Malaviya with their brother delegates sailed for England. So long, Sir, as the communal problem remains unsettled, let me repeat and

say that there will be no peace in this unhappy land of misery and bondage ; and whatever freedom for liberty we may obtain, will be the freedom and liberty to fight among ourselves for our own selfish interest and the presence of the British will be a dire and imperative necessity for holding the balance.

THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT (Bombay : Non-Muhammadan) : Sir, in discussing the Finance Bill under the usual procedure there remains very little to add in this House after what has been said in the other House. But this year unfortunately we are meeting to discuss the Bill under the unusual procedure of recommendation and certification by His Excellency the Viceroy and Governor General. On the one hand, Sir, I do not agree with the Congress party in the Legislative Assembly in reducing tax after tax without any sense of responsibility, but only on the strength of the Party. On the other hand, there appears to be no justification on the part of the Government not to accept even a single recommendation of the other House for the reduction of taxes. To my mind had the Government accepted at least some if not all of the suggested reduction of taxes, like that of the salt tax, and the reduction in the rates of postcards and letters, I think they could have proved to the world the irresponsibility of the Congress. But by advising His Excellency to certify the Bill in its original form Government have proved nothing but a sense of irresponsibility on their part as well. After all, Government in all its forms must assimilate public opinion amongst the governed. The most important feature in the Finance Bill debate and voting in the other House is the abstention of the European Members in supporting Government in their action. It was the first occasion when, in connection with the Finance Bill, the European group abstained from voting on the Government side knowing full well that their votes would surely have given Government a majority. To my mind this conclusively proves that even the kith and kin of the present Government could not see eye to eye with them when they invoked the aid of the extraordinary power of certification of the Bill. The non-official European opinion in this country is clearly against the continuance of the taxes levied as emergencies and they also desire to see such taxes reduced. Sir, Government surely could have met the deficits that would have accrued by the acceptance of the recommendation of the other House if only the restoration of the cut in salaries of Government servants would have been deferred for a further period of one or two years. There is no denying the fact that the cost of administration is very heavy in India when compared with the cost of administrations of other countries. Army expenditure in India is beyond proportion. High salaries of officers are unthinkable in any other country. This attitude of ignoring the public feelings and sentiments in the country is only strengthening the hands of the extremists and socialists. I cannot, Sir, absolve Government from the blame for their absence of wide vision and for their narrow outlook in politics. I would request Government to seriously consider the question of the reduction of the salt tax and the reduction in the rates of postcards and envelopes, if not in this Bill, at least in preparing their next year's budget.

THE HONOURABLE RAJA GHAZANFAR ALI KHAN (West Punjab : Muhammadan) : Sir, I have great pleasure in associating myself with other friends in extending a very hearty welcome to the new Leader of the House. Although, unlike those friends from the United Provinces, I have not had the privilege of knowing him before, still, coming from the big landed gentry of the United Provinces and an old aristocratic family, as he does, I have no doubt that his presence will be very useful in safeguarding the interests of those

[Raja Ghazanfar Ali Khan.]

landed people whom we have the honour to represent in this House. I am also very much pleased to see that some of the Members of His Excellency the Viceroy's Executive Council have graced this House with their presence today. I hope their presence will not import the same spirit which we saw in the other House.

Sir, the form in which the Finance Bill has been placed before us has really perplexed some of us very much indeed. I was very anxiously waiting to hear the Law Member and I think that the very reason of his taking part in the debate was to make the issues clearer than they were before. But, to my great disappointment he contented himself just by repeating the history of the Finance Bill from the year 1923 to the year 1934. Well, Sir, there was no necessity for that, because most of the Members in this House have been here in this Legislature since the beginning of the reforms and we know very well all that has happened. What we really wanted to know was whether there was any substantial difference between a recommended Bill and a certified Bill or not? Is the difference merely in words or does it go beyond that? We were under the impression that while in the case of a recommended Bill it was open to the House to pass an amendment which His Excellency the Viceroy could certainly consider, in the case of a certified Bill it was beyond the powers of any Legislature to pass any amendment. This was the most important point upon which we would have liked to hear the opinion of the Law Member. Our position still remains of great uncertainty. The Honourable the Finance Member very kindly promised that when he is making his speech, he will tell us whether it will serve any useful purpose our considering the various clauses of the Bill or not. Well, Sir, we anxiously wait for that opportunity when he will throw some light on the subject. Meanwhile I cannot help expressing in very strong terms that the Finance Department have thoroughly bungled in the case of this Finance Bill. I am sure they could have succeeded in getting the Finance Bill passed through the other House if they had shown more foresight and a more compromising attitude.

Now, Sir, if you will forgive me on this occasion I would in very brief words relate the different political stages through which we have passed since the inauguration of the new Reforms Scheme. In 1920 as we are all aware these Legislatures were boycotted by the Congress and there was non-co-operation. Those Members who came to the Legislature came in opposition to the popular wishes. The attitude of the Government was that they were fully conscious of the fact that those people who had come to co-operate and work with them deserved sympathy and support. With the result that, if you look up the proceedings of those three years from 1920 to 1923 you will find that the Government of India were always willing and ready to co-operate with them and went to the greatest possible length in acceding to their wishes. Then, Sir, in the year 1924 the Swaraj Party decided to come to the Legislature. The policy of the Government was accordingly changed. But though they were not in the same mood to respond as they were before, they did not give up all hope of winning over the sympathy, if not of the extremists, at least of the moderates in the House. With the result that whenever any popular demand was made the Government always met it half-way. For instance, when the question of Indianisation of the army arose, His Excellency the Commander-in-Chief at once made an announcement that he was prepared to appoint a Committee called the Sandhurst Committee. Similarly, when the Swarajist Party thought that the present reforms contained some inherent defects which could be removed without going to Parliament, the

Government at once announced the appointment of the Muddiman Committee. So on almost all important matters the Government showed a spirit of accommodation. Then in 1931 the Members who came to the Legislatures were neither those who belonged to the Congress Party nor those who belonged to any anti-Government party. It was during this period I must say that the demoralisation of the Government of India began. It may be that it was due to the fact that the Members returned to the Legislature had no unity and had no following in the country, or it may be that the attention of Government was more concentrated on the Round Table Conference and the forthcoming constitution than on the present one. If you will compare the last occasion when the Finance Bill met a similar fate in the Legislative Assembly with the present attitude of the Government you will find a world of difference. With your permission, Sir, I will read out just a very small quotation from the speech of the then Finance Member. What happened was that the Assembly made some substantial cuts in the Finance Bill which the Government thought they could not accept as a whole. So the Bill was taken to the Viceroy and was sent back in a recommended form. But, while sending it back in a recommended form, the Government accepted an amendment which made a difference of Rs. 90 lakhs. That was the first budget of 1931. And when presenting that recommended Bill what did the Finance Member Sir George Schuster say? He said:

"Now that the balance has been rudely upset by the amendments passed yesterday, and we cannot regard that upsetting of the balance as anything but wrong, but so far as possible, even if we think it wrong we must bow to the expression of public opinion in this House".

Sir, that was the spirit in which Sir George Schuster treated the opinion of the other House. He went on and said:

"That means that we have given effect to 70 per cent. of the proposals passed yesterday".

He went on further and said:

"I think that these results are definitely bad but in order to meet the wishes that have been expressed we have got to face them. As to the army, whatever may be said on the question that the army is too large or that His Majesty's Government ought to pay a contribution, Honourable Members know perfectly well that those are questions which cannot be tackled now".

I will not tax the patience of Members by reading any more, but that was the spirit in which the Finance Bill was brought back to the other House. I am fully aware—

THE HONOURABLE THE PRESIDENT: You admit that there was a spirit of compromise?

THE HONOURABLE RAJA GHAZANFAR ALI KHAN: As far as the Government of India are concerned. They then brought this Bill in the recommended form to the Council of State. Now, Sir, I will just read out, with your permission, what the Honourable Mr. MacWatters, the then Finance Secretary, said in addressing the Council:

"The Finance Member is to be congratulated that within this short interval the situation has been tackled and a remedy has been found. But, Sir, if the current features in the financial world are carefully analysed and properly understood, I should add that, while the Finance Member deserves our congratulations, it is Lord Irwin and Mr. Gandhi who deserve our thanks. When I say this I mean, and every one will agree, that but for the instantaneous and gratifying effects which the Irwin Gandhi pact has had on certain aspects of the financial situation the crisis in the ways and means position may have by this time reached an extremely acute phase".

[Raja Ghazanfar Ali Khan.]

So this was the spirit which was shown by the Government of India in 1931. And what happens in 1935? About eight amendments were carried in the other House. Of those, some, I have no hesitation in admitting, were very unreasonable. There were others which only made a difference of a few lakhs. Now, suppose the Government had accepted say, one amendment of all the amendments made in the other House. I can assure the Government that they would have been able to carry the Finance Bill through the Assembly. Does it not mean that the Government are really determined to retaliate and become vindictive? I may tell them that this spirit of vindictiveness does not pay a responsible Government. It does not matter if the Opposition, who know that they cannot replace the Government and cannot occupy their seats, employ these tactics. But the Government ought to be more responsible.

Then, Sir, let us assume for a moment that there is a party in this country whose sole aim and object is obstruction, although I personally am not one of those who believe it is true, because I have seen that several Bills have been passed in the other House without the Opposition Party calling divisions. That means that they have not come into the Legislature with the avowed policy of consistent obstruction. Now, I would ask Government how many measures there are which have been passed by the other House without the help of those parties, whose leaders are moderate. Will they say that Mr. Jinnah, Leader of the Independent Party, is out for obstruction? Will they say that Sir Cowasji Jehangir, a well known Liberal, is out for obstruction? Will they tell me that the European Group in the Legislative Assembly is out for obstruction? If the answer is in the negative, then I would ask Government seriously to consider whether they are not going on entirely wrong lines and is it not time for them, when they go to the cool climate of Simla, to calmly ponder over all that has happened during the last three months and see if they can change their policy. Now, Sir, I am one of those people who believe that the welfare of this country lies in co-operation; but the Government do not realise what is the true meaning of that co-operation. Does that co-operation mean that whatever the executive decide those people who accept it quietly without even asking the Government to give any reasons or arguments in their support they will be called co-operators, but those who differ from them on any issue on any matter they will be called non-co-operators. That may have been the definition which the Government put on this word co-operation 30 or 40 years ago, but I am sorry they are sadly mistaken if they think that co-operation still means what it meant 30 years ago. What has happened during the last three months is that they have given abundant proofs that they are determined to treat with contempt any demand made by any section of the Legislature or any political party in India.

What happened about this new constitution, Sir? We passed a certain Resolution. There was unanimous opinion in the House that certain minor alterations ought to be made in the India Bill, but the Government told us: No, the Secretary of State is determined that in whatever form the India Bill has been placed before Parliament it shall be passed in that form without even a change of a comma so far as British India is concerned. I challenge the Government to tell me how many alterations or changes they have made in the India Bill since the debate took place in the other House and in this House. If they have not changed even a comma, then I shall conclude that the circumstances in England are such that it is impossible for the present Government to make any alterations? I cannot accept that proposition, because so far as the Indian States are concerned, the attitude of the Government has been entirely different. As you know, Sir, the Princes formulated

certain demands and the Secretary of State immediately announced that he was prepared to accept all the claims made by the Indian Princes. So what does it mean? What change has taken place during the last four years when the first Round Table Conference met? Those Princes who were for the Federation were looked upon with somewhat—I will not use the word “suspicion”, but at least their behaviour was considered doubtful. That was the view which the Government took for some time. But now the case being entirely changed, now any Prince who is reluctant to enter the Federation or who makes certain proposals which they consider may minimise the chances of the Princes coming into the Federation, those Princes are looked upon—

THE HONOURABLE THE PRESIDENT : I think you have said enough on the attitude of Government.

THE HONOURABLE RAJA GHAZANFAR ALI KHAN : If you are satisfied and you are convinced, then I will proceed further.

THE HONOURABLE THE PRESIDENT : I said I think you have said enough.

THE HONOURABLE RAJA GHAZANFAR ALI KHAN : Sir, I may tell you that I am not at all anxious to waste the time of the House; more than Members are willing to hear. The moment I think I have said enough I will sit down.

THE HONOURABLE THE PRESIDENT : I do not want you to sit down. All I said was that you have said enough on the attitude of Government. You can now proceed to other points.

THE HONOURABLE RAJA GHAZANFAR ALI KHAN : The attitude of Government is so hopeless that there are so many things I want to say.

THE HONOURABLE THE PRESIDENT : Then it is useless!

THE HONOURABLE RAJA GHAZANFAR ALI KHAN : Still, if it will have no immediate effect, I am sure some of them, at least those Members of the Government who are our permanent companions, will at least give more sympathetic consideration to what I am saying. I am not concerned with these new guests.

Take this demand about Karachi firing. We are—

THE HONOURABLE THE PRESIDENT : Does that affect the Finance Bill also?

THE HONOURABLE RAJA GHAZANFAR ALI KHAN : Most certainly, Sir, because there are nine crores of His Majesty's subjects who hold a particular view on this important question and if the Government refuses to take the same view or at least convince them that their view is wrong, then I think it is perfectly legitimate that when the question of granting supplies to Government comes up, their representatives should make it clear that they want this grievance to be redressed before they can vote supplies.

THE HONOURABLE THE PRESIDENT : It is too remote a link in this Finance Bill.

THE HONOURABLE RAJA GHAZANFAR ALI KHAN : If you rule me out I will say nothing, but I have no intention of entering into details. I only wanted to say one thing to Government. The Honourable the Home Member said yesterday that his intention is to convince us that the statement issued by the Bombay Government is correct. Whom has he succeeded in convincing? Has he convinced anybody in this House? Is there any responsible politician in India who has been convinced with that statement except those who are born convinced, I mean the Government of India, or those who have conviction thrust upon them, I mean nominated Members?

THE HONOURABLE SIR DAVID DEVADOSS (Nominated: Indian Christians) : I must certainly protest against this kind of remark. These things are always levelled against us. We have our own conscience; we vote as we like and we have opposed the Government. This sort of thing must stop. I strongly protest. I am not going to give up my conscience.

THE HONOURABLE THE PRESIDENT : I entirely agree that it is a most reprehensible practice and must stop.

THE HONOURABLE RAJA GHAZANFAR ALI KHAN : I said "conviction". I never said "conscience". I am sure it is no use taking things too seriously.

THE HONOURABLE SIR DAVID DEVADOSS : It is serious. This is not a play house. This is a serious Chamber.

THE HONOURABLE RAJA GHAZANFAR ALI KHAN : Sir, I will be the last person to offend anybody. If my Honourable friend thinks that by using that expression I have offended him, I gladly withdraw, because when I am condemning Government for adopting an unreasonable attitude I should not do it myself. Even if my friend is not right, I still withdraw these words to please him.

THE HONOURABLE THE PRESIDENT : Thank you.

THE HONOURABLE RAJA GHAZANFAR ALI KHAN : What I was saying was that the Government must realise that whatever action they take, whatever attitude they adopt—

THE HONOURABLE THE PRESIDENT : I appeal to your sense of fairness. Do not forget that Sir Henry Craik is not here. To do now what you are now doing—replying to him—and what you could not do yesterday you are attempting to do now is not fair to the Council and to the Government.

THE HONOURABLE RAJA GHAZANFAR ALI KHAN : I bow to your ruling, Sir. I hope that whatever little I have said the Honourable Home Secretary who is in charge of this subject so far as the Council of State is concerned will be able to give some reply if he cares; otherwise I may inform him, as he might have seen already, that a meeting of the Mussalman Members of the central Legislature was held the other day and they unanimously decided that if the Government fail to appoint an enquiry committee, the Mussalmans should appoint a non-official committee consisting of both Muhammadans and non-Muhammadans who should report—

THE HONOURABLE THE PRESIDENT: That is quite a different thing; there is nothing to prevent them if they choose to make an enquiry.

THE HONOURABLE RAJA GHAZANFAR ALI KHAN: I want to tell Government because they said that at Cawnpore they appointed a committee, because so many non-official enquiry committees were appointed and if that is the criterion of appointing an impartial committee, they may take it that many committees will soon be appointed.

Well, I now pass to another point. Now, Sir, Karachi was a big matter—Now let me take a very small question, for instance, one which concerns only my province and my part of the constituency. I would
4 P. M. not speak on it at great length but will just make a passing reference to it. A demand was made that an inquiry should be held into the damage caused by the Khewra salt mines to the lands. This demand was carried in the other House and a very large number of non-official Members supported the demand in this House. What was the attitude which the Government has shown towards it. If the Government are determined that the opinion of the Legislature will carry no weight, then certainly, Sir, we can quite understand that view, though we may not agree with it.

Now, before I finish I would just like to make one appeal to the Government. As far as the consideration of the Finance Bill is concerned, my vote entirely depends upon the reply which I get from the Government, whether under the constitution we are allowed to pass any amendment and the Government are prepared to consider it or not. If the answer is in the affirmative, then certainly I am going to vote for it. If the reply is in the negative, then I certainly am not one of those who have no value for their time, and say that we can discuss 55 amendments in this House and at the end of it be told that Government cannot even consider any of these amendments. As far as my attitude on the passing of the Finance Bill is concerned, Sir, I would like to reserve my attitude till the opportunity comes.

THE HONOURABLE KUNWAR JAGDISH PRASAD (Leader of the House): Sir, I should like to thank Honourable Members for the kindly references which they have made to me. I feel a little embarrassed that without any apprenticeship in the usages and traditions of this House I should find myself suddenly as the Leader of this Honourable Chamber. I can assure Honourable Members that it will be my constant endeavour to retain their goodwill. (Applause.) My Honourable friend, Raja Ghazanfar Ali Khan, asked the Government not to introduce any heat into the debate. I can assure him that I will say nothing which is likely to be provocative or contentious. We have heard both in this House and in another place epithets used against the Government—we have been told that we were wooden, rigid, irresponsible; when feelings have been a little more excited, we have been told that we were digging our own grave, that Nemesis will shortly come upon us. I think, Sir, before I conclude I hope I will be able to convince Honourable Members that Government deserves their sympathetic support and not their condemnation or censure.

Now, Sir, what is the position of the Government of India or of provincial Governments in regard to what are known as the reserved subjects? Here, as was said by my Honourable friend, Mr. Sapru, here is an irremovable Executive faced by an elected majority of the representatives of the people. In these difficult circumstances, as examples from British history have shown, there is nothing to be surprised at in that occasions should arise when the Government and the representatives do not see eye to eye, that occasions of conflict and

[Kunwar Jagdish Prasad.]

deadlock should arise. There is nothing surprising in that. I think what is more surprising really in India is that, in spite of this constitution, so much good work has been done, and there has been so much co-operation between Government and the elected representatives of the people. Now, Sir, I do not think that any Member of the House contends that with this constitution no occasion should ever arise where Government should have to use their emergency powers. I think during the course of the debate here, even my friend Raja Ghazanfar Ali Khan said :

“ We would not have minded if you had certified certain particular items ” (in which I take it, he is not particularly interested). “ What we object to is that you have certified all the items : that is really the gravamen of our charge. We do not dispute your right of certification. We do not dispute that it may be very necessary for you in certain circumstances to certify but what we really feel is that certain taxes we have not agreed to should be certified ”.

Well, Sir, then the question really is no longer one of major constitutional importance. It really is no longer an insult hurled at the representatives of the people. What it resolves itself into is a question of detail. Is a particular tax such that the Government could, considering its commitments, considering its responsibility, or could not let go. And in regard to this particular point, I will, as an instance, take the salt tax. I know that this tax has a political history behind it, extending over more than 30 or 40 years. I know that a certain amount of sentimental value is attached to this tax. Now, Sir, what is the proposition that certain Honourable Members want the Government to adopt? I have been looking at the rate of taxation on salt. I can assure Honourable Members that looking at the figures for the last 50 years, never has the salt tax been reduced to 12 annas a maund. It was for a long time Rs. 2-8-0 a maund ; only for a very very short time was it at the rate of a rupee a maund ; it has been at Rs. 1-4-0 for more than 15 years. Now, a reduction of this kind involves the Government in a recurring loss of nearly three and a quarter crores a year. I gather from the speech of Mr. Gladstone, I gathered from the speeches made in the lower House by the Deputy Leader of the Independent Party, that so far as the salt tax was concerned they would have been prepared to have gone with the Government into the lobby if the Government were only certifying that particular tax. I should like to ask my Honourable friend, Lala Mathura Prasad Mehrotra, and other representatives of the agriculturist interests, if they have really been told by their tenants that this tax presses heavily on them. Have they ever been told that their tenants have never been able to get enough salt to eat ? I think the complaints that one hears are that the rent is high or that the price of agricultural produce has gone down. Very elaborate calculations were made in the past as to the average consumption, as to the average incidence of this tax. I will not burden the House with these figures but I understand that the average amount of salt consumed by one person during the year is about six seers. Six seers a year is the average consumption per person and the incidence of this tax comes to about three annas a year. This tax has the great advantage that though the incidence is small, the amount of revenue which it brings into the coffers of the Government is so great that unless there are exceptional circumstances, it is not possible to surrender a revenue of over Rs. 3 crores a year. My Honourable friend the Finance Member pointed out in the lower House that this Government is faced with large commitments. There is to be the separation of Burma. There will be deficit provinces which will require subventions. I ask Honourable Members, “ Were the Government justified or were they not justified in ignoring the vote of the lower House in regard to this tax ? ” I

take it that the general view will be that the Government were perfectly justified, considering the financial situation, in ignoring the vote of the lower House in regard to salt. I will only take another instance. I am giving these illustrations merely to show that circumstanced as we are, it occasionally happens that though we find that reason is on our side, sentiment or some other consideration makes it impossible for the elected Members to go with us. The responsibility is ours and in these circumstances we are perfectly justified in not agreeing to the proposals made by the elected representatives. I now take another item, namely, the export duty on hides. I heard the speech made by a very representative member in the lower House and its purport was that he would have been prepared to vote with Government but that he refused to do so because of a temporary emotion in regard to certain words used by the Honourable the Finance Member, which I understand he never used. Are we to prejudice, as I think we would, the export trade merely because of a vote cast on account of something said during the course of a protracted debate? On those sentimental grounds Government would not be justified in accepting the vote of the lower House. I have taken only these two illustrations. Honourable Members assert that in regard to certain taxes they are in a better position to say whether Government should continue them or not. The position, I take it, of the Honourable Finance Member is that he has to look at the whole of India, not only regionally or sectionally, but at the whole of the interests—what pinches the upper classes and what pinches the lower classes. Looking at the whole, when it comes to making a choice, I think we are justified in saying that we are in a more detached position, that we are better able to judge whether a particular tax should or should not remain in the budget. I quite understand that if we do give up the surcharge, we should have the support not only of the European Group but also of others with large incomes to whom the surcharge no doubt appears to be a most unjustifiable tax. I am not sure that even with the help of such Members Government would have been successful, because I can quite understand that certain other Honourable Members who allege that they are the representatives of the poorer classes would have opposed this proposition. I am quite prepared to admit that certain groups would follow us if we are prepared to remove a tax which pinches them most. I myself, as a landholder, have great sympathy whenever the question arises that land revenue should be reduced. If the land revenue remissions in my province are not as large as landlords would like them to be, there is a very natural feeling of disappointment. I quite sympathise with them. But I hope Honourable Members will also sympathise with us that when we are not able to meet their wishes, it is not from a desire to discard their views. These matters are very carefully considered. I can assure Honourable Members that when the Government of India came to these decisions, they did so with a keen sense of responsibility, fully realising that they would come in for criticism from a large number of people. The reason why they did take this decision was that they found that it was impossible, having regard to their responsibilities, for them to meet the wishes of Honourable Members.

I should like before I conclude to say just one word to Honourable Members. The past record of the Government of India does not in any way justify the charge that they have been irresponsible to public opinion. This is the fifth occasion on which they have found it necessary to bring in a certified Bill. The first was in 1923, the second in 1924, there were two occasions in 1931 and this is the fifth occasion. The point that I wish to bring to the notice of Honourable Members is that it is always dangerous for the proper development of constitutions that you should force Government to make use of their emergency.

[Kunwar Jagdish Prasad.]

powers. You should not force them, into this position. If Honourable Members will not place us in a position where we are obliged, with great reluctance, to use our emergency powers, I am sure the need for these powers will grow less and less. If, on the other hand, situations are being constantly created when it is triumphantly stated that in so many divisions Government suffered crushing defeats, you may thereby be retarding the growth of the Constitution in a direction which both you and we desire. (Applause.)

THE HONOURABLE THE PRESIDENT : I propose now to adjourn the House for as half an hour for tea, I propose sitting this evening till 7 P.M.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : May I make a request, Sir ? As the House will be sitting on the 16th, I beg to ask you, in case Members find it inconvenient to continue today you will be kind enough to defer the proceedings to the 16th. As it is a very important measure many Members would like to speak and it would be very kind of you to allow the discussion to continue on that day. As His Excellency the Viceroy has issued an Ordinance, whether we sit a day or two more is immaterial.

THE HONOURABLE THE PRESIDENT : Today not even half the Members of this House have spoken. Then there is a long list of amendments, and knowing as I do the habit of this House to speak again on amendments at considerable length, I must see that this Bill and the other two Bills are finished before the Easter holidays begin. Meanwhile I will watch the progress made. But I have decided to sit today till 6-30 or 7 P.M.

THE HONOURABLE SIR DAVID DEVADOSS : May I make one suggestion ? Some of us would be very thankful to you, Sir, if the whole business could be finished on Wednesday, because Thursday next is Maundy Thursday and I speak on behalf of Christians who would like to have Maundy Thursday a holiday. If the business could be finished on Wednesday we should be very thankful and for that purpose I request that you will sit till late, if necessary after dinner. No doubt it is a strain on you, but still, Sir, I am obliged to make this request because I do not want to be here on Maundy Thursday.

THE HONOURABLE MR. HOSSAIN IMAM : I wish to assure the House that we have every intention of finishing up the work on Wednesday evening, unless there is some attempt to murder time by some irresponsible people !

THE HONOURABLE THE PRESIDENT : You may have every intention, but I have not got a sufficient guarantee ! It is my desire to expedite the work in order that the Christian Members of the Council may not suffer in the least. I will see what progress the Bill makes on Tuesday next and, if necessary, I shall hold a night sitting also.

The Council then adjourned for Tea till Five Minutes to Five of the Clock.

The Council re-assembled after Tea at Five Minutes to Five of the Clock, the Honourable the President in the Chair.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal : Non-Muhammadan) : Sir, before I begin to speak on the merits of the Finance Bill, I should like first of all to accord my cordial and hearty welcome to the Honourable the Leader of the House on behalf of myself and on behalf of the constituency which I have the honour to represent in this

House. But, Sir, I feel a certain amount of hesitation in extending that cordial welcome to the Honourable the Finance Member, because he, like Winter, comes once a year to pay his annual visit to this Chamber! However, it is my duty still to welcome him in this Honourable House.

Sir, in this House every year we are given the opportunity of only dissecting the Finance Bill, but this year we are asked not even to dissect but to carry the carcass of the Finance Bill to its usual destination, the vaults of the Imperial Secretariat in the Finance Department! The Bill in its recommended and certified form is nothing but a dead horse! To discuss the merits and demerits of this recommended Bill is nothing but a sheer waste of time, in flogging that dead horse, and if we do so it will only show to the world as to how far morally degraded we are. The constitution as it stands is unworkable, was the implied admission of the Honourable the Finance Member in the other House, when a few days back he brought the recommended Bill before that House. I will even say that the present form of administration is not only unworkable but is most hackneyed and is best suited for an antediluvian age and therefore requires changing lock, stock and barrel. The high salaried selfish officers, both British and Indian, under the present Government require to be forthwith replaced by men with lesser pay and imbued with a sense of patriotism and imagination. The existence of an irresponsible executive and the top-heavy administration are the sole causes of widespread discontent in the whole country. The autocratic ways of governance of the country by a foreign executive is bringing the country on the verge of revolution. The inhuman cruelties and reprisals perpetrated by the police and the military in the whole of India and specially in Bengal in the name of law and order are breeding germs of revolution rather than pacifying the country. The benefits of British rule, like the introduction of the system of cheap postage in India, is a thing of the past and is a subject of research for antiquarians! The security of life and property in India established by the Britishers of the 18th century is ancient history and unknown to the present generations in India! The fair play and British justice on which the British Indian Empire was founded has been replaced by injustice and iniquity in every field of British Indian administration. If illustrations are needed it can be had in abundance from the debates of the last few years on the Finance Bill, in this House and the other. The army in India is a huge mockery in the name of the defence of India. Innumerable British officers and ranks in the Indian Army is only a means for keeping this country under subjection by brute force. Civil Aviation and the Royal Air Force are nothing but necessary adjuncts to this huge machinery of the army for the subjection of the country. The British mercantile marine is nothing but a stone in the same British grinding machine for crushing everything that was best in the field of shipping and the ship building industry in India. English education imparted through universities and schools are only means for sweeping away what was best in Oriental culture and civilisation. Railways under other civilised administrations are national assets whereas in India they are nothing but a means of British exploitation which is helped by manipulation of freights. Extensions of telephonic and telegraphic communications are used in other civilised countries as means for the advancement of material progress of the people whereas in India they are used as subsidiary means of quicker and easier means of exploitation of the masses and for easy spying on the people of this country.

If India had internecine strife and struggle before the advent of British rule, they are none the less in the present century in the form of communal riots fomented by the complete apathy of the foreign administrators in the protection of Indian lives and property.

5 P. M.

[Mr. Jagadish Chandra Banerjee.]

For the abduction of one European girl on the Frontier a few years back the whole of the British Empire was astir to punish the culprits whereas cases of abduction and rape of Indian women are of everyday occurrence under the very nose of the guardians of law and order as no deterrent punishments are provided in the penal laws of the British Indian administration. Administration of justice in British India is tortuous, dilatory and expensive. Examples are not wanting where large estates have been ruined due to dilatoriness in civil courts prolonging civil suits for decades and even for several generations. Public works administration in the country is meant only for enriching a few British officials and firms at the cost of Indian revenues.

Industrial development in India means the progress and development of British industries and manufacturers at the cost of indigenous industries and manufacturers.

Trade conventions and agreements in this country means one-sided agreements for the advantage of only the British industrialists and capitalists either within the country or outside.

Sir, if these are the advantages of the present administration in the country, I for one do not see any reason why any Indian with a grain of self-respect would vote supplies for wasting our resources for the advantages of a foreign Government. The other House did the only thing possible, *viz.*, the rejection of the recommended Bill and by doing so they have raised the prestige and the fair name of India in the eyes of the world.

Before I conclude I wish to make it clear that the Bill in its recommended form has been placed in this House for being passed in its original form. I do not know why some of my friends are eager to move amendments to this recommended Bill knowing full well the fate of such amendments, even if by chance any one of them is passed by this House. The House as it is constituted is only meant to clear the refuse of the Government and to get the abuses of the public.

THE HONOURABLE THE PRESIDENT: And yet you choose to be a member of this House.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: According to the constitution we are perfectly within our rights to come and wake up Government to its responsibility. There are still many renowned and greater men than myself in my province. No doubt I come from a distance, but let this distant and clear voice rouse Government from its slumber!

This year the Government has brought the Finance Bill with a gun levelled at us, dictating to us not only to clear the refuse thrown into this dustbin of the Council of State, but also to clear the refuse in the way recommended by the Governor General. In the circumstances I do not think there is any utility in taking part in the mockery of a discussion of the Bill at any stage. Before I resume my seat I wish to put only my emphatic protest against the Motion for taking into consideration the Bill in its recommended form.

THE HONOURABLE SIR JAMES GRIGG (Finance Member): Sir, I feel myself a little out of place in the august air of this upper Chamber. Its peaceful atmosphere rather cramps the style of one who has been more used to the rough and tumble of the lower House. It is true that there was one carefully composed study in superiority and provocativeness, but even that was unable

to disturb the general air of friendliness. But although the air is different, in substance the debate covers very much the same ground as it did in the lower House. Of course, Karachi came in, which did not appear in the lower House, and also a good deal of indignation over the circumstances in which the Finance Bill reaches this Chamber. With that indignation I have a certain amount of sympathy, and on that, apart from the speeches made by the Honourable the Leaders of both Houses this morning, I only wish to add that I was only very partially responsible for the form in which and the time at which the Finance Bill reached the Council of State.

As I said just now, although the atmosphere was different, the arguments used cover very much the same ground. In particular Mr. Sapru's speech was a very faithful echo of the speeches delivered by Mr. Satyamurti in the lower House. He also has learned the art, or is trying to learn the art of having it both ways. He first suggested that the surplus from last year should be carried over and used for the reduction of taxation in the current year. Well, leaving out of account the somewhat vital fact that the lower House allocated all but a very small part of the surplus and allocated it definitely and finally so that there was no surplus available to carry forward—leaving out of account that, the principle which he seeks to uphold of bringing a surplus forward from one year to justify a reduction of taxation in the next is a very vicious principle. If the House will pardon me, I will traverse a little of the ground which I had to traverse in dealing with this matter in another place. The strict theory of budgetary finance requires that reductions of taxation in any year shall only take place to the extent that a surplus emerges in that year and emerges in such a way that you can confidently predict that that surplus will be there for at least as far ahead as one can foresee. In other words, in order to justify a reduction of taxation you must be able to see that the finances of the current year and of several years ahead provide sufficient margin for that reduction. It is perfectly true that there is one admitted exception and that is that if in any year you are dealing with a non-recurring short-fall, you are justified in trying to fill it up by a non-recurring windfall. But that is certainly not the case here and that is why even if the lower House had not allocated the whole of the surplus or practically the whole of the surplus for 1934-35 it would have been illegitimate to bring forward the surplus of that year and to use it for tax reduction in this current year.

Well, that line of argument is closed. But that does not matter. Even if that is ruled out there is another line of argument which will serve their purpose equally well and of course their purpose is merely to complain that the policy of the Government is insufficiently generous and that there is lots of money to give away and in other words to outbid the Government who is responsible for these things in a campaign of tax reduction. This other line of argument is that there has been underestimating of the revenue for the current year. The more charitable say that the underestimating is due to incompetence but the more uncharitable say that it is a deliberate act of policy. Well, I dealt with this argument in the lower House too. The main ground for accusing me of underestimating the revenue for the current year was the present circumstances of the sugar industry, and on this I said that the circumstances of the sugar industry, which anyhow is a new industry in this country, on its present scale and its present form, are not sufficiently stabilised to justify dogmatic certitude in the matter of estimating anyway, but even supposing that in that matter there was an over-estimate, I said that the estimates over the rest of the field were based

[Sir James Grigg.]

On the continuance of the improvement in trade which had set in about the middle of last year and the continuance on a very substantial scale. But conditions in Europe and in the rest of the world did not at present justify any optimistic assumption that the improvement would continue on that scale and that if one had to draw up the estimates of revenue for the rest of the field in the light of the present-day circumstances instead of in the light of circumstances of two months ago, one would be very much inclined to write them down and play for safety. Taking everything into account, it certainly cannot be contended for one moment that there is any deliberate underestimating in the revenue estimates for this year and for my part I am not prepared to admit that there is any—shall we say, incompetence or any very obvious incompetence in estimating? So that both of Mr. Sapru's devices have disappeared. Then what does it mean? It boils down to this, that the Legislature made a large number of amendments to the Finance Bill, ranging in cost from Rs. 6 lakhs to Rs. 325 lakhs. Now, what is Government going to do about a situation like this? Obviously, if the revenue situation is as I have said, as I seriously believe it to be, the Government can only take the very cheap amendments.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Adjust your expenditure accordingly.

THE HONOURABLE SIR JAMES GRIGG : Adjust your expenditure accordingly. I imagine in order to arrive at that you would cancel the restoration of the pay cut. Well, as I pointed out in the lower House it is all very well to talk about the restoration of the pay cut as if it were a restoration of salaries only to the higher officials under the control of the Secretary of State. It covers a large number of much lower paid officials and I am willing to take a small bet with any of my Honourable friends opposite that if they were Chancellor of the Exchequer of a democratic Government they would not have come down to the House with a proposal to disregard the pledges which had been given in respect of the pay of their own services in this House. I am absolutely certain they would not. It is all very well to create a bogey of the higher officials. They are fair game obviously for any Assembly. But it is not fair to ignore the fact that a very large part of the pay cut goes to people in other categories whose interests and claims are continually being advanced by individual Members in both Houses.

THE HONOURABLE MR. P. N. SAPRU : Try alternative sources of revenue.

THE HONOURABLE SIR JAMES GRIGG : An alternative source of revenue was suggested in the lower House. It was suggested by one Honourable Member that income-tax should be raised in the higher reaches. That would not suit my friends of the European Group, would it? They would not agree to that. Another source of revenue suggested was that there should be an export duty on gold. I dealt with it at some length in a debate in another place, and for my part, I am quite clear that the incidence of an export duty on gold is on the ultimate seller, who is as a rule the poorer person who has small stocks of gold.

THE HONOURABLE MR. HOSSAIN IMAM : Is it distress gold then?

THE HONOURABLE SIR JAMES GRIGG : To the extent that it is distress gold, the export duty would fall on the distressed. Government will not stand for that.

THE HONOURABLE MR. HOSSAIN IMAM : Is it distress gold ?

THE HONOURABLE SIR JAMES GRIGG : It is a matter of opinion. The Honourable Member has his opinion : I have mine—

THE HONOURABLE MR. HOSSAIN IMAM : The Treasury has always denied it.

THE HONOURABLE SIR JAMES GRIGG : I hold mine perhaps a little less confidently than he holds his. Let me get back to my argument.

Another suggestion for finding this Rs. 4 or Rs. 5 crores is to reduce the army. You cannot do that at a moment's notice. These decisions have got to be put into operation at once if they are to give you any benefit, and they should be immediately effective. There is no good supposing that by a mere *ukase* you can produce reductions of expenditure or alternative sources of taxation to fill up the hole which the Legislative Assembly made in the budget in the course of their consideration of it. You therefore come back to the position that the state of our finances are such that we were precluded from accepting anything but the cheapest of these amendments. The only two cheap amendments were the ones relating to book packets and the one tola letter. These relate to postal rates. They are not in the interests of the poorest of the poor for whom some Honourable Members claim to speak. But even supposing that we can meet the cost of these two amendments, we shall be writing up the estimates by Rs. 6 lakhs *plus* Rs. 16 lakhs, not on any ascertained facts or even on any likely facts, but merely on hopes. Even supposing you can do that and you provide enough margin on the general budget to pay for these two concessions, that does not dispose of the question. There is already in the estimates for this year a deficit of about Rs. 13 or Rs. 14 lakhs on the Post and Telegraph service. To give these two concessions would increase that deficit to Rs. 30 or Rs. 40 lakhs. In other words, we will get back to the very vicious system whereby the general taxpayer will be subsidising a public utility service, which is intended to be carried on on a commercial basis. That, in my view, and in the repeated declarations of Government, is an absolutely vicious principle for which Government will not stand.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : That deficit is due to the high rates of postage.

THE HONOURABLE SIR JAMES GRIGG : That is a matter of assertion and not of any very rational opinion.

Over the rest of the field of amendments, each of them would cost at least half a core and Government could not choose any of those amendments, in order to placate the Assembly, quite apart from any question as to which of the amendments was likely to be in the public interest. The cheap amendments, even if you admit it is possible to accept them, are not of any very recognisable service to the poorer classes in the country, and also, the acceptance of them would have necessitated the re-introduction of the vicious principle that a commercial service should be carried on at a heavy loss and at the expense of the general taxpayer. I maintain that the dilemma being what it was, there was a very good case for the Government taking the line it did and asking the Legislature to accept the Bill in its original form. So much for the general question of policy which has been discussed in this House.

I now come to one or two points of important detail that have been raised in this general discussion. First of all, there is the question of planned economy.

[Sir James Grigg.]

Obviously, I cannot go into that at very great length, because every third book which is written in these modern days deals with planned economy. It is very surprising that with the multitude of books, the world is not in a much better state than it is or rather it is not very surprising to one who takes rather acynical view. I have listened and read a good deal about planned economy for this country, and as far as I can make out, it does not mean very much more than hordes of officials engaged in unproductive work such as collecting statistics, sitting at their desks, thinking, and giving advice to other people as to how to run their own business. For instance, a suggestion was made in the lower House that a very large number of crores should be borrowed and spent on sending out young men from the towns into the villages to teach villagers agriculture. As I say, all these plans involve a great many officers collecting statistics, thinking, giving advice and not doing very much except draw their salaries. The second main constituent in this planned economy business is vast wasteful and unproductive expenditure paid for from borrowed money.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Better abolish the Statistical Department then, in case you find it not useful.

THE HONOURABLE SIR JAMES GRIGG : I do not think that necessarily follows at all. Obviously, every Government must have a certain minimum of statistics. What I do say is that Government's resources are not very strongly developed and so they have got to count the cost of any new statistics very carefully and also to judge of their usefulness. That is the only moral I draw from it. Of course, I am talking of other people's plans, not mine.

Another constituent in this planned economy business is large loans to be spent on capital works irrespective of the question whether they yield any return or not. That really is—I am sorry to point out that it is an elementary fact—nothing more or less than an inflationary device, and we saw the results of such an inflationary device in the case of Germany and Austria in 1923. I have read a good deal of literature on subjects like this and have seen a good many economic plans advocated. I am extremely sceptical about them all. You really cannot point to any country in the world where economic planning has been an unmeasured success.

THE HONOURABLE MR. HOSSAIN IMAM : What about Russia ?

THE HONOURABLE SIR JAMES GRIGG : I thought you would come to Russia. The latest books on Russia are extremely sceptical about it. They say that the progress made has been extremely disappointing and they show that there has been a limited return to capitalism.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : The first five-year plan was a great success.

THE HONOURABLE SIR JAMES GRIGG : Their first five-year plan produced a very small fraction of the results which it was expected to produce. If the House will allow me and will bear with me for a little I think I can find a quotation that I used in the lower House.

"The success of the Five-Years Plan has been of a very meagre and doubtful character. Even in evaluating the considerable expansion of heavy industry it has to be remembered that Russia is still a young country industrially, and that progress under such conditions is easy. In a great many industries, on the other hand, no progress has been made".

"While the authors of the Five-Year Plan expected to increase the productivity of labour by no less than 110 per cent, actually, however, hardly any improvement took place".

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Is the Honourable Member entitled to quote his speech in the other House ?

THE HONOURABLE THE PRESIDENT : He is giving a quotation from a book.

THE HONOURABLE SIR JAMES GRIGG : I am quoting from a document which I quoted in the other place. Surely I am entitled to quote from the same authority ?

"The result of the Plan on the agricultural side is to be judged from the fact that 'Russia is now no longer in possession of grain surpluses for shipment abroad', while, before the war, the grain exported amounted in value to nearly half her exports. The crops harvested per unit of land have fallen off considerably and the decline of livestock breeding threatens Russian agriculture from another direction".

There is your Russian experiment.

THE HONOURABLE THE PRESIDENT : I may say also that part of the success of the first Five-Year Plan was due to the assistance received from slave labour.

THE HONOURABLE MR. HOSSAIN IMAM : What is the date of the debate from which you quoted ?

THE HONOURABLE SIR JAMES GRIGG : The 25th March.

Well, leaving out of account Russia, the other prominent examples of economic planning are of course the United States and Italy and Germany. Now, are Honourable Members opposite prepared to say that those three countries are in such a happy position that they would like to be in the same position ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : What is their position ?

THE HONOURABLE SIR JAMES GRIGG : That is a very long story. I suppose innumerable books have been written about that. What I am bound to say is that I do not see in the case of these other countries any great hope in economic planning in that sense for India, I mean in grandiose and revolutionary planning and inflation. Of course, there is a good deal of vagueness about on this subject. As I said, I have read a great deal about it in various books, but I am bound to say that I do not find in them any very real guidance. I am continually having quoted against me a book by Sir M. Visvesvaraya. I am sorry to say that I have not yet had time to read it fully, but I have looked at the chapter in which he summarises his conclusions. If I do him an injustice I am prepared to apologise, but in so far as I could see the essential elements of his plan are something like this. The foreign—in which designation he includes British—commercial interests in this country are to be bought out for a payment, I think, of Rs. 10 crores a year for 20 years. I suppose at a guess that is worth about Rs. 120 crores on present value. I forget what the exact value of the foreign commercial interests in this country has been computed to be, but I seem to recollect a figure of something like Rs. 1,000 crores. His first plan is to buy Rs. 1,000 crores worth of interest for Rs. 120 crores,

[Sir James Grigg.]

This is economic planning ! His next plan is to transfer the whole responsibility for the defence of India to India inside 15 years. His third plan is, inside of 10 years, to transfer half the rural population into industrial occupations. Now, I wonder whether the House realises what that means. He is going to transfer the rural population into towns and factories at the rate of 15 millions a year. That is, I suppose, the purpose of this beautiful Rs. 500 crore loan which he talks about. Another element in this economic plan is that you should have a large number of economic councils consisting of all sorts of interests, and I should think that by the time all the interests are represented the Economic Advisory Council would about fill the Albert Hall. And these councils every three months are to issue advice to the industrialists and to the people of India how to run their affairs. Well, you may call that a Ten-Year Plan if you like. The author calls it a Ten-Year Plan, but it looks to me rather like Utopia with no basis of reality whatever.

Then one of the Honourable Members from Bombay raised a point which had a good deal of substance. He deplored that the financial condition of India should be such that there was a budget balance at the centre and deficits in most of the provinces. Sir, Government is very conscious of this anomaly and deploras it, and quite clearly it makes the inception of provincial autonomy considerably more difficult. But that problem is with us anyhow and it has got to be solved and solved in the way laid down by the Government of India Bill, in the last resort by subventions to permanently deficit provinces. In any case the system of finance contemplated in the Government of India Bill does intend that there shall be at some time or other a transfer from the centre to the provinces of sources of revenue, which will not only enable provinces to balance their budgets but to provide them with resources for nation-building services. That problem is there and it is one to which Government are giving their special attention. Beyond that it is quite impossible to say anything at the moment.

THE HONOURABLE MR. HOSSAIN IMAM : Are not these difficulties due to the restoration of the salary cut ?

THE HONOURABLE SIR JAMES GRIGG : Obviously that has its effect on the provincial finances just as it has its effect on the central finances.

The same Honourable Member raised a question about the sales of silver and he seemed to think that we were getting rid of silver which would be ultimately necessary for the currency system of this country. As I have pointed out in another place, the Reserve Bank has taken over from Government Rs. 50 crores of silver, nominal value, and Government have left in their own reserves something over Rs. 40 crores of silver. So there is available enough silver for Rs. 90 crores of coinage, and that seems to me to be a figure beyond any possible or likely demand as far as one can see. In the very violently inflationary period between 1915 and 1919 the total absorption of silver coinage was only Rs. 42 crores for the four years, which is less than half the reserves now in India ; and in the two years following the break in the inflationary boom Rs. 36 crores of that came back.

THE HONOURABLE MR. HOSSAIN IMAM : Do you propose to sell Rs. 12 crores this year ?

THE HONOURABLE SIR JAMES GRIGG : I am not going to make any statement on that. I must have notice of that.

THE HONOURABLE MR. HOSSAIN IMAM : That is in the Explanatory Memorandum of the Finance Secretary.

THE HONOURABLE SIR JAMES GRIGG : Rs. 30 crores of silver ?

THE HONOURABLE MR. HOSSAIN IMAM : About 12 crores of silver rupees.

THE HONOURABLE SIR JAMES GRIGG : That does not arise on this particular question. Even so, during one of the most violently inflationary booms in history the total absorption of coinage in four years was Rs. 42 crores and of that Rs. 36 crores came back in the following two years.

Another question which was raised and is always pushing its head up is the question of ratio. It really is like King Charles' head with Mr. Dick in *David Copperfield*. When in doubt talk about the ratio ! It will take too long to enter into any abstruse and abstract discussion about the ratio—

THE HONOURABLE MR. HOSSAIN IMAM : Have practical discussions.

THE HONOURABLE SIR JAMES GRIGG—and about the practical results. But for my part I am quite sure that the maintenance of the present ratio is best calculated to serve the interests of India and in particular—

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : What has the maintenance of the ratio cost ?

THE HONOURABLE SIR JAMES GRIGG : May I finish my speech in my own way ? The Honourable Member can make his speech and he will have the advantage of speaking after me.

I am quite sure that the preservation of the present ratio is the best calculated to serve the interests of India and in particular to serve the agriculturists of this country and the maintenance of the present ratio is the policy of the Government of India.

There are three objects, Sir, which the financial and budgetary policy of the Government have to see to. The first is to provide funds for economic development where it can be shown to be in the interests of the country ; in other words, where it can be shown to pay ; or in other words again—where it can be shown to be rural economic development and not political hot air. The second is the reduction of taxation, primarily the emergency taxation, and the third is the preparation for the handing over of resources to the provinces at the inception of provincial autonomy. Now, I maintain that the present budget reconciles those objects, which are to some extent conflicting, to the greatest extent possible and in the best interests of the country. As far as economic development is concerned, we have increased the sum allocated to that by utilising a non-recurring surplus and the objects of this developmental expenditure have got a very definitely rural bias. Then we have reduced surcharges on income-tax not to as great an extent as Honourable Members in the European Group or in other parts of the House would desire but to the maximum extent that seemed to be justified by our resources and to the maximum extent consistent with the prior pledges of the Government of India in previous years ; and for the third object, that of preparing for providing resources for the provinces in the future, it is sought to attain that object by refraining from any wild overestimating or any other open or concealed methods

[Sir James Grigg.]

of budgeting for a deficit with all the disastrous results on India's credit and ultimate financial position.

Sir, that is all I have to say on the debate which has taken place today. I am very grateful to this House for its atmosphere of Sabbatical calm and for the patience with which it has listened to me.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will the Honourable the Finance Member be kind enough to come here on Tuesday next to hear the observations of other Members and in case any Member demands any reply he may be kind enough to reply ?

THE HONOURABLE SIR JAMES GRIGG : I should like very much to accept the Honourable Member's invitation, but unfortunately I have to leave Delhi this evening. I am very sorry. If the Honourable Member likes to make his observations now, I shall be delighted to listen to them.

THE HONOURABLE MR. MOHAMMAD YAMIN KHAN (United Provinces : Nominated Non-Official) : Sir, we have, under our present constitution, two sides to the budget ; one is expenditure and the other is income, and under the present constitution the expenditure side is discussed first and voted upon in the other House before the Finance Bill is taken up. This House is precluded from voting upon the expenditure side. This being the case it leaves us in a very bad position ; this House finds itself in a most awkward position to justify its action in any other manner. The other House has got the right to vote upon expenditure and they scrutinise each and every item which is placed before them. This time when the expenditure was placed before them, the other House saw its way to waste time mostly in discussing questions of policy rather than going into the merits of the budget—

THE HONOURABLE THE PRESIDENT : Order, order. I would ask the Honourable Member not to make any reflections on the other House.

THE HONOURABLE MR. HOSSAIN IMAM : We are not discussing the budget !

THE HONOURABLE MR. MOHAMMAD YAMIN KHAN : I suppose it is the President's duty but it is not the duty of my Honourable friend to point out to me what I should speak on. I know more than my Honourable friend knows ! I am asking what is the position of this House when the budget on the expenditure side, with which we are not concerned, has been passed by half of the Legislature, that is, the other House which has got full control over that ?

(The Honourable Mr. Hossain Imam rose to interrupt.)

If the Honourable Member would like me to interrupt him every time he speaks I will do so if he sets this example to me.

THE HONOURABLE MR. HOSSAIN IMAM : With pleasure.

THE HONOURABLE MR. MOHAMMAD YAMIN KHAN : We find that this House is confronted with two sides, one the expenditure side which has been voted upon and the other side, with which we are concerned is, what supplies should be granted to the Government to meet that expenditure ? This House, being a revising Chamber, feels its responsibility and its duty is

to act responsively in all matters. If this House finds that the action of the other House was justified in refusing certain grants of expenditure and simultaneously that House reduced the income also, then this House has to carefully see whether that is balancing or whether it is not balancing. If we find that a certain amount has been already sanctioned to be spent and the Governor General is asked to meet those expenses which he can only meet by getting the income also which is part of the budget, then this House has got only one thing to do and to act responsively, whether we will be justified in refusing the grants of supplies or not.

THE HONOURABLE MR. HOSSAIN IMAM : Do you mean that the lower House has voted all the expenditure ?

THE HONOURABLE MR. MOHAMMAD YAMIN KHAN : Sir, I had the honour to sit in the other House and I do not see why the other House is constantly called the lower House.

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

THE HONOURABLE THE PRESIDENT : No, I will not allow Honourable Members to interrupt. You will have an opportunity to speak. I have noticed during the last few days that whenever Mr. Yamin Khan gets up to speak he is systematically interrupted.

THE HONOURABLE MR. MOHAMMAD YAMIN KHAN : Now, Sir, when we have found that this House can fulfil its responsibility in one manner, should we cut down the supplies and leave the Governor General to meet his expenditure by some method other than that of taxation ? If we cannot do that, then we should feel that we should have to vote the supplies, at least to the extent for which the expenditure has been sanctioned by the House which had the power to sanction that expenditure. We find that the expenditure at present is to the same amount as is covered by the Finance Bill. If the other House had taken pains to go thoroughly into the matter they could have cut down item by item where they found that the Government had been extravagant in certain expenditure. It was their duty and not ours : we can only discuss in a general debate, point out generally where the Government was wrong, but we had no power to stop any expenditure. That was the duty of the other side. And we find that, after fully scrutinising, after going thoroughly into these items they have placed before us, we are confronted with the fact that this expenditure has to be met. Now, as responsible persons, Sir, we have to show that we must in all fairness grant the supplies to the Governor General in Council to meet all those expenses which can be done by supporting the Finance Bill which is the other part of the budget. If Rs. 3½ crores are cut down for the salt duty or the surcharge and supertax, well these demands for grants fall short and which of them will the House ask the Governor General not to spend for ? We must see this. We have got certain items put down like rural uplift and other questions of sanitary improvement. These things will have to be closed down or the Governor General will have to borrow, which nobody would like. Here we have paid compliments to the Finance Member and to the Finance Department for balancing their budget. How is this budget balanced ? The budget can be balanced only, Sir, when all the items in the Finance Bill are approved and passed by this House. If the items are cut down from the Finance Bill, then the budget becomes a deficit budget, not a balanced budget.

[Mr. Mohammad Yamin Khan.]

The item of the expenditure you are showing but the income you are cutting down. Then all those compliments must be taken back which you have paid to the Finance Department. If we were responsible, Sir, in doing this, then I do not see how we can go behind what we have been saying only a few days ago in this House? Our position, Sir, is simply as a revising Chamber. Undoubtedly we have power to vote on the Finance Bill on the income side, but we have no control on the expenditure side. If the Honourable Members had complained about why should we not have the power going into the expenditure side as we have going into the income side, then certainly there would have been some justification. But, under the present constitution, when we have agreed to come up and work under the present constitution and we will have to go on until this constitution is changed, we will have to work according to that and that constitution does not give us any power of voting on that side. The only power we can exercise is to check any excesses in action of the Government. It may be that sometimes the other House fails because some Members of the other House take wrong action. Well, they are not willing to take that action but simply to demonstrate some other grievance they have to adopt that course. Is this House going to support that action? I will ask my Honourable friend of the European Group who is sitting here? We found that all the Members of the European Group had agreed to the salt tax in the other House at one stage but when the Bill came as a recommended Bill then the Members of the European Group did not vote with the Government. Why, Sir? Simply to protest against some other item on which they were not in agreement with the Government. Well, they made it perfectly clear that they would have passed the salt tax but they justified their action in remaining neutral on the ground that they wished to register a protest against certain other items. Now, Sir, that may have been a full justification for one group in the other House. But is that going to be the justification for the Honourable Members of this House, the duty of which is to revise the actions of the other House? Are we as the revising people going to be led simply by those who want to demonstrate certain actions? No, Sir. Our duty is simple and plain,—that if we find that in order to justify or demonstrate certain grievances a certain action has been taken, which action is really not warranted on the merits, we have to rectify the mistake which has been made. I see my duty from this point of view. I do not say that Honourable Members will agree with me. But I feel that that is the justification of this House which the Honourable Members of the House are accustomed to call the upper House. If it is a revising House, then our duty becomes quite plain. We have got nothing to do. We are not going to be led by the excitement on account of certain grievances in the other House. We have to realise our duty and sit like judges and see whether an action is warranted or not warranted on its merits. As I have pointed out before, Sir, there is only one question before us and that question alone can make our actions be our guide, and that question is, Sir, that the other House has voted certain expenditure, and that expenditure ought to be met by the revenues, which revenues must be found through this Finance Bill and we have to sanction that so that the Governor General should not be made to certify and use his extraordinary powers, but we also must show that we are responsible and we have to take it. Our position would have been different, Sir, if a huge amount of expenditure had been cut down by the other House, the House of Representatives, which had the full voice in going through the expenditure and not we. We would have thought that these gentlemen had exercised their full discretion in cutting down the expenditure and now the Government is restoring the expenditure as well as the income. Then we

would have judged whether the action of the Government was right or wrong. And if we had found that the action of the Government was wrong we would have come to check it. But now we find that there is only justification for the Government to come and ask for all the supplies that they wanted in order to meet all the expenditure that has been sanctioned and I think that this House would be well advised to proceed in the most responsible manner and not say, as some Honourable Members indulge in saying, that we are going to show our resentment and that we shall not have anything to do with the Finance Bill. That resentment is not meant for this House. That is meant for the other House to demonstrate the popular feeling. This House is not meant for the demonstration of public feeling but to revise the action of the other House and to see whether it is justifiable or not. Under these circumstances —

THE HONOURABLE MR. G. S. KHAPARDE : Will you kindly refer to any book or pamphlet in which this constitutional doctrine which you have been laying down has been propounded ?

THE HONOURABLE MR. MOHAMMAD YAMIN KHAN : My Honourable friend has been in the Legislature much longer than I have. It was my good fortune to read some of his speeches in the defunct old Legislative Council when I had nothing to do with the Legislature.

THE HONOURABLE THE PRESIDENT : You need not trouble to reply.

THE HONOURABLE MR. MOHAMMAD YAMIN KHAN : He ought to know it. If he reads how this House came into existence, he will know it without my telling him.

THE HONOURABLE MR. G. S. KHAPARDE : I only wanted to know if there is any book on the subject ?

THE HONOURABLE MR. MOHAMMAD YAMIN KHAN : I hope my Honourable friend will also proceed on this basis.

I think, Sir, we must support this Bill as it has come to us, and pass it. The power which His Excellency the Governor General has exercised under the circumstances is perfectly constitutional and is amply justified. I would, however, like that Government should agree to certain amendments which Honourable Members are proposing if they find that they can reduce some items on the expenditure side in order to meet the amendments which may be put forward by my Honourable friends.

With this exception, Sir, and with these words, I support the Motion for consideration that has been moved.

THE HONOURABLE THE PRESIDENT : As some Honourable Members desire to go to their homes to spend the Sri Rama Navami holidays, I will adjourn the Council at this stage, but I must inform Honourable Members

[Mr. President.]

that I am determined that the Bill should be finished on Tuesday next and, if necessary, there will be a night sitting that day.

THE HONOURABLE RAI BAHADUR LAIA RAM SARAN DAS : Thank you very much, Sir.

The Council then adjourned till Eleven of the Clock on Tuesday, the 16th April, 1935.