

Tuesday, 28th March, 1939

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THE  
**COUNCIL OF STATE DEBATES**

**VOLUME I, 1939**

*(23rd January to 18th April, 1939)*

**FIFTH SESSION**

OF THE

**FOURTH COUNCIL OF STATE, 1939**

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# COUNCIL OF STATE.

*Tuesday, 28th March, 1939.*

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

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## MEMBER SWORN :

The Honourable Mr. Gurunath Venkatesh Bewoor (Nominated Official).

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## QUESTIONS AND ANSWERS.

### TELEGRAPH TASK WORK MESSENGERS.

209. THE HONOURABLE MR. P. N. SAPRU : Will Government state whether they have received any representation from the All-India Telegraph Workmen's Union Conference in regard to certain grievances of the task work telegraph messengers ? If so, what action do they propose to take on it ?

THE HONOURABLE MR. A. D. GORWALA : A copy of the resolutions passed at the Conference was received. No action was taken on them as the Union is not a recognised one.

### TELEGRAPH TASK WORK MESSENGERS.

210. THE HONOURABLE MR. P. N. SAPRU : (a) Are the task work telegraph messengers required to work in the night as well as in the day ? Are they not given the same facilities of casual and privilege leave as are enjoyed by postmen ?

(b) Is their position in regard to pension different from that of postmen ? If so, in what respect ?

THE HONOURABLE MR. A. D. GORWALA : (a) The reply to the first part is in the affirmative. As regards the second part, task work messengers are given the same facilities for casual leave as postmen. Task work messengers recruited before 16th July, 1931 get privilege leave on the same basis as postmen, but task work messengers recruited on and after that date are granted leave corresponding to privilege leave in accordance with the new leave rules.

(b) Yes. Task work messengers rank for pension as inferior servants, and postmen as superior servants.

### TELEGRAPH TASK WORK MESSENGERS.

211. THE HONOURABLE MR. P. N. SAPRU : Are the posts of telegraph peon jamadars, office jamadars and telegraph delivery inspectors open to task work messengers ? If so, will Government state the number of task work messengers who are acting as telegraph peon jamadars, office jamadars and telegraph delivery inspectors ?

**THE HONOURABLE MR. A. D. GORWALA :** On the understanding that the term "telegraph delivery inspectors" used by the Honourable Member refers to Inspectors of Peons in Telegraph Offices, the answer to the first part of the question is in the affirmative. The information asked for in the second part is not available and its collection would involve an undue expenditure of time and labour.

#### HOLIDAYS ENJOYED BY THE POSTS AND TELEGRAPHS DEPARTMENT.

**212. THE HONOURABLE MR. P. N. SAPRU :** Is the telegraph branch of the Posts and Telegraphs Department also given bank holidays? If not, why not?

**THE HONOURABLE MR. A. D. GORWALA :** Departmental Telegraph Offices and the telegraph branch of the Combined Post and Telegraph Offices enjoy in addition to Sundays four holidays in the year, namely, New Year's Day, Good Friday, King Emperor's Birthday and Christmas Day. In the interests of public convenience, other bank holidays are not granted. The question of increasing the number of telegraph holidays by two is, however, at present under the consideration of Government.

#### TELEGRAPH TASK WORK MESSENGERS.

**213. THE HONOURABLE MR. P. N. SAPRU :** Are there any quarters constructed for task work telegraph messengers and other members of the staff belonging to this grade? What is the house allowance given to task work telegraph messengers? Are Government aware that this allowance is insufficient in certain areas? Are boy peons given any house allowance? If not, why not?

**THE HONOURABLE MR. A. D. GORWALA :** The reply to the first part of the question is in the negative. I may, however, add that when there are quarters for inferior servants some, if available, are allotted to task work telegraph messengers.

As to the second part of the question, task work messengers are granted houserent allowances in certain places only at rates varying from Rs. 8-8-0 to Rs. 1-8-0 per mensem.

The reply to the third and fourth parts of the question is in the negative.

As to the fifth part, boy peons are recruited between the ages of 14 and 16 and are expected to live with their parents or guardians.

#### TELEGRAPH TASK WORK MESSENGERS.

**214. THE HONOURABLE MR. P. N. SAPRU :** Are any waterproof coats and turban covers to protect task work telegraph messengers from rain given to them by Government? If not, do Government propose to consider the advisability of supplying them with waterproof coats and turban covers? Are Government aware of the hardship caused to task work messengers in Srinagar and Quetta for not granting waterproof coats and turban covers?

**THE HONOURABLE MR. A. D. GORWALA :** Waterproof capes and hoods are supplied to task work messengers at places where the rainfall is heavy and the use of such protection is considered necessary. Government are not aware that any hardship is caused to task work messengers in Srinagar and Quetta by the non-supply of waterproof clothing. The amount of rainfall in these places is comparatively small.

**TELEGRAPH TASK WORK MESSENGERS.**

215. **THE HONOURABLE MR. P. N. SAPRU :** Are any winter uniforms (coats and pyjamas) supplied to telegraph task work messengers and boy peons and other members of the staff belonging to the cadre of telegraph task work messengers? If not, do Government propose to consider the advisability of supplying them with winter uniforms?

**THE HONOURABLE MR. A. D. GORWALA :** Ordinarily winter uniforms are supplied to telegraph messengers and boy peons at places where the winter is severe and prolonged and woollen jerseys are issued at places where the climate is moderately cold during certain months.

**TELEGRAPH PEON TASK WORK MESSENGERS.**

216. **THE HONOURABLE MR. P. N. SAPRU :** What proportion of the telegraph peon task work messengers is appointed as lower division clerks? Do Government propose to consider the desirability of reserving a certain number of vacancies for them?

**THE HONOURABLE MR. A. D. GORWALA :** The lower division of clerks was abolished in 1935.

Presumably the Honourable Member is referring to posts of clerks in the second grade. Recruitment to that grade is by means of a competitive examination and 50 per cent. of the vacancies are reserved for departmental candidates of all classes below the rank of clerk on the condition that they obtain the minimum qualifying marks.

**SCALE OF PAY GRANTED TO TELEGRAPH BOY PEONS.**

217. **THE HONOURABLE MR. P. N. SAPRU :** Have Government received any representation in regard to the scale of pay granted to boy peons of the Telegraph Department? If so, do they propose to take any action on it?

**THE HONOURABLE MR. A. D. GORWALA :** No. The second part does not arise.

**COMPENSATION GIVEN TO TELEGRAPH PEONS INJURED OR KILLED ON DUTY.**

218. **THE HONOURABLE MR. P. N. SAPRU :** Is there any system of giving compensation in the case of a peon who dies or is hurt while on duty? If not, do Government propose to consider the desirability of instituting such a system?

**THE HONOURABLE MR. A. D. GORWALA :** It is not clear to what particular class of employees the Honourable Member refers as "peons". Certain classes of Posts and Telegraphs employees are eligible for compensation under the Workmen's Compensation Act, 1923, and in the event of death or injury while on duty, all are eligible for extraordinary pension or gratuity, provided the conditions regulating the grant of such pension or gratuity under the Civil Service Regulations are satisfied.

**TELEGRAPH TASK WORK MESSENGERS.**

219. **THE HONOURABLE MR. P. N. SAPRU :** Is there any hourly overtime allowance for telegraph task work messengers? If not, why not?

**THE HONOURABLE MR. A. D. GORWALA :** No. Task work messengers receive a fee for each message which they deliver.

**REDUCTION IN PAY OF BHISTIES AND SWEEPERS ATTACHED TO THE CENTRAL TELEGRAPH OFFICES AT LAHORE AND AMRITSAR.**

**220. THE HONOURABLE MR. P. N. SAPRU :** Has the pay of bhisties and sweepers attached to the central telegraph offices at Lahore and Amritsar been reduced from Rs. 19 to Rs. 13 per mensem? Will Government state the reasons therefor?

**THE HONOURABLE MR. A. D. GORWALA :** It is a fact that the pay of bhisties and sweepers attached to the Central Telegraph Office at Lahore was reduced. At Amritsar the pay of the bhisti was reduced but the pay of the sweeper was raised. The figures, however, are not as given by the Honourable Member. The policy of Government is to allow to the menials paid from contingent grants, rates of pay not higher than those allowed by the Provincial or Local Government to similar inferior servants employed by them at the same station.

**NUMBER OF TELEGRAPH BOY PEONS APPOINTED AS TELEGRAPH TASK WORK MESSENGERS.**

**221. THE HONOURABLE MR. P. N. SAPRU :** What is the number of boy peons who have been appointed as task work telegraph messengers. Are there any vacancies reserved for them? If not, do Government propose to consider the advisability of reserving some vacancies for them?

**THE HONOURABLE MR. A. D. GORWALA :** The information asked for in the first part of the question is not available and cannot be collected without an undue expenditure of time and labour.

The reply to the second part of the question is in the negative. I may add, however, that in recruiting inferior servants, preference is given to suitably qualified "boy peons".

Government are unable to accept the suggestion put forward in the last part of the question.

**SYSTEM OF PROVIDENT FUND FOR THE INFERIOR PENSIONABLE STAFF OF TELEGRAPH OFFICES.**

**222. THE HONOURABLE MR. P. N. SAPRU :** Is there any system of provident fund for the inferior staff of the telegraph office? If not, do Government propose to consider the institution of such a scheme?

**THE HONOURABLE MR. A. D. GORWALA :** No. The inferior pensionable staff of the Government of India has not been admitted to the benefits of the General Provident Fund and Government see no justification for making an exception in the case of the inferior pensionable staff of the telegraph offices.

**DEATH OF KHAN BAHADUR SYED ABDUL HAFEEZ AND SIR ERNEST MILLER.**

**THE HONOURABLE THE PRESIDENT :** Honourable Members, I have to convey to you the sad news of the demise of two of our ex-Members. Probably

you are aware that Khan Bahadur Syed Abdul Hafeez was for several years a Member of this House in the third Council of State and he continued to be a Member till the 26th October, 1936. He was a quiet affable man and, though he did not take much part in the proceedings of this House, he always lent his moral support to the Party to which he belonged. We all regret this death.

You must have all read in the newspapers of the sad and untimely death of one of our distinguished and esteemed colleagues, Sir Ernest Miller. He was for many years a Member of this Council, and before he came here he was engaged in manifold activities in Bombay and elsewhere. He was a Member of the Bombay Legislative Council for some time and was on the Committee of the Simon Commission which was asked to submit a simultaneous report on reforms. Further, he was a Member of the Indian Franchise Committee and as such rendered very valuable assistance to that Committee. He was connected with many important bodies. He was President of the Indian Roads and Transport Development Association. He was Chairman of the Bombay Chamber of Commerce in 1931. For many years he was connected with the Bombay Chamber of Commerce on several committees. He was also, as I have said before, a prominent Member of the Legislative Council of Bombay. His work in the Council of State was most significant. He was an active and enthusiastic worker and he took part vigorously and earnestly in the deliberations of this House. He always spoke with great reserve and dignity, and even to his opponents, he never ruffled them by a harsh word or by using any strong language. During the time he was a Member here, he was liked and admired by all the people in this House. We always looked upon him with affectionate regard. We are all exceedingly sorry for his untimely death. I may say that after he had left us and retired, he joined some important business houses in London, where the gap caused by his death will be difficult to fill.

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## STANDING COMMITTEE FOR THE DEPARTMENT OF COMMUNICATIONS.

**THE HONOURABLE MR. A. D. GORWALA (Nominated Official):** Sir, I move :

“ That this Council do proceed to elect, in such manner as the Honourable the President may direct, three non-official Members to serve on a Standing Committee to advise on subjects, other than ‘ Roads,’ dealt with in the Department of Communications, viz., Broadcasting, Civil Aviation, Meteorology, Major Ports and Posts and Telegraphs, during the financial year 1939-40.”

Sir, as this is the first occasion since the creation of the Department of Communications that this Honourable House is being asked to elect Members to serve on a Standing Committee to advise on all the subjects dealt with in the Department of Communications except “ Roads”, I think it is fitting that the position should be briefly explained. This Honourable House is aware that the late Department of Industries and Labour had three Advisory Committees attached to it, a Standing Committee to advise on Roads, another on Posts and Telegraphs and a third on the other subjects under the control of that Department. On the bifurcation of the Industries and Labour Department, the two Committees on “ Roads” and “ Posts and Telegraphs” continued to be attached to the Department of Communications. We have for some time felt the need of the advice of non-official Members of the Legislature on the problems that arise as regards the subjects besides these dealt with in the Department. Honourable Members are aware that only very recently a Motion was made for the election of Members to the Standing Committee for

[Mr. A. D. Gorwala.]

Roads. It has also been carefully considered whether we ought to have two Committees, one for Posts and Telegraphs and the other for the remaining subjects. There exists, however, such a close connection between Posts and Telegraphs and some of the major subjects dealt with in the Department, e.g., Civil Aviation and Broadcasting, that it seemed to us desirable that the same body should advise on problems arising from all these matters. At the same time, in view of the large range of subjects, it was felt that the usual number of five non-official Members to which Advisory Committees are generally limited, was too restricted and the number has been increased to seven Members three to be elected from amongst the Honourable Members of this House and four from another place.

Sir, I move.

The Motion was adopted.

THE HONOURABLE THE PRESIDENT: With reference to the Motion which has just been adopted by the Council, I have to announce that nominations to the Committee will be received by the Secretary up to 11 A.M. on the 30th March, 1939, and the date of election, if necessary, will be announced later.

### INDIAN FINANCE BILL, 1939.

THE HONOURABLE MR. A. J. RAISMAN (Finance Secretary): Sir, I move:

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

Honourable Members are, I think, aware of the circumstances in which the Finance Bill comes to this House in a recommended form.

THE HONOURABLE MR. HOSSAIN IMAM: In a certified form.

THE HONOURABLE THE PRESIDENT: The Honourable Member is quite correct in stating this is a recommended Bill. It is a recommended Bill though it may be certified.

THE HONOURABLE MR. A. J. RAISMAN: The Bill contains the provisions necessary to raise the revenue which is required to carry on the business of Government in the forthcoming year, and since the Legislative Assembly has failed to pass it, the Governor General has thought fit to recommend it to be passed by this House. I do not think I am called upon to make a speech. The features of the Bill are those which are familiar either as annual enactments or as carrying out the proposals which were explained in the Budget speech.

Sir, I move.

THE HONOURABLE THE PRESIDENT: I would request Honourable Members to confine themselves, as far as possible, to the provisions of the Bill when they are discussing the Bill.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) :** Sir, I feel it my duty to register my strong protest against the method of certification of the Finance Bill.

**THE HONOURABLE THE PRESIDENT :** Are you speaking for yourself ?

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Sir, I am speaking on behalf of my Party and giving its considered opinion.

Certification was meant for an emergency measure and now it has become the normal feature of the Government to treat the Bill every year as an emergent measure, which means that the privilege of this House to make changes in the Bill is denied.

**THE HONOURABLE THE PRESIDENT :** It is not ignored. The law does not allow it.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Yes, Sir, the law does not permit it, but my view is that the framers of the law never meant that these emergency powers should be used from year to year. This is the fifth year in which this emergent power has been used. I have already said on the day that we discussed the Budget that the income is under estimated in the Budget and that the so-called deficit is not likely to result at all. My information is that 100,000 tons of sugar from Java are already afloat and will soon be on the water so the argument put forward by the Honourable the Finance Member that the imports in the coming year will not be so heavy as people think has no ground to stand on. As regards the doubling of the import duty on foreign cotton, it has been proved here and in another place that it is impossible to grow long staple cotton in India of the same staple quality as Egyptian or fine American. The other House has amended certain proposals. Even the small income derived from doubling the import duty on raw cotton will indirectly result in a sort of a subsidy or bonus to piecegoods from Japan or Lancashire and is totally unjustified.

I am not going into the details of the Bill. I consider that actually there will be no deficit and therefore the increased duties are altogether unjustified and ought not to be levied. Therefore, Sir, on behalf of the Party I wish to state that this Party as a measure of strong protest will not take any part in the debate, we consider that His Excellency the Viceroy has not been rightly advised in accepting every proposal of the Executive. I wish to say that if this Central Legislature is not to be reduced to a farce some consideration should be given to the decisions of the elected Members. It is not right that every year the Bill should come to us in a certified form and thus prevent us from making any change in this Bill whatsoever.

**THE HONOURABLE MR. RAMADAS PANTULU (Madras : Non-Muhammadan) :** Sir, I rise to oppose the Motion on behalf of the Congress Party in this House. This Bill, like its four unfortunate predecessors, in unbroken succession comes to this Chamber with a certificate that its passage is essential for the interests of British India and with a recommendation that the Council should pass it in the form annexed to the certificate. This is certainly a black record for any Finance Bill. That the Government was unable to get its supplies voted in the normal manner in the last five years is also a sad commentary on the way in which the affairs of this country are administered by this Government.

[Mr. Ramadas Pantulu.]

Sir, it is not competent to this Chamber to make any changes in the Bill, for even if made they will have no effect. Section 67B of the Government of India Act, 1935, which is embodied in the Ninth Schedule to the Act and under the provisions of which this Bill comes to this Chamber, after being rejected in the Assembly, lays down that the Bill shall become an Act whether it is consented to or not by this Chamber. In these circumstances it is a futile task to attempt to assail the provisions of this Bill on their merits in any detail. It will be equally futile to make a Motion for the consideration of a certified and recommended Finance Bill of this nature the occasion for a general review of the financial policies of the Government of India. The procedure laid down in section 67B of the Government of India Act may be, I concede, technically constitutional. But the constitution itself which provides for such a procedure revolts against the sense of self-respect of the people of this country, and that is why we want to end this constitution as quickly as possible. It is a negation of the elementary principles of democracy and of the rights of the peoples' elected representatives in the Central Legislature. If we cannot defeat the Motion for consideration in this House it is because it is abnormally over-weighted with official and nominated blocks. The least that we should do, in the opinion of the Congress Party, is that the elected Members at least of this House should dissociate themselves from the Bill and vote against the Motion for its consideration. There is in fact nothing for us to consider. What is there for us to consider when this House is legally precluded from recording a considered and effective vote? It can record a vote no doubt but not an effective vote on the provisions of the Bill which are practically outside the purview of the Legislature by virtue of certification. Sir, this Bill contains not only two unwanted and unpopular new taxation proposals, the doubling of the import duty on raw cotton and widening of the field for excise duty on *khandsari* sugar, but also over-rides the decisions of the Legislative Assembly on such vital matters as the reduction of the salt duty by four annas per maund and the price of the postcard to half an anna, both very long-standing and popular demands. This Bill has caused widespread discontent both amongst the so-called rich and the poor, whose interests are sought to be differentiated with a view to setting one against the other for the benefit of a third party, the British capitalist and imperial interests. The Bill reflects those interests faithfully and implicitly. There can be no balanced budgets, much less balanced judgments, in the face of the divided loyalties of the alien Government in this country between the British and Indian interests, and in every conflict between them the Indian interests are bound to be subordinated to British interests. The impost of an additional duty on raw cotton is an illustration of this fact. It is therefore impossible for the true representatives of the Indian people to support such a policy of which this Finance Bill is only one illustration. A certified Finance Bill of this nature is an insult to the Indian Legislature. I therefore appeal to the elected Members of this House to vote against the Motion for consideration of this Bill.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhamadan) : Mr. President, it is unfortunate that all the five Finance Bills of Sir James Grigg should have come to us in a form which precludes the possibilities of amendments. The resentment of the elected Members to this form of procedure can be very well appreciated even by those who differ from us. I am not prepared to apportion the blame between the Government—the irresponsible Government—and the irresponsible Opposition, because I find

that both of them are whole-hoggers; they would either have all or nothing. Sir James has met with his peer in the Opposition in the other place. The Opposition returned the compliment and was as adamant as the Government itself. There can be no doubt that this form of recommendation and certification was not meant to be of perpetual use; otherwise the whole procedure laid down would be reduced to a nullity and a farce. I do not think that it was the intention of the framers of the Government of India Act to make it so absurd. However, we cannot go on harping on the same thing.

I should like to consider whether the position of the Government of India was such that it could not accept any amendment made by the other House. For that it would be necessary to discuss the budgetary position of the Government of India. It is claimed—and I think with some justice—that it was possible for the Government to make a gesture and to accept some amendment at least. In the time of Sir George Schuster we used to have compromises sometimes before a catastrophe and sometimes after the rejection. When the Bill came up in a certified form it used to have some sort of mitigating feature. Here the Honourable the Finance Member has accepted one amendment which incidentally pays more money to the Government in the Postal Department. That is about newspaper packets. Railway traffic has now been diverted to the post office. That is the only amendment which he thought fit to accept. Now, Sir, the sheet anchor of our charge is that the Government is not prepared either to improve itself or to allow us to improve it. One standing charge against the Government has been that its policy of maintaining the exchange is ruinous to trade, and has caused great havoc on the Government's budgetary position. If I say a few words about that, I do not want to echo the cry of the capitalists and the industrialists who thereby wish to improve their own position and whose henchmen are always trying to bring forward the argument that the high exchange ratio is a standing charge against the Finance Department. My intention is only to consider if it has any effect on the revenues of the Government of India and its adverse effect on our borrowing policy. It is not realised that since it was decided to maintain the ratio at its present level there has been the huge contraction of *more than a thousand million rupees*, if we take the statistics of the combined note issue as well as of the silver rupees taken out from circulation—

**THE HONOURABLE MR. A. J. RAISMAN:** Is this India alone or with Burma?

**THE HONOURABLE MR. HOSSAIN IMAM:** That has no effect practically, because Burma still continues in union with us and the requirements of foreign trade are financed together—I mean our English expenditure. No country in the world has made such a huge contraction in the last 12 years as India has done. As a result of the contraction one thing is certain, namely, internal prices fall, and the fall in prices is best illustrated if we take the index number of two countries, say, the United Kingdom and India. The *Economist* index figure for December, 1938 was 74·2 for the United Kingdom, whereas the Calcutta index number prepared by the Government is 67·4, while the index number of prices of the United States of America for November, 1938 is 81·3. We find that this index number is based on 1929 being equal to 100 in every country. In 1931 our index number was 68·1 and that of the United Kingdom was 70·2. The United Kingdom has improved its position by 4 per cent. between 1931 and December, 1938, whereas in the case of India there is a deterioration of 1·3 points. That shows, Sir, that the parity between sterling and the rupee is not right. The Honourable the Finance Member

[Mr. Hossain Imam.]

in the course of the discussion of the 1937 budget had stated in this House as well as in the other House—

**THE HONOURABLE THE PRESIDENT :** I would like to know whether you are making a statement or discussing the Bill ?

**THE HONOURABLE MR. HOSSAIN IMAM :** As I stated, it is necessary for us to point out the existing position in order to discuss the Bill.

**THE HONOURABLE THE PRESIDENT :** I have no objection whatsoever to your discussing the Bill or making speeches ancillary to it. I want to know from you whether you are making a statement or participating in the debate.

**THE HONOURABLE MR. HOSSAIN IMAM :** The Finance Member stated in the course of discussion in 1937 that India's export trade was increasing and therefore he drew the conclusion that the rupee was undervalued. Now the tables have turned. Some of us, like our friend Pandit Hirday Nath Kunzru, pointed out even on that occasion that it may not be a permanent feature. Now the tables have turned. Our export trade is dwindling. Does that convey the impression to the Honourable the Finance Member that it is overvalued ? Or will he get a new touchstone to examine and find out the result that he desires ; whatever be the trend of the trade, the result should invariably be the same, i.e., the rupee is undervalued or rightly valued. One of the direct results of this movement is that our income from the head of Currency and Mint has fallen enormously. The net income from the Department of Currency, the Gold Standard Reserve and the Mints, used to be in the neighbourhood of about Rs. 2 crores for eight or nine years previous to 1935 and now the net result is less than Rs. 50 lakhs per annum from all the three combined heads. That also, Sir, is a consequence of the contraction of currency.

**THE HONOURABLE MR. A. J. RAISMAN :** To the creation of the Reserve Bank ?

**THE HONOURABLE MR. HOSSAIN IMAM :** Not exactly by the creation of the Reserve Bank but due to the fact that we have to borrow money and we do not get a return for it and I shall show how it has come about. When the Reserve Bank was formed it was anticipated—and our budgets were framed on this assumption—that it would pay at least Rs. 50 lakhs per annum. The payment by the Reserve Bank for the period 1st January, 1936 and 31st December, 1938 on the working of this period of three years was Rs. 66 lakhs in all ; an average of Rs. 22 lakhs per annum. While the amount of borrowed capital invested by the Indian taxpayer is about Rs. 15 crores, on which the interest comes to Rs. 68½ lakhs per annum. We had, Sir, at the inception to deposit Rs. 5 crores for the Reserve Fund which was not contemplated by the Reserve Bank Act itself. Now the Government is charging at the moment from all the commercial departments interest at the rate of 4·57 per cent. At that rate on Rs. 5 crores it comes to Rs. 22·85 lakhs per year and we have paid Rs. 5 crores in 1937 and Rs. 5 crores in 1938 as well in return for the rupees that have been handed back to us.

**THE HONOURABLE THE PRESIDENT :** What has the question of ratio to do with this Bill ?

**THE HONOURABLE MR. HOSSAIN IMAM :** Mr. President, there is no need to have that additional duty if they would have a good income from the currency head. That is the point I want to make.

**THE HONOURABLE THE PRESIDENT :** Then why don't you admit that you are discussing the Bill ?

**THE HONOURABLE MR. HOSSAIN IMAM :** Yes, Sir, I am discussing the Bill. I am not going to follow the two Leaders who are not participating in the discussion. I am going to do one better.

**THE HONOURABLE SIR DAVID DEVADOSS :** That is exactly what the Chair put to you a little while ago and you wouldn't answer that.

**THE HONOURABLE MR. HOSSAIN IMAM :** Now, Sir, we will have invested Rs. 15 crores up to the 31st March, 1939 and our Reserve Bank should have been Rs. 15 crores better, we have taken dead assets in the shape of silver rupees which make no return while our money which we have placed with them is borrowed money on which we pay interest in other heads. One question which I would like to ask the Finance Secretary is—was there any provision made that part of these payments of Government securities of cash in place of rupees handed over by the Reserve Bank will be handed back to the Burma Government ? Do the Burma Government come into the picture anywhere ? The Amery Award gave 7½ per cent. as the share of the Burma Government but has any provision been made ? Of course, the Rs. 5 crores paid to the Reserve Bank at its inception was during the period when Burma was part of India, so that need not come into the picture. But these further payments are continuing, because even in the Budget of this year a provision has been made in the ways and means programme—as given in the Finance Secretary's Memorandum—a provision has been made for Rs. 5 crores more to be paid to the Reserve Bank in the coming financial year. Now I want to know whether any provision has been made for the Government of Burma to participate and pay its quota ? Because Burma at the moment is going to receive part of the profits of the Reserve Bank as is indicated in the Memorandum of the Honourable the Finance Secretary on page 8, statement VI, footnote (a) :

“The revised and budget estimates provide for a payment of Rs. 9 lakhs in each year to Burma on account of the India and Burma (Burma Monetary Arrangement) Order”.

Now, if Burma is going to get a part of the profits of the Reserve Bank, does it not stand to reason that a part of the liabilities also should be transferred to the Burma Government ? I would like the Honourable the Finance Secretary to enlighten us on that head. This involves, Sir, a sum of Rs. 1 crore and 12½ lakhs up to the 31st March, 1940, if Burma pays 7½ per cent. as in other cases. Or if its quota is smaller, as might be the case on the basis of the note circulation, then it will come to a smaller sum. I do not know what is the basis of the calculation—

**THE HONOURABLE MR. A. J. RAISMAN :** I think the Honourable Member will have to study the Burma Monetary Arrangement Order in some detail. I do not think it will be possible to deal in that simple and light-hearted fashion with a complicated adjustment of this kind.

**THE HONOURABLE MR. HOSSAIN IMAM :** Well, Sir, if it is not equitable to India it should be revised.

**THE HONOURABLE MR. A. J. RAISMAN :** It is not an item of revenue expenditure.

**THE HONOURABLE MR. HOSSAIN IMAM :** An expenditure from the capital head and we are not empowered to charge Burma with any liability incurred after the 1st April, 1937. Therefore, if we are incurring any loss or any item of expenditure from the capital head for a joint undertaking the benefits from which would go to both the partners, then it stands to reason that Burma should also come in and take part in the losses.

I have tried to show, Sir, that the interest of the taxpayer in the income of the Reserve Bank is great. We have transferred to them assets from which we have been deriving a very good income ; and a few days ago the Honourable the Chief Commissioner for Railways and the Leader of the Opposition both agreed that private management is more efficient and more remunerative than the Government arrangement. But here we find in the case of the Reserve Bank exactly the opposite to be the case. It was making a good return while it was in the hands of the Government but since its transfer it is making a smaller and smaller return. In nine months' working it was able to pay more money to the exchequer than it has been able to pay in the space of two years, in 1937-38 and 1938-39 Rs. 30 lakhs in those two years whereas in the first period of nine months when all the investments were then made by the Government, the yield was Rs. 45 lakhs.

**THE HONOURABLE MR. A. J. RAISMAN :** I can tell the Honourable Member of many more lucrative ways of making money out of currency.

**THE HONOURABLE MR. HOSSAIN IMAM :** Now, Sir, my charge is that Government does not take care of the Reserve Bank as it should. In the report to the shareholders the management of the Reserve Bank has drawn attention to two deficiencies which they wanted to be made good but the Government have done absolutely nothing about them, and that is the basis of my charge. They stated, Sir, that they had asked that some law should be passed to fix a maximum number for the shares held by individuals because a large portion is going to Bombay individuals, and they complain that in spite of the lapse of a long time the Government has not done anything. Then they refer, Sir, to the fact that they wanted a reduction in the stamp on the usance bill. On that too the Government has remained silent. In a former report it was stated that they were permitted for a short period after inception to hold in their portfolio securities of the British Government of longer duration than they are allowed now, and that is having an ill-effect on their earning capacity.

**THE HONOURABLE THE PRESIDENT :** Let me remind you that you made full use of the Budget day in discussing this matter. Today there are many Honourable Members who would like to speak on the Finance Bill.

**THE HONOURABLE MR. HOSSAIN IMAM :** If you like, I will sit down at once. I have nothing more to add.

**THE HONOURABLE THE PRESIDENT :** You have been speaking for 20 minutes now, and except to talk on subjects subsidiary to the Finance Bill, you have not yet come to the Bill proper itself.

**THE HONOURABLE MR. HOSSAIN IMAM :** The very basis of the new duties is that the Government have no money. I say that Government can

have more money if they will follow the demands, not of myself but of responsible persons—of those in whose hands you have handed over the currency of the Government. They have been demanding certain changes in the matter which the Government have not incorporated—

**THE HONOURABLE MR. A. J. RAISMAN :** Neither of which will give us one anna of extra profit.

**THE HONOURABLE MR. HOSSAIN IMAM :** If they give money on loan to member banks, they can earn more and that is retarded because the stamp duty stands in the way. If you accept the demand that they can hold security of the British Government of longer duration than is at present allowed, then also they will be able to earn better money—

**THE HONOURABLE MR. A. J. RAISMAN :** That is prevented by the Act.

**THE HONOURABLE MR. HOSSAIN IMAM :** That is why they want an amendment of the Act. They are responsible persons. They ask for an amendment and you are not prepared to listen to them, and still you come to us and say there is no other way open to you. It is not certainly irresponsible critics who want changes. But even the changes which are demanded by responsible persons are not heeded by the Government.

I shall now finish my remarks on this part of the subject and come to matters more particularly concerned with the Bill itself. During the course of the Budget discussion I drew attention to the fact that excise duties should be more and more relied upon by the Government and that customs revenue should not be their mainstay. I have studied the position of other democratic countries and I find that in the United Kingdom, the United States of America, France and Germany, their income from internal taxation, i.e., excise, is about 20 per cent. of the tax income. With very slight variations, that is the position in these democratic and totalitarian countries. Whereas in India, we have no figures for former years, we have now figures for two years given in the Budget Memorandum, and from that we find that our income from excise is only between 11 and 12 per cent. It is possible to increase the excise duties on other goods, and even on those goods which are already subject to excise, if we are to follow the practice of other countries. In America, particularly, they placed an excise duty even on the manufacture of automobiles—

**THE HONOURABLE MR. A. J. RAISMAN :** That would not yield much in India !

**THE HONOURABLE MR. HOSSAIN IMAM :** You have textiles here. Instead of having an indirect hit on the textiles through the cotton duty, you will do better with a direct hit.

I shall now deal with the *piece de resistance* of the Bill, viz., the cotton duty. I have stated in my speech during the Budget discussion that personally I did not feel that this was a wrong duty. Much has been made that it is an impediment to expansion of trade ; but that its effect on the agriculturist would be good cannot be challenged. I have before me certain figures to show how the half anna excise had affected Indian cotton. In 1931-32, when we had this duty for the first time, the production of Punjab Americans was 217,000 bales, and in 1936-37, it went up to 894,000 bales. The

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Sind Americans, the production in 1931-32 was 14,000 bales and it has now gone up to 297,000 bales. The net result of these two figures is that from 231,000 bales it has gone up to 1,191,000 bales, that is, an increase of 960,000 bales in six years.

THE HONOURABLE MR. SHANTIDAS ASKURAN : Which count of yarn are you speaking about ?

THE HONOURABLE MR. HOSSAIN IMAM : Of American cotton.

THE HONOURABLE MR. SHANTIDAS ASKURAN : What is the length of it ? What count can you produce from it ?

THE HONOURABLE MR. HOSSAIN IMAM : That is for the textile experts and the millowners to say.

THE HONOURABLE MR. SHANTIDAS ASKURAN : I will explain that

THE HONOURABLE MR. HOSSAIN IMAM : What has the authority which is accepted even by the Federation as one to whose heart the interests of the textiles are more dear than those of the rest of India to say on this question ?

THE HONOURABLE MR. RAMADAS PANTULU : Is it the imported variety ?

THE HONOURABLE MR. HOSSAIN IMAM : Punjab Americans.

THE HONOURABLE MR. RAMADAS PANTULU : Is it the variety now imported into India ?

THE HONOURABLE MR. HOSSAIN IMAM : It is to some extent. I shall refer to a very pertinent fact, that when there was a slump in the price of Indian cotton the Indian National Congress formed a committee to examine this question. That Committee consisted of people who were, if anything, too favourably inclined towards the textile interests. It consisted of Mr. Jammalal Bajaj, Mr. Shankarlal Banker, and Mr. Bhulabhai Desai. You will admit that this composition was anything but hostile and was attacked even in the Congress by no less a redoubtable character than Professor Ranga as favouring the capitalist and not the tenantry or the agriculturist. What was the resolution of that Committee and what was the report that it submitted ? It said :

“ It is necessary to ask for prohibition of cotton of one inch staple and less”.

The first recommendation of that Committee was that it should ask for total prohibition of medium variety of cotton imported. That implies that there was importation of medium count of cotton as well. I had occasion, Sir, during the time that we were considering the Ottawa Agreement to state that—

“ The export of Indian raw cotton is, like all commodities, governed by the price factor. As it is inferior in quality to American middling, it commands the greatest demand its parity to the American middling is lowest and demands fall back when parity rises. When parity was 70·3 the demand was 727,000 tons in 1929-30 with parity at 88·3 the demand fell to 375,000 in 1932-33 ”.

The fact that the Indian prices were a little higher than the prices of the outside countries is due to the fact that in other countries transportation is not

so costly as in India. The textile interests are situated in certain parts of the country where they do not get all their supplies and they have to rail the supplies from great distances. That has the effect of increasing the price of Indian cotton in Indian textile areas to a limit higher than that of the foreign countries, and for these reasons there was some importation as is apparent from the Report of the Committee of the Congress—

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** That was not a committee of cotton experts.

**THE HONOURABLE MR. HOSSAIN IMAM :** Sir, that was formed by the Indian National Congress, which has the interests of the textile interests at heart, and which can harm anything but it cannot harm the textile interests. For he who pays the piper calls the tune. Now, Sir, they further wanted the Government to facilitate the change over to superior varieties of Indian cotton to replace the present import of higher staple cotton. This is a direct reply to the question asked by Mr. Shantidas Askuran. It was the view, the considered view, of a Committee favourable to the textile industry formed by the Indian National Congress that something must be done to wean the textile interests from importing foreign cotton and to confine themselves to Indian cotton.

**THE HONOURABLE MR. SHANTIDAS ASKURAN :** You are misreading the facts.

**THE HONOURABLE MR. HOSSAIN IMAM :** Sir, I was not a member of that Committee, so I cannot say what was in their minds. I can only take the plain meaning of the English words that they have used.

12 NOON. They might have meant something else, as we have always found that the Congress does not mean what is understood by others. For instance, wrecking a constitution means working it! Mr. President, I have stated that we have before us the concrete fact that the imposition of a small duty of half an anna per pound had the effect of increasing the production of the American variety of cotton in India by 400 per cent. While in the same period the production of cotton other than American has increased between 1931-32 and 1936-37 by 32 per cent., the production of American varieties has increased by 400 per cent. That is a positive proof that the imposition of that duty had a beneficial effect on the agriculturist and production of better cotton. Now it is claimed that the textile interests are not able to use the Indian cotton even of this superior variety.

**THE HONOURABLE MR. SHANTIDAS ASKURAN :** The mills are using that cotton. It is only cotton of staples of an inch and a half and an inch and a quarter which is imported. The rest is all Indian cotton that is consumed by us.

**THE HONOURABLE MR. HOSSAIN IMAM :** Mr. President, one of the results of the consumption of the higher variety has the effect of retarding our export of raw cotton. Now, as soon as raw cotton becomes more costly than no one likes to import it. The Indian textile industry is not able to consume even three-fourths of the cotton produced in India. Therefore we have to rely to a certain extent on our foreign buyers. For this reason we must make some sort of concession whereby the price of Indian cotton does not rise so high as to make it impossible to export it. Nor should we try to have a picture before our mind that it will increase the cost too much. The point

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was made that it will raise the cost of Indian cotton enormously and growers will be placed in a bad position *vis-a-vis* the purchasers from Lancashire and Japan. Now, Mr. Manu Subedar can never be accused of hurting the textile interests. His statement in the other House during the discussion there this season was that the price of foreign cotton has fallen between Rs. 20 and Rs. 30. Now, if the price of the commodity which I have to buy falls, I conclude that the duty is passed on to the foreign producer; the Indian textile interests do not lose a single penny.

THE HONOURABLE MR. SHANTIDAS ASKURAN : Who says so ?

THE HONOURABLE MR. HOSSAIN IMAM : Mr. Manu Subedar.

THE HONOURABLE MR. SHANTIDAS ASKURAN : Either you have misread him or misunderstood the position.

THE HONOURABLE MR. HOSSAIN IMAM : I do not know, because I did not hear it myself.

THE HONOURABLE MR. SHANTIDAS ASKURAN : All the—

THE HONOURABLE THE PRESIDENT : Please do not interrupt the Honourable Member because he is giving his views from hearsay knowledge and fallacious premises !

THE HONOURABLE MR. HOSSAIN IMAM : Sir, I am quoting the authority of the Indian National Congress and Mr. Manu Subedar who represents I believe the commercial interests. Mr. Manu Subedar has said in the House very definitely that the prices have fallen and that Indian prices have gone up, both the premises which we who support this duty would make, that it will increase the price of Indian goods and it will not inordinately increase the cost. Now, these textile interests are past masters in transferring their burden to two people. On the one hand they transfer the burden to the producer of the raw material and on the other side they throw it on the consumer. We have found to our cost in the case of the sugar excise duty increase that the entire burden has been passed by the manufacturer either to the right or to the left. Nothing has remained on the manufacturers. Every company is making a better return now than it was when the duty was at a lower limit.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Are not the cultivators getting a much better price for cane than before ?

THE HONOURABLE MR. HOSSAIN IMAM : They are getting a little better price in the controlled areas of the United Provinces and Bihar, but that is not the same as the amount of the burden thrown on the consumer. The consumer has taken up part of the duty as well as part of the price. I can judge only by the returns of profits made by the sugar companies during the period that the excise duty was at the former rate and during the first completed year in which the excise was charged at a higher rate. If you compare those two figures you will find that the whole burden has been transferred to the right and the left; nothing has been borne by the manufacturing interests. So that there has been no reduction and no weeding out of the inefficient managements which was said by the Government to be the mainspring of their bringing forward that measure of increased taxation.

Now, Sir, in conclusion I should like to say that, while I do not think that this increase of duty on raw cotton is wrong, I do say that the Government should have considered the amendments in the other House in a spirit of give and take and they should have accepted one of the amendments and eased the heavy burden which is already borne by consumers and lightened their load either by accepting the reduction in the salt duty or on postcards. We find that the postal accounts are made up and everything is squared up. The argument is that there is no balance and there can be no concession on postcards. But one fine morning on the 1st April of 1938 we find that there is a surplus, and not a small surplus; a surplus of a crore, which is transferred to the Government of India—

**THE HONOURABLE MR. G. V. BEWOOR (Nominated Official):** There was never a crore of surplus.

**THE HONOURABLE MR. HOSSAIN IMAM:** No, Sir, it was a crore and two lakhs.

**THE HONOURABLE MR. G. V. BEWOOR:** That was not a surplus. It was a sum transferred from the accumulations in the renewals reserve fund.

**THE HONOURABLE MR. HOSSAIN IMAM:** That is what I am saying, that you make a greater credit to the renewal reserve fund than is rightly required, and one fine morning you find that you have made a greater debit to your revenue for problematical depreciations which were not required. That was really a saving which you were hiding all the time in order not to allow it to be passed to the consumer and user of the postcard. Your own decision that it was not required in the renewal reserve fund shows conclusively that you were crediting depreciation and renewal highly in order to cloud the picture and to make out a case that there was no money in the post office account to pay for the loss on the postcard. That is the conclusion.

**THE HONOURABLE THE PRESIDENT:** I have already allowed you 45 minutes and there are other speakers.

**THE HONOURABLE MR. HOSSAIN IMAM:** In beginning this part of my remarks I made the statement "In conclusion I should like to say". It is because the Director General of Posts and Telegraphs was not able to accept my conclusions that I had to say a few words more; otherwise I would not have. He provoked me to make a long digression.

**THE HONOURABLE MR. G. V. BEWOOR:** I only corrected a mistake.

**THE HONOURABLE MR. HOSSAIN IMAM:** We would all await and hear patiently what the Director General of Posts and Telegraphs has to say on this matter and I wish that our colleagues of the Progressive and Congress Parties had decided to participate in this discussion and then do whatever they decide to do; but by keeping silence we are not in any way advancing the cause of Indians—

**THE HONOURABLE MR. RAMADAS PANTULU:** Do you support the Motion or oppose it?

**THE HONOURABLE MR. HOSSAIN IMAM:** On that issue I have to make a statement. My Party has decided that we shall remain neutral and therefore I can neither support nor oppose the Motion.

**THE HONOURABLE THE PRESIDENT :** This is after 45 minutes' strenuous debate !

**THE HONOURABLE MR. SHANTIDAS ASKURAN** (Bombay : Non-Muhammadan) : Sir, before I start my speech, let me appeal to my friend Mr. Hossain Imam who has made it clear that he is going to remain neutral. I would like him to keep his mind unbiassed and hear the arguments which I place before this House.

Sir, it is most unfortunate that His Excellency the Viceroy should have thought it fit to certify the Finance Bill, in spite of the universal opposition to it from all quarters. We are not aware of the considerations which led to this decision. I feel sure that he has been wholly misguided in this step in as much as in certifying the Finance Bill, the opinions of all sections of the Indian commercial community have been ignored. I submit, Sir, that in ignoring the universal opposition to the cotton duty, the Viceroy has assumed a grave responsibility. I wonder whether he has taken care to realise the strength of feeling that has arisen on this question. In making these remarks, I do appreciate the difficulties of the Viceroy regarding the salt duty and some other items which were changed by amendments in the Lower House. But it was expected that though certification was bound to come, the Viceroy would think twice before certifying the cotton duty which is a new measure, and which has raised such a storm of indignation and protest in the country. I do expect that the Honourable the Finance Member will explain to this House the reasons which led His Excellency to take this step. The East India Cotton Association, which is a cosmopolitan body consisting of members of firms like Rallis and Volkarts, has unanimously opposed this tax. Prominent Members of the other House, including no less a person than Mr. James who represents people with intimate knowledge of the cotton industry in South India, have from their mature experience given the only advice that is possible in this case, namely, to drop this duty. May I know from the Honourable the Finance Member whether even the European Chamber of Commerce of Bombay is not opposed to this duty on cotton and feels that it will do serious harm to the industry ? I ask on what advice is His Excellency proceeding ? Or are we to infer that the orders from Whitehall have to be obeyed ?

Sir, I have read and re-read the speeches of the Finance Member in support of his proposal in the other House. I have looked at his statements as dispassionately as possible, and tried to give the greatest weight to the observations made by him. I am sorry to find that he has failed to appreciate both the facts of the situation as well as the strength of feeling in this connection which he has succeeded in rousing. He has made several statements which show his ignorance about the cotton trade. It is a pity that such an important measure should have been based on the belief of the Finance Member, regarding the possible growth of high staple cotton in the country. When we find the Finance Member indulging in such amazing insinuations as the one he made in the other House, namely, that the millowners in India prefer to buy foreign cotton even though local cotton of the same variety is available—

**THE HONOURABLE MR. HOSSAIN IMAM :** But at a higher price.

**THE HONOURABLE MR. SHANTIDAS ASKURAN**—one loses one's patience at the foundation on which he has based his proposals. I wonder why the Honourable the Finance Member should take upon himself the business of deciding on behalf of the Indian mill industry the nature of the work that they should do on such untenable grounds as he seems to have done in the present instance.

Sir, the attitude of the Finance Member in this connection, as revealed in his reply to the debate on the First Reading of the Finance Bill in the other House is most deplorable. He has accused the commercial community of this country of the vilest desigons and the most unscrupulous methods. Instead of refuting the criticism regarding the consequences of this duty, he indulged in statements to the effect that the Indian commercial community was responsible for stirring up racial hatred in this country for its own nefarious ends.

Sir, these are grave charges without any foundation, and do no credit to the Finance Member nor to the Government of India, and in my opinion should never have been made. I am a believer in mutual co-operation between England and India; my speeches in this House and elsewhere as well as my general attitude indicate the same. And there are many persons particularly among the commercial community who are of the same opinion. It is exactly because we hold this view, that I should like to proclaim with all the emphasis at my command that the blame for racial hatred and unscrupulous methods should be laid at the door of parties other than the Indian commercial community.

Sir, I ask what country imposes a 20 per cent. duty on the raw materials of its industry?

THE HONOURABLE MR. HOSSAIN IMAM: Twenty per cent.?

THE HONOURABLE MR. SHANTIDAS ASKURAN: I am glad you have asked that question, because the House should know how it comes to 20 per cent. Long staple cotton which we import for the requirements of this country are supplied by Uganda, Africa and Egypt—not from America and that supplies our requirements for counts 80 to 100. I give you an example, Sir. If you are producing rice, and can meet all your requirements, even then you want wheat, pulses, vegetables, and so on. Therefore the requirement of the country is not only 20's and 30's and 40's which you consume but you also want 80's and 100's. If you cannot produce it, you have got to buy it.

Now, I come to this 20 per cent. Sir, cotton, American and Egyptian, is sold at a premium on Broach cotton. On Broach cotton price, the premium is about Rs. 120, between Rs. 110 and Rs. 130 according to the staple. That means that if Broach cotton today is Rs. 150, the price of the imported cotton is Rs. 285 or Rs. 280. And Rs. 280 at one anna duty *in toto* is 784 lbs. a candy, which means 784 annas. You have to pay for this cotton to compete with Lancashire and Japan which comes to about Rs. 49. It means that this duty is about 18 per cent. Sir, I ask what country imposes a 20 per cent. duty on raw material imported for their industry? (*An Honourable Member*: "How much long staple is imported?") It all depends on the consumption. You cannot say for certain. It all depends on how much you want to consume.

Will the Finance Member tell me whether an import duty of this nature will be tolerated in England or in any other country? It is no use telling us that the cotton industry because it gets protection should depend merely on local cotton. The Tariff Board and the Government of India granted protection to the cotton industry on its own merits, and I am aware that they will not allow it to continue for a day more, once they find that there is no need for it. It is one thing to apply the principles of discriminating protection while granting protection; it is another thing to say that because you have protection you must not import any part of your raw material. Sir, I fail to understand why the Finance Member should be so anxious to stop the import of cotton in this country, and to decide for himself as to what should be the sphere in which the industry should function. I cannot but help feeling that for this decision

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and this attitude, he will be enshrined in the hearts of Lancashire millowners and they will be justified in raising a memorial in his honour.

I wonder whether the Finance Member wants to imitate Lord Curzon. Lord Curzon left the legacy of the partition of Bengal. The political consequences of that ill-conceived measure are well known. Sir James Grigg's policy may result in similar consequences in the economic field, if pursued regardless of the universal opinion in the country against the cotton duty.

Sir, my views on income-tax remain the same as those expressed by me only a few weeks ago on the floor of this House in connection with the Income-tax Amendment Bill. I do not want to take up the time of the House by repeating the same, but I must refer briefly to the point I then made regarding the compulsory distribution of profits by companies and the method of calculating the depreciation allowance. I pointed out then that the provisions will make it difficult for small companies to build up strong reserves against unforeseen difficulties. I refer to this in order to bring out the nature of the additional burden proposed to be levied on small companies in the Finance Bill by removing the exemption limit of Rs. 50,000 for companies super-tax. The Leader of the Opposition in the other House conclusively showed that this burden amounted to 6 per cent. of the profit and would be very hard on small companies. I maintain that the combined effect of the provisions of the Income-tax Amendment Act and the present Finance Bill will be to slow down the progress of small industries which are already labouring under severe handicaps.

There is another important feature of income-tax which has escaped notice. During the last so many years, particularly since the war, we have had several increases in the rates of income-tax and super-tax. This tendency reaches its climax in the present Bill which raises the rates in the guise of a change in the method of taxing. Sir, I need not repeat the actual rates, because they are so well known to the Members of the House. What I want to remind the House however is the fact that the yield from income-tax was larger a few years ago when the rates were lower, than it is now when the rates are higher. For example, the total yield from taxes on income for All-India in the year 1921-22 was nearly Rs. 22 crores; in recent years it has fallen, and the Finance Member has budgeted for a total of Rs. 16½ crores including the corporation tax and the share of the provinces. Sir, is this not significant? The Finance Member quoted a few figures of prices in the other House to prove that during his regime there had been a tendency towards prosperity in the country. May I ask the Honourable the Finance Member to say whether these figures of the yield of income-tax show any prosperity? Sir, I submit that the tendency is distinctly in the opposite direction; because as these figures show the capacity or the assessable income of the people has fallen so low in recent years, that in spite of the higher rates, the yield is not as high as in the earlier years. Sir, the Finance Member has referred to the law of diminishing returns in connection with customs duty in the past. May I ask him whether the same law has not been in operation in the case of income-tax as shown by these figures? And in the face of these facts, with what justification can we be parties to an increase in the rates? In view of this, I submit that the warning which I have given regarding the harm which will surely be done to small industries by the proposed arrangements should be prevented, and I urge most strongly that the existing exemption of Rs. 50,000 on companies super-tax should be allowed to continue.

Sir, the position of the Hindu joint family has been made worse by the proposal to remove the exemption limit for super-tax in its case. We have not had any valid reasons assigned for this measure. Under the Act individuals get certain exemptions and the Hindu joint family has been treated as an individual taxpayer all these years. Sir, it is difficult for the Finance Member to understand this ancient institution, the way it is organised and the way it functions. Sir, it is wrong to strike at the social system by imposing this tax in this manner and by removing without any justification a privilege, which it has enjoyed for so long.

Sir, I have pointed out in brief the grave responsibility that the Viceroy has assumed in certifying the Finance Bill, the most objectionable feature of which is the increased duty on cotton—a duty which will do no good to the agriculturists and which is against the unanimous opinion of so competent a body in the country qualified to speak on behalf of the agriculturist, namely, the East India Cotton Association. With the reduced capacity of the few people in this country who can pay income-tax and with the heavy burdens imposed on the cotton industry by the Provincial Governments in the form of higher wages and additional taxes, and above all with this new blow to the same industry in the form of the cotton duty, we shall not be surprised, if we are faced with a crisis in this industry before long.

Sir, the anxiety in the country caused by the helplessness of the Government of India to safeguard the rights of Indians in Kenya and other parts has grown intensely. We are now realising more than ever that our place in the Empire is not that of equals, in spite of loud talks about the membership of the British Commonwealth and the League of Nations. In addition to this deplorable situation which has left a deep sore in the mind of every thinking Indian, we are now face to face with measures, which are likely to mean a death blow to industry and economic progress in the country. Sir, I shall not be surprised if such irresponsible measures lead to a campaign of bitterness more intense and more organised than ever before against British goods. Sir, when the boycott of British goods was preached some years ago the commercial community in India on the whole remained aloof. I shall not be surprised if the commercial community is now driven to join hands in any such movement as the last resort out of sheer desperation in a struggle to exist. Sir, I am not an agitator. I am a peace-loving businessman. I have to say these words, however, in order to bring home to the Government the implications of their measures as a friend, before it is too late. Under the circumstances, Sir, which Indian in this House will be bold enough to vote for the increase in the cotton duty which has the triple curse of having no benefit for the grower, of leading to unemployment and of crushing the industry?

**THE HONOURABLE SIR RAMUNNI MENON (Nominated Non-Official) :** Sir, I should like to begin my remarks in the same way as the previous speakers began theirs by expressing the view that it is rather unfortunate that this Bill comes to us, as similar Bills have come in the past, with evident marks of a stormy voyage. But I would like to go further than the previous speakers, and say that it is some consolation to this Council that the storm was not of its creation. Nevertheless, I fully realise the difficulties which face some of the Honorable Members. At the same time, it will be generally agreed that it is only fair to grant that the particular form in which the Bill is presented to us is not designed to curtail the rights and privileges of this Council but is the outcome of inescapable constitutional and administrative exigencies. Under the circumstances, it seems to me that we should make the best of a

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bad position and the least that we can do is to examine the measure on its merits.

I think some criticism has been directed with a view to making out that any additional taxation is unnecessary. I believe that that point was repeated by the Honourable Lala Ram Saran Das. I think the Honourable Finance Member, in his reply in the other place, has effectually met criticisms directed to this end and it is quite clear to my mind that, judging as far as human beings can judge with any approximation to accuracy, there will be a substantial deficit at the end of the coming year and that it will be necessary to cover that deficit. It seems to me, therefore, that the justification for a measure of additional taxation is fully established. Now, I do not propose to go into the details of the taxation Bill before us. There are only one or two points that I should like to address myself to. I feel rather puzzled by the various conflicting observations that have been made in regard to the proposed cotton duty. I am not a cotton grower, nor am I a cotton millowner. I can, therefore, say that I can look at this question with a fair measure of impartiality. I cannot help feeling that this duty must be of some help—it may be a very small help—to the cotton grower. At the same time it will be a certain handicap to the millowner who has to use imported cotton. But, on the other hand, the point that should weigh with us is not so much the interests of the grower or the millowner as the interests of the country at large, and if it is clearly established that we want to cover a deficit of about Rs. 50 lakhs, and the most convenient and feasible way of covering that deficit is by the levy of an increased duty on imported cotton, I for my part shall have no hesitation in supporting the levy; and that, I believe, is the primary consideration which induced the Honourable Finance Member to make this proposal.

Now, I should like to come to the income-tax scheme which is one of the main features of the present Bill. I think it will be generally recognised—it has been admitted on all hands practically—that the proposed slab system is a much more equitable measure of taxation than the existing step system, and if I make any remark on this system at this stage, it is merely to express my disappointment at the fact that it has not been found possible to fix the absolutely tax-free limit at Rs. 2,000. It is rather difficult for me to judge whether the adoption of the scale which is adopted in the scheme, namely, the fixing of the absolutely tax-free minimum at Rs. 1,500, was in any way due to the fact that such a scale was already fully worked out in the Inquiry Report. If there is any basis for the suspicion which I entertain on that matter, namely, that it was to some extent due to that fact, then I can only say that it is somewhat unfortunate. The fact that at present Rs. 2,000 is the tax-free limit would naturally lead one to suppose that the same limit would be continued under the new scheme. And further, there are very good reasons why Rs. 2,000 will be a better limit than Rs. 1,500. If there is any difference of opinion on a matter of that kind, I would certainly welcome the report of a competent committee appointed to inquire into it. Now, what is the actual condition in this country? We, the people of this country, know what the conditions are. What is the condition of a man who earns Rs. 2,000 a year?

THE HONOURABLE MR. A. J. RAISMAN: Is the Honourable Member aware that no income-tax will be payable on a total income which does not exceed Rs. 2,000?

THE HONOURABLE SIR RAMUNNI MENON: I know that. I have all along been referring to the absolutely tax-free minimum, by which I mean the tax-free minimum for all classes of assesseees. I understand that. Well, this man who gets an income of Rs. 2,000 will presumably have to support himself, his wife and two or three children, and it is fairly certain that in the provinces additional taxes will be imposed on people having such incomes. Now the cost of maintaining a person, his wife and two or three children under the existing conditions in India on anything like tolerably decent standards of existence must be not less than Rs. 2,000. I would have therefore welcomed a proposal, if it were possible to make it, to fix this limit at Rs. 2,000. I do not know how far an appeal of that kind at this stage would weigh with the Honourable Finance Secretary, but I hope he will bear this particular matter in mind when he prepares his Bill for the next year as Finance Member.

Now no criticism of a proposal of this kind can be regarded as full or adequate unless it takes into consideration at least briefly the objects to which the proposed additional tax is to be diverted. It is quite clear that the greater part of the fresh revenue will go to the provinces. Well, as far as that point is concerned I am very glad that additional revenue is going to the provinces. But what is the condition of the provinces? What is the policy that the Provincial Governments follow at the present time? I am looking at this question quite irrespectively of the political complexion of the various Provincial Governments. I do not belong to any political party and I am quite prepared and anxious to look at it from a non-political point of view. If the proceeds of the income-tax were diverted to measures of social reform which would benefit all classes, particularly to measures of reform which would benefit the poorer classes, I for one would have no hesitation in supporting any measure of income-tax with enthusiasm. Now what are the measures that are likely to benefit the poor? The Honourable the Finance Member very rightly, if I may say so, stressed the well known fact that the true aim of administration is and should be to raise the standards of life of the people. Now how are you going to raise the standards of life? You can only raise the standards of life by creating new desires in the individual, by creating in him a desire for better conditions of life and by providing opportunities and resources for satisfying his desires. I quite admit that an improved economical position would probably enable him to satisfy his desires if he has any. But there is only one way of creating new desires and that is by education. Now look at this question of education from another point of view. We are in the first stage of a democratic system of government. Now an effective and necessary safeguard of democracy is the existence of an intelligent and educated electorate. It is not a reflection on India to say that there is no such electorate at present. All the more therefore the need for pressing on with a scheme of education. I therefore would have welcomed the additional taxation, if I were certain, if I had any assurance that the proceeds of this income-tax would be utilised in the provinces to supplement their own resources in pushing on elementary and secondary education, in improving and expanding our system of education. I would have supported this taxation measure with the greatest enthusiasm. I would have even supported higher taxation if I were certain that the proceeds would be directed to the end which I have indicated. Now what is it that the provinces are doing? It is most unfortunate that at this critical juncture in the history of this country several provinces have embarked upon the execution of policies involving considerable sacrifices of revenue, the main justification for which can only be sought in their anxiety to redeem election pledges. That I consider is a most unfortunate state of affairs. Personally I do not question the high moral motives

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which actuate their policies, but I am extremely sceptical whether a policy of prohibition on any large scale can succeed in this country. Much the same valuable result that a policy of prohibition is calculated to achieve can be achieved by the more natural, less expensive if also less spectacular, process of education. So, looked at from all these points of view, and even if you look at it from other points of view which I have no time to particularise, it seems to me, and I think most people will agree, that the most pressing need of the day in India is to provide for the improvement and expansion of education. That unfortunately is not the need which the Provincial Governments seem to be particularly alive to at present. While therefore I have no desire to withhold my support from the income-tax proposal before us, I would have been in a better position to support it and to support it with greater enthusiasm if I were certain that the Provincial Governments would embark upon sounder and more necessary policies than they seem to be doing at present. Well, I know that before long, when the prohibition scheme has lost its novelty and when its political propagandist value has fallen somewhat, the scheme will be, if not abandoned, at least suspended. In the meantime I can only express the hope that a better sense of values and better practical wisdom will soon return to the seats of the Provincial Governments.

There is just one word more which I would like to say. This is the last Finance Bill which will be presented to this House under the regime of the present Finance Member. I am sorry that he is not here with us today. I, along with many other Members of this Council, have sat in this Council without break for the last five years. We have had chances of forming opinions on the Finance Member's opportunities and limitations and his achievements. He has been criticised, very severely criticised, in various quarters. It is not my concern to reply to those criticisms, but I should like to be permitted to say that, on a general view of his administration, he has faced his difficulties with remarkable firmness and resolution. His policy has been marked by a genuine desire to serve the interests of the poor as against those of the rich, the interests of the consumer as against those of the large producer, the producer who mainly aims at profit, and I think he has succeeded in doing something to reduce the burden on the poorer classes and to improve their lot. On the whole, Sir, he has, in my opinion, served this country well and is entitled to our appreciation.

THE HONOURABLE SIR A. P. PATRO (Nominated Non-Official): Sir, at this late hour, I do not propose to occupy more than a few minutes; I will deal with only one or two points. We have listened with great interest to the outburst of the big voice of the big business and that big voice of the big business has, in the concluding remarks, held out a threat to the Government that the commercial community will join hands with the Congress if taxes like these are not reduced or are further imposed. It is a very significant observation from an experienced capitalist, a capitalist who is also very enthusiastic and earnest, that taxes like this would drive the commercial community which he represents into the arms of the Congress, or, as I understand according to him, any other force which is destructive of the constitutional government in the country. Sir, I am very much surprised that representing the vested interests which demand protection, which demand safeguarding, in season and out of season, that he should have given expression to this sentiment, though as we know in practice it is being carried on in some quarters against the Government. That commercial community which he represents forgets while pointing out the mote in the eye of the Government that there is a

big beam in their own eye, that misjudging and exaggerating facts do not rebound to the credit or intelligence of the commercial community. Sir, in the province from which the Honourable Member comes or in the neighbouring provinces let him look round and see what are the kinds of taxes that are now newly imposed by the popular Governments which is responsible to the people and who are servants of the people. Repeatedly it is said that the popular Governments are the servants of the people. Let him look round dispassionately and see what are the taxes and the nature of the taxes that are now being imposed for the first time on the people and on the consumers. The consumers were left out of consideration in the long discourse which he delivered. It is the producer's interests that are to be taken into consideration. Mills we want; they have all our sympathy so long as they are reasonable and so long as they are fair in their dealings. It is in the economic interests of our country that we should support their interests. But what is it here in this case? He sees around him that the popular Governments impose heavy burdens on the people and on the consumers, and yet it is a case of running away from them. We see that such atrocities, financial atrocities, such *zoolum*, are supported by this community. As against this, what is it we have got? Even a cursory examination of the budgetary position discloses to us that there is a deficit. Where is the alternative proposal which can be tapped with a view to wipe out the deficit? No other alternative has been proposed. What do we see now? There is speculation about 100,000 tons of Java sugar being in store which will be imported and any duty that may be levied on that will go to the benefit of the country and reduction of the deficit. It is merely speculation. No one is able to say definitely that this is a fact. Once it is started it is repeated by everyone without examining the actual position. On the other hand, those who are expected to know things more accurately and correctly tell us that it is not a fact. In the absence of any alternative provision for recouping the deficit in the budget, recourse should be had to some taxation. My Honourable friend who spoke for the commercial community instead of taking up that item of taxation in this Bill which refers to the consumers and the poorer classes of people takes up only the item which affects his interests and his economics. The question of the salt duty is left altogether out of consideration. The salt duty affects people in general and the poorer people in particular, and yet my friends—

**THE HONOURABLE MR. SHANTIDAS ASKURAN :** You move an amendment and I will support it.

**THE HONOURABLE SIR A. P. PATRO :** You may come with an after-thought now when I charge you with that indiscretion. Here is the position of the salt tax and the postal duties. These affect the people, the common people, the common consumers, whose interests we have to safeguard, and yet not a word was said in defence of the cause of the poorer classes of people. Again, what is the duty to be levied on long staple cotton? Rs. 50 to Rs. 55 lakhs, distributed over crores of rupees. The Indian cotton mill industry is a protected industry in our country. Having received protection as against foreign competition and receiving all the advantages therefrom and yet to clamour that they are not able to contribute Rs. 50 lakhs a year to wipe out the deficit of the Government passes my understanding. I ask my friend what is the quantity of long staple cotton that is imported into this country? Of course, the figures vary, he says. But if I am not wrong, it may be about 700,000 bales more or less. As he, a person who is fully acquainted with the facts of the mill industry, is not able to give the figures definitely, I do not venture to suggest that this figure is correct, but even if it is 700,000 bales of

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cotton and Rs. 50 lakhs a year is to be levied, it passes my understanding over the great agitation which has been started.

My friend has referred also to the European Chambers of Commerce and Indian Chambers of Commerce all joining together in this agitation and therefore it is a very popular and universal one. 1 P.M. Universality and unpopularity—these two terms which he referred to, I fail to understand what they can mean. Because here European mill-owners have got shares. European millowners are equally interested as the Indian millowners. Indian capitalists and European capitalists join together with a view to have the best slice for themselves. Therefore, it is no argument for my Honourable friend to say. Oh, here the European Chamber wants the abolition of this tax, therefore it is very right. I do not believe that the European capitalist or European adventurer is as good as he thinks. Both are in the same boat. Therefore, I say that is no argument in support of his position. Secondly, Sir, it is said it is so universally condemned, therefore it should not be adopted. On the other hand, I pointed out the other day and again repeat, that the Cotton Growers Association, the President of the Cotton Growers Association, the Committee of the Cotton Growers Association, Tiruppur and Coimbatore, have accepted this thing and commended this to the Government, saying that it will be an advantage to the agricultural population, to the cottongrowers. And therefore, in the face of the evidence that we have got of the Tiruppur Cotton Growers Association supporting this duty, it is wrong to say that there is universal opposition to it. It is only opposition from the capitalists, both European and Indian.

Then, Sir, it is said again that this cotton duty will cripple industry here and it will benefit Lancashire. Now, in the face of the agreement that has been reached recently, in the face of the conditions that have been imposed in the agreement that will be discussed here later on, in the face of those terms of agreement which have been explained and which we find in the report as well as in the memorandum of that agreement, there is absolutely no ground for any apprehension that this is the underlying motive for levying this duty.

THE HONOURABLE MR. SHANTIDAS ASKURAN: More than that.

THE HONOURABLE SIR A. P. PATRO: More than that, says the Honourable Member. The secret is known to my Honourable friend and his associates but as a plain man speaking straight language this is how we understand the position that in view of the agreement there is absolutely no need for any apprehension.

Sir, as I said, if my friend argued with the same vehemence and enthusiasm as he did in the case of the cotton duty in favour of the abolition of the salt duty, which is a poor man's consumption, or for the reduction of the postal duty, I would have welcomed his argument, but failing to do that it is special pleading that he has made and he failed to convince me that there is really any substance in the argument which he has so vehemently advanced except the vituperative language which is quite unworthy of the community which he represents against the Finance Member. Sir, there is a proverb "Hot water does not burn houses". So this letting out of hot gas does not affect the person against whom it is directed. I think it injures the person who makes such statements by showing what he is made of. Sir, it is a matter no doubt for the Finance Member to take up in his defence. He is capable of defending himself and does not require any defence from me. But what

I do say is that the Bill has been so ably and cautiously devised that I have no hesitation in saying it is in the best interests of the country.

Sir, my friend raised the question that the ratio should be revised.

**THE HONOURABLE THE PRESIDENT :** You need not trouble about that matter. It is absolutely irrelevant to the Bill.

**THE HONOURABLE MR. A. P. PATRO :** I am only touching on it, Sir, because he raised the point. It seems to me to be quite beside the point and it is not necessary to discuss it here in connection with this taxation Bill. There is no doubt whatever that the credit of India now stands so firm and stable because of the position which we have got in connection with our exchange and in view of the necessary deficit and the necessary additional funds to be found for the purpose of recouping the deficit, the suggestions made in the Finance Bill are absolutely necessary and I support the Bill.

**THE HONOURABLE MR. A. J. RAISMAN (Finance Secretary) :** Sir, I do not intend to make a long speech. Nor do I propose to traverse the political arguments which were advanced by Members of certain Parties on the basis of which they had decided not to participate in the debate. I shall therefore confine my remarks to a few points dealing with the Bill made by the various speakers.

The Honourable the Leader of the Opposition spoke of 100,000 tons of sugar from Java already afloat. The Honourable Member is a business man and I should like to know how much he would be prepared to pay for the sugar which, he says, is already afloat. I can point out to him on the one hand something which is a definite ascertained fact, namely, a deficit in the current year of between Rs. 2 and Rs. 3 crores. As against that, he asks us to cast our sugar upon the waters and hope that something will turn up to cover the gap which we anticipate in the coming year. I am afraid we cannot follow that advice.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Did I not tell you that 100,000 tons of sugar was already afloat from Java. Is that wrong ?

**THE HONOURABLE MR. A. J. RAISMAN :** It is wrong. There is no reliable evidence for that statement.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Have you made inquiries whether or not I am right in my statement ?

**THE HONOURABLE MR. A. J. RAISMAN :** We have been watching the position and 100,000 tons of sugar has not yet been put on the waters for India, counting up the whole of the last 14 months. In fact, I may say not for two years up to the present day. If you take all the sugar for India that was afloat during that period, it would not come to half that amount.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Well, another six months will prove whether I am right or you are right.

**THE HONOURABLE MR. A. J. RAISMAN :** The Honourable Member made a categorical statement about the amount of sugar afloat at this moment.

I shall go on to the Honourable Mr. Hossain Imam whom I must compliment on his study of all the most recondite and complicated aspects of finance.

[Mr. A. J. Raisman.]

I must say that if I were a layman, I should shudder at attempting to master these exceedingly complicated and subtle points and I am free to admit that I could not answer straightaway on the floor of the House some of the questions which he put to me. The reason is that those questions have a considerable history behind them, that they are usually linked to other larger matters and that taken by themselves, they do not bear the solution on their face. It is often found that they have been settled against some other adjustment in another part of the field, and in order to deal with them, you have to go into the whole history of the thing. I have no doubt whatever that the Burma Monetary Arrangements Order made such provision as to cover every possible debit or credit due to either Government. I cannot say offhand whether the particular point which he mentions is directly met in that Order, but I am prepared to assure him that it was a factor that was taken into account. He spoke about losses involved in the return of surplus rupees. It must be remembered that when rupees are issued, and particularly at times when the price of silver is such that the intrinsic value of the rupee is lower than its nominal value, which usually is the case, there is a profit. If it subsequently transpires that the quantity of silver rupees in circulation is more than the actual needs of the country, then it is the business of an honest administration to withdraw those rupees and cash in the loss. Just as they took the profit when they issued the rupees, they must be prepared to cash in the loss, to take the loss, to accept the loss, when those rupees have become surplus to requirement, and that is why the Reserve Bank Act contains provision enabling the Reserve Bank to hand, in any year in which it found it advisable to do so, that Rs. 5 crores to the Government. You may if you like talk of that as being a loss. I regard it as a necessary incident, the necessary accompaniment of an honest currency policy. For the same reason, I consider that the fact that the institution of a Reserve Bank has led to a fall in the profits which the Government formerly made from currency is a tribute to the integrity and the impartiality of our policy. As everybody knows, it is the easiest thing in the world for a Government to make profits out of currency. But we have established a more or less autonomous currency authority, and we are content ourselves now with receiving from it a certain share of the profits which it makes on a very conservative method of working. It is true that those profits are lower than what accrued to us when we ourselves were the currency authority. But it is claimed, on the other hand, that the great advantages that have accrued far outweigh the loss to central revenues.

**THE HONOURABLE MR. HOSSAIN IMAM:** The expenses of management have gone up to Rs. 1 crore. Formerly they were in the neighbourhood of Rs. 40 lakhs.

**THE HONOURABLE MR. A. J. RAISMAN:** That is true, Sir, It is a more elaborate organisation.

In regard to his remarks about exchange, I have only one thing to say and that is, that in so far as he brought it in from the point of view of the effect on the revenues, I would like to point out to him that the effect of a policy which is often advocated by critics of the Government would be to make it necessary for us to raise a matter of Rs. 5 or Rs. 6 crores of extra taxation because the effect on our revenues would be to increase our expenditure by something of that order.

**THE HONOURABLE MR. HOSSAIN IMAM:** Increase in the customs income duo to increased valuation would counterbalance it.

**THE HONOURABLE MR. A. J. RAISMAN :** That is a much more relevant fact than any of the smaller adjustments to which he drew attention. The Honourable Mr. Shantidas Askuran criticised the cotton duty and I have no quarrel with him for disliking this duty because he belongs to the class which is affected, but I have a grievance against him for the tone of his remarks. I think that whereas you may be a champion of the interests which you represent and may even be a valiant fighter on their behalf, you should also remember that those are limited interests and should refrain from attributing unworthy motives to the people you criticise. And this brings me to his remarks about Sir James Grigg who is not here to speak for himself. But, for one reason, I feel glad of that, because I feel that I am in a better position to talk about his administration than any other person here. I have been in almost daily association with him for the last five years. I believe Sir James Grigg to be a very great man, one of the greatest men who ever came to this country. He is certainly the most dynamic personality that ever handled the finances of this country. But that which has struck all those of us who have worked in daily contact with him has been his extraordinary integrity and singleness of purpose. When Sir James Grigg takes up any question, he takes it up entirely from the point of view of India and he never lets go of that point of view, and in my experience there have never been more valiant or doughty fighters of India's cause *vis-a-vis* His Majesty's Government than Sir James Grigg. (Hear, hear.) To accuse the Finance Member—

**THE HONOURABLE MR. SHANTIDAS ASKURAN :** The methods, the policy, Sir. I would be the last person to accuse him personally.

**THE HONOURABLE MR. A. J. RAISMAN :** To suggest that the increase in the cotton duty was imposed in the interests of Lancashire is so fantastic as to be entirely meaningless. I for one cannot believe that anybody who has any experience of Sir James Grigg can persuade himself of the truth of that statement. An aspersion or suggestion of that kind might have had some substance in the past in the case of British administrators who have come to India. But it is utterly devoid of the slightest grain of substance in the case of Sir James Grigg who in matters of this kind is the most honest administrator that could possibly have been employed. There is one more thing which I should like to add. Sir James Grigg was a permanent civil servant before he came to this country. All his instincts and his experience are connected with sound administration. Now what is usually exposed to the public view in the case of a Member of a Government is his policy. The majority of people know nothing of the day-to-day administration of his department. But the remarkable thing about Sir James Grigg is that the same spirit of integrity, courage and singleness of purpose has inspired his handling of the day-to-day administration, with the result that he has continually grasped the nettle wherever he has found it and has insisted on putting everything that was unsatisfactory in the administration on a proper basis. There is at least as much if not a larger side to Sir James Grigg's activities in the administrative sphere than anything which has come to public notice in the sphere of policy. I mention that because most people will agree that whereas there is always room for differences of opinion about the policies pursued, everybody agrees that the administration must be sound and efficient with no room for shilly-shallying in that sphere.

There is only one other small point I would mention before I sit down, and that was the question alluded to by Sir Ramunni Menon about the tax-free slab. I intervened to remind him that a person whose income was

[Mr. A. J. Raisman.]

Rs. 2,000 would pay no tax, and he said he was aware of that. Nevertheless he went on to talk of the condition of a man whose income was Rs. 2,000. But the size of the slab which is tax-free has nothing to do really with the exemption limit. You may have an exemption on incomes up to Rs. 3,000, but in calculating the amount of tax that should be levied on incomes above Rs. 3,000 you might calculate it by reference to everything above the first one thousand rupees of income. The ideal to be aimed at is a smooth line which shows a progressive smoothly increasing burden of taxation according to ability to pay, and you may produce that effect by taking into account some of the income below the exemption limit. That does not, it seems to me, to carry any inference in regard to the point at which incomes should be exempted from tax. I have nothing more to say, Sir. (Applause.)

THE HONOURABLE THE PRESIDENT : The Question is :

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

The Council divided :

AYES—27.

Bewoor, Hon. Mr. G. V.  
Buta Singh, Hon. Sardar.  
Charanjit Singh, Hon. Raja.  
Chinoy, Hon. Sir Rahimtoola.  
Das, Hon. Rai Bahadur Satyendra  
Kumar.  
Devadoss, Hon. Sir David.  
Ghosal, Hon. Sir Josna.  
Gorwala, Hon. Mr. A. D.  
Govindachari, Hon. Rao Bahadur K.  
Haider, Hon. Khan Bahadur Shams-ud-  
Din.  
Hissamuddin Bahadur, Hon. Lt.-Col. Sir.  
Hydari, Hon. Mr. M. S. A.  
Ismail Alikhan, Hon. Kunwar Hajeer.

Jagdish Prasad, Hon. Kunwar Sir.  
Khurshid Ali Khan, Hon. Nawabzada.  
Lal, Hon. Mr. Shavax A.  
Menon, Hon. Sir Ramunni.  
Muhammad Yakub, Hon. Sir.  
Mukherjee, Hon. Sir Satya Charan.  
Nanak Chand, Hon. Rai Bahadur Lala.  
Nihal Singh, Hon. Sirdar.  
Patro, Hon. Sir A. P.  
Puckle, Hon. Mr. F. H.  
Raisman, Hon. Mr. A. J.  
Russell, Hon. Sir Guthrie.  
Sobha Singh, Hon. Sardar Bahadur.  
Stokes, Hon. Mr. H. G.

NOES—12.

Askuran, Hon. Mr. Shantidas.  
Das, Hon. Mr. N. K.  
Kalikar, Hon. Mr. V. V.  
Kunzru, Hon. Pandit Hirday Nath.  
Maktha, Hon. Rai Bahadur Sri Narain.  
Mitha, Hon. Sir Suleman Cassum Haji.

Pantulu, Hon. Mr. Ramadas.  
Ram Saran Das, Hon. Rai Bahadur Lala.  
Ray Chandhury, Hon. Mr. Kumarsankar.  
Roy Chowdhury, Hon. Mr. Sunil Kumar.  
Sapru, Hon. Mr. P. N.  
Sinha, Hon. Kumar Nripendra Narayan.

The Motion was adopted.

Clauses 2 to 4 were added to the Bill.

Schedule I was added to the Bill.

Clause 5 was added to the Bill.

Schedule II was added to the Bill.

Clause 6 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

**THE HONOURABLE MR. A. J. RAISMAN :** Sir, I move :

“ That the Bill, in the form recommended by the Governor General, be passed.”

The Council divided :

**AYES—27.**

Bewoor, Hon. Mr. G. V.  
Buta Singh, Hon. Sardar.  
Charanjit Singh, Hon. Raja.  
Chinoy, Hon. Sir Rahimtoola.  
Das, Hon. Rai Bahadur Satyendra  
Kumar.  
Devadoss, Hon. Sir David.  
Ghosal, Hon. Sir Josna.  
Gorwala, Hon. Mr. A. D.  
Govindachari, Hon. Rao Bahadur K.  
Haider, Hon. Khan Bahadur Shams-ud-  
Din.  
Hissamuddin Bahadur, Hon. Lt.-Col. Sir.  
Hydari, Hon. Mr. M. S. A.  
Ismail Alikhan, Hon. Kunwar Hajee.

Jagdish Prasad, Hon. Kunwar Sir.  
Khurshid Ali Khan, Hon. Nawabzada.  
Lal, Hon. Mr. Shavam A.  
Menon, Hon. Sir Ramunni.  
Muhammad Yakub, Hon. Sir.  
Mukherjee, Hon. Sir Satya Charan.  
Nanak Chand, Hon. Rai Bahadur Lala.  
Nihal Singh, Hon. Sirdar.  
Patro, Hon. Sir A. P.  
Puckle, Hon. Mr. F. H.  
Raisman, Hon. Mr. A. J.  
Russell, Hon. Sir Guthrie.  
Sobha Singh, Hon. Sardar Bahadur.  
Stokes, Hon. Mr. H. G.

**NOES—12.**

Askuran, Hon. Mr. Shantidas.  
Das, Hon. Mr. N. K.  
Kalikar, Hon. Mr. V. V.  
Kunzru, Hon. Pandit Hirday Nath.  
Mahtha, Hon. Rai Bahadur Sri Narain.  
Mitha, Hon. Sir Suleman Cassum Haji.

Pantulu, Hon. Mr. Ramadas.  
Ram Saran Das, Hon. Rai Bahadur Lala.  
Ray Chaudhury, Hon. Mr. Kumarsankar.  
Roy Chowdhury, Hon. Mr. Susil Kumar.  
Sapru, Hon. Mr. P. N.  
Sinha, Hon. Kumar Nripendra Narayan.

The Motion was adopted.

**STANDING COMMITTEE FOR ROADS, 1939-40.**

**THE HONOURABLE THE PRESIDENT :** With reference to the announcement made by me on the 22nd March regarding nominations to the Standing Committee for Roads, I have to inform the House that the Honourable Sardar Buta Singh, the Honourable Mr. Susil Kumar Roy Chowdhury and the Honourable Mr. M. N. Dalal have since withdrawn their candidature. As there now remain the following three candidates for three seats I declare them duly elected :

1. The Honourable Mr. R. H. Parker.
2. The Honourable Rao Bahadur K. Govindachari.
3. The Honourable Kumar Nripendra Narayan Sinha.

I have also to announce that the election to the Central Advisory Council for Railways will be held on Thursday, the 30th instant immediately after questions, by means of the single transferable vote.

The Council then adjourned till Eleven of the Clock on Thursday, the 30th March, 1939.