

THE
LEGISLATIVE ASSEMBLY DEBATES

(Official Report)

Volume VII, 1931

(4th to 20th November, 1931)

SECOND SESSION

OF THE

FOURTH LEGISLATIVE ASSEMBLY, 1931



NEW DELHI
GOVERNMENT OF INDIA PRESS

1932

Legislative Assembly.

President :

THE HONOURABLE SIR IBRAHIM RAHIMTOOLA, K.C.S.I., C.I.E.

Deputy President :

MR. R. K. SHANMUKHAM CHETTY, M.L.A.

Panel of Chairmen :

DIWAN BAHADUR T. RANGACHARIAR, C.I.E., M.L.A.

MR. ARTHUR MOORE, M.L.A.

SIR MUHAMMAD YAKUB, KT., M.L.A.

RAI SAHIB HARBILAS SARDA, M.L.A.

Secretary :

MR. S. C. GUPTA, BAR.-AT-LAW.

Assistants of the Secretary :

MIAN MUHAMMAD RAFI, BAR.-AT-LAW.

RAI BAHADUR D. DUTT.

Marshal :

CAPTAIN NUR AHMAD KHAN, M.C., I.O.M.

Committee on Public Petitions :

MR. R. K. SHANMUKHAM CHETTY, M.L.A., *Chairman.*

MR. ARTHUR MOORE, M.L.A.

SIR ABDUR RAHIM, K.C.S.I., KT., M.L.A.

RAJA BAHADUR G. KRISHNAMACHARIAR, M.L.A.

MIAN MUHAMMAD SHAH NAWAZ, C.I.E., M.L.A.



2
V2, 31, N31

N31-7

CONTENTS.

PAGES.

VOLUME VII—4th to 20th November, 1931.

Wednesday, 4th November, 1931—

Members Sworn	1533
Questions and Answers	1533-70
Unstarred Questions and Answers	1571-74
Governor General's Assent to Bills	1575
The Indian Finance (Supplementary and Extending) Bill—	
<i>contd.</i>	1575-1617

Thursday, 5th November, 1931—

Questions and Answers	1619-25
The Indian Finance (Supplementary and Extending) Bill—	
<i>contd.</i>	1625-76

Friday, 6th November, 1931—

The Indian Finance (Supplementary and Extending) Bill—	
<i>contd.</i>	1677-1720

Saturday, 7th November, 1931—

Questions and Answers	1721-40
Unstarred Questions and Answers	1740-51
The Indian Finance (Supplementary and Extending) Bill—	
<i>contd.</i>	1751-1802

Wednesday, 11th November, 1931—

The Indian Finance (Supplementary and Extending) Bill—	
<i>contd.</i>	1803-45

Thursday, 12th November, 1931—

Questions and Answers	1847-56
The Indian Finance (Supplementary and Extending) Bill—	
<i>contd.</i>	1856-1904

Friday, 13th November, 1931—

Questions and Answers	1905-17
Unstarred Questions and Answers	1917-18
The Indian Finance (Supplementary and Extending) Bill—	
<i>contd.</i>	1918-59

Saturday, 14th November, 1931—

The Indian Finance (Supplementary and Extending) Bill—	
<i>contd.</i>	1961-93

CONTENTS—*contd.*

	PAGES.
Monday, 16th November, 1931—	
Questions and Answers	1995-2017
Unstarred Questions and Answers	2017-19
The Indian Finance (Supplementary and Extending) Bill— <i>contd.</i>	2020-62
Tuesday, 17th November, 1931—	
Member Sworn	2063
Questions and Answers	2063-75
Unstarred Questions and Answers	2076
The Indian Finance (Supplementary and Extending) Bill— <i>contd.</i>	2077-2119
Wednesday, 18th November, 1931—	
Questions and Answers	2121-27
The Indian Finance (Supplementary and Extending) Bill— <i>contd.</i>	2127-71
Thursday, 19th November, 1931—	
Statement laid on the Table—Members of Retrenchment Committees who have drawn allowances	2173-74
The Indian Finance (Supplementary and Extending) Bill— <i>contd.</i>	2175-96
Friday, 20th November, 1931—	
Member Sworn	2197
The Indian Finance (Supplementary and Extending) Bill— Motion to pass as recommended by the Governor General negatived	2197-2211

LEGISLATIVE ASSEMBLY.

Wednesday, 4th November, 1931.

The Assembly met in the Assembly Chamber of the Council House in New Delhi at Eleven of the Clock, Mr. President in the Chair.

MEMBERS SWORN:

- The Honourable Sir Joseph William Bore, K.C.I.E., C.B.E.
(Member for Industries and Labour);
- Major Nawab Ahmad Nawaz Khan, O.B.E., M.L.A. (Nominated Non-Official);
- Sardar Bahadur Captain Hira Singh Brar, M.B.E., M.L.A. (Nominated Non-Official);
- Mr. H. C. Desanges, M.L.A. (Nominated Non-Official);
- Sir Frank Noyce, Kt., C.S.I., C.B.E., M.L.A. (Secretary, Department of Education, Health and Lands);
- Mr. Clement Wansbrough Gwynne, C.I.E., O.B.E., M.L.A. (Government of India: Nominated Official);
- Mr. William Alexander Cosgrave, C.I.E., M.L.A. (Assam: Nominated Official);
- Major Hutchison Raymond Pelly, M.L.A. (Burma: Nominated Official).

QUESTIONS AND ANSWERS.

LOAN GRANTED TO THE BAHAWALPUR DURBAR.

1150. *Sirdar Harbans Singh Brar: (a) Will Government please state what was the figure of the loan sanctioned in 1926 to the Bahawalpur Durbar at the end of the financial year 1930-31?

(b) What is the rate of interest payable on the loan, and what will be the total amount of interest due for the financial year 1931-32?

The Honourable Sir George Schuster: (a) About Rs. 9,67,00,000.

(b) The rate of interest under the original agreement is 6 per cent. per annum. The question of charging a rate calculated on the basis of the borrowing rates of the Government of India is under consideration. The total amount of interest recoverable in the current year will depend on the decision arrived at on this question and also on the amounts borrowed during the current year.

Mr. Lalchand Navalrai: Is it a fact that the Bahawalpur Durbar has found gold in that State and will it be on that account that the money will be returned soon?

The Honourable Sir George Schuster: I only heard the first part of the Honourable Member's question. I understood him to ask whether it is a fact that gold had been found in the Bahawalpur State.

Mr. Lalchand Navalrai: It is alleged that gold has been found in that State.

The Honourable Sir George Schuster: I am very grateful to the Honourable Member for the information. It is very good news.

Mr. Gaya Prasad Singh: What was the original amount sanctioned and to what extent has it been exceeded? I understand that a loan was advanced on two or three occasions. I want to know what was the original amount sanctioned?

The Honourable Sir George Schuster: I must ask for notice of that question. I have not got the exact figures by me.

Mr. Gaya Prasad Singh: What is the revenue of the Bahawalpur State which will cover the amount advanced?

The Honourable Sir George Schuster: I must ask for notice of that question also.

Sir Muhammad Yakub: For what purpose was this money advanced to the Bahawalpur Durbar?

The Honourable Sir George Schuster: In order to enable them to undertake their part in the Sutlej Valley Irrigation Scheme.

Sir Muhammad Yakub: Has it been carried out and under whose instructions?

The Honourable Sir George Schuster: The scheme is practically completed. The work has been done by engineers of the Punjab Irrigation Service and I may inform the House that we are just now initiating a very thorough inquiry into the whole scheme. The results of the scheme have fallen very far short of the anticipations and the cost of the scheme has very largely exceeded the anticipations. One of the reasons for the unfavourable result is of course the very low price of agricultural produce now prevailing, which has made it almost impossible to dispose of land, but there are other reasons and other ways in which the scheme has failed to fulfil the original anticipations. The Government are very much concerned in the matter and an expert committee is now going to inquire into the whole business. The expert committee will start its work on the 20th of November.

Sir Muhammad Yakub: May I know if some of the water from the canal was given to some other State and not to the Bahawalpur Durbar?

The Honourable Sir George Schuster: I am not quite sure what my Honourable friend means by water from the canal. He will appreciate that the scheme depends on the waters of the Sutlej, and the waters of the Sutlej are used for a very large number of schemes.

Mr. President: I should like to invite the attention of Honourable Members to the Rules and Standing Orders, which prohibit this Assembly from inquiring into the internal administration of Indian States. It was after very careful consideration that I admitted the question on the ground that it related to monies of the Indian tax-payer advanced to an Indian State. I held that Honourable Members were entitled to ask

for information in regard to Indian revenues. I must, therefore, ask Honourable Members, in putting supplementary questions to restrict themselves to asking for information in regard to Indian monies lent to the State. As regards the internal administration of the State, no supplementary question will be allowed.

Mr. B. Das: Do I understand that the Government of India apply no control to loans asked for by Local Governments, and that they allow them to increase those loans according to their own will when their original estimates on capital projects go entirely wrong, as happened in the case of the Sutlej Valley Scheme?

The Honourable Sir George Schuster: I think, Sir, my Honourable friend's question is somewhat irrelevant. The question of control over loans by Provincial Governments does not arise out of the original question.

Mr. B. Das: Does it not arise out of the replies which my Honourable friend gave to the supplementary questions asked by my Honourable friend, Sir Muhammad Yakub, showing that the Punjab Government's estimates were entirely wrong?

Sardar Sant Singh: May I know if the interest on this loan has been regularly paid?

The Honourable Sir George Schuster: The interest on the capital cost of the scheme during the period of construction is treated as capital expenditure and debited to capital.

Sardar Sant Singh: Is it intended to wipe out any part of the deficit?

The Honourable Sir George Schuster: No. No part of the debt has been wiped out yet. The scheme has not yet reached the fully productive stage.

Sardar Sant Singh: Do the Government intend to write-off some portion of this debt?

The Honourable Sir George Schuster: That is a question which it is impossible to answer until we have received the expert report on the scheme which will shortly be undertaken.

Mr. Gaya Prasad Singh: What is the security on which this money has been advanced to the Bahawalpur State—security with regard to the safety of the Indian tax-payer's money?

The Honourable Sir George Schuster: There is no specific security, in the sense that there are no specific assets which have been pledged as security for the loan. The loan takes the ordinary form of an advance to a Government. It is generally secured on the revenues of the State.

Mr. Gaya Prasad Singh: What is the revenue of the State?

The Honourable Sir George Schuster: I have already informed the Honourable Member that I must ask for notice of that question.

Dr. Ziauddin Ahmad: Is it not a fact that Government forced this loan upon the Bahawalpur State?

The Honourable Sir George Schuster: I do not quite appreciate the sense of that question. The loan was applied for by the State. The whole negotiations took place a number of years ago. I do not think my Honourable friend has got any reason for suggesting that the loan was forced on the State.

SALT PRODUCTION AT PACHBADRA.

1151. ***Mr. B. Das:** (a) Will Government be pleased to state what steps they have taken with regard to larger production at the Pachbadra salt works, the releasing of Pachbadra from the authority at Sambhar, and the two experiments indicated in the report of the Sir Chunilal Mehta Committee?

(b) Will Government be pleased to state whether they have communicated with the Jodhpur Darbar with regard to the extension of sidings required at Pachbadra as recommended in the report of the Sir Chunilal Mehta Committee?

The Honourable Sir George Schuster: (a) Several investigations have been instituted. Arrangements are being made with the Survey of India Department for the carrying out of a topographical survey; samples of crushed Pachbadra salt have been despatched to Calcutta with a view to testing the market; negotiations with railway authorities regarding freight rates have been started; the lay-out of sidings is under negotiation with the Jodhpur-Bikaner Railway administration; and the question of devising a portable type of crushing machine is being examined.

The Government of India have no intention of removing Pachbadra from the control of the General Manager, Rajputana Salt Sources, whose office is at Sambhar.

(b) As already stated, this subject is being discussed with the administration of the Jodhpur-Bikaner Railway. The occasion has not yet arisen for communicating with the Durbar.

REVENUE DERIVED FROM INCREASED DUTY ON IMPORTED SALT.

1152. ***Mr. B. Das:** Will Government be pleased to state how much extra revenue has been derived on account of the increased duty on imported salt, how much of this has been appropriated to revenue, how much given to Bengal, and how much it is proposed to spend for increasing the supplies of salt from the Rajputana salt centres?

The Honourable Sir George Schuster: Rs. 9,27,629-14-0 have been collected as additional duty on imported salt up to the end of September, 1931.

Seven-eighths of the additional duty will be distributed among the provinces consuming imported salt, but the manner in which the money will be distributed has not yet been settled. The remaining one-eighth will be utilized for developing salt sources in Northern India and for making investigations about the possibility of developing sources in other parts of India. Nothing has so far been spent on this account.

ANNUAL SUBVENTION GIVEN TO IMPERIAL AIRWAYS LTD.

1153. ***Mr. B. Das:** Will Government be pleased to state what is the annual subvention given to the Imperial Airways, Ltd., for how many years there is a contract between Government and them, and whether, in view of the financial stringency, it is proposed to continue this subvention?

The Honourable Sir Joseph Bhoré: The agreement between the Government of India and Imperial Airways Limited for the charter of an aeroplane, for the operation of the Karachi-Delhi section of the Indian State Air Service, was entered into with effect from the 30th December, 1929, and provides for the following payments by Government to the Company:—

	£
Fixed monthly charges	1,500
Charges for completed flights @	162-10 per flight.

The Charter Service will cease on the 29th December, 1931, the date of termination of the agreement. It is not proposed to renew the agreement.

COST OF OFFICIAL DELEGATIONS TO THE LEAGUE OF NATIONS AND OTHER CONFERENCES.

1154. ***Mr. B. Das:** Will Government be pleased to state the cost of official delegations to the League of Nations and all other conferences, at which India was officially represented, during the official year 1930-31, and the figure for such expenditure budgeted during the current year?

Sir Lancelot Graham: The information is being collected and will be supplied to the Honourable Member in due course.

REVISION OF THE CAPITATION GRANT.

1155. ***Mr. B. Das:** Will Government be pleased to state, giving comparative figures for the last three official years, the saving to India from the revision of the capitation grant during the current year and during the forthcoming year?

Mr. G. M. Young: The Honourable Member is referred to the Finance Member's speech in this Assembly on the 10th March, 1931, reported at pages 1834 and 1835 of the proceedings for that day, which explains the position regarding capitation charges. No decision has yet been reached.

The following amounts were paid to His Majesty's Government on this account:

	£
1928-29	1,503,000
1929-30	1,506,000
1930-31	1,510,000

Mr. B. Das: May I inquire how long this knotty problem will take to be settled between the Government of India and the War Office—this question about the capitation charges? Is it not a matter of very long standing?

Mr. G. M. Young: It is a matter of long standing, but I am unable to say how much longer it will take.

Mr. B. Das: Who is to be blamed, the Government of India or the War Office, regarding this delay? Who does not want to settle it?

Mr. G. M. Young: That, Sir, is a matter of opinion.

Sir Hari Singh Gour: May I beg to inquire if it is not a fact that pending the settlement of this question, the Government of India have been paying the capitation charges from year to year for the last 20 years?

Mr. G. M. Young: I am afraid I shall have to ask for notice of that question.

Sir Hari Singh Gour: Is not the Honourable Member aware of the fact that even year before last and last year this question was raised on the floor of the House and that the Honourable the Finance Member assured this House that the matter would be dealt with by an impartial tribunal which was proposed to be set up?

An Honourable Member: Immediately.

Sir Hari Singh Gour: I am not sure about "immediately", but it was proposed to be set up. I wish to know as to what steps have been taken to safeguard the interests of the Indian tax-payer by setting up an impartial tribunal. Have not the Government protested against a payment being made, the validity or legality of which has been questioned?

Mr. G. M. Young: It is difficult for me to answer all those questions at one time.

Sir Hari Singh Gour: Does the Honourable Member want me to put one question at a time? (Mr. G. M. Young nodded assent.) Very well, my first question is, what steps have the Government of India taken since the statement was made by the Honourable the Finance Member that the question as regards the payment of the capitation charges would be decided by an impartial tribunal to be set up?

Mr. G. M. Young: I am not in a position to disclose the correspondence that has taken place between His Majesty's Government and the Government of India at the present stage. As soon as the Government are able to make a statement, they will do so.

Sir Hari Singh Gour: That hardly answers my question. My next question is: Why have not the Government of India withheld the payment of these capitation charges on the ground that unless its validity is established the liability is not incurred?

Mr. G. M. Young: The Honourable Member has pointed out that this capitation payment has been made for the last twenty years at least. It seems to me, therefore, to rest upon the Government of India to establish why it should cease to be paid rather than on somebody else to show why it should continue.

Sir Hari Singh Gour: Have not the Government contended this liability to pay this capitation charge for twenty years, that they have been paying them in spite of protest and that they have taken no action to withhold payment though they were entitled to do so under the constitution?

Mr. G. M. Young: That appears to me, Sir, to be a matter of opinion.

Sir Hari Singh Gour: How can it be a matter of opinion? I ask a plain question of fact: that is, how have you protected the revenues of India in not refusing to pay the amount the liability of which you have challenged all along? That is the question. I understand from the

Honourable Member nodding his head that he is not in a position to give any reply. Am I to understand that he feels that he is cornered and that he has no reply to give?

The Honourable Sir George Schuster: Perhaps I may give the Honourable Member a short explanation on the question. In the first place, there is no question of legality in this case. The Government of India as far as I know have never been in a position to dispute the legality of the charge. The question is whether it is a fair charge to be put upon the Indian tax-payer. The Government of India have consistently represented the arguments on behalf of the Indian tax-payer. It has now been accepted by the British Government that the case is one for inquiry by an impartial tribunal. My Honourable friend will recollect that after I made a statement in the House in the course of the debates on the Finance Bill in March last, the late Secretary of State for India made a public statement to the effect that His Majesty's Government had decided to set up an impartial tribunal to inquire into this question. The arrangements, the terms of reference, the constitution and all sorts of other details in connection with this impartial tribunal are matters which require a great deal of discussion. They have been constantly under discussion between the Government of India and His Majesty's Government since that statement was made; but I think my Honourable friend will appreciate that, with the constant changes in ministers at home and the disturbed political situation in England there has been a certain amount of delay in proceeding with this matter. I might also add that the Government of India took the view that perhaps it was not unwise to allow the matter to be postponed for a few months because certain representatives at any rate of the Indian public took the view that the matters which would arise in connection with this tribunal were closely concerned with constitutional issues which may come under discussion at the Round Table Conference, and the view certainly has been represented in a good many influential quarters that it would be unwise to set up the tribunal until the current session of the Round Table Conference had concluded. I put that forward as one reason why we have felt that it was not entirely contrary to the interests of India that there should be a certain amount of delay. I think I have given all the information that it is possible to give on the subject at present; but I would assure the House that the matter has the constant attention of the Government of India and that we hope that there will be in the near future some further step taken in the matter.

Sir Hari Singh Gour: May I ask the Honourable the Finance Member whether in view of the fact that the Government of India has been paying these capitation charges under protest for a series of years, the tribunal will deal not only with the prospective liability of the Government of India but also with the question of refund of all arrears paid by the Government of India to the British Government on this account? (*Opposition cries of "Hear, hear".*)

The Honourable Sir George Schuster: As I informed the House when I made the statement in March, it has been laid down in our discussions with His Majesty's Government that any award which is given by this tribunal shall have retrospective effect up to the date when the discussion was taken up in its present form. I cannot recall to memory the exact date, but I think I am correct in stating that it will have retrospective

effect to the 31st March, 1926. I think that is correct, but I speak subject to verification when I look up the papers; but I made the point quite clear when I made the statement in March that we were not losing any money by this delay: if the award goes in our favour we shall have the advantage of it from that date.

Mr. T. N. Ramakrishna Reddi: In view of the fact that the British Government thought it necessary to refer the matter to the investigation of an impartial tribunal, will not the Government of India refuse to pay the capitation charges hereafter until the award is given, as a measure of retrenchment?

The Honourable Sir George Schuster: I should be very glad if the Government could take any step of retrenchment; but at present the claim is a claim which is legitimately made upon us and we regard it as one of our just debts; and I should be very sorry if the Government adopted a form of retrenchment which involved refusal to pay its just debts.

CASUALTIES IN THE BURMA REBELLION.

1156 ***Mr. B. Das:** Will Government be pleased to state the number of casualties of (1) combatants, and (2) non-combatants on the Government side, and (3) "rebels", up to the date when they have the latest information from the beginning of the trouble in Burma?

The Honourable Sir James O'rerar: The figures reported up to the 8th October, 1931, are as follows:

- (1) Combatants (i.e., military and police), 160
- (2) Non-combatants (other Government servants and headmen), 30.
- (3) Rebels, over 2,000.

Mr. Lalchand Navalrai: Will the Honourable Member be pleased to say what are the latest steps taken by Government to remove the root causes of this trouble in Burma?

The Honourable Sir James O'rerar: I must invite the Honourable Member's attention to the statements which have been made repeatedly in this House on the general aspects of the problem.

Mr. Lalchand Navalrai: I am asking for the latest one: that was the same reply given to me in the last session.

The Honourable Sir James O'rerar: It is constantly engaging the attention of the Local Government and the Government of India.

Mr. Lalchand Navalrai: Do the Government of India see only the rebels on one side and the people on the other side fighting or are they taking any special action to stop this trouble?

The Honourable Sir James O'rerar: I think that question is adequately answered in the statements that have already been laid before the House.

MILITARY CHARGES IN CONNECTION WITH THE BURMA REBELLION.

1157. ***Mr. B. Das:** Will Government be pleased to give the approximate cost of additional military charges of mobilisation and effective charges of operations from the beginning of the trouble in Burma up to the latest date when information is available?

Mr. G. M. Young: The compiled cash expenditure up to the end of July, 1931, is Rs. 2·33 lakhs. To this should be added the cost of transportation of troops to Burma, which is estimated at approximately Rs. 3½ lakhs, and the cost of stores in respect of which no reliable estimate can be given until the operations are ended.

†1158.

MEMBERS APPOINTED TO THE POSTAL RETRENCHMENT SUB-COMMITTEE.

1159. ***Mr. M. Maswood Ahmad:** (a) Is it a fact that the Postal Retrenchment Sub-Committee consists of some Members of the Legislative Assembly?

(b) Is it a fact that the Committee is sitting during hours of the Assembly meeting?

(c) Was there any protest against holding the sitting during Assembly hours?

(d) Is it a fact that some Assembly Members of the Committee have not been able to attend the Sub-Committee meetings?

(e) What is the reason for putting Assembly Members on the Postal Sub-Committee when the meetings of the Sub-Committee are held during Assembly hours?

(f) Is it a fact that besides the Assembly Members of the Sub-Committee, there is only one official, a nominated Member of the Council of State, and one European commercial man and no representative of the people?

The Honourable Sir George Schuster: (a) Yes.

(b) The Committee, which has dispersed now, sat both during and outside the hours of the Assembly meetings.

(c) It is understood that when the matter was discussed by the Sub-Committee before the opening of the Assembly session, two Members stated their inability to attend to the Sub-Committee's work during the Assembly season.

(d) It is understood that one Member of the Sub-Committee was not able to attend the Sub-Committee's meetings after the opening of the Assembly excepting on one occasion.

(e) In view of the reply to (c), the question does not arise.

(f) The constitution of the Sub-Committee was settled by the main Retrenchment Advisory Committee, the appointment of which was approved by a Resolution in this Assembly for the purpose of advising the Government on the appointment of Committees to carry out the actual retrenchment enquiries. The Government have, therefore, followed the procedure approved by this Assembly in the matter.

ARMED FORCES LOCATED IN CHITTAGONG.

1160. ***Mr. S. C. Mitra:** (a) Will Government be pleased to state if the expenses for pay, etc., of the armed forces at present located in Chittagong are borne, in full or in part on the army estimate?

(b) Are these forces ever employed in other places outside Bengal, viz., the Eastern Frontier?

†Question withdrawn by the questioner.

(c) Is it a fact that these armed forces are officered by the Indian Army officers whose pay is borne on the army estimate of India?

The Honourable Sir James O'Connell: (a) There are no troops at present in Chittagong, the cost of which is borne by the Army estimates.

(b) The forces at Chittagong are armed police forces which may be employed under the orders of the Local Government concerned anywhere within its jurisdiction, or their services may by mutual arrangement be lent to another Local Government.

(c) The force is officered by a certain number of officers seconded from the Indian Army, but their pay is borne by the Local Government.

APPOINTMENT OF INDIANS TO CERTAIN POSTS.

1161. ***Mr. B. Das:** (a) Will the Government of India please state the number of Indians who have been appointed to the following posts during the last five years:

1. Financial Adviser, Military Finance,
2. Deputy Financial Advisers, Military Finance,
3. Deputy Financial Adviser, Royal Air Force,
4. Military Accountant-General,
5. Deputy Military Accountant-General (Senior),
6. Deputy Military Accountant-General (Junior), and
7. Assistant Military Accountant-General?

(b) Will Government please state if any Indians are still holding any of the posts referred to in part (a)?

(c) If not, are Government prepared to consider the advisability of appointing Indians to some of these posts?

The Honourable Sir George Schuster: (a) No Indians have been appointed in the posts mentioned during the last five years except one as Deputy Financial Adviser, Military Finance.

(b) The reply is in the negative.

(c) The posts referred to are filled by selection from officers of the Military Accounts Department. There are at present no Indian officers in the Military Accounts Department of sufficient seniority to hold any of the senior posts. The post of Assistant Military Accountant General is filled by selection from Class II Officers of the Military Accounts Department, whether European or Indian, and the claims of Indian officers for appointment to that post are considered along with those of others.

Mr. B. Das: May I inquire if there is no such practice as transfer of services from the general Accounts Department to the Military Accounts Department?

The Honourable Sir George Schuster: I think I could have given my Honourable friend a more certain answer if I had notice of this question, but my impression is that the practice has not been to undertake any transfers of that kind; but I would like to look up the point and I will communicate with my Honourable friend.

EXTENSIONS OF SERVICE GRANTED TO MILITARY ACCOUNTS OFFICERS.

1162. ***Mr. B. Das:** (a) Is it a fact that the tenure of the following appointments is for three years: (1) Military Accountant-General, and (2) Command Controllers of Military Accounts?

(b) Is it a fact that the military officers of the Military Accounts Department who have completed their tenure are expected to retire from service, if no other appointment is available for them?

(c) Will Government please state the names of officers who have been given extensions of service on completion of their tenure of the appointments mentioned in the preceding question during the last ten years?

The Honourable Sir George Schuster: (a) When the appointments are held by military officers, the answers are in the affirmative. When the appointments are held by Civilian officers the answer is in the negative.

(b) The answer is in the affirmative.

(c) The Honourable Member presumably refers to the appointments of Military Accountant General and Command Controllers, if so, the names of officers who were granted extensions are:

- (1) Colonel A. W. Daldy.
- (2) Colonel D. A. E. Will.
- (3) Lieutenant-Colonel H. F. Shairp.
- (4) Lieutenant-Colonel E. S. J. Anderson.
- (5) Lieutenant-Colonel H. C. Stevens.
- (6) Colonel G. W. Ross.
- (7) Lieutenant-Colonel H. N. F. MacDonnell.
- (8) Lieutenant-Colonel W. V. Richards.
- (9) Lieutenant-Colonel L. F. G. S. Wyde.

The extensions of tenure were formal extensions for short periods to regularise leave which the officers had earned during the tenure but which had had to be refused to them for administrative reasons.

EXTENSIONS OF SERVICE GRANTED TO MILITARY ACCOUNTS OFFICERS.

1163. ***Mr. B. Das:** Will the Government of India please give the names of superior service officers of the Military Accounts Department who have been given extensions of service on completing the age of 55 years since 1st January, 1920, showing the period of extension of service in each case?

The Honourable Sir George Schuster: The particulars are as follows:

Name.	Period of extension after 1st January, 1920.		
	Years.	Months.	Days.
Mr. G. H. Cockman	2	3	..
Mr. T. C. Cooke	1	5	..
Mr. W. G. Wells	..	7	4
Mr. H. D. Gracias	2	..	..
Mr. P. R. Vengu Aiyer	1	8	13
Mr. H. S. Cumber	2	2	15
Lieut.-Colonel H. Murray	..	6	11

APPOINTMENT OF INDIANS OF THE INDIAN MEDICAL SERVICE AT ARMY HEADQUARTERS AND COMMAND HEADQUARTERS.

1164. ***Mr. B. Das:** (a) Will Government please state the number of Indians of the Indian Medical Service who have been appointed to any of the staff appointments at (i) Army Headquarters, and (ii) Command Headquarters? If not, why not?

(b) Are Government prepared to consider the desirability of appointing a sufficient number of Indians to such appointments?

Mr. G. M. Young: (a) None, but 5, 6 and 4 administrative appointments in Districts were held by Indians in 1929, 1930 and 1931 respectively.

(b) The posting of officers is regulated by administrative requirements. Government are not prepared to reserve posts at particular headquarters for Indians.

APPOINTMENT OF INDIANS TO STAFF APPOINTMENTS AT ARMY, COMMAND AND DISTRICT HEADQUARTERS.

1165. ***Mr. B. Das:** (a) Will Government please state the number of Indians holding the King's commission who have been appointed to staff appointments at (i) Army Headquarters, (ii) Command Headquarters, and (iii) District Headquarters?

(b) If the answer to part (a) be in the negative, will Government please state their reasons?

Mr. G. M. Young: (a) (i). Three.

(ii) Two.

(iii) None.

(b) Does not arise.

EXTENSIONS OF SERVICE GRANTED TO MILITARY ACCOUNTS OFFICERS.

1166. ***Mr. B. Das:** (a) Will Government please state the amount of pensions which the officers mentioned below were entitled to on attaining the age of 55 years and the rates of pensions they were actually given after extensions of their service:

1. Financial Adviser, Military Finance,
2. Deputy Financial Advisers, Military Finance,
3. Deputy Financial Adviser, Royal Air Force,
4. Military Accountant-General,
5. Deputy Military Accountant-General (Senior),
6. Deputy Military Accountant-General (Junior), and
7. Assistant Military Accountant-General?

(b) Will Government please state the total amount of extra expenditure involved to the State on account of extensions of service of these officers?

The Honourable Sir George Schuster: (a) Since 1st January, 1920, no officer holding any of these appointments has been given an extension after he reached the age of 55 years.

(b) The question does not arise.

APPOINTMENT OF MILITARY OFFICERS TO THE MILITARY ACCOUNTS DEPARTMENT.

1167. ***Mr. B. Das:** (a) Is it a fact that under orders of Lord Morley the recruitment of military officers to the superior service staff of the Military Accounts Department since 1908 has been abolished?

(b) Is it a fact that no military officers were appointed to the Military Accounts Department during the period 1910 to 1929?

(c) Is it a fact that a military officer was appointed in 1930?

(d) If so, will Government please give reasons for the same?

The Honourable Sir George Schuster: (a), (b) and (c). The answers are in the affirmative.

(d) The appointment was made with the approval of the Secretary of State in the interests of the State. It was considered that the Service would be strengthened by an occasional appointment of an officer with military experience, if a suitable candidate were available.

PRISONERS WHIPPED IN THE PESHAWAR JAIL.

1168. ***Maulvi Sayyid Murtuza Saheb Bahadur:** (a) Is it a fact that certain political prisoners were on hunger strike in Peshawar Jail? If so, how many and from what date?

(b) Is it not a fact that they went on hunger strike because they were whipped? If so, will Government give reasons for whipping?

(c) Will Government be pleased to mention:

(i) the names of prisoners whipped in jail,

(ii) how many times each person was whipped, and

(iii) how many stripes were given on each occasion?

(d) Is it not a fact that in Baffa, Tehsil Mansera, District Hazara, political prisoners were made absolutely naked and whipped for shouting *Allah-o-Akbar*? How many persons were so whipped?

(e) Is the Gandhi-Irwin Pact still in force? Are the North-West Frontier Province Congress volunteers excluded from this Pact?

(f) Is it not a fact that the Government of India decided in connection with certain cases which occurred in Bengal that political prisoners should not be whipped for offences against jail rules?

Mr. E. B. Howell: (a) Three prisoners convicted of political offences were on hunger strike for three days from the 18th to 20th September.

(b) No. They, together with a few ordinary prisoners, went on hunger strike on the ground that certain other prisoners who were admitted into jail on the evening of the 17th September had been ill-treated. The latter created a disturbance in jail that evening, they shouted revolutionary cries and refused to stop when ordered to do so; they threw bricks and other missiles some of which struck an Assistant Jailor. A magisterial enquiry found that the grievances preferred by the recalcitrant prisoners were false and the Magistrate gave orders for five ordinary prisoners to be given 25 lashes each for breach of jail discipline.

(c) (i) Usman, Nawab, Mohammed Afzal, Behram and Badshah.

(ii) Once.

(iii) Twenty-five stripes each.

(d) It is not a fact. The facts are that during the night of 15th September, certain prisoners who had been sent in from Mansehra to Abbotabad jail kept up shouts of "*Inqilab Zindabad*" and were warned by the jail officials to desist. On the 16th morning, they again received a formal warning to the same effect. On the evening of the 16th, the same disorderly behaviour was repeated. Eleven of them were therefore placed in solitary confinement. On the morning of the 17th, they apologised and gave definite promise of good behaviour and were released from solitary confinement and sent to the main cells. They were at the same time warned that any disturbance made by them outside the jail compound would be punished. In spite of this warning, they again created considerable disturbance near the Kutchery on the 18th morning, and with the Deputy Commissioner's approval, twelve men were whipped and given separate confinement. Two were given 15 strokes each and the remainder ten each. It is not a fact that the prisoners were stripped naked.

(e) I would refer the Honourable Member to the letter from His Excellency the Viceroy to Mr. Gandhi, dated the 19th of August, 1931, which contains a statement, of general application, of the policy of Government. A copy of this letter is laid on the Table.

(f) The facts are not as stated by the Honourable Member.

LETTER FROM HIS EXCELLENCY THE VICEROY, TO M. K. GANDHI, ESQ., DATED CALCUTTA, THE 19TH AUGUST, 1931.

I have to acknowledge receipt of your letter of August 14th, with regard to the first paragraph of which I desire to assure you that my replies to you were based entirely upon the direct communications which passed between him and you or between you and the Governor of Bombay.

2. With regard to the rest of your letter, it appears to me to be necessary to make clear the position of Government in order to avoid any possible cause of future misunderstanding. Your letter proceeds on the assumption, which Government cannot possibly accept, that while they have been guilty, not only of breaches of specific provisions of the Settlement, but also of a general policy of oppression against Congress, the latter have observed both the letter and spirit of the Settlement. As you are aware, the position consistently taken by Government during the past 5 months and, in particular in the conversations that have taken place between yourself and Mr. Emerson, has been that the activities of Congress in many directions have been contrary both to the letter and the spirit of the Settlement, and that they have involved a constant menace not only to the continuance of the Settlement, but to the maintenance of peace. I would refer particularly to activities in the United Provinces and the North-West Frontier Province. In dealing with particular situations so created, local Governments, with the approval of the Government of India, have endeavoured to restrict their action to the clear necessity of the specific situation, and they have avoided resort to special measures. In so far as they have taken action in such circumstances under the ordinary law, this has been forced upon them by the activities of Congress, and it appears to me to be a complete misreading of the situation to suggest that there has been either any absence of good will on the part of local Governments in working the Settlement or any "design to crush the Congress workers and the normal Congress activities". On the contrary, as I believe you will recognise, many matters not specifically covered by the Settlement have come under discussion and solutions proposed, in the hope of creating an atmosphere of mutual understanding, which it has been the constant endeavour of Government to secure. In fact, many of the matters raised in our recent correspondence are of this character.

3. In regard to the situation created by the refusal of Congress to be represented at the Round Table Conference, I would observe that, as you will no doubt recognise, this refusal involves the failure of one of the main objects which the Settlement was intended to secure.

4. So far as the attitude of Government towards the Settlement is concerned, it appears relevant to consider the obligations imposed on them by its terms. These are stated in paragraphs* 10-20 of the Statement of March 5th, 1931, and, with the exception of the provisions of paragraph 20, relate to matters of which the cause for remedial action, if any, has already arisen.

*NOTE.—Paragraphs 10 to 20 of the Statement of 5th March, related to the following matters:—

Paragraph 10.—Withdrawal of Ordinances promulgated in connection with the civil disobedience movement.

Paragraph 11.—Withdrawal of notifications issued under the Indian Criminal Law Amendment Act, 1908, in connection with civil disobedience movement.

Paragraph 12.—Withdrawal of pending prosecutions and proceedings.

Paragraph 13.—Release of prisoners.

Paragraph 14.—Return and remission of fines.

Paragraph 15.—Withdrawal of additional police imposed in connection with civil disobedience movement at the discretion of local Governments and remission of cost where that was not realised.

Paragraph 16.—Return of moveable property seized or forfeited and still in the possession of Government.

Paragraph 17.—Return of immoveable property taken possession of under Ordinance IX and other such property in the possession of Government forfeited or attached in connection with the realisation of land revenue or other dues.

Paragraph 18.—Enquiry into specific complaints in regard to cases in which the realisation of dues has not been made in accordance with the provisions of the law.

Paragraph 19.—Reinstatement of officials who resigned their posts where such posts had not been permanently filled, if application were made for reinstatement.

Paragraph 20.—Concession in regard to salt.

With regard to action under paragraphs 10—19, the Government of India will, in consultation with local Governments, secure observance of the Settlement in any cases where it is established that remedial action was due under the Settlement and has not been taken. They have no intention of revoking the salt concession for which provision was made in paragraph 20. For the rest the Settlement involved no suspension or abrogation of the ordinary law and left complete discretion to the Government of India and local Governments to take what measures might be necessary to deal with particular situations. It is the intention of the Government of India to pursue the policy they have hitherto followed, to restrict action to the requirements of the specific situation, and, in particular, to avoid resort to special measures so far as this is possible. But so far as this action may relate to the activities of the Congress, its nature and extent must depend primarily on the nature of those activities, and the Government of India are unable to fetter their discretion or that of local Governments in this respect.

As you have released to Press your letter to me of August 14th, I propose to similarly release this reply.

Sir Abdur Rahim: Do the same rules regarding whipping of political prisoners apply to all jails in India or they are only peculiar to North-West Frontier Province?

Mr. E. B. Howell: The same rules apply throughout British India.

Sir Abdur Rahim: As regards Bengal, was not an order passed by the Government of India prohibiting whipping of political prisoners except in some special cases? Does that order apply to North-West Frontier Province or not?

The Honourable Sir James Crerar: The position is that rules relating to whipping may vary to some extent in detail in different provinces, but they are under the general control of the Government of India. There is no rule which exempts any class of prisoners from liability to this form of punishment for serious infractions of jail discipline.

Sir Muhammad Yakub: Is the same treatment given to prisoners in other provinces for similar offences similar to those committed by these prisoners in the Frontier Province?

The Honourable Sir James Crerar: Any prisoners who is guilty of serious offences against jail discipline in other provinces liable to this punishment.

Sir Muhammad Yakub: My point is, was similar punishment given to other political prisoners in other provinces for offences similar to those committed by the prisoners in the Frontier Province?

The Honourable Sir James Crerar: I think the Honourable Member is really putting a hypothetical question. If there is any particular instance which he has in mind and brings it to my notice, I will endeavour to reply.

Sir Muhammad Yakub: May I know what punishment was awarded to the political prisoners in the Meerut conspiracy case for shouting revolutionary slogans and for refusing to attend the court?

The Honourable Sir James Crerar: My reply refers, as the supplementary question refers, to offences committed against jail discipline. I think the Honourable Member's question refers to behaviour of certain political prisoners in court, which is a different matter.

Sir Muhammad Yakub: I refer to their behaviour in jail in refusing to come to the court and in shouting slogans like "Inqilab Zindabad"?

The Honourable Sir James Crerar: I think, Sir, the instance to which the Honourable Member refers has been the subject of questions and answers in this House, and I would refer him to the replies given to the questions on the subject.

Dr. Ziauddin Ahmad: The case of Baffa prisoners is almost identical to the case of Meerut conspiracy case prisoners, because the people only shouted while they were on trial and with the permission of the Deputy Commissioner they were whipped without any trial. Is this not differential treatment?

The Honourable Sir James Crerar: If the Honourable Member wishes me to give a detailed reply on the matters to which he has referred, I must ask him to give me notice. I cannot undertake to give replies on all cases in which the question of jail discipline has arisen in reply to a supplementary question on this occasion.

Dr. Ziauddin Ahmad: The Foreign Secretary clearly stated that certain prisoners in Baffa shouted "Inqilab Zindabad" and that they were whipped with the permission of the Deputy Commissioner. Is this not differential treatment?

The Honourable Sir James Crerar: I do not understand what the Honourable Member means by differential treatment,—differential with reference to what?

Dr. Ziauddin Ahmad: By differential treatment, I mean that prisoners in Baffa were whipped for the same crime for which prisoners in Meerut jail were not whipped?

The Honourable Sir James Crerar: I think the Honourable Member will understand that decisions in these matters must be taken according to the merits of each case.

Mr. C. S. Ranga Iyer: Is it not a fact that communal considerations do not enter into the question of punishing prisoners within the jails for their conduct?

The Honourable Sir James Crerar: The Honourable Member is entirely correct.

Mr. Lalchand Navalrai: Will the Honourable Member be pleased to say whether there is not a strong remedy short of whipping, which will serve the same purpose as whipping in these days, I mean in the jail rules?

The Honourable Sir James Crerar: I think not. I should be glad to receive any suggestions on the subject which the Honourable Member has to offer.

Mr. Lalchand Navalrai: I expect the rules must provide for it.

APPOINTMENT OF ADVISORY BOARDS IN CANTONMENTS.

1169. ***Mr. B. Das:** (a) Is it a fact that ever since the recent introduction of reforms in the Cantonment Act a number of cantonments have been placed under the category of Corporation Sole, and that Subathu is one of them?

(b) Is it a fact that representation was made through the All-India Cantonment Association last year to the Army Secretary to provide Advisory Boards to the Corporation Sole?

(c) Is it a fact that the Army Secretary was pleased to give an assurance at that time that Advisory Boards would be given soon?

(d) Will Government be pleased to state what steps, if any, have been taken since then to translate the Army Secretary's assurance into action? If no steps have been taken, why?

(e) Will Government be pleased to state if they propose to make good the assurance of the Army Secretary referred to in part (c)?

Mr. G. M. Young: (a) Under the Cantonments Act, 1924, the Governor-General in Council is empowered to decide whether a cantonment shall be administered by a Board or not. The general principle governing the matter is that the larger and more important cantonments are administered by a Board, and the smaller and less important cantonments, whose civil population is insufficient to furnish an adequate electorate, are administered by Corporation Sole. There are 46 larger cantonments administered by Boards, and 40 smaller cantonments, including Subathu, administered by Corporation Sole.

(b) The Honourable Member is referred to my reply to starred question No. 712 asked by Khan Babadur Haji Wajihuddin on the 22nd September, 1931.

(c) No, Sir.

(d) and (e). Do not arise.

TAXES COLLECTED IN SUBATHU CANTONMENT.

1170. ***Mr. B. Das:** (a) Will Government be pleased to state the total amount of taxes collected yearly from Subathu:

(i) prior to the reforms made in the Cantonment Act,

(ii) during the last few years beginning from the time Subathu was made a Corporation Sole and ending with the year 1930-31?

(b) If the reply to part (a) shows an increase in the amount of taxation after Subathu was made a Corporation Sole, will Government be pleased to state the reasons for the same?

(c) Will Government be pleased to state the incidence of cantonment taxes including the water rate per head in Subathu?

Mr. G. M. Young: (a) I lay a statement on the table:

Year.	Amount. Rs. a. p.
(i) 1921-22	6,651 9 8
1922-23	6,386 15 6
1923-24	6,538 6 10
(ii) 1924-25	6,826 5 2
1925-26	6,788 8 5
1926-27	6,952 3 10
1927-28	6,549 14 11
1928-29	7,372 1 3
1929-30	8,216 13 0
1930-31	9,205 14 0

(b) The increased receipts are due to fuller realisation of taxes and the imposition of higher rates of professional and scavenging taxes in 1929-30 and 1930-31, respectively. Owing to trade depression, the professional tax was reduced with effect from the 1st August, 1931.

(c) The incidence is Rs. 5-13-4 per head.

EXPENDITURE INCURRED BY THE CORPORATION IN SUBATHU.

1171. ***Mr. B. Das:** Will Government be pleased to state:

(i) the total amount of yearly expenditure incurred by the Corporation Sole in Subathu,

(ii) the amount spent for the benefit of the bazar area, and

(iii) the amounts spent for the military area?

Mr. G. M. Young: I lay on the table a statement giving the figures for each year from 1924-25 to 1930-31. From this statement the Honourable Member will see that the expenditure on the bazar area during these years was considerably more than ten times the expenditure on the military area, and that the latter expenditure has been recovered from Government.

The following are approximate figures:

Year.	Item (i) Rs.	Item (ii) Rs.	Item (iii) Rs.
1924-25	14,026	8,118	640
1925-26	12,386	6,259	667
1926-27	12,095	5,739	651
1927-28	11,705	6,257	538
1928-29	13,318	6,770	700
1929-30	14,371	6,555	700
1930-31	18,644	10,015	721

The expenditure in the military area which was on account of conservancy services rendered to troops has been recovered from Government.

YEARLY GRANTS MADE TO SUBATHU CANTONMENT.

1172. ***Mr. B. Das:** (a) Will Government be pleased to state the amount of yearly grant made to Subathu:

(i) during the five years preceding the institution of the Corporation Sole, and

(ii) during the years after the institution of the Corporation Sole up to March, 1931?

(b) If the reply to part (a) shows a decrease in the amount of grant after Subathu was made a Corporation Sole, will Government be pleased to state the reasons for the same?

Mr. G. M. Young: (a) I lay on the table a statement giving the information required:

Year.	Amount.
	Rs.
(i) 1919-20	5,092
1920-21	9,031
1921-22	6,100
1922-23	5,860
1923-24	4,454
(ii) 1924-25	1,710
1925-26	1,090
1926-27	1,313
1927-28	1,339
1928-29	1,440
1929-30	Nil
1930-31	7,315 including a special grant of Rs. 3,780 for improvements to roads and drains in the neighbourhood of Sudder Bazar.

(b) The decreases are due to reduction of expenditure and to increase in receipts by fuller realisation of taxes and the imposition of higher rates of professional and scavenging taxes.

AMENITIES PROVIDED AND EXPENDITURE INCURRED BY THE SUBATHU CORPORATION.

1173. ***Mr. B. Das:** (a) Will Government be pleased to state the amenities of life provided by the Corporation Sole in Subathu, particularly in the bazar area?

(b) Will Government be pleased to state:

- the yearly expenditure incurred on the establishment of the Corporation Sole, Subathu,
- what percentage does it bear to the total expenditure, and
- if there has been any increase under that head during the last few years; if so, why?

(c) Are Government prepared to take early steps to impress upon the Corporation Sole the advisability of reducing the expenditure of the establishment at Subathu?

Mr. G. M. Young: I lay on the table a statement giving the information required. With reference to part (c) of the question, it appears from the information received, that the establishment could not be reduced without serious loss of efficiency in the sanitary administration of the cantonment.

The following amenities of life are provided by the Corporation Sole in Subathu for the bazar area:—

- (1) Pipe water supply by means of hydrants and private pipe connections
- (2) Well supplied Cantonment Dispensary—Anti-Malaria measures.
- (3) Paved roads and pucca drains.
- (4) Public group latrines.

(5) Removal and incineration of bazar rubbish.

(6) Of late a grant-in-aid of Rs. 200 per annum for the District Board School at Subathu.

(i) The average expenditure incurred on the establishment of the Corporation Sole for the last three years was Rs. 8,385 including the pay of an Executive Officer, Office and Hospital and outdoor staffs and conservancy sweepers and jettadars, etc.

(ii) At 54 per cent.

(iii) There has been an increase of Rs. 394 per annum as compared with the previous three years (1925-26 to 1927-28) under these heads due to the entertainment of two extra conservancy sweepers and the grant of small increments of pay to the Executive Officer, clerical and conservancy staff with effect from 1st October 1930.

The present establishment is small and on low scales of pay and it is considered could not be reduced without affecting efficiency. The remarks in Annual Inspection and Administration Reports are as follows:—

(i) *Inspection Report dated 25th to 28th November, 1930.*

Section I.—Office Administration.

Para. (8). The establishment is sufficient and satisfactory considering the low salaries paid.

(ii) *Administration Report for the year ending 31st March, 1930.*

General Administration.

In Colonel Lindesay's opinion the reduction of the pay of the clerical and outdoor staff effected a few years ago and the large reduction in the number of sweepers was a mistake. Some of the latter have had to be re-engaged already and more are required.

(iii) *Administration Report for the year ending 31st March 1931.*

General Administration.

An increment of pay was sanctioned during the year for certain of the clerical and outdoor staff whose rates of pay were considered too low, as an incentive to better work.

COLLECTION OF FEES FROM OUTPATIENTS OF THE CANTONMENT DISPENSARY AT SUBATHU.

1174. ***Mr. B. Das:** (a) Are Government aware that in the Cantonment Dispensary at Subathu a novel practice has been introduced of collecting two annas per head per day from outdoor patients? If so, will Government be pleased to state if that practice has been authorised and approved by Government, or the Corporation Sole has done it on its own responsibility?

(b) Are Government aware of the strong resentment felt by the residents of Subathu against this practice on the ground that it is another way of taxing the already taxed residents of Subathu? Do Government propose to take early steps to put an end to it?

Mr. G. M. Young: (a) I am informed that, as a measure of economy, it was decided to issue free medicines to poor residents only, and to charge those who could afford to pay.

(b) I am informed that the Cantonment Authority has received a representation from the residents of Subathu, to which it will give its careful consideration.

COST OF WATER WORKS AND AMOUNT OF WATER TAX COLLECTED FROM THE BAZAR AND MILITARY AREAS IN SUBATHU.

1175. *Mr. B. Das: (a) Will Government be pleased to state:

(i) the total amount of initial cost incurred on the water works of Subathu, and

(ii) the amounts spent on the construction of the reservoir and mains meant to supply water to the bazar area?

(b) Will Government be pleased to state the yearly expenditure incurred on the upkeep and distribution of water till the year 1931 at Subathu?

(c) Will Government be pleased to state:

(i) the total quantity of water consumed during the year 1930-31 by Subathu,

(ii) the quantity of water consumed by the military area,

(iii) the quantity of water consumed by the bazar area,

(iv) the quantity of water consumed through private connections, and

(v) the quantity of water consumed through the water-standposts?

(d) Will Government be pleased to state:

(i) the total amount of water tax collected in Subathu up till 1931;

(ii) the amount collected from the military area; and

(iii) the amount collected from the bazar area?

(e) Will Government be pleased to state the proportion of the water consumed by the two respective areas referred to in part (d) and the proportion of the revenues raised in 1930-31? If there be any disparity in the two proportions, will Government please explain its causes and do they propose to take early steps to remove the disparity?

Mr. G. M. Young: I lay on the table a statement giving the information required:

(a) (i) Rs. 1,23,569.

(ii) Rs. 22,608 on the reservoir: there is no separate record of the cost of mains for the bazar.

(b) The annual expenditure was as follows:

	Rs.
1923-24	9,035
1924-25	8,789
1925-26	9,971
1926-27	9,935
1927-28	12,282
1928-29	13,299
1929-30	13,354
1930-31	13,303

This expenditure does not include the cost of pumping water up to the Military Hospital, which is kept entirely separate in the accounts.

(c) (i) 8,399,000 gallons.

(ii) 3,460,000 gallons.

(iii) 4,313,000 gallons.

(iv) 626,000 gallons.

(v) 4,313,000 gallons.

(d) (i) Rs. 10,978

(ii) Rs. 10,386 } In 1930-31.

(iii) Rs. 592 }

(e)

Consumption Revenue
(approximate).

Per cent. Per cent.

Military consumers (excluding officers occupying private bungalows)

41.5 80

Bazar standposts

51. 5

Private connections

7.5 15

The explanation of the disparity is that the yield from the water tax is very small, the major portion of the cost of water supplied through the standposts being borne by military and private consumers. The disparity could be removed by taking steps to increase the revenue from water tax to an amount proportionate to the consumption through the standpipes. The Cantonment Authority will be asked to consider the desirability of taking such action.

WATER RATES IN SUBATHU.

1176. *Mr. B. Das: (a) Will Government be pleased to state the cost of production per thousand gallons of water incurred by the Military Engineering Service in Subathu year by year during the last five years?

(b) Has there been any increase or decrease in the cost of production per thousand gallons in the year 1930-31?

(c) Will Government be pleased to state the rate of water rate per thousand gallons charged for private connections in the years 1928-29 and 1930-31 at Subathu?

(d) Is it a fact that the water rate has been increased by two hundred per cent. recently and the Military Engineering Service is now charging Rs. 8 per thousand gallons at Subathu? If so, why?

(e) Are Government prepared to direct the Military Engineering Service to revert to the old water rate with retrospective effect from the date of enhancement and order the refund of the increased tax realised owing to the enhanced rate?

Mr. G. M. Young: (a) to (c). I lay on the table a statement giving the information required.

(d) The answer is in the affirmative. The main reason for the increase is that supplies are now metered, whereas in 1928-29 the quantities consumed were mainly estimates and the cost of supplying 1,000 gallons was not known. In spite of the increased rate, the total recoveries are less than the cost of supplying the water consumed.

(e) The reply is in the negative.

Year.	Cost.
	Annas.
(a) and (b) 1926-27	16-86]
1927-28	20-46]
1928-29	17-23 } estimated.
1929-30	15-27]
1930-31	25-34]
	Rs.
(c) 1928-29	1
1930-31	2

TAXATION OF MOTOR VEHICLES.

1177. *Mr. Goswami M. R. Puri: Are Government contemplating legislation to have a uniform taxation of motor vehicles?

The Honourable Sir Joseph Bhore: No.

TAXATION OF MOTOR VEHICLES.

1178. *Mr. Goswami M. R. Puri: (a) Is it a fact that a conference to consider the motor vehicle taxation is going to be convened at Simla or Delhi early next month?

(b) If the answer to the above is in the affirmative, are Government prepared to consider the desirability of calling the representatives of the taxi-drivers throughout India?

The Honourable Sir Joseph Bhore: (a) and (b). No, but a committee of the Road Conference, which met in Simla in September last, is understood to have made a report to the Conference on certain aspects of motor vehicle taxation. The recommendations of the Conference will shortly be considered.

NON-GRANT OF LAST SATURDAY HOLIDAYS IN THE OFFICE OF THE DIRECTOR OF CONTRACTS, ARMY HEADQUARTERS.

1179. *Mr. Gaya Prasad Singh: (a) Is it a fact that during the months of July, August and September, 1981, the Director of Contracts at the Army Headquarters has been making his whole office attend on last Saturdays, which were duly promulgated as entirely closed holidays?

(b) Is it a fact that the intention of the Home Department orders is that no clerk should be made to attend office on a closed holiday unless there is some very urgent work, in which case he should be granted a day's holiday in lieu during the next week?

(c) Is it a fact that, instead of officially cancelling those holidays in writing, the Director of Contracts caused through the medium of his Officer Supervisor to circulate verbal instructions that the whole office should attend on the closed holidays?

(d) Why was the whole office made to attend on all the past three last Saturdays?

(e) Are Government prepared to issue instructions to the Director of Contracts to desist from such practice in the future?

Mr. G. M. Young: (a) Yes.

(b) The orders are that, if a closed holiday is not observed as such by any department as a whole, a portion of the staff being compelled to remain on duty, a holiday on some other day may be granted, in lieu, if and when the state of work permits, to those members of the staff who are required to come to office on the closed holiday. A whole holiday is, however, given in the summer months at the discretion of the head of the department, on the last Saturday of any month in which there is no closed holiday.

(c) Yes.

(d) Owing to the pressure of work.

(e) No; Sir.

GRANT OF RECOGNITION AND FACILITIES TO RAILWAY UNIONS.

1180. *Lala Hari Raj Swarup: (a) Are Government aware of the recommendations made by the Royal Commission on Labour in the matter of grant of recognition and facilities for organisation by the Railway Administrations to their employees' Unions?

(b) Are Government also aware of the resolution passed by the last session of the United Provinces Provincial Trade Union Conference expressing its sense of disapproval at the behaviour of the railway authorities for refusing facilities to Trade Unions?

(c) Are Government aware that every sort of facility in the shape of deduction of dues, grant of free passes to the members, etc., is allowed to railway institutes, co-operative credit societies and even to individual persons, viz., contractors, etc.?

(d) If the replies to parts (a), (b) and (c) are in the affirmative, will Government please state what action they have taken to carry out the recommendations of the Royal Commission on Labour and the wishes of the United Provinces Provincial Trade Union Congress? If, however, the replies be in the negative, are Government prepared to call for the said recommendations and take necessary steps to see that they are carried out immediately; if not, why not?

Mr. A. A. L. Parsons: (a) and (b). Yes.

(c) Government are aware that certain limited facilities are given to railway institutes, Railway Co-operative Credit Societies, railway employees and railway contractors.

(d) The recommendations of the Royal Commission on Labour are under consideration. Government do not propose to take any action on the resolutions of the United Provinces Provincial Trade Union Congress.

RECOGNITION OF THE OUDH AND ROHILKHAND AND KUMAON RAILWAY UNION.

1181. *Lala Hari Raj Swarup: (a) Are Government aware that the Agent, Rohilkhand and Kumaon Railway, is not favourable towards the Union of the employees in that Railway and that he has declined to accord even recognition to the Union, although it is a registered body under the Trade Unions Act?

(b) Are Government also aware that the Agent, Rohilkhand and Kumaon Railway, has, in reply to a request from the Rohilkhand and Kumaon Railway Union for accepting a deputation with a view to lay before him the employees' grievances, stated (*vide* his letter No. 67, dated 7th April, 1931), that his men were well paid, well treated and well contented and had expressed his difficulty to understand why some of the men at least did not endeavour to secure other more congenial employment as a support to his contention?

(c) If not, do Government propose to make necessary inquiries and take immediate steps to see that the Agent, Rohilkhand and Kumaon Railway, accedes to the wishes of his employees and grants the necessary recognition and meets a deputation from the Union to hear grievances of the employees; if not, why not?

Mr. A. A. L. Parsons: (a) The Agent, Rohilkhand and Kumaon Railway reports that he has not recognised the Union referred to as he is not satisfied that it is representative of the staff of the railway.

(b) Government have seen a copy of the Agent's letter No. 67, dated the 7th April, 1931.

(c) Government do not see any grounds to interfere with the discretion of the Agent in dealing with the Union.

ALLEGED VICTIMIZATION OF OFFICIALS OF THE EAST INDIAN RAILWAY UNION, MORADABAD.

1182. ***Lala Hari Raj Swarup:** (a) Are Government aware that almost all the members of the Executive Committee of the East Indian Railway Union, Moradabad, were transferred one after the other? If so, why?

(b) Are Government aware that transfers of the members of the Executive Committee of the said Union still continue and that the members are also victimised otherwise?

(c) Are Government aware that Messrs. Laxmi Narain, and Madan Mohan Lal, Head Clerks, Running Shed Foreman's Office and Divisional Workshop respectively, Moradabad, who were amongst the zealous members of the Executive Committee of the said Union, were transferred soon after their joining it as Head Clerks, Running Shed Foreman's Office, Rosa, and Permanent Way Inspector's Office, Chandausi, respectively, along with many others transferred to different stations?

Mr. A. A. L. Parsons: Information has been called for from the Agent of the East Indian Railway and on the receipt of his reply I will communicate with the Honourable Member.

SYSTEM OF TICKET CHECKING ON THE EAST INDIAN RAILWAY.

1183. ***Lala Hari Raj Swarup:** (a) Are Government aware that the new system of guarding against travelling without ticket, as recently introduced over the East Indian Railway, is proving a source of great inconvenience to the travelling public and is also more expensive than the old system?

(b) Are Government aware that under the new system the passengers in the lower classes cannot have any rest even during the night as they are called upon and required to show their tickets several times during their journey?

(c) Is it a fact that the old system of guarding against this evil through the Travelling Ticket Inspectors, entailed a total expenditure of only about Rs. 2,00,000 per annum and the income therefrom was much above it, whereas the expenditure under the new system is expected to be about Rs. 16,00,000 per year and the income much below it?

(d) Is it a fact that one of the main causes of the failure of the Crew system, as attributed in the Moody-Ward Report, is the inefficiency, unsuitability and the unreliability of the staff engaged therein?

(e) Is it a fact that despite this preference has been given under the new scheme to the men employed under the old Crew system?

(f) Are Government aware that this new system was tried in the North Western Railway but proved a failure?

(g) If the replies to the above questions be in the negative, do Government propose to state the correct position and the view of the travelling public about the new scheme?

Mr. A. A. L. Parsons: (a) No.

(b) If the facts are as suggested by the Honourable Member, it is open to members of the East Indian Railway's Local Advisory Committee to bring the matter up for discussion at a meeting of the Committee.

(c) The expenditure prior to the introduction of the Crew system was about Rs. 10,30,000 per annum, and under the present system is estimated at about Rs. 16,30,000 per annum. Figures showing excess fares, etc., realised by T. T. Is. before the Crew system operated are not readily available, and it is not possible to estimate realisations under the present system.

(d) I would refer the Honourable Member to paragraphs 35 to 41 of the Moody-Ward Committee's Report.

(e) Some of the men employed in the Crew system are now employed in the new system.

(f) I presume the Honourable Member has in mind paragraph 6 of the Moody-Ward Committee's Report. The system referred to therein was the Crew system which it was found impracticable to work with two men.

(g) As the Moody-Ward Committee's Report, a copy of which is in the Library of the House, has dealt comprehensively with this subject, I am unable to understand what the Honourable Member means by the words "the correct position". As regards the latter part of the question, Government have no information.

Mr. Lalchand Navalrai: With regard to clause (b) of the question, will the Honourable Member be pleased to enquire into the inconvenience mentioned therein, namely, the inconvenience caused to passengers by making them show their tickets every now and then—will the Honourable Member be pleased to make enquiries and remedy the inconvenience instead of saying that it will be considered and that it will be brought before the Advisory Committee?

Mr. A. A. L. Parsons: I am certain that any system which aims at preventing passengers from travelling without tickets will be an inconvenience to some passengers, and I am not prepared to institute any enquiries.

Mr. Lalchand Navalrai: What is suggested in the question is not that it is an inconvenience sometimes. A general cry has been made here, and will the Honourable Member be pleased to make enquiries into the general cry or not?

Mr. A. A. L. Parsons: No. As I have explained, there will always be complaints against any system for checking this abuse.

Mr. Lalchand Navalrai: Does it not mean that it is condoning what is being done on the railways if the Government also refuse to make enquiries?

Mr. A. A. L. Parsons: There is no question of condonation. As far as I am aware, the staff which have been employed are now doing their duty.

Mr. Lalchand Navalrai: Duty may be done, but when a specific charge has been made and it has been said that it is harassing the people very much, will the Government not be pleased to make enquiries into it and mitigate the inconvenience?

Mr. A. A. L. Parsons: I should be prepared to look into any specific case in which the staff are alleged to have exceeded their duty, which the Honourable Member can bring to notice if the date, place and the timing of the train is given. But I am not prepared to agree to any general enquiry merely on a statement or suggestion that some passengers have been inconvenienced.

Mr. Lalchand Navalrai: If there is a specific inconvenience, it will certainly be brought to the notice of the authorities there, but when there is a general cry, why should not the Government be pleased to ask the Agent to enquire into it and satisfy the House that the inconvenience is not existing at all?

Mr. A. A. L. Parsons: The Honourable Member does not appear to have heard my answer to part (b) of the question, which is, that, if there is a general inconvenience, that is to say, if the facts are as suggested by the Honourable Member, the proper course would be to bring the matter to the notice of the Railway Administration through the local Advisory Committee.

Dr. Ziauddin Ahmad: May I ask whether the Honourable Member is aware that this system of checking tickets is under the Divisional Superintendent and that every Divisional Superintendent has got his own system, and with each change of office of Divisional Superintendent the system changes, and it causes great inconvenience to the travelling public?

Mr. A. A. L. Parsons: That has not been brought to my notice, Sir.

Dr. Ziauddin Ahmad: Will you enquire into this matter? Is it not a fact that with the change in the Divisional Superintendent's office the system also changes in each Division?

Mr. A. A. L. Parsons: This Moody-Ward system has only been recently introduced, and frankly it is too early to make any enquiries. I should see no objection myself to individual Divisional Superintendents incorporating small changes in that system in order to discover exactly in what way the system would give the best results. If at a later stage anything is brought to my notice which suggests that the system is not being fully carried out, I should be prepared to make enquiries, but I think it is desirable to wait six months or so before any such investigation is made.

Dr. Ziauddin Ahmad: The Moody-Ward Report—it is the most inconsistent report I have ever read.

Mr. President: Order, order. Next question please.

PAY AND ALLOWANCES OF TRAVELLING TICKET INSPECTORS.

1184. ***Lala Hari Raj Swarup:** (a) Are Government aware, that in fixing up the old Travelling Ticket Inspectors under the new scheme in the East Indian Railway their pay and allowance have been reduced considerably?

(b) Are Government aware that the old Travelling Ticket Inspectors preferred an appeal protesting against the indiscriminate reduction in their pay and allowance and laying before the authorities other hardships which stared them in their faces on the introduction of the revised scheme, but no action seems to have been taken thereon?

(c) Is it a fact that the old Travelling Ticket Inspectors were permanent employees? If so, how were their pay and allowance reduced in fixing them up in the scheme under the Fundamental Rules?

(d) If the replies to the above be in the negative, are Government prepared to order an inquiry into the grievances of the old Travelling Ticket Inspectors on the East Indian Railway? If not, why not?

Mr. A. A. L. Parsons: With your permission, Sir, I propose to reply to questions Nos. 1184, 1185, 1186 and 1187 together. I have called for information from the Agent, East Indian Railway and will communicate with the Honourable Member on its receipt.

UNIFORMS OF TRAVELLING TICKET EXAMINERS.

†1185. ***Lala Hari Raj Swarup:** (a) Is it a fact that the Travelling Ticket Examiners on the East Indian Railway will henceforth be supplied with uniforms made of very inferior stuff and consisting of only a shirt with half sleeves and a pair of shorts?

(b) Is it also a fact that the Travelling Ticket Examiners will have to buy their own stockings to complete their uniforms and that no allowance will be made for this deficiency in the uniforms?

(c) Do Government propose to continue to supply uniforms as hitherto? If not, why not?

TEMPORARY EMPLOYMENT OF TICKET EXAMINERS ON THE EAST INDIAN RAILWAY.

†1186. ***Lala Hari Raj Swarup:** (a) Are Government aware that the staff who were recruited for the Crew system on the East Indian Railway were not confirmed and made permanent till even the date the said system was brought to a close and they had consequently to suffer as regards gratuity and contribution to provident fund?

(b) Is it a fact that most of the employees of the same staff have now been provided in the new scheme and that this scheme is also on trial? If so, is it a fact that the men concerned cannot be confirmed and will, therefore, suffer still more?

†For answer to this question, see answer to question No. 1184.

(c) If not, do Government propose to investigate the matter with a view to obtain first-hand information and then issue such instructions as would safeguard the interests of the men concerned and save them from further loss in gratuity and provident fund? If not, why not?

PAY OF CERTAIN TICKET EXAMINERS ON THE EAST INDIAN RAILWAY.

†1187. ***Lala Hari Raj Swarup:** (a) Is it a fact that the Railway Board issued a circular assuring such temporary employees as had put in over 12 months' service, the same status as the permanent employees?

(b) Are Government aware that under Fundamental Rules the pay and prospects of the permanent employees cannot be reduced or affected adversely?

(c) Is it a fact that on the introduction of the new Travelling Ticket Examiners' scheme on the East Indian Railway, the pay of a lot of employees such as Messrs. M. L. Tuckroo, T. V. Liddle, C. Benjamin, etc., late of the Crew Department, and Travelling Ticket Inspectors, respectively, has been reduced considerably, being brought down to Rs. 95 per mensem plus Rs. 20 fixed allowance from Rs. 180, 160 and 160 per month plus average mileage, respectively?

(d) If the replies to the above parts of this question be in the negative, do Government propose to make inquiries and state the circumstances under which the pay of these employees has been reduced?

COMPLAINTS AGAINST MR. C. PEARCE, SUPERINTENDENT, POWER, MORADABAD DIVISION, EAST INDIAN RAILWAY.

1188. ***Lala Hari Raj Swarup:** (a) Are Government aware that there had been several complaints against the treatment of Mr. C. Pearce, while working as Assistant Superintendent, Power, in the Moradabad Division, East Indian Railway, towards the employees, and particularly towards those who are members of the local Railway Union?

(b) Is it a fact that he had on many occasions threatened the railway employees not to join the Union on pain of punishment being awarded to them?

(c) Is it also a fact that in some cases he went even so far as to ask the employees punished by him to go to the Union for redress of their grievances, when the latter approached him to reconsider their case?

(d) Are Government aware that the said Mr. C. Pearce was re-posted to Moradabad Division as Superintendent, Power, after expiry of his leave and the wishes of the employees that he should not be were not acceded to despite telegraphic representations?

(e) Are Government also aware that the said Mr. C. Pearce is still behaving with his staff and particularly those who are members of the Union in the same old fashion and his treatment is a cause of general complaint?

(f) If the replies to the above questions be in the negative, do Government propose to make necessary inquiries and take suitable action against Mr. C. Pearce? If not, why not?

†For answer to this question, see answer to question No. 1184.

Mr. A. A. L. Parsons: (a) to (f). Government have no information. The points raised by the Honourable Member are within the competence of the Agent to decide, and I am bringing these to his notice.

PAY OF HEAD CLERKS TO STATION MASTERS, ETC., AT MORADABAD AND LUCKNOW.

1189. ***Lala Hari Raj Swarup:** (a) Are Government aware that the Head Clerks to the Station Masters, Running Shed Foremen, Head Train Examiners and Permanent Way Inspectors at divisional headquarters stations in the O. and R. section of the East Indian Railway were drawing salary in one and the same grade?

(b) Is it a fact that the grade of the Head Clerks to the said Running Shed Foremen, viz., at Moradabad and Lucknow, has been raised to Rs. 100 per mensem, but the grade of the other Head Clerks mentioned in part (a) of this question has not been so raised and they continue to be blocked on the maximum of their original grade?

(c) If the replies to parts (a) and (b) of this question be in the negative, do Government propose to make necessary inquiries and place all the Head Clerks of the various offices at par with the Head Clerks to the Running Shed Foremen at Moradabad and Lucknow, as it was prior to the sanction of increase in the case of the latter?

Mr. A. A. L. Parsons: (a) Yes.

(b) and (c). The scale of pay of the Head Clerks of the Running Shed Foremen's offices at Lucknow and Moradabad was raised to Rs. 70-5-100 from the 1st April, 1929, as the work and responsibility of these posts were increased owing to the larger number of engines stationed at these running sheds. The pay of other Head Clerks referred to was not revised as their work and responsibility remained as it was before.

APPOINTMENT OF MR. DELACROIX AS STATION MASTER, LHAKSAR.

1190. ***Lala Hari Raj Swarup:** (a) Is it a fact that Mr. DeLacroix, a Station Master in the Moradabad Division, East Indian Railway, while working at Lhaksar about three years ago, was found guilty of certain irregularities in connection with the "Left luggage" of passengers and "Unclaimed" parcels, etc.?

(b) Is it also a fact that the said Mr. DeLacroix was condemned from Station Mastership and ordered in consequence of the complaints referred to in part (a) of this question not to be given an independent charge?

(c) Are Government aware that the said Mr. DeLacroix has again been posted as Station Master at Lhaksar?

(d) If the replies to parts (a), (b) and (c) of this question be in the negative, do Government propose to make necessary inquiries and state the circumstances under which Mr. DeLacroix has been re-posted at Lhaksar as Station Master? If not, why not?

Mr. A. A. L. Parsons: Government have no information. The posting of Station Masters is entirely a matter for the local Divisional Superintendent.

EAST INDIAN RAILWAY SUBORDINATES APPOINTED AS ASSISTANT SUPERINTENDENTS IN THE MORADABAD AND LUCKNOW DIVISIONS.

1191. ***Lala Hari Raj Swarup**: (a) Is it a fact that most of the Assistant Superintendents in the various departments in the Moradabad and Lucknow Divisions of the East Indian Railway are not qualified men and the majority of them are subordinates of the old East Indian Railway?

(b) Are Government aware that by providing old East Indian Railway subordinates in the Oudh and Rohilkhand Railway section of the East Indian Railway, the claims of even the most senior and better qualified men belonging originally to the old Oudh and Rohilkhand Railway have been overlooked?

(c) If the replies to parts (a) and (b) of this question are in the negative, will Government please place a statement on the table of this House, showing (i) the educational and other qualifications of all the Assistant Superintendents at present working in the above-mentioned two Divisions, and (ii) the railway to which each of them originally belonged along with another statement showing the number of subordinates promoted to gazetted officers' rank and how many of them belonged to the old Oudh and Rohilkhand Railway and how many to the old East Indian Railway, since the amalgamation of the two railways?

Mr. A. A. L. Parsons: I have called for information from the Agent, East Indian Railway, and will communicate with the Honourable Member when it is received.

APPOINTMENT OF DEPARTMENTAL CANDIDATES TO THE FIRST DIVISION IN THE GOVERNMENT OF INDIA SECRETARIAT.

1192. ***Mr. B. N. Misra**: (a) Is it a fact that several departmental candidates in the 1922 examination of the Staff Selection Board who obtained enough marks were not declared qualified for the First Division of the Secretariat? If so, why?

(b) Is it a fact that as the result of representations B. Nathu Ram Gund and B. Tufail Ahmed of the Indian Stores Department, among several others, have been declared qualified for the First Division of the Secretariat and attached offices, respectively?

(c) Is it a fact that though the said B. Nathu Ram, was recommended by his Department, B. Tufail Ahmed was not so recommended?

(d) Is it a fact that representations from several men similarly situated as those mentioned in part (b) have been turned down by the Public Service Commission? If so, why?

(e) Is it a fact that a number of representations of the nature described above were rejected by the Commission in the first instance, but were favourably considered subsequently? If so, why?

(f) Is it a fact that in the September 1929 session of the Legislative Assembly it was stated that departmental candidates in the 1922 examination of the Staff Selection Board who obtained enough marks were declared qualified for the First Division, even though they appeared for the Second Division?

(g) Are Government prepared to direct the Commission to declare such men qualified for the First Division as obtained enough marks, and whose representations have been turned down, on the basis of the marks obtained by them in the 1922 examination? If not, why not?

The Honourable Sir James Orerar: (a) It is, I believe, a fact that several candidates who obtained qualifying marks for the First Division of the Secretariat in the 1922 examination were not declared qualified for that Division in the first instance, because they had not entered as candidates for the First Division.

(b) and (c). It is a fact that Mr. Nathu Ram was exempted on the recommendation of the Department and on the basis of his departmental record from passing the examination for the First Division of the Secretariat. Mr. Tufail Ahmad entered, but was unsuccessful for the Upper Division of the Secretariat in the 1922 examination. Later he was declared qualified for the First Division of the Attached Offices on the basis of the marks he obtained in the 1922 examination.

(d) and (e). A large number of representations were received by the Commission and considered on their merits. Any cases in which representations originally rejected were subsequently admitted were no doubt due to the receipt of fuller information later.

(f) If the Honourable Member will refer to the reply I gave, on a previous occasion he will find that I stated that, in a few cases, candidates who had the educational qualifications required for the higher categories and had obtained the requisite number of marks were declared qualified for these categories.

(g) No. Government are not prepared to interfere with the discretion of the Commission who have, as already stated, considered all representations on their merits.

APPOINTMENT OF DEPARTMENTAL CANDIDATES TO THE FIRST DIVISION IN THE GOVERNMENT OF INDIA SECRETARIAT.

1193. ***Mr. B. N. Misra**: (a) Is it a fact that different percentages of marks were allocated at the 1922 examination of the Staff Selection Board for the following categories of the ministerial establishment of the Government of India Secretariat and its Attached Offices:

(i) First Division—Secretariat.

(ii) First Division—Attached Offices.

(iii) Second Division—Secretariat?

(b) Is it a fact that clerks passed out for category (ii) were required to obtain a higher percentage of marks in the said examination than clerks passed out for category (iii)?

(c) Is it a fact that a number of clerks who are qualified for the First Division of the Attached Offices are employed in the Second Division of the Secretariat?

(d) Is it a fact that when there is a vacancy in the First Division of the Secretariat, which is to be filled by promotion from among the clerks employed in the Second Division, no preference is given to clerks who are qualified for the First Division of Attached Offices? If so, why?

(e) Is it a fact that for initial appointment in only Attached Offices clerks who are qualified for the First Division of the Attached Offices are considered better than others who are qualified for the Second Division of the Secretariat?

(f) If so, why not also in the Secretariat in the matter of promotion referred to in part (d) above?

(g) Are there any two university qualifications, the possession of one of which is considered better in one place and equal in another? If not, are Government prepared to direct the Public Service Commission that clerks who are qualified for the First Division of the Attached Offices be considered hereafter to possess a better claim, in the matter of Departmental promotions from Second Division to the First Division in the Secretariat, than others who are qualified for the Second Division? If not, why not?

The Honourable Sir James Crerar: (a) and (b). Yes.

(c) It is likely, but I have no precise information.

(d) For purposes of promotion to the First Division in the Secretariat, no preference is given to candidates qualified for the First Division in Attached Offices. The criterion for such promotion is merit and not the grade for which candidates are qualified.

(e) and (f). Yes. Candidates for the First Division, Attached Offices and the Second Division, Secretariat, are nominated in order of merit. The question of promotion is quite distinct from that of direct recruitment, and is governed by different considerations.

(g) So far as departmental promotion is concerned, clerks working in the Second Division, whether qualified for the Second Division of the Secretariat only or for the First Division of Attached Offices, are eligible for promotion to the First Division on their merits and Government do not consider that any discrimination is justified or desirable.

PROMOTION OF FIRST DIVISION CLERKS IN ATTACHED OFFICES AND SECOND DIVISION CLERKS IN THE GOVERNMENT OF INDIA SECRETARIAT.

1194. ***Mr. B. N. Misra:** (a) Is it a fact that in Attached Offices there is no grade carrying the same pay as the Second Division in the Secretariat?

(b) Is it a fact that in the Secretariat there is no grade or time-scale carrying the same pay as the First Division in Attached Offices?

(c) Is it a fact that in Attached Offices, in order to provide for such clerks as have qualified for the Second Division of the Secretariat, the 10 per cent. quota of vacancies to be filled by promotion from among those employed in the Routine Division has been increased to 33-1/3 per cent.?

(d) Is it a fact that in the Secretariat, such clerks as have qualified for the First Division Attached Offices are accorded the same treatment in the matter of departmental promotion as the Second Division clerks? If so, why?

(e) Do Government propose to accord the same concessional treatment to men qualified for the First Division Attached Offices, but employed in the Second Division of the Secretariat, as accorded to Second Division clerks employed in Attached Offices? If not, why not?

The Honourable Sir James Crerar: (a) and (b). Yes.

(c) Yes, temporarily.

(d) and (e). Men qualified for the First Division, Attached Offices, but employed in the Second Division, Secretariat, are eligible for promotion to the First Division, Secretariat, equally with others employed in the Second Division, Secretariat. Government do not consider that any special discrimination in their favour is justified or is necessary.

PAY OF ASSISTANTS IN THE OFFICE OF THE DIRECTOR-GENERAL OF POSTS AND TELEGRAPHS.

1195. ***Mr. S. C. Mitra:** (a) Is it a fact that the average actual pay of assistants of 25 years' service in the office of the Director-General of Posts and Telegraphs is equal to about the pay of an assistant of ten years' service in other Attached Offices?

(b) Is it a fact that the benefit of length of service to those in the Director-General of Posts and Telegraphs' Office when they were brought on to the time-scale of pay was denied while such benefit was allowed in other Attached Offices?

(c) Are Government prepared to do away with the past invidious treatment?

Sir Hubert Sams: (a) Yes, but the office of the Director-General of Posts and Telegraphs became an Attached Office only from April, 1930, when its staff received the Attached Office scales of pay, while these scales had been in force in other Attached Offices since April, 1920.

(b) The fact is not altogether as stated by the Honourable Member. The time-scale rates of pay were introduced in the office of the Director-General of Posts and Telegraphs in 1921 on the recommendations of a departmental committee, before which there had been two revisions in 1918 and 1919. The "A" Class clerks or assistants who had benefited by those revisions were brought on to the time-scale at one step next above the stage which was nearest to, but not less than, the total of their pay and war allowance. Those who did not benefit by the revisions of 1918 and 1919 received special concessions. The case of the Attached Offices was examined by a separate committee.

(c) Government do not admit that there was any invidious treatment.

POSTAL INSURANCE OF CLERKS FORCED TO RETIRE BEFORE 55.

1196. ***Mr. S. C. Mitra:** (a) In effecting retrenchment do Government propose to take into consideration the following facts:

- (i) that many clerks could not make any provision for their families otherwise than by insuring their lives;
- (ii) that they made the insurance on condition that payment of premia would cease at 55 years of age when they would retire and would not be able to pay premia out of their depleted income—the pension; and
- (iii) that such clerks will, if forced to retire before 55, get only the surrender value of their insurance policies—much less than what they have actually paid as premia—and their families will lose the provision that they could otherwise look upon after the insuree's death?

(b) Do Government propose to allow any concession in respect of policies on lives of Government servants who are insured with the Government's own Insurance (known as the Postal Life Insurance) who will be forced to retire before their policies have matured?

The Honourable Sir George Schuster: (a) and (b). Government are aware of this possibility. They regret that they can do nothing to influence private insurance companies in the matter, but believe that it is generally possible for the holder of a life insurance policy in a private company to avoid the loss consequent on its surrender by obtaining a paid-up policy for a reduced sum. As regards Government's own insurance, provision exists in the Post Office Insurance Fund Rules for the issue of a paid-up policy for a reduced sum of not less than Rs. 50 free from further payments of premium if premiums for not less than three years have been paid in full.

Mr. Lalchand Navalrai: A supplementary question, Sir. Is there any truth in the statement or in the report that is current outside that officers or subordinates who have put in a service of 30 years but have not yet completed 55 will be forced to retire? I will repeat the question. There has been a rumour or rather a report outside that Government intend that those officers and subordinates who have finished their service of 30 years but who have not yet completed 55 years of age should be forced to retire.

The Honourable Sir George Schuster: My Honourable friend is incorrect in saying that all the officers to whom he has referred will be forced to retire. As he must be aware, in connection with the retrenchment measures which the Government are taking, it will be necessary to discharge a very substantial number of officers, and the Government will naturally follow the practice—and indeed this will be in accordance with the recommendations of the Retrenchment Committee which has dealt with the subject—they will follow the practice of giving priority of selection to officers who are very near the end of their maximum possible service. To that extent there is something in what my Honourable friend has said.

SUBSIDIES PAID TO NEWSPAPERS.

1197. ***Bhai Parma Nand:** Will Government be pleased to state:

(a) the amount spent by the Government of India during 1930-31 on subsidies to papers;

(b) the names of those papers which receive a subsidy from the Government of India in each Province?

The Honourable Sir James Crerar: (a) Nil.

(b) Does not arise.

Mr. S. C. Mitra: Are the Government in a position to deny that no money has been spent from the secret service money for subsidising some of the newspapers?

The Honourable Sir James Crerar: No money has been paid to subsidise newspapers.

NEWSPAPERS IN DELHI SELECTED FOR GOVERNMENT ADVERTISEMENTS AND COURT NOTICES.

1198. ***Bhai Parma Nand:** (a) Will Government be pleased to state the underlying principle on which Government advertisements, viz., court notices, etc., are given to newspapers published in Delhi?

(b) Is it a fact that the circulation of the papers is not the main consideration with the Local Administration of Delhi?

(c) Is it a fact that two of the most important nationalist dailies published from Delhi are now practically banned for Government advertisements?

(d) Is it a fact that the Honourable Mr. Abbott, one of the predecessors of the present Chief Commissioner, had, in a circular, issued to all the courts in Delhi Province, clearly laid down that they were free to use their own discretion in giving court notices, etc., to such papers as were in their opinion most widely circulated?

(e) Is it a fact that the said circular is no longer effective and instructions contrary to that have been issued by the present Local Administration of Delhi?

(f) If so, are Government prepared to direct the Local Administration concerned to withdraw such instructions, and to circularise the courts and other Government Departments in Delhi Province that they are free to select the best medium for advertisements out of the papers published from Delhi and that to hold nationalist views should not be considered a disqualification by them for any paper to receive the Government advertisements and court notices, etc., in future?

The Honourable Sir James Crerar: The matter is within the discretion of the Local Government with which the Government of India are not prepared to interfere.

DRY CELLS AND BATTERIES IMPORTED INTO INDIA.

1199. ***Bhai Parma Nand:** (a) Will Government be pleased to state what is the value of dry cells and batteries which are annually imported into India? Is it a fact that they are in the neighbourhood of

United Kingdom,	America and	other countries
Rs. 2,32,345	Rs. 7,46,680	Rs. 3,02,551?

(b) Are Government aware that a factory for manufacturing dry batteries has been started at Moghalpura (Lahore) which is the only Indian-owned and Indian-managed factory of this sort and which has been highly spoken of by the *Tribune* in its issue of the 13th June, 1931 and the *Industry Magazine* of Calcutta for the month of July, 1931?

(c) Are Government aware that the prices of foreign batteries have been recently reduced to a great extent and that cheap stuff from China, Japan and Germany is being dumped into the country to the great disadvantage of the Indian manufacturer?

(d) Is it a fact that Government, on more than one occasion, have declared their policy of protecting and encouraging Indian industries?

(e) If so, do Government propose to levy a protective duty on all foreign dry cells and batteries imported into India?

The Honourable Sir George Rainy: (a) I would refer the Honourable Member to the Annual Statements of Sea-borne Trade, copies of which are available in the Library. The figures mentioned by the Honourable Member correctly represent the values of imports during 1930-31.

(b) Government have seen a paragraph in the *Tribune* on the subject.

(c) No.

(d) Yes.

(e) No. Government have received no representation on the subject.

CUTS IN SALARIES OF GOVERNMENT OF INDIA OFFICIALS.

1200. ***Mr. S. C. Mitra:** (a) Is it a fact that under the scheme of cuts in salary proposed by the Finance Member the net cut in salary is lower in the case of higher officials and higher in the case of lower paid employees?

(b) Will Government please state how in practice the cut would affect in terms of percentage the following standard salaries after deducting the income-tax increase?

Salary of Rs. 5,000 per mensem.

"	"	"	4,000	"	"
"	"	"	3,000	"	"
"	"	"	2,000	"	"
"	"	"	1,000	"	"
"	"	"	500	"	"
"	"	"	100	"	"
"	"	"	50	"	"

The Honourable Sir James Crerar: (a) I regret that I do not understand exactly what point the Honourable Member has in mind. The procedure proposed as regards the cuts is quite simple, for the intention is to levy a ten per cent. cut on all salaries by making a deduction of ten per cent. from the gross salary. This cut is therefore applied equally to all.

(b) I am equally unable to understand the exact meaning of this part of the question. The Government proposal, as announced by my Honourable colleague, the Finance Member, is based on the idea that if officials were to be subjected both to a ten per cent. cut and to the full new surcharge proposed on the income-tax, it would put upon them too heavy a burden particularly having regard to the very steeply graded increases in the income and super-tax rates which were made in the last Budget. If the Honourable Member wishes by his question to elicit what an official would have to pay under the new income-tax surcharge without the cut, and to compare that with what he will pay under the cut without the income-tax surcharge, he can easily make the comparison by working out the incidence of the income-tax surcharge at varying rates of pay. I am asked by my Honourable colleague, the Finance Member, to say that he will be saying something on this question in his speech on moving for consideration of the Finance Bill, and also that if the Honourable Member will explain to him exactly what is the point which he wishes to elicit, he will endeavour to give him all the information which he can.

UNSTARRED QUESTIONS AND ANSWERS.

ISSUE OF BUILDING COMPLETION CERTIFICATES IN NEW DELHI.

139. **Mr. S. C. Mitra:** Will Government be pleased to state:

- the procedure governing the issue of building completion certificates in New Delhi;
- who permits the water connections;
- if it is a fact that previously the Superintendent, Health Section, used to allow the water connections;
- if it is a fact that according to the present system the Superintendent, Health Section, submits his report to the Land and Development Officer after inspection;
- if it is a fact that the said Land and Development Officer keeps such cases pending for months together;
- if they are aware that by this delay on the part of the Land and Development Officer much inconvenience is caused to the house-builders in New Delhi; and
- whether Government propose to remedy the said inconvenience to the house-builders in New Delhi; if not, why not?

Sir Frank Noyce: (a) and (b). On receipt of a report from the Superintending Engineer, Health Services, that the sanitary and water installations are ready for test purposes, the Land and Development Officer instructs the Executive Engineer, Services Division, to provide a temporary sewer and filtered water connection. A completion certificate is issued by the Land and Development Officer when the lessee or his agent has completed the building in accordance with his lease and when the Superintending Engineer, Health Services, reports that the tests are satisfactory and installation approved.

(c) Yes, the Superintending Engineer, Health Services still allows water connections.

(d) Yes.

(e) The reply is in the negative.

(f) } Do not arise.

(g)

AMALGAMATION OF PENSION CONTROLLERS' OFFICES OF LAHORE, MHOW AND LAHORE DISTRICT.

140. **Mr. Gaya Prasad Singh:** (a) Is it a fact that there were two Pension Controllers' offices—one at Lahore and the other at Mhow—on 1st April, 1931?

(b) Is it a fact that the Pension Controller's office at Mhow was considered to be over-staffed as compared with that of the Lahore office?

(c) Is it a fact that the two Pension Controllers' offices at Mhow and Lahore have now been amalgamated with the Lahore District office, with the result that the pay of the Controller of the Lahore District office has been raised from Class I (Rs. 1,500—60—1,800) to a Command Controller's with pay at Rs. 2,250—2,500?

(d) Is it a fact that the duty allowance previously given to the Pension Controllers at Mhow and Lahore would now be given to two Deputy Controllers in the amalgamated offices?

(e) Will Government please state the reasons for amalgamation of the two Pension Offices at Mhow and Lahore with that of the Lahore District Office?

(f) Will Government please state whether the Retrenchment Committee were consulted in the matter? If not, why not?

(g) Will Government please lay on the table a statement showing the financial effect of the—

(i) amalgamation of the Pension Offices at Lahore, minus the Lahore District Office; and

(ii) amalgamation of the two Pension Offices at Mhow and Lahore with that of the Lahore District?

The Honourable Sir George Schuster: (a) The reply is in the affirmative.

(b) No. The staff employed in each office was commensurate with the work to be done.

(c) An amalgamation has been carried out as indicated in the question and the combined charge has been rated as a Command Controllership. The pay of a Command Controller is Rs. 2,250 (or Rs. 2,450 if he is one of the few remaining military officers appointed under a previous system of recruitment). This arrangement has caused no extra expense to the State as simultaneously with the classification of the new appointment at Lahore as that of a Command Controller, the status of the Controller of Military Accounts, Quetta, has been reduced to that of a Class I officer.

(d) The reply is in the affirmative.

(e) The reasons for the amalgamation of the two offices were:

(i) To concentrate one class of work in one office in order to avoid interchange of correspondence and to secure uniformity.

(ii) To effect economy.

(iii) To secure continuity of supervision of pension work. This matter was discussed in the Military Accounts Committee in 1930 and it was decided to explore the possibility of amalgamating the two offices.

(iv) To bring the pension work under the direct personal control of a senior officer of the Military Accounts Department.

(f) Owing to the necessity of terminating the lease of a building at Lahore and negotiating the lease of other premises before the 1st September, it was not possible to consult the Retrenchment Committee in advance. The scheme was, however, placed before the Army Retrenchment Sub-Committee when they met, and they expressed their approval of it subject to one qualification regarding the pay and status of the new appointment.

(g) A statement is attached showing the financial effect of the amalgamation of the two pension offices with that of the Lahore District. It is not possible to give a separate figure, on a basis of excluding the Lahore

District office, as the essence of the scheme was the amalgamation of the three offices into one charge. The estimated recurring saving is over Rs. 38,000 a year and it is hoped that experience of the working of the new system may justify still further reductions.

Statement showing estimated average annual savings on account of the amalgamation of the two pension offices with that of the Lahore District Office.

Establishments.	Cost. Rs.
1 Officer of the Superior Service at Rs. 938 per mensem .	11,256
1 Officer of the Subordinate Service at Rs. 678 per mensem .	8,136
1 Accountant at Rs. 367 per mensem	4,404
11 Clerks at Rs. 119 per mensem each	15,708
1 Record clerk at Rs. 25 per mensem	300
16 menials at Rs. 15 per mensem each	2,880
Contingencies	2,900
	<u>45,584</u>

(Average monthly rates of pay have been taken for the purpose of calculation.)

Deduct—

Additional amount on account of rent for the combined Pension offices at Lahore	7,200
Net estimated average annual savings	<u>38,384</u>

COST OF AMALGAMATION OF THE LAHORE, MHOW AND LAHORE DISTRICT PENSIONS OFFICES.

141. **Mr. Gaya Prasad Singh:** (a) With reference to the amalgamation of the Military Pension Offices at Lahore with the Lahore District Office, will Government please state the expenditure involved on the following items:

(i) rent of the building, hired at Lahore for the combined Mhow and Lahore offices at Lahore, including expenditure incurred by the Military Engineering Services on erecting partitions, fitting up of racks for records, fans, heaters, etc.,

(ii) moving of the Lahore Pension Office from the Bharat Buildings to the Narsingdas Buildings, and

(iii) moving of the Mhow office to Lahore?

(b) Will Government please state the rent paid by the Mhow and Lahore Offices before their amalgamation and the rent paid for the combined offices at Lahore?

(c) Is it a fact that the building occupied by the Mhow office was a Government building? If so, will Government please state what is being done with that building?

(d) Will Government please state why the two Pension Offices could not be amalgamated at Mhow?

[4TH Nov. 1931.]

(e) Are Government aware that house accommodation at Lahore is both scarce and expensive for officers and establishment at Lahore?

(f) Will Government please state what steps they have taken to arrange for accommodation for officers and establishment at Lahore? If no steps have been taken, how is the establishment from Mhow to be accommodated at Lahore?

(g) Will Government please state why the amalgamation scheme could not be postponed till the present financial crisis was over?

The Honourable Sir George Schuster:

	Rs.
(a) (i) Rent of building	18,000 per annum.
Expenditure incurred by the Military Engineer Services on erecting partitions, fitting up racks for records, etc.	7,450

(ii) and (iii). Information is not yet available.

(b) Before amalgamation :

Pension Office, Mhow.	Nil.
Pension Office, Lahore	10,800 per annum.

After amalgamation :

Combined Pension Offices	18,000 per annum.
------------------------------------	-------------------

(c) The reply is in the affirmative. The building occupied by the Pension Office, Mhow, has just been vacated, and the question of its disposal is at present under the consideration of the local military authorities.

(d) Lahore was considered the more suitable because :

(1) The approximate number of pensioners dealt with by the two Pension Offices is 255,000. Of this number 206,000 pensioners reside in Northern India and were dealt with by the Pension Office at Lahore.

(2) The acquisition of a large office building suitable in all respects is possible only in a large city like Lahore.

(e) Government are not aware that the situation regarding house accommodation in Lahore differs in any way from that in other stations in India where Military Accounts Offices are located.

(f) As regards the first part of the question, no steps were taken. In regard to the second part of the question, no special representation on this matter has been received. The establishment will, as is usual on such occasions, make their own arrangements.

(g) The scheme, while desirable on administrative grounds, is also a measure of economy. As stated, it is estimated to produce an annual recurring saving of over Rs. 38,000. The present financial crisis, therefore, so far from being a ground for postponement, was a cogent reason for carrying out the amalgamation with the minimum of delay.

GOVERNOR GENERAL'S ASSENT TO BILLS.

Mr. President: I have the honour to inform Honourable Members that the following Bills, which were passed by both Chambers 12 NOON. of the Indian Legislature during the Simla Session, 1931, have been assented to by His Excellency the Governor General under the provisions of sub-section (1) of section 68 of the Government of India Act:

1. The Provisional Collection of Taxes Act, 1931,
2. The Indian Succession (Amendment) Act, 1931,
3. The Aligarh Muslim University (Amendment) Act, 1931,
4. The Land Customs (Amendment) Act, 1931.
5. The Sheriff of Calcutta (Powers of Custody) Act, 1931,
6. The Indian Mines (Amendment) Act, 1931,
7. The Heavy Chemical Industry (Protection) Act, 1931, and
8. The Indian Press (Emergency Powers) Act, 1931.

THE INDIAN FINANCE (SUPPLEMENTARY AND EXTENDING) BILL.

The Honourable Sir George Schuster (Finance Member): Sir, I have to move that the Bill to supplement the Indian Finance Act, 1931, and to extend the operation of its temporary provisions, be taken into consideration. In making this motion I had desired to follow the usual practice of moving for the second reading and not to make a long speech; but as I trust that Honourable Members in dealing with Government proposals for meeting the financial situation will do their best to face facts and to ensure that the discussion is conducted in an atmosphere of reality rather than of sentiment or merely destructive criticism, I desire to put certain facts and realities before you.

Before entering upon any general argument, I wish to correct a slight error which I made in my original statement as regards one particular matter. In announcing the Government's proposals for enhancing postal rates, I said that we intended to add 6 pies to the postal charge on letters. Our proposal, however, is to add 3 pies only to the letter rate. The estimate of increased revenue which I gave will not be affected by this change, for the increase in receipts on which we relied would include certain increases in telegraphic charges which have already been announced and which do not require legislation. In order to rectify the error as regards letter rates, an amendment will be moved on the Government side to clause 6 of the Finance Bill.

I will now turn to my main task. The period of delay which has intervened since the Finance Bill was introduced at Simla has had certain advantages in that it has enabled us to gather from Press notices and from other forms of communications the lines which public opinion is likely to take on the measures that we have proposed. Leaving aside the usual destructive criticisms, I think the questions, the test questions, which I have to answer in order to justify my position, are three. First, have we relied too much on new taxation and too little on retrenchment? Secondly, if the general need for taxation is granted, are our particular proposals sound and fair? And thirdly, are we trying to raise more money than is necessary to restore the situation?

1576

LEGISLATIVE ASSEMBLY.

[4TH Nov. 1931.]

[Sir George Schuster.]

Now, the first question I think is the most important. Are we relying too much on new taxation and too little on retrenchment? That may be divided under two heads, the question of the cuts in pay and the question of general retrenchment. I want to deal first with the question of cuts in pay and show why we did not adopt a graduated scale on the lines recommended by the Retrenchment Committee. Now, I am prepared to concede at once that there is a good deal to be said for a graduated scale. But those who advocate it in preference to our proposals must ask themselves whether they think it better because it is more in accord with principles of justice or because it will get more money. Both points require consideration. But if criticism of the Government plan for cut in pay is to be used as a reason for opposing our taxation proposals, then it is only relevant if it is based on the financial ground that we are not getting enough money out of the cuts in pay. Now, what is really the position? I have worked out the figures as accurately as possible, and I find that if we had accepted the proposals of the General Purposes Retrenchment Sub-Committee, we should have got from all Central Government officials, that is to say, including the Posts and Telegraphs but excluding the Railways and the Army, from those officials we should have got under the Retrenchment Committee's plan something like Rs. 102 lakhs; whereas if we applied a 10 per cent. flat cut, with an exemption of all pay below Rs. 40 a month, we should get about Rs. 128 lakhs, that is to say, on that basis we should get Rs. 26 lakhs more than on the scheme proposed by the main Retrenchment Committee. I take that basis for purposes of comparison, but I must explain first that we have not exactly fixed all the details of our plan as regards the lower limit of exemption for ordinary Government servants, for on this we are still corresponding with the provinces with the idea of obtaining uniformity with them, and secondly that as regards Posts and Telegraphs their scheme which will conform to that of the Railways will be slightly different. The points that are outstanding are mere details and the fact remains that according to the plan on the general lines which I announced in Simla we should get from Central Government officials Rs. 26 lakhs more than according to the Retrenchment Committee's plan. Therefore Honourable Members cannot attack us purely on financial grounds. They cannot say, "Unless you adopt the Retrenchment Committee's plan, you have no right to come to us and ask us to help you to raise so much money from new taxation". If we accept the Retrenchment Committee's plan, we should have to ask for more taxation and not less.

Now, this is an interesting result, and if properly examined it throws valuable light on much that has been said about graduated scales. According to the Retrenchment Committee's plans, a full ten per cent. cut would only have come into operation on salaries of Rs. 1,800 a month. Now taking again the figure for the Central Government's salary bill which I have already used, out of a total of 16½ crores, the total cost of salaries above Rs. 1,800 is 115 lakhs. According to the Committee's graduated scale we should have got 2½ lakhs more out of those higher salaries than we get according to our plans—2½ lakhs more. That is all; whereas below Rs. 1,800, according to our plan, even though that, in distinction from the Committee's plan, provides for some total exemption at the bottom, we should get 26 lakhs more than would be produced by their recommendations. Now it is quite clear from the above figures that,

even if we were to impose on salaries over Rs. 1,800 entirely prohibitive rates, we should not be able to get sufficient additional money to make any real difference. Even if you make a break at the point of a thousand rupees a month and put very high rates above that, that again will not make any substantial difference. Using again the same figures which I have used before, out of 16½ crores of Central Government's officials' pay, the total amount paid to officials drawing salaries of a thousand rupees and over, is 195 lakhs, against a total of 14,59 lakhs for officials below it. Therefore it is less than 1/8th of the total salary bill. In fact—and you cannot get away from this—the main financial effects must be obtained from the lower salaries, and if a sliding scale is wanted which really gives substantial relief below a thousand rupees, or even if you go lower still and give substantial relief below Rs. 500, it is impossible to make up the loss by putting higher burdens on higher ranks even if those burdens are raised to prohibitive levels.

Now what I have said covers the main financial aspect and that is what really concerns me. If the House agrees with me that we must make a saving in cuts in pay an important part of our general plan,—and here I would remark that hitherto I have only given the pay bill for Central Government officials, and that if you include the Army, the railways and the provinces, the total pay bill of the Government of India is something like 120 crores,—if we are to make a cut in pay a substantial part of our programme, then I think Honourable Members will be forced to agree that a general cut of something like 10 per cent. down to a very low limit is the least that will suffice, and that from the point of view of major financial results the effect of increasing the rates of cut on the higher salaries is a very small matter. But even if that is accepted, there are apparently some Honourable Members who would go on to say, that, quite apart from the financial results, we ought to hit the higher ranks harder just for the sake of doing so. That is a view with which we on this side can feel no sympathy, provided always that a fair contribution is made by all. Now, I do not think that any one who examines the real facts can deny that the higher ranks of the service will have to bear a very substantial part of the national burden.

I want to follow up this point a little more closely and do so in connection with the particular argument which has been used as a result of our proposals to allow the new surcharge on income-tax to be merged in the cut. It appears to be argued that this operates in such a way that the higher ranks are cut less than the lower. Now, I find it very difficult to understand this argument; but suppose the line of thought runs somewhat as follows:—that if we had imposed no cut, then Government officials would in any case have been subject to the income-tax surcharge, the rate of which would have meant an additional income-tax charge ranging from 4/5ths of one per cent. on salaries of Rs. 2,000 a year, up to 3·7 per cent. on salaries of about Rs. 4,000 a month. Apparently it is argued that, if we merge the surcharge in the cut, then the net extra burden of the actual cut is less in the case of the higher salaries. But surely that is special pleading. What we had to consider was what was the total loss in income which we could impose on the various officers concerned, taking into account all the circumstances. Among those circumstances we had to take into account that the income-tax was already very steeply graded and that the grading had been made still steeper by the

[Sir George Schuster.]

changes introduced in the last Budget. Officials at the top have been subjected by the last Finance Act to an additional income-tax of about 5 per cent. whereas at the bottom the addition had only been one half of one per cent. Taking this, and a number of other factors, into account, we came to the conclusion that the discrimination in burdens between the higher and the lower grades had been carried so far that it was not fair to ask the higher grades to be subjected to more than a total 10 per cent. reduction in their pay; and that if we had made a ten per cent. cut and then added a higher income-tax charge, we should have gone too far. On the other hand we considered that in the lower grades the cost of the main articles of expenditure had fallen very substantially since 1929, and that a ten per cent. cut with certain exceptions was not excessive, always admitting that it does represent a sacrifice, and that a sacrifice may be legitimately claimed from all in a period of national emergency. But there is another point which must be remembered in this connection. The criticism that those on the higher salaries are not being cut enough is very largely directed, as I have understood it, on those posts which are outside the time scale. On the other hand all those in the lower grades are on a time scale and get steadily recurring increments of pay. These increments will continue and a large majority will recover a substantial portion of the cut which is now being made as their annual increments accrue. That of course will not happen to those who are outside the time scale. Now I must come back once more to the financial aspect. What should we have gained if we had imposed the surcharge on income-tax in addition to the cut? So far as the Central Government officials are concerned, I calculate that we should have gained 9½ lakhs. That is a very small sum, and not nearly enough to offset the 26 lakhs which we should have lost by adopting the Retrenchment Committee's plans. I think that what I have said disposes of the financial argument on this whole question, and Honourable Members cannot say to us, "Take our scheme and therefore take more by cuts and less by taxation". The extra money sufficient to make a real difference cannot be got that way unless you are prepared to levy still heavier cuts right away down to the very bottom.

Now, before I leave the subject of reductions in pay, I must make a reference to a question closely connected with this which has been touched upon, but not exhaustively dealt with, in the first interim Report of the General Purposes Sub-Committee. I refer to the question of reduction in so-called allowances and concessions. Now here a distinction must be made between two kinds of allowances and concessions; first, those covering actual expenditure such as travelling allowances or special compensatory allowances as for example 'Cost of Living' allowances in places where the cost of living is specially high, and secondly concessions which must be regarded as additions to pay or emoluments drawn by the officials concerned. Now in the case of the former we have already made substantial cuts which include reduction of travelling allowances by rail from 1 8/5ths of a railway fare to 1½, while as regards daily and road mileage allowances we have followed Local Governments who have all made very substantial reductions in their rates. 'Cost of living' allowances have been reduced since the beginning of the present financial year by 10 per cent. generally and by 12½ per cent. where a concurrent house rent allowance exists.

Now the second class of concessions brings me to the vexed question of the "Lee Concessions",—a question which has been the subject from time to time of a good deal of misunderstanding and misconception both as to what these concessions are and as to their financial effect. The General Purposes Sub-Committee in their first interim report have referred to the matter in these terms:

"Further, with one exception, we have no hesitation in recommending that in a financial crisis of this magnitude the costly 'concessions' known as the Lee Concessions (excepting those in the form of increased salaries) which, pending consideration of the general question relating to pay and allowances, would be subjected, as proposed by us, to percentage cuts, should be withdrawn."

Now I have followed the sub-committee's lead in omitting for the present that part of the Lee Concessions which took the form of an increase in salaries and I will return to this later. The remainder of the Concessions were the following:

(1) The provision of free passages for Superior Service officers and their families proceeding on leave out of Asia, confined to Europeans except in the I. C. S. The standard benefit for a normal term of service is four return passages for the officer and his wife and one single passage for each child. Officers already in service obtained only a proportion of these benefits on a diminishing scale according to their length of service. That is the first concession.

(2) An increase of Rs. 1,000 per annum in the maximum pension allowed to members of the Superior Services excluding the I. C. S. whose pension remained unchanged.

(3) A simplification and liberalisation of the rules governing the standard rent to be charged to Superior Service officers occupying houses supplied by Government. The substance of this concession was the exclusion of site value from the rental value of a Government residence, the object being to equalise rents between places where land is dear and land is cheap. I must remind the House that this concession has since been extended to all servants of the Central Government.

(4) Certain facilities for medical attendance which involve the provision of one European I. M. S. officer to every four British districts (on the average) to consult whom European officers and their families are given travelling "allowance" but no concession as regards free medical attendance for families.

As regards the cost of these concessions, it is not in all cases possible to give exact figures, more especially as part—indeed the greater part—of the cost falls upon the provincial Governments, but I can give the House figures which are near enough to enable Members to appreciate the realities of the position. First, the Passage Concession for Civil Officers (outside the Railways) has averaged approximately 25 lakhs in the last 5 years and has been a continuously decreasing amount, the actual figure for last year being 22 lakhs. Of this the Central Government's share is about 6 lakhs. Secondly, the addition to pension was estimated by the Lee Commission to cost 1.2 lakhs initially rising to a maximum of 19 lakhs. The estimated present cost is about 9 lakhs for the whole of India, of which the Central Government's share is about 3. I

[Sir George Schuster.]

might add that probably at least 1/3rd of the officers who enjoy this concession are Indians, and ultimately almost all will be Indians since, apart from the Police, European recruitment has practically ceased in the Services entitled to this concession. The financial effect of the remaining concessions in regard to rent and medical attendance cannot be estimated with accuracy, but having regard to the fact that the rent concession is enjoyed by all Central Government officers I take an outside figure of 5 or 6 lakhs. The total cost, therefore, of all these concessions falling upon the Civil budget as distinct from the Military Budget may be taken at a maximum of 14 or 15 lakhs.

This, I hope, puts the financial aspect of the question in its proper perspective.

Turning now to the merits of the case, if the Committee had taken the line that since the Lee Commission made its recommendations, the concessions had in practice been extended to a large number of officers for whom they were not originally intended, that might have been a point which deserved examination, but to remove the concessions from the officers for whom they were intended would be discriminatory action of a most unfair kind. These concessions were granted after full examination into all the circumstances, and they were designed to meet existing grievances which were held on enquiry to be legitimate. They were designed in effect to correct inequalities which existed as between various classes of officers. To remove them now would mean to restore the inequalities and the causes of grievance and would be tantamount to making financial stringency an excuse for penalising a particular class. This would be a palpable injustice, and the Government must definitely set their faces against any action of that kind. This I may say has been our principle throughout; for example, a suggestion has been made to us in various quarters that as a temporary expedient increments in pay should be stopped in the next two years. But that we felt would have been a measure which discriminated against those who were on a time-scale of pay and treated them unfavourably as compared with those who were outside the time-scale. On the same principle we rejected that proposal. It is necessary that this principle should be clearly stated and not left in any doubt, and from the figures which I have given it will be seen that it has no substantial financial significance.

I return now to the concessions which took the form of an addition to pay. These consisted partly in the rectification of minor anomalies in the 1920 pay scales and partly of a remittance concessions covering a portion of pay. The Sub-Committee have quite rightly taken the line that these concessions must be considered together with pay and will be affected by cuts in pay. I should like, however, to give the House a rough estimate of their total cost. The Lee Commission estimated this originally at about 72 lakhs. At present, even after allowing for the fact that certain concessions have been extended to 200 or 300 miscellaneous officers who were not originally included in the Lee Concessions (many of whom are, however, already disappearing), our estimate of the total cost is about 62 lakhs for Civil officers and 18 for the Railways. About 70 per cent. of the cost, however, falls upon Provincial Governments and the cost to the Central Budget (excluding Railways) is about 18 or 19 lakhs.

It will be convenient at this stage if I refer to certain other suggestions made by the General Purposes Sub-Committee for improving the financial position. They have suggested that Indian income-tax should be levied on certain payments made outside the country, namely, interest on sterling securities, pensions and leave pay and allowances. As regards these suggestions let me first make the legal position perfectly clear. The Government of India have no effective means of recovering Indian income-tax on payments to persons outside the Indian jurisdiction which are legally due outside India. No legislation passed in India could give them this right. Apart from this let us consider in each case the merits of the proposal.

As regards interest on Indian sterling securities, it would of course be impossible to alter the rights of the holders of existing securities as defined at the time of each issue in the prospectus which laid down the terms of the issue. The recommendation could therefore only apply to future issues, and it would then require that a provision should be made in some form or other—I find it difficult to imagine exactly in what form—for paying the interest less Indian income-tax. This however even if it could be made effective would be a measure which would merely defeat its own object. If a subscriber to Indian 5 per cent. securities knows that he will only receive his 5 per cent. interest less some sort of deduction on account of Indian income-tax, he will take this into account and pay a lower price for the security. If, for example, the interest is at a rate of 5 per cent. and Indian income-tax deduction represents one-tenth of this, the 5 per cent. security would become in effect a 4½ per cent. security and would have to be issued on that basis. In fact the result would be on the contrary side, because the subscribers would have no assurance that the income-tax might not be increased, and such a provision would undoubtedly make Indian sterling securities extremely unpopular, and really unsaleable at anything like the level at which they have been saleable in the past. The case of a resident in India who holds Indian sterling securities is of course quite different, for there the Government of India have effective power to levy a tax on him, and if he resides in India there is substantial justification for his having to pay income-tax to the Government of India. That result would be effected if the House were to pass the Income-tax (Amendment) Bill which was debated last session.

Turning now to the question of pensions, it is quite clear that the rights of existing pensioners cannot be altered, nor the rights of those who have already entered pensionable service on clearly defined terms. If a change were to be made it could only apply to future entrants, and it would require legislation in the British Parliament. But I might dismiss this proposal as a practical measure for dealing with the present emergency for Honourable Members will appreciate that it could not really have any effect for the next 25 years.

I turn now to the question of income-tax on leave salaries and allowances. Here the actual position of the Government is slightly different, because in spite of the legal impossibility of recovering tax on payments duly made to the individual concerned when he is outside the country, it would be possible if the provisions were altered to make a recovery from his salary when he returned from leave. Turning to the merits of the case, whatever view may be held as to the logical justification for the privilege which is now granted to officials going on leave, the fact remains that it has been in existence for a great number of years and has come

[Sir George Schuster.]

to be regarded as an established right. I will not go so far as to say that the Government would never consider a modification of this privilege, but if it is removed it must be recognised that it will represent a diminution of what—as I have said—has come to be regarded as an established right. In any case, just at the present moment when we are putting a severe tax on all officials by a substantial cut in their pay (which will include their full leave pay), we certainly cannot consider the imposition of further burdens. We have, as I have already said, tried to fix the cut at a rate which is fair and right, so that although it involves a substantial sacrifice, no official would be burdened beyond what the needs of the country require. But the burden once fixed ought to be regarded as complete and inclusive, and, having taken this direct method, we do not think it fair to add to it in indirect ways. As regards the financial significance, it is estimated that the total value of this exemption to all officials—Central and Provincial—is somewhere about Rs. 10 to 15 lakhs per annum.

I must now turn to the question of general retrenchment apart from cuts in pay. As regards our proposals, I am distributing to all Honourable Members today detailed and clear memoranda showing how the Government's proposals have been worked out and how they compare with the recommendations of the various retrenchment sub-committees. These memoranda will be distributed this morning.

The proposals in their present stage are not absolutely final. It must be understood that conclusions as regards certain details, and in so far as they affect certain classes of officers, are provisional pending approval of the Secretary of State in Council, for which there has not yet been time in all cases to apply. The statement of the proposals, however, as far as they go, may be taken to be substantially correct. And there still remain some possibilities of going further. In the first place the full effects of some of the measures will not be felt at once. In the second place we have to provide for special counter-payments at the outset for compensation to discharged officials, etc., which will be felt rather heavily in the next financial year. Lastly, there is a considerable portion of the field allocated to the "Army" and the "General Purposes" Retrenchment Sub-Committees on which we are still awaiting their recommendations. As regards this uncovered field, in order to get on with measures which can clearly be taken, we have had to work out provisional plans and the effects of these have been included in the memorandum which I am circulating. It is possible here that some further margin for economy may be found. But even allowing for further recommendations, I think it may be stated with assurance that the scope for further retrenchment which can be regarded as within the bounds of practical possibility for next year is not so large as to be likely to make any fundamental change in our general financial plan.

I should now like to assess in a broad way what our retrenchment proposals amount to. I will deal first with three large special departments—the Railways, the Posts and Telegraphs, and the Army. On these in particular I must ask Honourable Members to study the memoranda which are being circulated. They will find that Government are in substance adopting practically all the recommendations of the various sub-committees. In the case of the Railways the execution of retrenchment measures has already proceeded very far. Government are considering the other measures, and in particular the recommendation for a further

report by an expert Railway committee on the more technical aspects of the working of the Railways is being followed up. I may at this stage, however, remind Honourable Members that the Railway Retrenchment measures already adopted are estimated to produce reductions of over 5 crores to which must be added a sum of over 2 crores for cuts in pay.

As regards the Posts and Telegraphs Department, here again the Government intend to follow very closely the lines of the recommendations of the sub-committee. Immediate economies, apart from reductions in pay, and apart from reductions of about 5 lakhs (which cannot be realised for some time) in pensionary contributions, recommended by the Committee amount to 16.4 lakhs. Much larger savings in this Department would ultimately be produced by the Committee's recommendations, but these can only be fully realised in course of time. Here we must be regarded as working towards permanent economies rather than taking emergency measures, and towards the achievement of this end the Government feel that the sub-committee have made a most valuable contribution.

As regards the Army, I need not say more than that the figures announced in my statement on September 26th stand: that is to say the Army authorities have undertaken to accept immediate economies of 5.25 crores, of which 75 lakhs represents cuts in pay of officers holding King's Commissions. In order to appreciate precisely how the steps proposed by the Army authorities compare with the committee's recommendations it will be necessary for Honourable Members to study the details in the memorandum which is being circulated. I need only say that the immediate economy which is promised is considerably larger than that covered by the specific recommendations of the committee—the excess being mainly accounted for by the postponement of the re-equipment programme. The one point which I wish to emphasise here is that military expenditure has now been reduced to a point which leaves no appreciable margin for further reduction except by the actual reduction of fighting troops. Honourable Members will appreciate the gravity of the issues which further steps in this direction would raise.

I may now turn to the ordinary expenditure on Civil Administration, that is to say the field reviewed by the General Purposes Sub-Committee, by the sub-committee on Public Works and Accounts, and by the sub-committee on Stores, Stationery and Printing. The gross amount of the grants reviewed by these three committees up to date (taking into account only the first interim report of the General Purposes Sub-Committee) amounts to 7.56 crores. The reduction recommended by the sub-committee out of this 7.56 crores amount to 201 lakhs, of which the Government have already accepted measures producing 180 lakhs; that is to say Government have already accepted measures giving 90 per cent. of the savings recommended by the various sub-committees. The reductions thus accepted amount to no less than 24 per cent. of the gross expenditure. As regards the remaining part of the field not yet covered by the General Purposes Sub-Committee's first report, omitting expenditure on Debt services, etc., the gross expenditure which is capable of ordinary retrenchment amounts to 10.76 crores. In giving this as the figure for expenditure which is capable of retrenchment I have eliminated items which represent obligatory expenditure—for example, payments under treaties to Indian States or expenditure which has to be incurred in order to produce receipts, e.g., the actual purchase of opium for manufacture by the Opium Department, or expenditure on light-house administration which is obligatory.

1534

LEGISLATIVE ASSEMBLY.

[4TH Nov. 1951]

[Sir George Schuster.]

and which is balanced by fees calculated on a basis which will give the Government a corresponding return. It is clear that no saving can be effected by cutting down items of this kind. Out of the total of retrenchable expenditure of 10.76 crores, the plans provisionally adopted by the Government will produce economies of about 142 lakhs: that is to say, about 13 per cent. of the total. It will be noted that this percentage reduction of 13 per cent. is less than the general average in the field already covered by the sub-committees' recommendations, but I must point out that that field included all the items, such as grants to various institutions, expenditure on public works, etc., which can be eliminated with comparative ease—at least as a temporary measure—whereas the remaining part of the field covers normal administration affecting the vital functions of Government and consisting mainly of administrative staffs. In this there are no big lumps of expenditure which can be cut out *in toto*, and it is quite clear that there is not the same margin for retrenchment. If we add up the whole of the items of civil expenditure (excluding commercial departments) covered by the proposals which I have outlined the gross expenditure amounts to 18.32 crores, and the economy measures already accepted by the Government to 3.22 crores or 17.6 per cent. of the gross expenditure. I think I may confidently claim that all fair-minded observers will acknowledge that this is a very substantial reduction to be immediately effected in the ordinary running expenses of Government. It must be remembered that it is imposed on a scale of expenditure which has not been abnormally inflated in any way, but represents merely the ordinary expenses incurred in carrying out the normal and essential duties of Government. In this respect the position with which we have had to deal on the present occasion is very different from the position with which the Government had to deal on the occasion of the last great economy inquiry. I mean the occasion of the Inchcape Committee.

Now it may be interesting to Honourable Members if I give a few figures so as to compare the results achieved by the Inchcape enquiry with what we hope to achieve now.

In the first place, as I have said, the general position was quite different. The Inchcape Committee had to work on an inflated post-war budget, and they came in at a period when the necessity for retrenchment was even greater than it is now, for the Government of India had for four years shown budgetary deficits amounting in all to over 100 crores.

The Inchcape Committee did a very great work and showed the way to very substantial economies, but it must be remembered, in considering their total figures, that Railway finance had not yet been separated, and that by far their greatest reductions were made in Railway and Army expenditure.

Taking the field of the heads of civil administration generally, their recommendations amounted to 216 lakhs. Of these recommendations the Government accepted about 63 per cent. As regards final results on the heads of civil administration, the actual expenditure as between 1922-23 and 1923-24 showed a reduction of 124 lakhs. In our case we have, as I have stated, accepted economies producing 90 per cent. of the Committees' recommendations, and with the figure of 124 lakhs we may compare our total of 322 lakhs, to which must be added the further economy from cuts in pay. I must explain here that when comparing the figures

of actual results one must recognise that there are certain disturbing factors which intervene, such as new demands coming in, and the operation of incremental time-scales which mean automatic increases offsetting some of the economies. Our figures also may be to some extent affected in this way, but the broad results which I have given sufficiently indicate the magnitude of our present efforts.

But let me present the picture in another way, so as to indicate broad results. In testing what has been done by way of economy it is misleading to take the total budget figures. Debt services and expenditure on commercial departments, or on such revenue-producing activities as are included under the opium and currency heads, should be eliminated. The test figures are those for the ordinary civil administration (including tax collection), and military expenditure. In order to show up results in this way I have prepared a table which analyses all the heads both on the revenue and expenditure side. This is a more elaborate version of the table printed at the end of the Financial Secretary's statement of September 1929, but it has been prepared on slightly different lines. This table will be circulated with the other papers today, and I would ask all Honourable Members to study it carefully. From it one may make a broad comparison between the results of the earlier economy campaign and those of our present campaign. In the former case I would compare the actual figures for 1922-23 with those of two years later, 1924-25, and in the present case I would compare 1930-31 (for we had already made substantial cuts in the current year's budget) with what we anticipate for 1931-32.

In the earlier case, that is to say, on the occasion of the Inchcape Inquiry, the total expenditure on civil administration and the army was reduced from 85.11 crores to 75.08 crores in those two years, a reduction of just over 10 crores representing 11½ per cent. on the total expenditure. In the present case, if our forecasts are realised, we shall have brought expenditure under these heads down from 77.59 crores to 64.78 crores, a reduction of 12.81 crores or 16½ per cent. on the total expenditure. Those at least are the results which we hope to achieve and I think that nothing will intervene to prevent it.

Can any one say that this would not be a very substantial achievement?

Let me carry the comparison a bit further as regards details. I have already said that the main part of the earlier economies were in military expenditure, and it is further instructive to see how these economies in military expenditure under the Inchcape enquiry were brought about. In the first place they got about 273 lakhs by reduction of troops by three main measures:

First, by reducing the strength of each British infantry battalion, which produced	146 lakhs.
Secondly, by similar reductions in Indian battalions and Artillery Units, which produced	53 lakhs.
Thirdly, by reducing three British cavalry regiments, which produced	74 lakhs.

Can we reduce troops now?

I would ask Honourable Members to recollect that actually the fighting troops in India have since 1922 been reduced by about 12,000 British ranks and 18,000 Indian ranks.

[Sir George Schuster.]

Then, again, the other savings on military expenditure included in the Incheape Committee's recommendations were based largely on savings in the purchase of stores made possible by the huge accumulations from the war. They were able to recommend savings of no less than 2 crores for the next year under this heading alone. Ordnance stores and reserves had been so heavily accumulated that the Committee recommended a reduction of something like 6 crores in stocks.

We have nothing like this to work on now. Nevertheless how do the results compare?

After the Incheape report Army expenditure was reduced from 65.27 crores in 1922-23 to 55.63 crores in 1924-25, or by about 9.6 crores representing 14.7 per cent. We shall have brought down the reduced budget from 55 to 46.65 crores, or by 15.4 per cent. in two years.

Lastly, as regards the Army, I must remind Honourable Members that the Incheape Committee held out the prospect, as a goal to be aimed at if prices further fell substantially, that military expenditure should be reduced to 50 crores. In the budget for 1932-33 we are allowing 46.65 crores for military expenditure—3.5 crores less than the minimum aimed at by the Incheape Committee.

I am afraid that I have detained the House rather long in going over the Retrenchment position, and I am afraid that it will take them still longer to study in detail all the memoranda which I am circulating. But unless they do this they cannot fairly assess our proposals. I feel that I can claim with absolute confidence that on broad lines our proposals are adequate, for we hope to achieve results reducing normal civil and military expenditure in two years by nearly 13 crores or 16½ per cent. to which must be added economies on the Railways including cuts in pay of over 7 crores. My Honourable friend, Sir Hari Singh Gour, in speaking on the first reading of the Finance Bill, complained that he had pressed repeatedly for a general 10 per cent. cut in all expenditure. I have shown that in the budgets for the two combined years with which we are now dealing we shall have cut down our controllable expenditure by no less than 16½ per cent. Therefore by this test we have achieved 165 per cent. of what my Honourable friend thought reasonable and proper; but if he will test the matter in another way and examine the practical steps by which alone this degree of retrenchment can be effected, I venture to believe that he will be startled at the very drastic measures which it involves. It means that we shall have to dismiss large numbers of officials, and to restrict the activities of the Government in many important fields to a point which, apart from the extreme financial necessity, must be regarded as most undesirable. We believe that we have stopped short of the complete destruction of anything which is of fundamental importance in the national interest—but we have cut very near to the bone in many cases. Many will criticise us for having gone too far, but I believe that we have not gone so far as to risk the death of any important part of our organisation from starvation. In the end I have confidence that the body of Government administration will benefit from the period of restriction and that just as in many cases the human body may benefit from a weekly day of fasting, or as the vital forces of a plant may be conserved better by pruning, so, in the case of Government, when more prosperous times

come we shall find that the clearance or pruning now effected will have regulated and conserved its energies in a way which will be for the public good.

I must now turn to the other two test questions which I mentioned at the outset,—the questions: "Are our taxation proposals fair?" and "Are we trying to raise too much?"

I shall conclude very briefly. Our taxation proposals must be regarded essentially as a whole. They are mainly based on the idea that there is in the present emergency a need for increasing the yield of taxes. They proceed on the lines of imposing an equal surcharge on all, so that the incidence of taxation as a whole remains unaltered. We believe that in broad outline this is essentially fair. We also believe that there is no particular class which will in this way be asked to bear more than a fair share in a common sacrifice, or which will be subjected to a greater burden than can be borne. This matter can be followed out more fully in discussion of the particular proposals, but our attitude is that all parts of our plan are essentially interdependent. We recognise that in certain particular cases secondary effects may be produced by this general increase in the rates which, if each item could have been considered in isolation, we should have been inclined to avoid. But our view is that our plan must be taken as a whole, and that, regarded as a whole, it will broadly work in the interests of the country and with fairness to all classes of taxpayers. If an attempt is made to alter it in detail it will open the way to unending argument and destroy the essential and broad purpose of the whole plan.

I will now touch finally on the last question. Are we trying to raise too much? On the answer to that I have no doubt. We want all that we can get, and if in the end we have a margin to spare, then that will be all to the good. We want the world to know that India is determined to live within her income, to meet all her debts, and to maintain financial stability without doubt or question. That perhaps more than anything else is the most vital purpose of our present plan.

But I may be told "By the severity of your measures you may be defeating your own object and actually losing revenue". Well, I recognise that as regards a part of our proposals, for example in the case of certain articles affected by customs import duties,—that may turn out to be the case. But here again I must ask Honourable Members to regard our plan as a whole. We have put on this surcharge all round on direct and indirect taxes. The fact that we are imposing it in the one case is an essential justification for imposing it in the other. In the greater part of the field the higher rates will produce more money, but, if in the case of certain imports the volume is restricted, that in itself will have another advantage in that it will tend to encourage Indian production, and improve our balance of trade, and so generally to strengthen the financial stability of India. In this connection I might quote from a passage in a recent article by a leading economist, Mr. J. M. Keynes. In criticising the proposals of the British Government in their own emergency budget he wrote as follows:

"The objects of national policy, so as to meet the emergency, should be primarily to improve our balance of trade, and secondarily to equalise the yield of taxation with the normal recurrent expenditure of the Budget by methods which would increase,

[Sir George Schuster.]

rather than diminish, output, and hence increase the national income and the yield of the revenue, whilst respecting the principles of social justice."

He claimed that the actual policy of the British Government failed on both of these tests.

Whether this was justified as a criticism of the British proposals or not does not concern me. But I believe that as a statement of objects to be aimed at the passage would receive general acceptance in India. I claim that our budget proposals go as near to attaining those objects as would be possible in any practical plan. The increased customs duties have already encouraged a new optimism in the field of Indian manufacture, while agriculture also has a small and direct benefit from the cotton and sugar duties. On the other hand neither the income-tax nor salt increases are likely seriously to impair consumption or enterprise. It is easy to use exaggerated phrases about crushing burdens of taxation, but if we take a look round all the markets of India and all her fields of enterprise today, and compare their condition with that of two months ago, I think it must be admitted that, whatever politicians may say about the new taxation, there is everywhere a brighter spirit of cheerfulness and hope.

In any case even if cheerfulness may not yet be justified, there can be no doubt in the minds of any one who is proud of India and wishes her well, that this is a time for determined and combined effort, a time to tighten our belts, set our teeth, and fight down the further difficulties which remain before we can relax with the battle won. When that is won the whole of India will be the gainer. (Applause.)

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

The Assembly re-assembled after Lunch at a Quarter Past Two of the Clock, Mr. President in the Chair.

Mr. B. Das (Orissa Division; Non-Muhammadan): Sir, at the outset, I wish to make a statement that I and my colleague Mr. Anwar Nath Dutt do not wish to move the motion standing in our name. At one time we thought that such a course—the reference of the Finance Bill to a Select Committee—would clarify the various issues that we have to face this session, but we now think that as the course of discussion goes on we may be able to find a *via media* by discussion with the Finance Member and arrive at an equitable solution as to the proper taxation measures that should be adopted.

Sir, the Honourable the Finance Member went out of his way to make a long statement this morning. He himself admitted that the grave taxation proposals which he had brought forward had not met with any approval or any appreciation in the country, and in order to silence criticism from this side, he marshalled figures and statistics, which during the very short time that intervened we could not grasp properly. If we are to give our opinion on the figures and the statements that the Finance Member has produced this morning, I would suggest to him that he should straightaway publish his speech tonight and circulate it to the Members

so that those who will take part in the discussion in the consideration stage tomorrow and the day after might be enabled to properly deal with the accuracy of his figures. I did not mean, when I gave notice of that the accuracy of his figures. I did not mean, when I gave notice of that the important motion of reference to a Select Committee, to allude to the reports and recommendations of the various Retrenchment Committees and the analysis which the Honourable the Finance Member has produced shows that that subject cannot be handled in the general discussion today. The proper course would be for the Honourable the Finance Member to allow us by mutual agreement to table a motion on the recommendations of the Retrenchment Committee which should be accepted by the Government. The subject is so very important and so very difficult and during the luncheon interval so many volumes of statistics have been placed on the table that it is best that two days should be set apart for discussion on the retrenchment proposals and also the salary cuts. Sir, I do not want to pass any observation on the salary cuts or whether the 10 per cent. cut will bring more money to the Government exchequer than the graduated cut which we as members of the Retrenchment Committee recommended. But I feel that, we should be permitted to discuss the general retrenchment question separately before we discuss the taxation proposals.

Sir, the Honourable the Finance Member when he spoke last September invited us to offer fair and honest criticism. I am standing here today to offer fair and honest criticism, though for a moment or two it might appear unpleasant to the Treasury Benches. Nobody on this side of the House wants to waste the time of the House or to waste his own time in useless criticism. We who have come here to represent the taxpayer and the nation try to criticise to the best of our ability in the best interests of the country. If it is misinterpreted on the side of the Treasury Benches or by some Honourable Members of this House, Sir, it is no fault of the people of this country nor the people's representatives. Sir, there is strong opposition in the country to the new taxation proposals. My Honourable friend, the Deputy President, Mr. Chetty, in his able motion which he moved and which this House carried with 64 votes proved that much of the financial deterioration in the country is due to the currency policy of the Government of India. I do not wish to discuss once again the subject which this House has decided unanimously, but I wish to point out that the Government would not be faced with this huge deficit if they would today allow the rupee to find its own level. The Honourable the Finance Member in his speech this morning stated that he finds general improvement in trade and commerce all over the country. I would tell him that he would have found much greater improvement in trade and commerce had he allowed the rupee to find its own level. I would ask him to read the situation as it happened in England. In England Lancashire is booking large orders; industries are thriving; trade is booming up. Why? Sterling has gone down. So England is booking large orders. If the rupee was not linked to sterling, India could do large business outside Great Britain, outside the British Empire. Today the rupee being tied to the apron strings of sterling, Indian trade is confined to the British Empire. Sir, why this treatment to India? Why this treatment to Indian trade and commerce? There is an underlying policy. It is British preference; it is Imperial preference. The rupee is tied to the sterling today and it gives a preference to British trade and commerce in India and Indians who trade with Germany, with Japan and China cannot do sufficient business. Well, the Finance Member might talk of prosperity; we think of the disaster that is facing us by this policy of the rupee being linked

[Mr. B. Das.]

to sterling; and although I did not take part in the debate which my Honourable friend the Deputy President led so admirably, I would just observe we had all our sympathy with the Finance Member in those days of trial; but that a Secretary of State, sitting six thousand miles away could say that India's gold reserve, India's fortune should be tied to the sinking sterling of England is a curse; that curse must be taken away from India today.

The policy of linking the rupee to sterling is taking away the wealth of the country. Today the country has very little wealth. Taxpayers in the countryside cannot pay their ordinary land revenue. The very fact that the customs revenue has fallen shows that people have no buying power. It has gone because there is no money and if the Honourable the Finance Member and his colleagues on the Treasury Benches have had the courage to defy the Secretary of State and allowed the rupee to find its own level, money would have become available to trade and commerce. The question of the currency and ratio is tied to another problem, the problem of the mastery over India, whether India will be ruled by the Secretary of State or by the people themselves in the interest of the people. It is that which will decide the question of the currency.

Sir, I have already said that I won't discuss the retrenchment proposals on this motion, but I will state this much. If the Government see eye to eye with the Opposition, they will find more avenues for retrenchment and reduction of expenditure than at present they can surmise. It is better that they should do it. Otherwise they will be heading for disaster and a fall, and although the Finance Member, when he delivered his Budget speech last March forecasted that he would not ask for more taxes he has come forward with new taxation proposals within six months till March 1933, and who knows that in March 1932 he may not come forward again with more taxation proposals and say, "I did not foresee the effects of the rupee being tied to sterling and I now find that large sums of money are required and this Assembly must vote further taxation".

Now, regarding the taxation proposals, I consider that the surcharge on the salt tax is the most iniquitous tax that the Finance Member has sprung on the taxpayers, knowing fully well that the poor man today has no money to buy salt owing to the ratio policy, which is not his but his predecessor's and which was inspired and dictated by the British Government. Today there is no money in the countryside and the poor man cannot buy his pinch of salt, and the Finance Member wants to raise a crore of taxation by a 25 per cent. surcharge on salt. No elected Member of this House will ever subscribe to the idea that the salt tax should be increased.

Then, Sir, there is the taxation on machinery. As a businessman and an industrialist, I would never subscribe to the idea that machinery should have 10 per cent. taxation. The Statesman characterised the last Budget of the Finance Member as a Swadeshi Budget. I do not know whether any one who would like to see Indian industry thrive would call the present Budget as a Swadeshi Budget. There are two stings to this. One sting is that the rupee is tied to sterling and the second sting is that machinery is being taxed. I would never subscribe to the taxation proposal on machinery.

Then the third tax which I will not subscribe to is the income-tax on salaries ranging from Rs. 1,000 to 1,999. These people who draw about Rs. 83 a month should not be taxed and it is simply ridiculous to tax them in these hard times and I will never countenance that proposal. The Finance Member will say, "How am I to meet my deficit of 19 crores? You have not suggested any other system of taxation!" There are other systems of taxation.

I will, Sir, show him two or three modes of taxation. This Assembly has discussed them in the last session and previously too. Last session we discussed the export duty on hides and skins. At present it is 5 per cent. We suggested that it should be 20 per cent. and if not 20 per cent., at least 15. The Honourable the Finance Member knows that India exports nearly 5 crores worth of goat skins, cow hides and buffalo hides. A very small portion of this goes to England. I find that most of it goes to America and I cannot understand why the Finance Member is so unwilling to raise the export duty on hides and skins. If he puts an additional duty of 10 per cent. I am sure he will get a crore of rupees (Dr. Ziauddin Ahmad: "Question.") I find that that my friend Dr. Ziauddin Ahmad questions me. If he turns to the Review of the Trade of India he will find that 540 lakhs worth of hides and skins was exported in 1930-31. In 1929-30 it was 789 lakhs and in 1928-29 it was 947 lakhs. Of course prices have gone down during the last two or three years. Even allowing for that, he is sure to get about 75 to 80 lakhs of additional revenue. When I see the taxation proposal on the poor man's salt, I do not understand why the Finance Member has not explored other avenues of taxation. He can put an excise duty on tea and coffee. He should thereby get at least 50 lakhs of rupees per annum. I find that India's local produce of tea was 391 million pounds in 1930, 433 million pounds in 1929 and 404 million pounds in 1928. I find that the chief tea producing countries are India, China, Japan, and Sumatra. More than half of this tea is exported outside and half is consumed in India. It is not the poor man who drinks tea, but the man who has money. It is the man who can pay prices varying from 6 annas to Rs. 2-8-0 a pound that consumes tea. If there is a 5 per cent. excise and export duty on tea and coffee, he will derive an income of a crore or a little more. Next, the export of coffee, I find, comes to the figure of Rs. 1,90,00,000. Rs. 1,92,00,000 worth of coffee was exported in 1930-31; and as I know the conditions in the Madras Presidency, I can make bold to say that large amounts of coffee are consumed in that Presidency. So, I ask, why not tax the middle classes and the upper classes, instead of taxing the poor man and his salt? I have therefore suggested the Finance Member a second system of taxation whereby he can get another crore and a few lakhs by taxing tea and coffee.

I would now suggest a few more items for taxation. During the Budget session last year we drew the attention of the Honourable the Finance Member to the fact that he should tax grease, which, in so far as it is produced in India, is not taxed. Today I am giving him a few figures. Now if he will tax some of the minerals produced from the oil-fields and at the same time equalise the duty on mineral products, then he will derive an income of Rs. 1,26,00,000. I find that lubricating oil has no excise tax put upon it. In India there are today 31,000 tons of batching oil produced; and if this excise duty is levied, then it will bring Rs. 4,87,000 to the Indian exchequer. Now the lubricating oil

[Mr. B. Das.]

produced in India is 5,651,000 gallons. Now if the excise duty is put at the same figure as the present duty on the imported articles, it will bring in an income of Rs. 7,35,000. Then grease produced in India is 1,269,000 tons, and if the same duty is levied, it will bring Rs. 61,900 to the exchequer; and if the duty on kerosene is equalised, which the Honourable the Finance Member at one time thought was an equitable system of taxation—knowing as we know that the Burma Oil Co. and the various oil companies pay dividends up to 30 per cent. or more to their shareholders, we must also remember that some of the original shareholders also received a bonus of three shares per share held a few years ago, I think the Honourable the Finance Member will bring to his exchequer very large sums of money. If these suggestions are pursued, in my estimation it comes to Rs. 1,26,86,000. Sir, we have seen that although there is a difference between the excise duty on kerosene oil and the duty on the imported kerosene oil, the consumer gets no benefit: and today the masses in the villages are reduced to such dire poverty that they buy little kerosene oil, and thus while formerly they used to keep awake till 8 or half past 7, now they go to their hovels to sleep at 7 or half-past 6 because they cannot afford to buy the little pot of kerosene oil to give them light while they consume their frugal and dull evening meal. So, I say, why not equalise these two duties, whereby the Honourable the Finance Member can get a revenue to the tune of one crore of rupees. And, Sir, this does not come from the poor man, this comes from the middle classes and from the richer classes of people, and if the Honourable the Finance Member can prove to me from statistics that in the mufassil areas the prices of kerosene vary, that the Burma kerosene or other Indian kerosene is sold at a cheaper rate than the Standard or other oils sold in India, then I can believe that the Government have the intention to supply a cheap medium of illumination to the poorest classes. Sir, I think the Government is acting under sentiment; and I think that when they are facing a national crisis, they should not act on their sentiments but must collect taxes from the richer classes. The fact then is that the rupee being linked to sterling is thereby giving preference to British manufacturers and traders, and this differentiation in the duty between the excise on kerosene gives preference to British capital invested in Burma and other places, and if the Finance Member or anybody from that side can prove that the differentiation in duty relieves the tax-payer and goes to cheapen, to lighten the burden of the poor man, then I shall withdraw my criticism; but, Sir, from my observations and enquiries during the recess, during the few days that I have been separated from Simla session and Delhi, I find that the price of kerosene all over the country is the same.

Sir, I could multiply further proposals for taxation (Laughter), but I dare not do that lest it should prove a boomerang which might rebound on us: and probably I might find that in his next Finance Bill the Finance Member has incorporated some of my ideas in such a way as to still further hit the poor man while at the same time not equalising the duty on the imported kerosene and country-made kerosene. Sir, I have taken this trouble to suggest these methods of taxation because the Honourable the Finance Member very often said previously that

we do not come forward with alternative proposals but always criticize blindly and make destructive criticisms. Now then I have put forward constructive suggestions which will not only relieve the anxieties of the Honourable the Finance Member but will relieve also the anxieties of those of us who are here to represent the poor man's cause and the people's cause. Sir, taxation should be equitable, and it should not hit the poor man unduly and at all times.

Sir, I must sound one word of warning to the Government. Since my Honourable friend, the Deputy President, carried his motion in the House, we have heard nothing through a communiqué or otherwise that the Secretary of State for India or the British Government has taken any note of the motion of my friend, Mr. Chetty. We want to know from the Honourable the Finance Member whether the British Government have opened any credit for India. I shall make this warning. ~~What Congress brought out their literature repudiating debts which the irresponsible Government of India in the past incurred for the aggrandisement of British rule in India and in the East, I wanted to~~ keep an open mind and to examine every item put forward in the Congress document, and I wanted to see if full repudiation was justified. But I will tell the Honourable the Finance Member this: while I have an open mind and I am willing as Mahatma Gandhi has suggested to accept reference to an impartial tribunal of the past debts of India, I as a member of this House will repudiate any loan that has been incurred by the Government of India through their blind policy of ~~linking the rupee to sterling~~; and, Sir, if today the Congress and the Nationalists think alike, on this question of the repudiation of India's debt, the Finance Member and the Government of India's master, the Secretary of State, have to thank themselves for it.

Mian Muhammad Shah Nawaz (West Central Punjab: Muhammadan): Mr. President, at a time when business is practically at a standstill, when agricultural incomes have gone down terribly, when India is passing through an unprecedented financial stringency, when the capacity of the people to pay is at its lowest ebb, it is no wonder that the supplementary ~~taxation proposals~~ unfolded by our Honourable friend, the Finance Member, have caused a storm of angry protest throughout the length and breadth of this country. It is futile to say that the proposals, drastic as they are, will not cause heart-burning and indeed it requires the mind of a stoic philosopher to submit to them. Sir, the Honourable the Finance Member has taken a very bold and courageous step, but I doubt very much whether the results anticipated by him will be realised. We are nearly approaching the operation of the inexorable law of diminishing returns. Smaller incomes and higher taxes mean an inevitable ~~loss~~ in the purchasing power of the people, and following a vicious circle ~~tend to reduce the yields from the very taxes which it is sought to raise~~. Now, Sir, the Finance Member told us in his speech at Simla that during the present year the customs duties will fall short by 10 crores, income-taxes by 14 crores, and railway receipts by 5.95 crores. In other words, instead of a surplus of 1 crore which was anticipated, we are brought face to face with a deficit of nearly 19½ crores during the current year and a further deficit of 10½ crores during the year 1932-33; and we are told to balance this huge deficit. It is therefore obvious that the financial position of our country is desperate; but the Finance Member has devised equally desperate remedies. Sir, he has

[Mian Muhammad Shah Nawaz.]

proposed three methods to meet this deficit: firstly, by imposition of additional taxation; secondly, by a cut in the salaries; and thirdly, by retrenchment in establishment, including retrenchment in Army expenditure. With your permission, Mr. President, I shall take these items in their order.

If the magnitude of the deficit is staggering, so is the width of the net which our esteemed and able friend the Finance Member has so carefully cast around us all. Indeed he has enclosed all fishes, big or small, red or white, brown or black. Nobody has escaped: nobody has escaped the lynx-eyed Finance Member. The surcharge of 25 per cent. on all import duties will affect indeed everything, from a small pin to a motor car. The prices of commodities have shot up like a bullet in the air. Petrol has gone up by two annas a gallon: the poor man's salt, of which we have been hearing so much and for which we could not give him any relief, will cost him a pie more per pound; the poor man's postcard will draw more out of him. Imported cloth has become dearer. There are going to be more duties on machinery, dyes, sugar and boots and shoes. The lowering of the taxable income from Rs. 2,000 to Rs. 1,000—a limit unknown during the last decade and a half—and the surcharge of 25 per cent. on the present taxes on incomes will be viewed with trepidation in this House and are bound to give rise to a storm of angry protests and I am afraid our able and esteemed friend the Honourable the Finance Member will not have an easy task to support in its entirety the measure which he has brought forward. More than others the middle classes will have to bear the strain, and really we do not know which way we have to turn for comfort, oppressed and depressed as we are at present. I say the agriculturists and others are being hit very hard, and it requires indeed a great amount of courage to submit to the drastic proposals which our learned friend has brought forward. Sir, I remember that on the 24th September last in Simla he declared that the main permanent measure to restore equilibrium must be by way of retrenchment, and in the interval until the retrenchment proposals were to become effective, he would resort to other measures to restore immediate equilibrium. I am sorry to say that this clear statement of the intention, on the part of the Government, has been repudiated, if not entirely falsified, by the measures he has brought forward today and by the unkind—I will not say merciless—speech he has made today on the floor of this House. He has proposed a cut of ten per cent. in the salaries of the higher officials, including the military officers. His Excellency the Viceroy has given a noble lead and set a magnificent example by voluntarily cutting down his emoluments by 20 per cent.; and the Governors of the provinces, at least of the Punjab, and the Executive Councillors of the Government of India have imposed on themselves a cut of 15 per cent. But the other higher officials have to suffer a cut of only 10 per cent. Our learned friend the Finance Member has praised the public servants, and I am not behind him when I say that they have indeed rendered great and valuable services in this country, that the I. C. S. and other services have done very well. But I have to take two serious exceptions to this proposal. In the first place, the cut of 10 per cent. is too meagre in the case of the higher officials and officers of the All-India Services, particularly when we know that these people are more highly paid than officers holding corresponding positions in

other countries of the world. It is all very well to say that a 10 per cent. cut is the fairest and most equitable. It may suit the interests of the All-India Services to place themselves on a footing of equality with their semi-starved subordinates, but this extra ordinary love of equality cannot deceive anyone. The Honourable the Finance Member, for whom we have the greatest regard, has clearly said that the services, by a cut of 10 per cent., have been hit very hard, and any higher cut than 10 per cent. is not permissible. Well, Sir, we are not enamoured of the recommendation made by the General Retrenchment Advisory Committee, but would it not be better if the emoluments of those who are getting Rs. 500 were to be cut down by the 10 per cent., and of those who are getting higher than Rs. 500 by 15 per cent.? That certainly will give us much more than 1 crore and 28 lakhs. As I say, it is for the Government to devise means. The Retrenchment Committees have done their best, but if they have made a mistake in calculation, there is no reason why the mistake should not be rectified and a higher cut announced. The second objection I have to this cut of 10 per cent. is that it is of a temporary character. Not only that the 10 per cent. cut in the salaries of officials is to be the last to come into operation, but it is to be the first to disappear. I ask, Sir, whether in the present financial stringency, in this national emergency, as our esteemed friend the Finance Member has been pleased to call it, it would not be better to make a higher cut.

And, Sir, this brings me to the Lee concessions. Our learned friend has told us today that by touching these concessions we would not gain much. Indeed he said that the retrenchment in the Government of India would not be more than 9 lakhs. As you are aware, Mr. President, we are not laying down rules for the Government of India, but we are laying down rules for the whole country including the provinces. If the Lee concessions are withdrawn, the saving would be very considerable, apart from the question of increased salaries. But I ask the Honourable the Finance Member if it is not a fact that the Lee concessions were proposed at a time when the prices were very high? Does not everybody know that the prices of commodities have declined very much since those concessions were granted? Is it not then only fair to ask that the Lee concessions should be reduced if not altogether withdrawn? As I say, Sir, it is a case of national emergency, and if the House is prepared, and the Government have practically accepted the proposals of the Retrenchment Committees that some of the posts ought to be abolished, that some of the incumbents of the posts must go,—and if the House is prepared to carry into effect such drastic measures, is it really too much to ask, is it too much to hope that the Lee concessions should be withdrawn? As I said, we must make up our minds to suffer sacrifices, and it lies with the higher officials to gladly accept a higher cut than 10 per cent., and for the time being at any rate, we feel that the Lee concessions should be withdrawn.

Again, Sir, the Honourable the Finance Member has not said anything about the new recruits. Is he going to give them the same scales or rates of pay as are now enjoyed by the present All-India Services, or is he going to reduce permanently their emoluments by 10 per cent., 15 per cent. or 20 per cent.? I ask the Government to make up their minds and to say once for all that India cannot afford to give the present salaries, and the salaries of the new recruits at least must be fixed on a lower scale.

[Mian Muhammad Shah Nawaz.]

That will effect some saving. We must cut our coat according to our cloth.

Sir, our Honourable and esteemed friend the Finance Member says that there cannot be a higher cut than 10 per cent. in the salaries of the officials. It reminds me of what Gandhiji said at Karachi. He in all seriousness says that no public servant should be paid more than Rs. 500 a month, and that none except the experts should be given a thousand rupees per month. But here is our noble friend, the Honourable the Finance Member, who says, there cannot be any cut more than 10 per cent. Moderate as I am, and most of us are not extremists, we are placed between these two extreme fires, one saying that no one except the experts should take more than five hundred rupees a month and the other in his able but none the less merciless speech saying, there cannot be more retrenchment, there cannot be a higher cut than 10 per cent. in the salaries of higher officials. Sir, we must face the facts. There is a financial crisis; the people have not got money; business is at a standstill; agricultural incomes have enormously decreased; everybody is going to suffer; all must suffer and the higher officials must also suffer. Sir, our able friend the Honourable the Finance Member says that the higher officials are very hard hit, but I think those who are getting nearly one thousand rupees per year are hit harder. Remember, Sir, that according to the Meston level, those who were making an income of less than Rs. 2,000 a year were free from imposition of any taxation and here is a poor clerk who is getting one hundred rupees a month and who is called upon to get his salary cut down by 10 per cent. and also to pay income-tax. Is the case of the latter not harder than that of the higher official whose fat salary is cut down by 10 per cent. and the tax on his income is not to be increased beyond the level he is already paying? Put the cases of these two persons in the scales of justice and see who is the hardest hit,—whether the poor clerk or the higher official? Therefore, the argument that the 10 per cent. cut is the fairest and most equitable cannot hold water for a moment.

I now come to the question of retrenchment in the expenditure of the Army. I know that India is not the mistress of her house, that we are not masters in our own house, that we cannot interfere with the policies of the Army. Therefore, we accept this cut with sincere thanks, simply because we are in a state of helplessness; but we sincerely believe that there is still ample room for retrenchment in the Army expenditure. The Honourable the Finance Member has reminded us of the Inchcape Committee's Report; he has told us that the expenditure has been reduced to nearly Rs. 46 crores and odd in accordance with the recommendations of that Committee. So far, well and good, but is he not ignoring the fact that the Inchcape Committee recommended that the strength of the battalions should be reduced? Has the strength of the battalions been reduced to the level recommended by the Inchcape Committee? Can our Honourable friend the Army Secretary say that it has been done? Well, if we were to accept the Inchcape Committee's Report, the British troops would have been cut down, and there would have been a saving of nearly Rs. 10 crores. I ask you, Mr. President, and I ask every Honourable Member of this House whether we are not safe from war now. Is not Russia far away from the base of its operation, far away by thousands of miles? Afghanistan is quiet, and there is a proposal for disarmament.

I think we are pretty safe, but Mr. President, there is a lurking suspicion in the minds of Indians that Indian Army is kept on the frontier to keep Indians down. I may not share that view, but I say as an honest man that the suspicion is there and we still believe that the number of British troops and Indian troops can legitimately be cut down by a few thousands. I do not say that the Army should be cut down very much; I do not propose that, because safety is the first rule and we must be safe in our own country. But when we are really on the verge of starvation, and when our frontiers are pretty safe, is it really not wise to satisfy the people, to make them happy and contented by reducing the Army by a few thousands? Therefore, I humbly and respectfully submit that there is still room for retrenchment in the expenditure of the Army. Again, Sir, is it not a fact that this huge Army is kept on the frontiers of India for imperial purposes? Is it not fair and just that Great Britain should contribute her share towards the maintenance of this Army?

Mr. President, the Honourable the Finance Member is really placed between the devil and the deep sea. With the suspension of the gold standard in England, nobody, not even England, with the best of intentions in the world, can bring us out of this mess. We have to solve our own problem. Let us not be pessimistic, but let us not be ultra-optimistic, because the situation is indeed very grave. We will consider the Finance Bill on its own merits. Personally I think that more retrenchment and less taxation would have been more feasible, more just, and more proper. Sir, I regret to say that the main permanent measure to restore equilibrium has taken the form of additional taxation and a half-hearted programme of retrenchment and emergency cut in salaries has been decided upon and announced in a most apologetic manner. During the course of the speech which our able friend, the Finance Member, made today, wherein he was repeating again and again that there could be no more retrenchment and that we must resort to additional taxation, I was repeating in my humble heart, "Master, have mercy on us". I do hope that he will still have mercy on us and have more retrenchment and less additional taxation, because although in a desperate financial situation, drastic remedies may be called for, these remedies must not be too desperate and so heavy as might kill the poverty-stricken of this vast country. With these words, Sir, I support the motion that the Finance Bill be taken into consideration. (Loud Applause.)

Kunwar Raghubir Singh (Agra Division: Non-Muhammadian Rural):

Although I am prepared to congratulate the Honourable the Finance Member on his proposal to tax some of the foreign articles, the same thing cannot be said about his other proposals, that is, his proposals 3 P.M. to tax articles of daily use which will hit the poor people most. He proposes to tax salt further, which will fall generally on the poor people who will be very hard hit. No responsible, elected and representative Member of this House can grudge the Government help for their taxation proposals, but the time for taxation must be appropriate. The condition of the country is so very critical that the people are absolutely unable to bear any further taxation. The country is already overtaxed, and so it will not be advisable to impose any further taxation.

Sir, the Honourable the Finance Member proposes that the limit of income-tax should be from Rs. 1,000. When His Majesty the King Emperor visited India, he announced it as a boon that the income-tax would be levied on incomes over 2,000 rupees. Now, the proposal of the

[Kunwar Raghubir Singh.]

Honourable the Finance Member is exactly opposed to this. When the question of reducing the salaries of the I. C. S. was being considered, it was said that because they were appointed by the Secretary of State therefore the Government of India had no power to reduce their salaries. In the same way, I would say that His Majesty the King Emperor having announced as a boon that incomes below Rs. 2,000 a year would not be taxed, it cannot be within the power of the Government of India to cut down that boon without the sanction of the King Emperor. Secondly, the Finance Member wants to increase the postal rates. The poor people will be hit very hard and I do not think the Government can derive any special benefit from there. Those poor people who could not send telegraph messages or letters used to buy a postcard and send their messages to their friends or relatives as the case may be. But now if the postal rates are increased further, the poor people will be unable to do so, and therefore, all the elected Members of this House must oppose this raising of postal rates. During the war we were told that the increases in the telegraph rates and postal rates were temporary, but there has been no reduction; on the contrary, a further increase is proposed. This will work very hardly on the poor people and every elected Member of this House must be against this proposal.

As regards retrenchment, there is a great grievance in my constituency about the abolition of the postal workshop at Aligarh. Thousands of men will be without bread, and although it showed a profit of Rs. 1,30,000 and the loss was only Rs. 28,000, they propose to abolish it. It will spoil the trade of Aligarh lock factories, which were established there merely on account of this postal workshop which is going to be closed down from January next. There are other avenues of income, but they are not being tapped in my humble opinion. For example, they could propose taxation on the export of bones. Bones are very necessary for the fertilisation of the soil. India being an agricultural country, it is very necessary that the bones should be taxed. If you like, you can further tax sugar; of course, it will help the agriculturist. But to propose such taxation as would hit the poor people would be very inadvisable in my opinion in the present state of the country. And when we are expecting a new constitution very shortly, it will be hard to further increase taxation and thus impair the popularity of the Government. So I request that these new forms of taxation should be tapped and the incidence of such taxation as is proposed should fall on the rich and not on the poor people. No one will grudge the Government the petrol tax or other taxes which fall on the rich, but we are bound to oppose taxes which fall on the poor people. Therefore, Sir, I would request the Honourable the Finance Member to consider the other proposals which are being put before him for his consideration. Moreover, Sir, there is another thing about the postal rates. They are proposing an increase in the inland postal rates but not on the foreign postal rates. All the burden of the increased taxation will fall on us, and not on those people who live abroad or who are carrying on business in India. There should be no discrimination. From the speech of the Honourable the Finance Member, I thought it was against discrimination, but here is discrimination. The increase on inland postage will fall on Indians in India, while the foreign postage will not be increased. It will go scot free. I suggest there should be no discrimination of this sort in taxation.

Kumar Gupteshwar Prasad Singh (Gaya, cum Monghyr: Non-Muhammadan): Sir, in speaking on the Finance Bill which we have met to consider, I have only a few remarks to offer. I am not an expert in financial matters and I cannot be expected to overwhelm the House with facts and figures which can be utilized to any purpose from supporting a case to opposing the same outright. The jugglery of figures is not for me. But the position is incredibly simple, and even a layman can understand it and the implications of the Finance Member's proposals. Now what is the position, Sir, which has brought us together in an extraordinary emergency sitting so soon after the ordinary session closed? It is an extraordinary gap between the Government's revenues and its expenditure—a gap which has disturbed even the solid normal complacency and equanimity of the Government generally and the Finance Department of it particularly. The Finance Member has of late been betraying signs of great earnestness in going about the business of balancing the Budget. He has been appointing committees and sub-committees to advise him in effecting retrenchment and in otherwise reducing the expenditure. Even the Army Department, which has always been a closed book, has been, he says, fully opened now at least to the Members who have been on the Retrenchment Committee. Previously the Department themselves had been asked to examine their expenditure with a view to seeing if the same could not be reduced and the percentage of reduction had been fixed roughly at ten to every hundred.

All this makes a good show of earnestness and I doubt not that Sir George Schuster has been making strenuous efforts to effect retrenchments. But, Sir, the ailments that have assailed us are extraordinary and only extraordinary remedies can cure them. Sir George's statement on the financial position, however, does not give us—at any rate it does not give me—the impression that extraordinary remedies were really ever thought of. To put it in a few words, the position as explained by him is that, against an estimated deficit of 19 crores 53 lakhs in the current year and of 19 crores and 50 lakhs in the year to come (1932-33) retrenchment and cuts in salaries will only yield a reduction of 90 lakhs during the current year and 8 crores 90 lakhs during the next twelve months. In other words in the course of 18 months the total savings to be effected will be 9 crores 80 lakhs, say in round figures, nearly 10 crores out of a total estimated expenditure of 204 crores (the Budget for one year's expenditure being roundly 136 crores). This works out to a percentage of roughly 5 per cent. Now, Sir, I ask seriously, is it an extraordinary remedy that is being applied? Do the proposals or measures whose cumulative effect is a curtailment of but 5 per cent. on an expenditure that has always been held by all competent critics as beyond the means of the people, give any the least indication that the seriousness of the position has been realized? Do they at all show that those who are responsible for them do really consider that the position is critical? A reduction of 5 per cent., Sir, is less by full fifty per cent. than even the proposed reduction of 10 per cent. which the Departments had been instructed to bring about by their own efforts. What have then the Retrenchment Committees and Sub-Committees contributed? Were they then appointed only to prove the truth of the official contention that no retrenchments or at least only very small retrenchments are possible? Or is it that these Committees have not been given full latitude to recommend retrenchment, wherever possible, at any rate to traverse the whole field without let or hindrance?

[Kumar Gupteshwar Prasad Singh.]

I need not, however, speculate upon the reasons that have led to the proposals for this meagre and wholly unsubstantial retrenchment of only 5 per cent. The fact is, and no one can deny it, that with all earnestness or the show of it there is to be a curtailment of only 5 per cent. in the expenditure. And to me it seems, Sir, it is a wholly inadequate appreciation of the seriousness of the financial position of the Government and the country alike that is responsible for the proposals that have been put forward by the Finance Member. But if there is lack of a sense of seriousness in the proposals for retrenchment, there is no lack of it, in fact there is an overdose of it, in the proposals that have been made for increasing the burdens of the people. That these proposals indicate a complete lack of responsibility hardly admits of doubt. The people have been hard hit—that is a fact which cannot be seriously contested by any one. That they have been subjected to increasing burdens in the shape of direct and indirect taxes no one can deny for a moment. And this has gone on for now over a decade, to put it modestly. Only last March there was an increase of taxation to the tune of about 14 crores, and before even a half year is out there are fresh proposals for taxing the people to the extent of nearly 24 crores within a period of 18 months. Within two years, therefore, the burden on the people is to increase by only a little less than 40 crores. I do not take into account the previous increases which were neither small nor light. The increase last March and the now proposed increases between them give us the staggering figure of nearly 40 crores, or say roughly 20 crores annually. I ask, Sir, whether this is an amount which the people in the depleted condition of their resources are, or can be expected to be, able to bear. The condition of the people, as is well known, is desperate. It is not unknown, Sir, that very nearly famine conditions prevail in large tracts of the country. There is not only increasing unemployment, there is also a want of markets for the goods which the people must exchange for money, before they can buy even their ordinary necessities. But even where off chance places a market within reach the prices offered are too low—in fact lower in many cases than even the cost price. The vast bulk of the population, Sir, is dependent on agriculture and the plight of the agriculturists is a matter of common knowledge. Does not the Finance Member know, Sir, that several Provincial Governments have been compelled to make large remissions in rents and revenues? Only the other day a Government Committee in the United Provinces recommended reductions in rent to the maximum extent of fifty per cent. of the existing scales. But the rider to the recommendation that in no case should the remission be more than fifty per cent., itself suggests that in the view of the Committee there were cases—and a large number of them too—where a remission of even more than fifty was necessary. That shows the extent of distress among the United Provinces agriculturists. And the position is not much different in the other provinces though the Provincial Governments may be sitting tight in their purblindness. Is it then contended, Sir, that the people who cannot afford to pay even the rents of their holdings upon which their very existence depends, are in a position to pay nearly twenty crores during the next 18 months—for it must be remembered that the major portion of the additional burden will ultimately fall on these people? And this, in addition to any further amount which the Provincial Governments which are already reported to be in search of means to saddle the people with fresh burdens—will surely

sooner or later call upon them to find, for the benefit of their own exchequers.

The proposals for fresh taxation are, therefore, under these circumstances preposterous. To expect that any sane person, any one who has even the slightest acquaintance with the condition of the people, will support them is to court disappointment. The Finance Member, Sir, has expressed great sympathy with the people. But what is the value of this sympathy when the only effect of his proposals is to break them completely? Are we to understand, Sir, that the twentieth century meaning of sympathy is to give a push to the man struggling in water so as to drown him immediately thereby giving him immediate relief from the pangs and pains of struggling for existence? The people are without the ordinary means of livelihood, they are not in a position to procure or provide for even bare necessities; many are famished, starving. But all the same they are to be called upon to make further contributions to the Government treasures. They are to forego even the scanty pinch of salt that they may have been enjoying as the sole condiment of their none too delicious, nor healthy and adequate food. They must cease using kerosene oil and matches and must content themselves with living in utter darkness. They must forget their kith and kin and not remember them even through a postcard. They must pay more for their cloth or convert themselves into Jain Sanyasis or Hindu Nagas, or if they are not so religiously minded, adopt the more modern and civilized cult of nudity, whose health-giving virtues are being so increasingly recognized by the Westerners. I need not speak of the effect of the lowering of the taxable minimum for income-tax upon the slender means of people who ten to one never knew what decent existence meant and who, but for the compulsion of keeping up appearances, specially if they happened to be in Government service, would have dressed like beasts, as they very often are compelled to take almost beastly food. Sir, I come from a province which is admittedly poor, whose only resources are its agricultural fields and where consequently all financial burdens ultimately fall upon the agriculturists. And I can speak from an intimate knowledge of the condition of the people what the effect of the Finance Member's proposal will be on them. I must frankly state, Sir, that this would be simply killing.

I am extremely sorry I cannot support the Finance Member's proposals. The argument that it is a national emergency calling forth national sacrifices has really no substance in it. The people had never a hand in framing the Budget; they never had control over the expenditure. They are not allowed to control policies. Why should they then be asked to shoulder burdens on the plea of national emergency? The present situation is largely the creation of Government and its advisers. The Government have never listened to the people. They have never responded to their call for economy. They have gone on increasing expenditure almost at their sweet will. They have created new posts, filled them with men of their own choice at rates of salaries of their own fixing.

(At this stage, Mr. President vacated the Chair, which was taken by Mr. Deputy President.)

They have raised loans, fixed exchange rates, contracted currencies, depleted reserves without any reference to the people without even

[Hansar Gupleshwar Prasad Singh.]

earing to inform them as to what was happening, as to what new schemes were in contemplation, how they were to be worked, where the money was to come from. They have fixed the strength of the Army and the amount of money to be spent over it. They have acted to the dictation of Whitehall, engaged in wars at the latter's bidding and assumed the responsibility for maintaining a large alien Army at rates of pay determined by others. In all these and many other similar matters, there never was an attempt to carry the people with them. But when everything has been mishandled and mismanaged, when they find themselves deep in the mire, when they have landed things in a morass, they now appeal to the people in the name of a national emergency to make sacrifices beyond their means and resources. It is highly improper, Sir, to make such an appeal and to a people who have silently made all sacrifices demanded of them and are now in a position where they themselves stand in dire need of relief, when their economic condition is in a state of complete collapse.

And the sacrifices are being demanded when the Government have not themselves gone about the business in a serious, determined manner. Since pre-war days the Government expenditure has increased abnormally. In 1914 it was in the neighbourhood of 81 crores of rupees. In 1931-32 it is nearly 186 crores. There has thus been an increase of well nigh seventy per cent. Only a part of this can be attributed to normal expansion due to the undertaking of beneficial schemes for the people. A large part is certainly due to increases in the emoluments paid to the services, to the creation of new posts and similar other things. During the war and as an after-effect of it there was certainly an increase in the cost of living. To-day, however, the index figure of the cost of living has once more gone back very nearly to the pre-war level. It is probably less than 100, taking the pre-war level to be 100. Taking this factor into account and making all possible allowances for new beneficial schemes and normal expansion in expenditure, a fifty per cent. increase on the pre-war level of expenditure would not be considered either small or inadequate. But the percentage of increase to-day is very nearly seventy. A retrenchment of twenty per cent. was therefore, the least that could have been expected from the Government if they really means business and were serious about bringing down the expenditure with a view to meeting the crisis. Instead of that we are being asked to console ourselves with a cut of merely 5 per cent. This is an absurd position and I for one cannot accept it. Not until Government have shown that they are really serious and have taken actual steps to prove that they are serious by bringing down the expenditure by 20 per cent. or thereabout, can they in fairness ask the people to make further sacrifices. And if they do that, they will find that the gap has been covered, the deficit has been made up, that the people need not be called upon to add to their existing contributions, which are more than they can afford even in normal times, not to speak of the present abnormal days.

One word more and I have done. The other day Sir Samuel Hoare, the present Secretary of State for India, is reported to have told a number of delegates to the Round Table Conference that the British

Government alone could decide the size of the British Army in India. Accepting for a minute the soundness of the view, may I ask, Sir, what is it that prevents that Government, who have declared their intention of lending as much money as the Government of India needed to keep their heads above water, from deciding now, when Indian finances are in a morass, to cut down the strength of the British garrison to a figure well within the competence of India to support. The question of Indianization of the Army may be a matter of policy. It may be awaiting discussions and settlements between the Indian delegates and the British Government delegates to the Round Table Conference. But the decision to increase or reduce the strength of the British Army in India is more or less an administrative question, and even if it may involve questions of policy, it is a matter in which the British Government are fully empowered to take any action they like. If that Government are so anxious to prevent a financial collapse in India, why do they not decide to reduce the strength of the British Army in India by, to begin with, at least half its present numbers? Such a step will not only help to bring down expenditure and put Indian Government finances on a more stable basis, it will also be a gesture of good-will towards the people of India, who have always suspected something sinister in the retention of such a large alien Army and who have ever regarded it as an army of occupation. And why do not the Government of India, who never fail to appeal to the good sense of the people, appeal to the good sense of the British Government. If that reduction were to take place—and we see no reason why it should not—that alone would bring down the military expenditure by nearly eight crores. This combined with other economies in the military expenditure will give from the Military Budget alone a saving of over 12½ crores, if not more. And it will not be altogether an exorbitant saving to expect. The Military expenditure in pre-war days was less than 90 crores. To-day it is stabilised at 55 crores though on account of the spread-over of certain equipment charges the figure for 1931-32 stands only at 51 crores 90 lakhs. Allowing for an increase of even fifty per cent. which is much too high, the military expenditure should not even normally exceed 44 crores which means a saving of about eight crores. When to this is added the reduced cost of maintaining the British Garrison due to reduction in its strength, the total savings ought to be somewhere near 15 crores. If these economies were effected together with corresponding economies in the civil departments which account for not less than a net expenditure of twenty-five crores, the net result will be a figure which will very nearly, if not completely, cover the whole deficit. And if any deficit still remain to be made up, the improvement in the trade situation which Government themselves expect as a result of their present financial measures will fully cover it. There is no need, therefore, Sir, for fresh taxation and I humbly but firmly oppose any proposal for such taxation. The Government must first prove their earnestness. They must first cut their expenditure to the bone. They must take all measures to remove pampered flesh. And when they have done all that and done this in a manner to impress the people that they have so done then only can they come to them for further contributions. Then only will their conduct be justified. They have done nothing of the kind yet. On the contrary they have demonstrated that they do not realise the seriousness of the situation. They have shown complete ignorance of the condition of the people; they have

[1st Nov. 1931.]

[Kumar Guptheshwar Prasad Singh.]

betrayed an absolute lack of sympathy for them. They cannot, therefore, expect the latter to support them. They cannot induce them to lay down their lives for keeping them alive. There is nothing of patriotism in such a course. There is no high ideal involved in it. If the people are called upon to make sacrifices they must know that the cause is worthy, that it is worth their lives. They cannot make sacrifices for the blunders and bunglings of others and without any gain to themselves or to their country with only the sure prospect of an early doom. With these words, Sir, I oppose the motion of the Finance Member.

Mr. Phuput Sing (Bihar and Orissa: Landholders): Sir, I beg to oppose this Bill. I am supported in my opposition not only by the entire Indian public opinion but also that of some European Associations and Chambers of Commerce, who are not unoften against Indian interests.

At the outset I must say that I am doubtful whether under the present constitution such a Bill can be brought in embodying the provisions that it does. A Finance Bill, which intends to cover a period for which the customary annual Budget has not yet been presented, which anticipates a future year's budgetary proposals and extends beyond the limit of the present financial year presents a fit subject to my constitutional lawyer friends for their investigation as regards its legality or otherwise. Such a Finance Bill is something novel and without a precedent.

Sir, while I yield to none in my estimation of the true financial position in which the Government have been placed, I am not morally certain that they have exhausted all their resources or an adjustment of the situation. A desperate situation needs a desperate remedy but our Government have evidently ignored the wisdom that underlies this pregnant saying. I cannot lead myself to believe that they have done all that has been humanely possible to do under the circumstances. Their retrenchment proposals, in not going far enough and being halting and hesitating in their nature, have sadly disappointed our expectations. They have exposed themselves to charges of partiality, selfishness and cruelty in not adopting a graduated scale in the matter of reduction of salaries all round. Their proposal to include the surcharge in the proposed additional income-tax has been a matter of no less criticism. In their desire to protect the interests of the British elements everywhere they have evidently bade good bye to honesty and fair play.

Sir, if the Government of India have been landed in such a tight financial position, it is I dare to say entirely of their own creation; and for this they are entirely responsible. Year by year they have directly either themselves or indirectly through the agencies of British and other European companies, by fostering their monopolies, drained away enormous capital from the country. They have for years managed the currency and credit policy of the country at the behest of the India Office to the utter neglect of the country's interests. Their borrowing policy and conversion operations have been systematically carried on throughout these years for the sake of only British interests. Year after year the new taxation proposals have gone on diminishing the purchasing power of the people. Their capital projects, involving lakhs and crores, undertaken mainly with a view to foster British industries, have been wasteful of the country's resources and ultimately ruinous to the Government's

finance. Their top heavy civil administration has been run only with a view to provide *cushy jobs* to Britishers of mediocre or indifferent abilities on fat salaries. Their military administration, based on a policy of entire emasculation of the people, and causing acrimonious divisions among them, has been a sink of the country's finance. Their Royal Commissions, League Delegations, Round Table Conferences, introduced more to benefit their friends and proteges and to afford them a chance of touring widely at the people's expense than to serve the real interests of the country. The result have year after year swallowed up huge sums of the people. The result of all this is that, with abundance of real wealth in the country, millions of people have to go without proper food and the necessities of a civilised life. Year in and year out patriotic Indians and Indian publicists have denounced such imprudent and unwise financial policy of the Government both in the Press and on the platform, and the only reward that they have hitherto got for their timely warnings has been more and more attention from the C. I. D. The shibboleths of the security of the Indian finance paraded from time to time all these years by different Finance Members have all been torn to pieces by what has come to pass now.

Sir, the main plank of the taxation proposals in the Bill is a temporary surcharge of 25 per cent. on all existing taxes, including income-tax and excise duties, except customs export duties, and an increase of 50 per cent. in inland postage rates. The proposal for the levy of import duties on machinery and raw cotton militates against all maxims of sound finance and commercial policy. In such a time of acute industrial depression, the levy of a duty on machinery is bound to increase the difficulties of the industrialists and arrest further expansion of industries. Not is there any valid reason for the levy of the import duty on raw cotton. The Indian cotton manufacturers, who have so long restricted themselves to the turning out of coarse products, are just attempting a diversification of their products by importing a superior quality of raw cotton from abroad. In their report on the cotton textile industry, the Tariff Board have stressed the need of diversification of Indian cotton manufacture, and the spinning of the finer counts of yarns with the imported cotton. ~~They have thought, not only would make India independent of a considerable amount of foreign imports of the finer quality, but would~~ also secure for the local industry an expanding market. The proposed duty on raw cotton is therefore bound to handicap greatly the Indian manufacturers and thus place the cotton industry of rival countries in an advantageous position. Similarly, the Indian Industrial Commission has recommended that the import of machinery from abroad should be unrestricted, and has instanced that such policy is universally observed by almost every civilised country. Therefore, when import duties will act prejudicially upon the expansion of industries, such measures are bound to produce an unfavourable reaction upon the sources of other revenues. The raising of the income-tax rates at such a period of trade depression and dark agricultural and industrial outlook is not only cruel but also unwise. It is true that by reducing the exemption limit to Rs. 2,000 there will be some addition to the revenue, but the extent of the sacrifice that the assesses will have to make will be in all conscience really much too much. We should not forget also that, unlike England, we have not here that elaborate system of giving relief by way of concessions, and allowances to those upon whom the income-tax is levied. Therefore, as long as this depression continues, any attempt to increase the revenue

[Mr. Bhupat Singh.]
by taxing smaller incomes of salaried and professional men, is sure to be met with a reduced yield from trade and industry. Then, Sir, import duties, in order to be productive of revenue, must not be pitched at too high a figure, for such a course will diminish consumption and frustrate the anticipation of an increased yield. Again, as the demand for India's imports is more or less elastic, it is quite unlikely that there will be any substantial improvement in the revenue by such high import duties. Finally, owing to the collapse of prices of agricultural commodities which this country exports so largely, the purchasing power of the people has been so much crippled, that unless there is a substantial improvement in that capacity, a diminution in the consumption of the imported goods is the inevitable consequence. The additional duty on salt means further misery to the poor, who are just on the brink of starvation and threatening extinction, owing to the abnormal fall in the prices of agricultural products with which the existence of 90 per cent. of them is bound up. Also the proposed increase of the already enhanced inland postage rates by 50 per cent. will not only be economically unsound but also morally unjust and extremely unpopular at the present moment.

Sir, I propose now to place before this House what our much-vaunted "fiscal autonomy" under the present reforms means for us and how the Government let us down in the matter of our finance when British interests directly or indirectly come into conflict in such a matter. When on Monday, the 21st of September last, Great Britain declared that she went off the gold standard with a view to discourage the flight of capital from that country, an Ordinance was immediately passed here suspending the obligation of the Government of India to sell Reverse Council Bills, and the Tuesday, Wednesday and Thursday, the 22nd, the 23rd and 24th September following were declared public holidays under the Negotiable Instruments Act, and the Imperial Bank rate forthwith went up to 8 per cent. In London the Secretary of State for India lost no time to undo the effect of the Government of India's Ordinance and forthwith made his appearance in the Federal Structure Sub-Committee of the Round Table Conference, which was in session then, and declared there that the rupee, notwithstanding what England had done, would still be maintained at 15. 6d. sterling when the pound itself devalued its moorings, and the Government of India, at the behest of that official, had forthwith to terminate that Ordinance, which was evidently aimed at stopping the flight of gold from India, and replace it by another neutralising the effect of the first. It may be questioned now whether the declaration of the holidays was proper constitutionally and justifiable legally. Great Britain, who was financially affected by going off the gold standard, did not herself declare any public holidays on that account, and all business went on there under normal conditions in her banks. But the Government of India justified the holidays by saying that they were given solely with the object of allowing time for measures to be taken to enable business in foreign exchange to be reopened in an atmosphere of calm and confidence.

If that be the only argument in their support, there was no danger if they had allowed the Indian banks to conduct all ordinary banking business, other than in sterling and foreign exchange, during those days.

The declaration of the holidays suddenly in the midst of the normal business period of the year, and without prior intimation, caused great unnecessary panic and runs on banks in general and a good deal of financial disturbance everywhere. The creation of such a panicky situation at such a time of gloomy financial outlook in the country betrayed an absolute want of foresight and judgment on the part of the financial advisers of the Government, and the policy cannot but be condemned as one of extreme nervousness and as betraying a lack of sincerity of purpose and courage of conviction. Sir, from the days of Adam Smith, none has challenged the proposition that the efflux of gold and a fall in exchange are the unerring tests of an inflated and consequently a depreciated currency. It is therefore difficult to understand how the Honourable the Finance Member, who recently advocated the adjustment of prices, has failed to advocate the adjustment of the currency as the only logical method for stabilising prices. For fear of prolixity I refrain at this place from dwelling upon the proposals which Sir John Caird, Director of the Bank of Commerce, Canada, and Mr. Macaulay, President, Sun Life Assurance Co., of Canada, advocated in that country for the adjustment of prices as the only means for shortening the duration of trade depression and unemployment; nor do I propose to enter into the details of the measures that were adopted by the U. S. Federal Reserve authorities between 1922 and 1931 in stabilising prices, for I feel sure that all those proposals and measures must be by now in the knowledge and possession of the financial advisers of the Government, being themselves now placed in a similar plight. I say therefore that any measure, which ignores the currency and standard questions in dealing with trade depression, is liable to ignore both the lessons of history and the self-evident truths of economics, and intentionally omits to try a possible remedy.

Sir, what I want to point out, in conclusion, is that if the Government mean business—if they are really anxious to tide over their present financial difficulties—let them not try the remedy by fresh additional taxation. The time is neither opportune for them, nor are the people at all willing to bear them. Drastic economies everywhere is all that is required. Cutting down by 40 per cent. of the existing heavy expenditure on civil and military administrations, the regulation of currency, and the restriction of the reckless borrowing policy and the carrying on of the conversion operations in favour of the country's interests can only ameliorate the situation considerably forthwith. Only let the Government move about their task with sincerity of purpose and courage of conviction, and with only the well-being of the country as their sole consideration. Sir, with these words, I oppose the Bill.

Major Nawab Ahmad Nawaz Khan (Nominated Non-Official): Sir, I rise to support the Bill in its present form for two main reasons. First of all, I do not think that the whole House can produce another Bill in such a form which will be acceptable to each and every Member. The second reason is this: so far as I have seen personally, I have seen that the Bill in its present form is very well balanced with great impartiality and justice and there seems to be no reason why we should reject it for very trifling reasons against it. It is easy to criticise any thing on questions of detail, but we as an Assembly are here to help in the administration of our country and to find out better and better ways of how to govern the country; and in such a difficult financial

[Major Nawab Ahmad Nawaz Khan:]

crisis we have not only to criticise by destructive proposals but we should have some constructive ones. It would have been much better if the Members had produced after consultation together any form of Bill which would have proved better than this: then there would have been some reason to oppose the items contained in this Bill. But merely for the sake of some interests, personal or communal, if the Bill is to be criticised, I do not think it is worth while to oppose it on that basis.

I wish to say one word about the Army, as one of my friends has said that there should be further cuts in the Army. Many of us perhaps have not been in the fighting line or living in such districts which are always in great danger. As air is necessary for life, though air is cheap and nobody cares for it, so for the safety of India an army is as necessary as oxygen is for life. And that not only for external purposes, but for internal too, though some people think that there is no external danger at present. I say that there is no specific time for death or for wars. But leaving the question of external dangers, even for the internal peace, maintenance of law and order an army is very necessary. It was only the other day at Dera Ismail Khan that we had on a very small scale a communal riot. My Hindu friends asked me and I asked the Deputy Commissioner for the maintenance of law and order the Army should be present there. We had a good force of constabulary, but as the men in the constabulary were all Muslims and the demand of the Hindus was that they had no faith in the Muslim soldiers; so I requested the Deputy Commissioner and we had Gurkhas there. After that there was a danger that there might be something happening between these two classes, and after all we had the machine guns controlled by British soldiers and then there was real satisfaction in the city. You would have seen these things happening many times in Peshawar and other places also. So I say further cuts in the Army would be detrimental to the peace and safety of India and more so to Indians than to the British Government. The strength of the Army in India is really the pivot of the whole safety of the Indian Empire.

Mr. A. Das (Benares and Gorakhpur Divisions: Non-Muhammadan Rural): Sir, originally I did not wish to detain the House at this time, and I thought I would listen more to the speeches on the other side in support of the Honourable the Finance Member before I said anything on this side of the House. But finding that there are very few speakers on this side of the House and that we have still got half an hour—somehow or other we have got to keep the House going till half past four (Laughter),—and therefore I am on my legs to address you for what it is worth for a few minutes.

First of all, the question that arises is this: I do not think we have applied ourselves quite correctly to the proposition as to who is responsible for the present financial crisis. We have had over 150 years of British administration, and every year during the last ten years the figures to the Honourable the Finance Member, the expert, have bulked him, and instead of getting a surplus, he has always found a deficit. And this history is not new; it has been repeated year after year, and still we find that when the Finance Member made his speech last March, he did not expect anything like the present deficit which has come over the country. However that is a matter of the past; but would we be any wiser by

agreeing to additional taxation year after year unless we find out the real remedy? It is quite true, as the speaker who preceded me has just said, that there is no use criticising unless we are able to find means to balance the Budget. That is true, but I expected something more from my Honourable friend who last spoke: does he mean to suggest that he agrees with all the proposals which have been made by the Honourable the Finance Member?

Major Nawab Ahmad Nawaz Khan: Yes.

Mr. A. Das: Coming now to the question whether it is possible to have retrenchment in other directions or not, the first question of vital importance is this: whether there should be a uniform cut of 10 per cent. in all salaries or whether there should be a graded cut.

(At this stage Mr. President resumed the Chair.)

The Finance Member has tried to make out that he had considered the problem very carefully and he could not think that anything would be more fair than to have a 10 per cent. cut all round. I am afraid that most of us on this side of the House do not agree with that view. The fallacy which underlies that argument, to my humble mind, is this: on the one hand the Finance Member thinks that 10 per cent. is the maximum cut that can be levied on highly salaried officers and there can be no further reduction in their salary beyond this 10 per cent. cut. On the other hand he also said that, in order to meet the present deficit, if you have a cut of lower than 10 per cent., he will not get the same amount which he would get if he had ten per cent. cut. I submit that that is a proposition which is very much open to doubt. For instance, compare the pay of those officers who are getting over Rs. 2,000 a month and those who are getting just about Rs. 100 a month. In the latter case, with a 10 per cent. cut you reduce it by Rs. 10, whereas in the former case you reduce it by Rs. 200. But with those officers who are getting over Rs. 2,000 a month, in my humble judgment, even if you cut them down by 20 per cent. you are really cutting down a portion of their savings, or a portion of their extra expenses, without really touching those items of expenditure which are absolutely necessary for living. On the other hand if you make a cut of 10 per cent. on the lower paid officers, who have practically no savings and who live unfortunately in a country like this from hand to mouth, you do not merely cut their savings: the poorer a man is the larger the family he has to support—a wife and one or two daughters—and with them he can hardly make any saving. So if you cut down 10 per cent. in the case of lower paid officers, or those who are getting less than Rs. 200 or Rs. 250 a month, my humble submission is that it means actually cutting down their very essential expenditure, while a similar cut in the case of officers drawing Rs. 2,000 and over would only mean, as I have said before, a cut in their savings, or perhaps it would mean depriving them of a few more pegs of whisky or a little less expenditure in their card games and other luxuries, which could easily be avoided. So I do not think the Honourable the Finance Member is quite right in saying that a 10 per cent. cut is fair both to the higher as well as to the lower officials. First of all, it was always a question of doubtful economy whether a country like India could afford to pay such huge salaries to officials amounting to Rs. 2,000, 3,000, 5,000 and even more. However, that is not our present concern, but when you have such highly paid officials, I do not understand why, if there is a case of

[Mr. A. Das.] If there is a real financial stringency or financial crisis in the country, there should not be a cut in the pay of officers drawing Rs. 2,000 and over of at least 25 per cent. if not more. Therefore, proposition that there should be a uniform cut of 10 per cent. in the case of all officers from top to the bottom is one with which most of us on this side of the House cannot agree for a moment, and the reasoning advanced in support of that proposition is faulty, because 10 per cent. is not the maximum which they can give. Certainly it is not even the minimum, because when a man drawing Rs. 200 or less a month can give 10 per cent. off his income, why are you not justified in cutting down the salaries of people drawing Rs. 1,000 and over by 25 per cent.?

Then the Honourable the Finance Member said that no further retrenchment in the Army would be possible without cutting down the actual numbers. I find here in the memorandum which has been circulated to Honourable Members in regard to the Army cut, the Commander-in-Chief says he has agreed to this cut, but with very grave warnings. The Finance Member says:

"His Excellency the Commander-in-Chief has, however, warned the Government of India that the sacrifice he is now making must inevitably involve a lower standard of efficiency in peace and a considerably reduced state of preparedness of war, and that the risk involved can only be justified by the magnitude of the financial stringency."

Very fine words indeed, Sir. Now, on the one hand you accept this cut in the Army with a great deal of cry, with a great deal of warnings and threats, because if anything goes wrong, the blame will be on the Government of India. That is a position of which nobody would be envious. I mean the position which the Government of India is taking. What I say is this, that without going into these comic threats, the Commander-in-Chief can easily accept these cuts. I know quite well that neither the Commander-in-Chief, nor the Finance Member, nor the Government of India would ever be in such a position as to accept a cut in the Army expenditure, if such a cut were to entail the least amount of danger to their safety. They must first make their position safe, and after securing that safety they would be prepared to make any cut, but in order to reduce the expenditure in the Army, they had to say something, and therefore this sort of sword of Damocles had to be held up by saying, "I accept the cut with this reservation." But the point is this. It has not been urged on the Government Bench that why we should not go back to the pre-war strength in the Army. How has the Frontier of the country, I ask, been in danger since the war to justify the present expenditure. The pre-war expenditure was about 20 crores I think, and if serious thought is given to that aspect of the question, I submit it might be possible to make a good deal of reduction not only in the Army expenditure but also in the strength of the Army itself.

Apart from the Army, it is also possible in the various branches of the civil administration to go back to pre-war times, and that would also give us a considerable amount of saving. Then apart from these two things, the Army and the civil administration, there is another avenue which my friend, Mr. B. Das, suggested. He asked why not tax tea, hide and kerosene? I must be perfectly frank, Sir, because these three industries are mostly in the hands of Europeans in this country, and by not trying to put on an additional tax on these three important industries, the

Finance Member is exposing himself to the criticism that, while most of the industries which are in Indian hands are heavily taxed, those which are in the hands of foreigners have not been taxed in the same proportion in a time of crisis like the present and therefore I think the proposal that a duty should be imposed on tea, kerosene and hides is one which is worthy of consideration by the Finance Member.

Then, Sir, coming to postal rates, I think I am right in saying that when the present value of the postcards was raised from one to two pice and that of letters from half anna to one anna, there was a deficit in the amount realised from the post office, and even now if you increase the price of the postcard and envelope in the way you propose, I doubt very much whether the income you will derive will be commensurate with your expectations. I have heard people say, and perhaps there is a great deal of justification for it, that by increasing the postal rates, at first because the people are not used to new rates they reduce the amount of their correspondence, but after a year or two when they get used to the increased rate, they get back to the normal condition, and this is only a temporary measure lasting only for a year or 18 months. So I doubt very much whether Government will gain very much by increasing the postal rates in the manner they propose to do.

Then, Sir, before resuming my seat, I want to bring to the notice of the Finance Member the real hardship which would be caused to a number of low paid officials drawing less than Rs. 50 or Rs. 40 by this cut. On the one hand, by discharging 100 of them, you can hardly save even one thousand rupees a month, but if you make a cut of say Rs. 1,000 in the salaries of highly paid officials drawing more than Rs. 8,000 or so, you can make an equally good amount of saving, but which would be the fairer of the two—to make a saving by discharging 100 men drawing Rs. 50 and less and throwing so many families virtually on the streets, or to make a big cut in the salaries of officials drawing Rs. 8,000 and more? Certainly, officials drawing Rs. 8,000 and over can afford to make sufficient sacrifices in a time of financial stringency like the present. Therefore, I submit that, as far as the 10 per cent. cut is concerned, I do not think this House can agree to the principle of the 10 per cent. cut from the highest to the lowest, but there should be a graded cut, that is to say, a higher cut in the case of higher paid officials and a smaller cut in the case of low paid officials, and no cut in the case of officers drawing Rs. 100 and less a month.

Shri Parmanand (Ambala Division: Non-Muhammadan): Sir, it is only a few months since this House passed the Finance Bill. That Bill was passed—at any rate most part of it was agreed to by this House—I really do not understand what has happened during these four months that has forced the Honourable the Finance Member to bring in a supplementary Finance Bill before this House. Evidently, the reason is that he is afraid of a great deficit. He thinks that the estimates which he had made of the revenues of the Government would not be fulfilled and the whole amount would not be realised, therefore he has brought in a supplementary Finance Bill before us. If the expectations of the Honourable the Finance Member have not been realised in the case of the first Finance Bill, I do not understand how he can be sure that this supplementary Bill will make up all the deficiency that he wants to make up. I think we should go to the root cause of this difficulty of realisation of Government revenues; we must diagnose the real trouble and find out the right remedy for it.

[Bhai Parmo Nand.]

As far as I can see, there are two classes of people, one is that which produces the commodities, and the other class is that which has got fixed income in rupee salaries. These two classes have been entirely adversely affected by the economic depression and the general fall in the prices of commodities. While the producers of commodities in the country have lost very much by the fall in prices, the people who have got fixed incomes in the shape of salaries, have gained immensely by it. If we propose any new taxation, we shall have to see where the incidence of this taxation falls. If the incidence of that taxation falls on the class which produces the commodities, then surely we must understand that those taxes also won't be realised, and fresh taxation won't be a solution for the financial difficulty of the country. This is the view I take of the political situation in the country. We know there are people in different provinces who are trying to start a campaign of the non-payment of taxes. They are listened to, not because people are against the Government and want liberty or freedom, but because the peasants and the landowners are not in a position to pay any kind of tax to the Government. Their inability to pay this revenue lies at the root of this non-payment campaign. I submit that we shall have to keep in mind these two different classes whenever we propose any new taxation and try to find out on whom the taxation will fall. My Honourable friend, Mian Muhammad Shah Nawaz, spoke about the poverty of the agricultural classes. It is as clear as daylight that the income of the agriculturists, who are the real producers of wealth in India, has fallen very low. It is not because the produce of the land has in any way decreased, but it is because of the general fall in prices. The prices of commodities have fallen and therefore the people are unable to buy the other necessities of life and to pay their dues. If the new taxation falls upon them in some form or another and they are unable to purchase certain things—salt, medicine or other necessities of life—surely then the income from the salt tax or increased postage rates won't come up to the desired amount and will not in any way add much to the revenues of the Government.

What is the real remedy then? We know the price of the rupee has increased manifold on account of the fall in the prices of commodities. The natural result is that those people who produce the wealth of the country have got no income, they cannot pay tax and the Government revenue, while those who have got fixed salaries, whether in the military or in any other service—the value of the rupee having enhanced—are very much better off. Therefore that part of the Honourable the Finance Member's argument that he could not tax the higher paid officers or other salaried people any further is very weak. I would submit, Sir, that it is only that class the value of whose salaries has increased that should be made to make up all this deficiency. If you don't tax the salaried class, then naturally the taxes would fall on the producers of wealth, and they being unable to pay, the difficulty would remain the same and the problem of the financial trouble of the Government would never come to an end. When I say salaried income, I include in it not only the military but also the Home charges. There is a very large amount of Home charges that have to be paid in rupee and that is exactly why the Secretary of State wants to link the rupee to sterling. As long as India has to pay a large amount of Home charges, as long as India has to pay such a vast amount in military salaries, the prices of commodities which form the wealth of the country having fallen very low, how can the problem

be solved and how is the gulf to be bridged? That is the main question before us. This is not a temporary question that can be solved by one supplementary Bill. Perhaps, again, next year the same question will come up, and again the year after and so on; if this economic depression, this large abundance of produce goes on in the way in which it is going on, this financial difficulty would always remain with the Government. The final solution would lie in this, that the Government should, value at its appropriate price the Home charges as well as the military and civil expenditure, including the salaries of its civil and military servants. I ask, when we talk of increase of postage rates or increase in salt duty, what do we gain? I do not think a few lakhs of rupees would in any way solve our financial trouble. We should go to the root cause of the trouble and try to remove the disease from its root which lies in our system of exchange on the consequent fall in prices of commodities. We should regulate all our expenditure on the salaried people and the Home charges according to the prices of commodities, let the rupee go to its normal level, its own price, its own value, and then all these commodities will be sold at their proper prices. Then of course it will be that the commodities will rise in prices and the producers will get proper value and be in a position to part their dues to the Government. Unless we remedy the disease from the root, I do not believe this kind of supplementary demands with an increase in postal rates or in the price of salt will help us very much.

Again, Sir, I object to the duty on machinery seriously. Machinery is the only thing that we want for the industrial development of the country. If machinery is to be taxed, it follows that the people will not have more machinery in the country. There will be more unemployment and the labourers will not be able to get enough work. This duty on machinery like the salt tax, or such other taxes, will not bring in more revenue. It will only add to the deficit of the Government and this won't help to solve the problem in any way. Therefore I would submit to the Honourable the Finance Member that instead of applying cements over the surface of the bill, he should cut it open and see where the real pain is, and remove the poison and remedy the financial difficulty of the Government for ever. These temporary applications and this temporary treatment of the symptom won't be of any avail. With these few words, Sir, I resume my seat.

Mr. Balchand Navalrai (Sind. Non-Muhammadan Rural): Sir, at this end of the day I do not think we can do full justice to the Finance Bill. After the address of the Honourable the Finance Member in which he promised to give certain memos that he had prepared and certain materials that he had collected in support of his case, I thought that it was my duty to draw the attention of this part of the House that this debate on this side of the House should have commenced tomorrow. Last time when this Bill was introduced, certain papers were supplied to us, and in those papers were the address of the Finance Member, the Finance Bill and the Explanatory Memorandum. That was all that was supposed to be given. Now certain details have been given and it is very necessary that those details should be gone into before the Finance Bill is constructively opposed. Therefore, in order to do justice to this matter, it is necessary that this debate should be continued tomorrow. As it is in your hands, Sir, to postpone the debate to tomorrow and as it is half past four now, I would request you to see in the circumstances that if we put it now,

[Mr. Lalchand Navalrai.]

only put it generally. We put this thus, retrenchment is small. We say you are not making proper cuts in the salaries. We say that taxation is not necessary. We go further and say that you are keeping a surplus of Rs. 7 crores for the years 1931 and 1932-33. These are all only general things. But in order to show on facts and figures that the Finance Bill is not justified, it requires that all the details should be studied. However, as it has fallen to my lot to speak at this hour, I will say a few words in opposing the Finance Bill.

The first point that I take is this. It appears to me that there is no precedent in the constitutional history of India for presenting a Finance Bill for 18 months. At least since the life of this Assembly there has been no Bill for 18 months. I see that constitutionally the Finance Bill should be placed along with the Budget at the Budget time. First of all you place the Budget before the House to show to the House what demands you are making, and then you place the Finance Bill to justify the revenue. You are now putting the cart before the horse. The Budget was placed before the House during the last Delhi Session. Demands were placed before us; they were considered; there were cuts in the Demands and there was discussion over the Demands. First the Demands were disposed of, and then the Finance Bill came up for discussion in view of the Demands that were passed. Not that the Finance Bill was passed first and then the Demands were considered. What do we find now? I see from the speech of the Finance Member to-day that he has not even given us the estimates that are the basis of the Finance Bill. He has not estimated on estimates which we can examine. He is asking that this Bill be passed on a forecast. Is this ever done? I would submit that these forecasts would be nothing but speculative, and I think it is a gambling business. The very first point that I raise is, therefore, fatal to this Bill being passed. Only six months previously a Bill was passed. In that Bill it was provided for so much revenue being recovered and so much expenditure being met. After a few months we are told that there is going to be a deficit. Who can say what will happen after six months? There may be a miraculous change within a few hours, or within even a few days. We do not know what the conditions will be after six months. Then after six months it will be said that there will be another deficit and you must provide against it by taxation. Government know that part of the country is now entering on a no-tax payment campaign. What is it? You see that there is agricultural depression. They have become bankrupt. What are you doing now? You are asking the commercial people and the industrial people to oppose you with a no-tax payment campaign. You are charging them 25 per cent. more income-tax. How are they going to pay that tax? If you are in real fear, wait for six months and then bring in this Bill. Nothing is going to happen. Government are not going to come to a standstill, if these taxes are not raised now. Government know ways how to borrow money, how to pay large sums of interest in England. Why not wait for six months and see for yourself the condition on facts and figures? Why speculate? You say you are going to provide for next year also. I cannot understand the philosophy of that.

It is all a fallacy. You do not know what is going to happen. Do you know the Members who are here now in this House as at present constituted will be here in the year 1932-33? You are asking us to pass the Budget for the Honourable Members who will compose this House then. Some other Members may be coming into this House. They may tell you at the time of the next Budget, "Wait, we will find out a better course for your deficit".

Mr. B. Das: No, no. We will be with you.

Mr. Lalchand Navalrai: I know you will be here, but there is no knowing how many present Members will be here. In your presence many Members went away. One of them we were very sorry for at the last Simla Session. Is it within your province I ask at this time, to pass a budget, is it within your province to pass a Finance Bill for the next year? You are doing a thing now which does not lie in your power and you are asking us to join hands with you. I think on a matter like this every one of us should oppose the Finance Bill and tell the Finance Member, "Do not be impatient, but wait till six months and then see how your difficulties can be overcome". I may be pardoned I am constrained to use the word "tease", but I must say, do not tease the people; do not tease them by asking them to pay more income-tax and an increase in other taxes like the salt tax and postage . . .

Mr. E. Studd (Bengal European): May I ask the Honourable Member as he wants to postpone taxation for six months, whether he wants the proposals for retrenchment postponed for six months also?

Mr. Lalchand Navalrai: I am saying that even proposals for retrenchment can wait. The whole thing goes together; retrenchment and the proposals for taxation come before us to meet the deficit. If you are going to make retrenchment, you admit the deficit, but how can you say what the deficit is by mere guess? I have not yet read the fresh papers that have been placed in our hands to-day; therefore we are not in a position now to say that they supply any fresh facts to show that this Bill is justified. I have, however, read the papers that were supplied to us last time, and I am positive that on the very first point it is not constitutionally correct to pass the Bill; it is not correct in practice, and it is not correct in the way in which budgets come before this House. So far as the legal question of bringing a Finance Bill before the House, 18 months ahead is concerned, it is a phase which I think on the Indian law and Indian practice, can be decided in the negative. As to the English law or English practice, I must confess that I have not been able to go through that law and practice but I consulted one of the greatest lawyers in India and he could tell me only that, it is true that any Bill can come into the House. That of course I also concede that any Bill can come into the House for consideration, but even those who are of the opinion that any Bill of any nature can come up into the House find it very difficult to say that a Bill can come up to provide for 18 months ahead.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions, Non-Muhammadan Rural): Six months ahead.

Mr. Lalchand Navalrai: The Bill provides for these six months and it also provides for 12 months more. If you read what you have got, you will understand that it is for 18 months. The Finance Member has placed before you figures showing approximately, not exactly, a deficit of

1916

LEGISLATIVE ASSEMBLY.

[4TH NOV. 1931.]

[Mr. Lalchand Navarai.]

19 crores at the end of these six months. In the year 1929-30 there was a surplus of 27 lakhs. Then in the year 1930-31—according to the revised figures—the deficit was 12 crores and 68 lakhs; whereas it is now said that, by retrenchment and taxation, the deficit will come at the end of this Budget year to 7 crores and 70 lakhs. Then it is being anticipated that there will be a surplus in the year 1932-33, after another 19 crores are made out by retrenchment and taxation, of 7 crores and 70 lakhs. That is the position.

Mr. S. C. Mitra: It is six months ahead.

Mr. Lalchand Navarai: I am saying that it is anticipating 18 months ahead. Well I follow the Honourable Member now. He means that for six months it is only speculation or forecast and the Honourable the Finance Member if he waits for six months may be able to base it on estimates. Yes we rely always on estimates. Perhaps there may be justification for Honourable Members like Mr. Mitra to support the Bill, but at present there is no justification at all. I also do not understand the necessity for the Honourable the Finance Member to provide for a surplus by these methods of retrenchment and taxation. Why should he be in anxiety at present for getting a surplus? From his address the only inference is that by a surplus he will show to the world that India is solvent. Does not the world know how we live? Does not the world know where we stand? Does not the world know that we have been reduced to poverty? The poverty of India is an old cry, but the present day depression has made it hard for India. Do not, Sir, I appeal to the members of the Government, do not put us on harder days. You will see that the people are not able to pay the taxes and they are not able to live even from hand to mouth. To tax them is very hard. Then, you will say that you are not taxing the poor. I think the reply to that is self-evident. You say that the poor are not being taxed. Now take the question of income-tax, the small income-tax that you are going to put on people who draw Rs. 83 a month. They will have to pay income-tax now. You know what the history of this tax is. You had income-tax at some time on incomes of Rs. 1,000, and you also know how much public opinion was against it. You were driven to stop it. Now again to impose that income-tax is like adding insult to injury. When the poor people are not able to live, you ask them to pay you income-tax. Of course you will cut it from the salaries of Government servants who are bound in your hands, but I do not think other people are going to pay you. So much for the tax on incomes of Rs. 1,000. You must see what is the public opinion on it. It is keenly against it and how much revenue are you going to get from that tax? You are not going to get crores of rupees from it. You will get about 37 lakhs. That is not going to meet the deficit of 19 crores. Then come to the second item, the postal stamps. I did not exactly follow what the Honourable the Finance Member said about a mistake. He said he was going to cut three pias from the increased price of the envelopes. He did not say anything about reducing the price of the postal cards. This is a small mercy that you are going to make. Now, is it the poor man that is going to use the envelopes? I say that you are not fair to the poor man. You always say that you want to help the minorities, the depressed classes and the poor men. Is it the way to help them? So far as the postal cards are concerned, I think it will be

cruel to make the increase. I learnt from a responsible Government officer, who was investigating into the Budget, that he could so manipulate figures as to show a surplus as a deficit or a deficit as a surplus. These are the ways of Budget. I appeal to the Finance Member and say let there be some manipulation by which the poor man should not be taxed.

Then, Sir, there is the income-tax of 25 per cent. increase going to be levied on the so-called rich men. I again say that you are taking people at a time when they cannot bear it.

Then you have the additional tax on machinery. Rich men are already suffering on account of the depression in industry. You cannot say that they are in as good a position as they were before. By your taxes you will depress them still further. Is it fair? You always say that you are anxious to help industry. Is this the help that you are giving them or are you cutting the ground from underneath their feet? So far as commerce is concerned, there also you want to add 25 per cent. more to income-tax. You should realise that the merchants are not in the same solvent condition as they were before. In my part of the country I know of Sindh work merchants who were living like princes. Some of them are bankrupt now. Some of them are tottering and you are asking them to pay more tax. If Government adopt their present policy, they will also go to the insolvency courts to recover their dues. I ask you therefore to reflect and ponder over the thing. Do not be led away by the apprehensions that you feel, and think that Government will go bankrupt if you do not impose these taxes. Therefore I submit that you should not think of a surplus now. In that case you will only need 9 or 10 crores, and by adopting the recommendations of the Retrenchment Committees and yourself pursuing a policy of proper retrenchment, you can meet the deficit without extra taxation. Why bother people with any taxation? I shall put my constructive proposals before the House, if not tomorrow, at some time during the course of the Finance Bill. Therefore I appeal to the Honourable the Finance Member not to be in a hurry. As regards the reports of the Retrenchment Committees, they are said to have been sent to us but I have received only two, the report of the Army Committee and the other of the Railway Committee. They were received, at least, by me only about 8 or 10 days back, and as a professional man I must confess I had no time to go through them except in the railway train. Even then I could only look at them here and there. I asked one of the railway experts to help me with some notes but I have not been able to read them. I ask the Finance Member, competent and experienced as he is, to find out for himself the best methods to save us from the taxation asked for. On my part I do not see any justification for it and I oppose the Bill.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 5th November, 1931.

LEGISLATIVE ASSEMBLY.

Thursday, 5th November, 1931.

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

QUESTIONS AND ANSWERS.

TIME-SCALE OF PAY FOR THE SECOND DIVISION IN THE GOVERNMENT OF INDIA SECRETARIAT.

1201. *Mr. Muhammad Muazzam Sahib Bahadur: (a) Are Government aware that the time-scale of pay (*viz.*, Rs. 80—100—8—900—350) fixed for the Second Division of the clerical establishment in the Government of India Secretariat is illusory, inasmuch as a clerk who starts service in that grade can scarcely reach the maximum of the scale in the ordinary course by getting annual increments?

(b) Is it a fact that the clerks who have been confirmed in their appointments after the introduction of a leave reserve have not been allowed to draw increments in respect of their continuous temporary service prior to confirmation, as was the case before the system of leave reserve was introduced? Are Government aware that this has rendered the chances for reaching the maximum of the scale of pay fixed for the Second Division all the more remote and created a general discontent among the clerks who entered service long before the introduction of the leave reserve but were confirmed after its introduction?

(c) If the answer to part (b) is in the affirmative, do Government propose to consider the advisability of such hard cases being exempted from the operation of the general cut in salaries that may ultimately be decided upon?

The Honourable Sir James Ormer: (a) No.

(b) The ordinary rule is that the minima of the various Divisions can be drawn only on confirmation. Temporary and officiating service prior to confirmation does not, therefore, count for increments. As, however, owing to special conditions prevailing during the War, men had been employed in a temporary capacity for long periods, exceptions to the ordinary rule were made in individual cases of special hardship, such men being allowed to count some of their temporary service for purposes of increments. Since the introduction of the leave reserve the ordinary rule has been more strictly enforced. The reply to the second part of the question is in the negative. Government do not consider that the enforcement of the ordinary rule has affected generally the chances of men who were in temporary employ before confirmation, of reaching the maximum of the grade.

(c) No.

RATES OF PAY IN CERTAIN CURRENCY OFFICES.

1202. *Sardar G. N. Mujumdar: (a) Will Government be pleased to state whether the inquiry about the rates of pay in Cawnpore, Lahore and Karachi Currency Offices, which was entrusted to Mr. Jukes has been completed? If so, when and by whom was the inquiry made?

(b) Will Government be pleased to state whether it is a fact that the Currency Union has been informed that the question was departmentally inquired into? If so, why was the inquiry done departmentally?

(c) Will Government be pleased to state whether it is a fact that the Nixon Inquiry Committee recommended an increase in the scales of pay of shroffs, although from the departmental inquiries Government have repeatedly stated that there is no justification for the increase? If so, why was the question departmentally inquired into?

(d) Will Government be pleased to state whether the local associations were allowed to be represented at the time of the inquiry? If not, why not?

The Honourable Sir George Schuster: (a) The points were examined by Mr. Jukes in March, 1931.

(b) The Union was informed that these matters would be examined departmentally. The decision to deal with them departmentally was come to after a discussion with a deputation of Members of the Assembly.

(c) and (d). The Nixon Inquiry Committee did recommend an increase in the scale of pay of shroffs in Bombay and the Government applied their conclusion to the shroffs in all Currency Offices. The Committee analysed the position of clerks in the Bombay Currency Office, set out the relevant considerations, and concluded that no revision was necessary in their case. With this model before him, Mr. Jukes found it unnecessary to conduct a local enquiry in each place, and consequently no question of a representation of the local Associations arose.

PAY OF SHROFFS IN CURRENCY OFFICES.

1203. *Sardar G. N. Mujumdar: (a) Will Government be pleased to state the extra cost sanctioned by them on account of the recent revision of the pay of shroffs (excluding Head Shroffs) in Currency Offices in India and Burma and the actual expenditure likely to be incurred by the several Currency Offices on this account during the official year 1931-32?

(b) Is there any difference between the two figures? If so, why?

(c) Have all shroffs benefited by the revision? If not, why not?

(d) Are Government prepared to apply the same rules to the present revision as was done in the case of the revision of 1924 in the case of clerks?

The Honourable Sir George Schuster: Government are obtaining certain information to enable them to reply fully to the Honourable Member's question. A further answer will be sent to him as soon as possible.

SUBSTITUTION OF PROVIDENT FUND FOR PENSION SYSTEM.

1204. *Sardar G. N. Mujumdar: Will Government be pleased to state whether any decision has been arrived at in the matter of substitution of the provident fund system (as obtaining in the Railway Administration) in

lieu of the present pension system? If not, when is the question likely to be decided?

The Honourable Sir George Schuster: I would refer the Honourable Member to the reply given on the 21st September, 1931, to part (a) of question No. 600 put by him on behalf of Mr. S. G. Jog.

PENSION OF INFERIOR SERVANTS OF THE GOVERNMENT OF INDIA.

1205. *Sardar G. N. Mujumdar: (a) Will Government be pleased to state whether the question of pension to inferior servants of Government was included in the terms of reference of the Labour Commission? If not, why was the decision deferred till the report of the Royal Commission on Labour was available?

(b) As the report is now out, will Government be pleased to state whether they have come to any final decision in the matter? If not, how long do Government intend to keep this important question pending?

The Honourable Sir George Schuster: (a) The reply to the first portion is in the negative. The object in waiting for the report of the Labour Commission was to see whether they would recommend Contributory Provident Funds as more suitable for low-paid subordinates than pension.

(b) I would refer the Honourable Member to part (a) of the reply given by me on the 21st September, 1931, to question No. 601 put by him on behalf of Mr. S. G. Jog.

ABOLITION OF A RAILWAY MAIL SERVICE SORTING SECTION BETWEEN DHOND AND MANMAD.

1206. *Sardar G. N. Mujumdar: (a) Will Government be pleased to state the principles governing the introduction and abolition of sorting sections in the Railway Mail Service?

(b) Are Government aware that a sorting section of the Railway Mail Service working between Dhond and Manmad has very recently been abolished and, if so, will Government be pleased to state whether or not it resulted in causing delay to the correspondence of the public?

Sir Hubert Sams: (a) The introduction or abolition of sorting sections in the Railway Mail Service is governed by a large number of considerations, among which are the timings of the trains, the volume of mails, the number and importance of the post offices served by the railway line, the comparative quickness of delivery secured by having a sorting section in the train as compared with the extra cost involved, the connecting trains at the starting and the terminal stations and so on. The principle followed by the Department is to avoid sorting in trains so far as is consistent with public convenience and public facilities and to have the sorting done in stationary mail offices on railway platforms or in post offices. This is done both in the interests of the staff, who find working in travelling trains far more exhausting than in stationary offices, and in the interests of economy so as to save the payment of avoidable haulage charges to the railways.

(b) One of the two sorting sections of the Railway Mail Service working between Dhond and Manmad has been abolished with effect from the 1st August, 1931. This has resulted in a saving of nearly Rs. 10,000 to

Government on haulage charges alone. No delay has been caused to the correspondence of the public nor have any complaints been received by the Postmaster-General, Bombay, on this score.

ABOLITION OF CERTAIN POSTS OF INSPECTORS IN THE RAILWAY MAIL SERVICE, BOMBAY CIRCLE.

1207. *Sardar G. N. Mujumdar: (a) Will Government be pleased to state the data, if any, laid down for the creation and abolition of the posts of Inspectors in the Railway Mail Service?

(b) Is it a fact that certain posts of Inspectors in the Railway Mail Service in the Bombay Circle have been brought under reduction, have been kept vacant and are under contemplation of being abolished?

(c) If the reply to part (b) above be in the affirmative, will Government be pleased to state whether the work is being or will be carried out strictly in accordance with the rules on the subject?

Sir Hubert Sams: (a) The sorting work to be checked, the inspection work to be performed, the duties in connection with foreign mails and the record of statistics and other matters are the determining factors in fixing the number of Inspectors, Railway Mail Service.

(b) Six appointments of Railway Mail Service Inspectors in the Bombay Circle have been brought under reduction during the current financial year. No such post is vacant nor is the abolition of other such posts under consideration.

(c) Yes.

DUTIES OF CERTAIN POSTAL EMPLOYEES CONSEQUENT ON RETRENCHMENTS.

1208. *Sardar G. N. Mujumdar: (a) Are Government aware that, as a result of retrenchment, certain classes of Postal employees are required to perform duties of posts carrying a higher scale of pay and, if so, will Government be pleased to state whether or not the procedure newly adopted is in contravention of the prescribed one?

(b) If the reply to the latter question in part (a) above be in the affirmative, do Government propose to take steps to put a stop to it?

Sir Hubert Sams: (a) Government have no information to show that the case is as stated.

(b) Does not arise.

+1209—1212.

TRANSFER TO A CONTRACTOR OF THE TREASURY WORK OF POST OFFICES IN BOMBAY.

1213. *Mr. S. G. Jog: Will Government be pleased to state:

(a) whether 7 time-scale appointments at an average monthly cost of Rs. 770 were brought under reduction when the treasury work of the Town Sub-Offices in Bombay was given by contract and that the contractor was paid Rs. 788 more for this work;

+These questions were withdrawn by the questioner.

(b) whether it is a fact that the National Cash Register has been lent to the contractor and, if so, what is the monthly rent recovered on that account;

(c) whether furniture and stationery have been supplied to the contractor by the Postal Department and, if so, the amount paid by the contractor to the Department for this facility;

(d) whether, as a result of the contract, the work of paying amounts to the depositors on account of withdrawals from savings bank accounts which was originally done by the Cash Department of the Bombay General Post Office has now been got done by the Savings Bank Department itself? Have Government considered the question whether if the work of the Treasury Branch would be done by the Department, the cost of working the Treasury Branch would be still less than the subsidy which is being paid to the contractor;

(e) whether it is a fact that the contractor has now been recovering a sum of Rs. 200 from the Bombay Postal Co-operative Credit Society for the work which was done free of charge when the Treasury Branch was worked by the Department; and

(f) If the replies to parts (b), (c) and (d) above be in the affirmative, are Government prepared to reconsider the whole question?

Sir Hubert Sams: (a) The facts are not as stated by the Honourable Member. When the treasury work of five important town sub-offices in Bombay was given on contract on the 1st January, 1928, seven time-scale appointments were brought under reduction. The average monthly cost of these 7 appointments on the then existing scales of pay was Rs. 785 to which however must be added leave and pensionary charges at 80 per cent., which makes the total of Rs. 955-8-0. The contractor was not paid a subsidy of Rs. 788 per month for this work. The contract was given on a subsidy of Rs. 1,250 per month for performing the treasury work of the 5 important town sub-offices in Bombay and of the Poona City sub-office. The contract to which the Honourable Member refers expired on the 31st March, 1930.

(b) The National Cash Register was purchased for use in the Treasury Branch of the Bombay General Post Office on the 2nd March, 1925. The treasury contract of the Bombay General Post Office began on the 1st April, 1925. The treasury contractor was required to utilise the National Cash Register in the interests of the Department and there was no question of lending it to him. Consequently no rent was recovered. The National Cash Register has not been used since the 1st October, 1930, as the work for which its use was prescribed is no longer performed.

(c) Yes, under the terms of the contract the necessary furniture and stationery have to be supplied to the contractor by the Department. Tenders were called on this understanding and consequently no amount is or can be recovered from the contractor.

(d) Under the departmental rules the work of paying the amounts to the depositors on account of withdrawals from the savings bank accounts is required to be done by departmental officials. This work was excluded from the work required to be done by the contractor when tenders were called for. The reply to the latter part of the question is in the negative.

(e) Under the terms of the contract, the contractor is not required to perform the work of recovering the dues due from the staff of the Department to the Bombay Postal Co-operative Credit Society. The recovering of the dues of the Co-operative Credit Societies by disbursing officers at the time of payment of salaries is a concession given by the Director-General to the staff of the Department. The contractor had been performing this work under protest for a long time and a private arrangement has at last been reached between the Society and the contractor with which the Department has nothing to do. Government understand that the Society has agreed to pay an honorarium of Rs. 200 per annum for the work which the contractor is doing in connexion with the recovery of its dues from the staff at the time of payment of their salaries. If this agreement had not been arrived at, the Postmaster-General would have made arrangements for the performance of this work by the departmental staff.

(f) The existing contract is due to expire on the 31st March, 1935. Government do not propose to determine the contract and to work the Treasury Branch by departmental staff, as such management would be far more expensive involving for the treasury work of the Bombay General Post Office, its five town sub-offices, and Poona and Ahmedabad head offices and the Poona City sub-office an extra cost of Rs. 30,834-4-0 per annum.

CASH SECURITY REQUIRED FROM THE CONTRACTOR OF POSTAL TREASURY WORK IN BOMBAY.

1214. *Mr. S. G. Jog: Will Government be pleased to state:

(a) whether the contractor doing the work of the Treasury Branch of the Bombay General Post Office and of some of its Town Sub-Offices, was to furnish a security in cash alone and in no other form to the extent of Rs. 8,00,000; and

(b) if the reply to part (a) above is in the affirmative, will Government be pleased to state whether he has actually furnished it in cash and if not, why not?

Sir Hubert Sams: (a) No. The selected tenderer was required to furnish security in Post Office Cash Certificates (purchase value) or Government promissory notes (market value), though it was also open to him to furnish a substantial portion of the security in cash.

(b) Does not arise.

ORDERS FOR SELECTION OF PERSONNEL FOR RETRENCHMENT IN GOVERNMENT OF INDIA OFFICES.

1215. *Mr. S. G. Jog: Will Government be pleased to state:

(a) whether they have issued any orders for selecting the personnel for retrenchment in the Government of India offices, and, if so, will a copy of the same be placed on the table; and

(b) whether it is the intention of Government to refuse to allow men to continue in service after the age of 55 years without exception?

The Honourable Sir George Schuster (a) Yes. Departmental instructions have been issued. Government regret that, in accordance with normal practice, they cannot place a copy on the table.

(b) Government's general policy is to discharge first of all those whose work has proved unsatisfactory; and next those who have attained the age of 55. Exceptions to this order will be made only when there are strong public reasons for the retention of individuals over that age.

NEW APPOINTMENTS MADE IN THE POSTAL DEPARTMENT.

1216. *Mr. A. Das: (a) Will Government please state if it is a fact that the following new officials have been appointed during 1931:—(1) a new Publicity Officer for post offices, and (2) a new additional Assistant Director?

(b) If the answer is in the affirmative, will Government state their salaries?

(c) What was the need for their appointment when retrenchment is sought in every branch?

The Honourable Sir Joseph Bhoré: (a) Yes. The second additional post is that of an Assistant Director-General, not of an Assistant Director.

(b) The Publicity Officer is a Superintendent of Post Offices on his own scale of pay. His present pay is Rs. 675. The pay of the Assistant Director-General is Rs. 1,125.

(c) The post of the Publicity Officer has been created for one year as an experimental measure in order to ascertain whether the revenue of the Posts and Telegraphs Department can be increased by utilising its advertising resources to their fullest extent. The post of a temporary additional Assistant Director-General is in substitution of a higher post, viz., that of the post of Deputy Director-General, Staff, and is therefore a less costly arrangement. It is in fact a measure of retrenchment.

RETRENCHMENTS IN THE POSTAL DEPARTMENT.

1217. *Mr. A. Das: In the Postal Department how many posts carrying a salary of Rs. 500 and how many carrying a salary of under Rs. 500 have been reduced?

The Honourable Sir Joseph Bhoré: If, as is presumed, the Honourable Member's question refers to current retrenchment, no posts referred to have been reduced pending the issue of orders by Government on the report which has recently been published of the Retrenchment Advisory Committee on the Posts and Telegraphs Department.

THE INDIAN FINANCE (SUPPLEMENTARY AND EXTENDING) BILL—contd.

Mr. R. K. Shanmukham Chetty (Salem and Coimbatore *cum* North Arcot Non-Muhammadan Rural): Mr. President, in introducing his supplementary Finance Bill, my Honourable friend appealed to this House to be fair in its criticism, and he assured us that he always welcomed fair and honest criticism. Again, in moving the motion for the consideration of the Bill, he appealed to us to eschew sentiment, to face facts and to avoid destructive criticism. If it were not for the fact that we on this side of the House know what an amiable person the Honourable

[Mr. R. K. Shanmukham Chetty.]

the Finance Member is, we would be inclined to take offence at these repeated suggestions. These suggestions, repeated often and often, might be construed to contain a derogatory innuendo and to give offence by implication. But as I said, knowing my Honourable friend as we all do, we feel that it was not his intention to give offence by suggesting that we indulge in unfair or dishonest criticism. As he himself felt and said, the task on which we are engaged is not a very pleasant task. He expressed the hope that by the measures that he has introduced, he would enable the world to know that India was determined to live within her means. We are at one with the Honourable the Finance Member in making every endeavour on our part to live within our means. Whether as private individuals or as governments, no one can afford to live long beyond one's means. But the remedies applied by governments in achieving this end are very often fundamentally different from the remedies to which a private individual resorts in making up his mind to live within his means. In the case of a private individual, as in the case of a government, the problem of living within the means available is very often difficult and vexatious, but the private individual has in most cases only one course open to him. He has to cut down his expenditure to enable him to live within his means. But a government is very often tempted, and in practice what they often do, is to attempt to increase their revenues in their attempts to live within their means. It makes all the difference in the world whether, in living within your means, you cut down your expenditure or you increase your revenues; and as I said, governments all over the world are in the very fortunate position of having at their disposal means to increase their income whenever they want to live within their means. This method unfortunately is not always open to the private individual. But even governments reach a point when they begin to realise that they cannot increase their income according to their will and pleasure; and the Government of India today have, along with the other Governments of the world, reached that point when they have come to realise that, like the private individual, they must make an honest attempt to retrench expenditure if they are to live within their means.

The plight in which we find ourselves today is certainly one which we share with the rest of the world. There is some consolation in that we are not alone in this miserable economic plight; but I want this House to realise that, though world causes have considerably added to our difficulties, we really began to live beyond our means five years ago. It might be that one becomes wise after the event, and if I give a retrospect of our exact revenue and expenditure position for the last five years it is not with a view to find fault with my Honourable friend the Finance Member, but with a view to enable us to realise that the position in which we find ourselves today is one which, though aggravated by world causes, is nevertheless one which was inherent in the Indian financial position even five years ago. It might be that even if some of us were in the position of the Honourable the Finance Member, we might not have realised five years ago where the then existing financial position would ultimately lead us to. As I said, it is easy to be wise after the event. But in appreciating the significance of the position in which we find ourselves today, it will do us good to realise that it is not one which has come about suddenly. I said that we began five years ago to live beyond our means. This state of affairs started from the year 1927-28. If

Honourable Members will turn to page 9 of the Explanatory Memorandum by the Financial Secretary and the table given there, they will find that, for the year 1927-28, we closed our Budget even without a deficit or a surplus; but if the figures are analysed it will be found that, that year really disclosed a deficit of 222 lakhs of rupees, and that amount was made good by the predecessor of my Honourable friend by drawing from a revenue reserve fund that was created in the previous year. In the year 1928-29 the year closed with a deficit of 32 lakhs of rupees, but in effect the deficit was 106 lakhs of rupees: because this deficit of 32 lakhs was arrived at after drawing another 74 lakhs of rupees from the Revenue Reserve Fund. That withdrawal exhausted the resources of that fund. In 1929-30, my Honourable friend took charge of the financial affairs of this country, and though that year closed with an apparent surplus of 27 lakhs of rupees, if Honourable Members will read my Honourable friend's Budget speech for that year, they will find that this so-called surplus of 27 lakhs of rupees was the result of a windfall of over 1½ crores from the German liquidation account. The net result of that year, again, therefore, was a deficit of over 1½ crores. In 1930-31 we gave my Honourable friend additional taxation to the extent of 5 crores, and yet the accounts of that year disclosed an uncovered deficit of 12 crores 68 lakhs of rupees. In 1931-32, the current year with which we are dealing, Honourable Members will remember that we sanctioned an additional taxation of 15 crores, and today our friend the Finance Member tells us that, in spite of this additional taxation of 15 crores, there would be a deficit of 19 crores 55 lakhs. From this retrospective review of our financial position, Honourable Members will therefore realise that from the year 1927-28 we have been really living beyond our means, and if today we find that the extent to which we have gone in this direction is more than we could have anticipated in 1927-28, it is, I submit, as much due to the position created five years ago as to the aggravation caused by world causes.

Sir, the Honourable the Finance Member has resorted to the very extraordinary and unusual practice of giving us a Budget for 18 months, and I must submit that whatever might be the merits of this procedure, it certainly has caused a great deal of confusion in the proper appreciation of the figures of revenue and expenditure for 18 months. One has to examine the figures very carefully to realise whether a particular figure relates to the whole period of 18 months or to the six months of the current year or the 12 months of the coming year. I do not know, whether when the National Government presented their Supplementary Finance Bill to the House of Commons, they adopted this device of providing taxation for 18 months' at a stretch. Whatever might have been done in England to meet the situation, I fail to appreciate the reason that actuated my Honourable friend in taking this unusual course. Sir, I can explain the anxiety of my Honourable friend to adopt this extraordinary course by only one explanation. If Honourable Members would carefully read the figures given by him, they would realise that in spite of all his attempts, in spite of proposals for additional taxation for the current year, the current year's balance sheet is still left with a deficit of over 10 crores. This deficit of 10 crores my Honourable friend wants to make good not by retrenchment or taxation proposals for this year, but by the surpluses that he would get by his taxation and retrenchment proposals for the coming year. I can explain this procedure of my friend only by his anxiety to provide in advance for the uncovered deficit of the current year.

[Mr. R. K. Shanmukham Chetty.]

Sir, what exactly is the position with which we are faced today? My friend has told us that in the current year there is a deterioration in revenue to the extent of 11 crores 83 lakhs, that the commercial departments have deteriorated to the extent of 5 crores 48 lakhs, that income from miscellaneous items has deteriorated by 56 lakhs, and the net result is a deterioration by 17 crores 37 lakhs in the revenue. To this must be added an increase in expenditure to the extent of 2 crores 18 lakhs. I want my Honourable friends on this side to realise that the expenditure as forecasted in the revised estimate is 2 crores 18 lakhs more than the expenditure forecasted when the Finance Member presented the Budget; but to be fair to my friend, I must also explain that a great deal of this excess expenditure is due to the increased interest charges on account of Treasury Bills in the hands of the public. Honourable Members might remember that the Finance Member expected that at the end of the current year he would probably see 45 crores worth of Treasury Bills in the hands of the public; but those who have been observing the progress of the sale of Treasury Bills would have found that at one time it reached the enormous figure of 85 crores. No doubt, the difficulties of my friend were enhanced by the deterioration in the revenue position, but the fact remains that expenditure under this head is over 2 crores of rupees more than the expenditure provided for in the Budget. The net result of all this is that we are faced with a deficit of 19 crores 55 lakhs. Assuming that the same revenue and expenditure will remain for the coming year, my Honourable friend has rightly taken that the deficit for the next year would also be an equivalent amount, that is, Rs. 19.55 crores.

How does he propose to meet this deficit? There was a good deal of talk of the attempt made by the Government in effecting retrenchments in the civil and military departments of the Government. While I do not desire in the least to minimise the attempt, the honest attempt made by my Honourable friend and the various departments of the Government of India to reduce expenditure, I want Honourable Members to realise the very significant fact that the total amount expected for the current year, both in retrenchment and in cuts in pay, is only Rs. 90 lakhs; out of a deficit of Rs. 19.55 crores, it is only Rs. 90 lakhs that are proposed to be met by retrenchment and cuts in pay. My Honourable friend by his proposals for additional taxation expects to raise Rs. 8.48 crores in the current year. This will therefore give him 9.38 crores, still leaving a deficit of Rs. 10.17 crores in the current year. For the next year my Honourable friend expects to effect by cuts in pay and retrenchment economies to the extent of Rs. 6.90 crores. He expects to raise by additional taxation Rs. 14.83 crores, thereby improving the position by Rs. 24.73 crores. The deficit being only Rs. 19.55 crores, this would give him for the next year a surplus of Rs. 5.23 crores. Now, this surplus which he expects to realise in 1932-33 he proposes to utilise for the deficit of 1931-32. This would still leave a combined deficit for the two years of Rs. 4.94 crores, which my Honourable friend proposes to make good by reducing the amount set apart for the reduction and avoidance of debt. That, Sir, briefly stated, is the proposal of my Honourable friend.

Now, let us apply our minds in a fair and honest manner to an examination of these proposals. I stated at the very outset that every

one on this side of the House, in fact, every Indian, whether inside this House or outside, is as anxious as, if not more anxious than, the Finance Member of the Government of India to maintain the financial soundness and integrity of this country. After all, we might be pardoned for saying that the financial integrity of India is a concern which affects the Indian even more than the Europeans in this country. Let there not be any misunderstanding on this point. If to-day we find ourselves unable to accept some of the proposals of my Honourable friend, it is not because we want to put a spoke in his wheel, it is not because we do not realise to the fullest limit the necessity for placing the finances of our country on a sound basis, but because we are honestly convinced that in the matter of tax burden we have reached a stage which might be considered to be almost a breaking point. If we are not in a position to offer alternative methods more effectively, it is because of the peculiar position in which we are placed. If some of the remedies that we suggest are considered impracticable by the other side, and if we are accused of being dishonest in our criticism, I would again submit that it is not because there is anything inherently defective in our point of view, but it is solely due to the fact that we as a permanent and chronic Opposition are placed in a position in which we are unable to prove to the world that we can carry our own ideas into practice. (Hear, hear.) It may be that my Honourable friend may consider some of my criticisms or proposals as impracticable. He being an honest man himself would not attribute dishonest motives to me, but I know there are people ready both in this House and outside who would attribute to Indian criticism an element of irresponsibility and merely a desire to obstruct the peaceful progress of Governmental activities. If we are to prove the genuineness of our claims, it can only be done by our being placed in a position to carry out those schemes which we recommend, and God willing, we hope that we will soon be in that position.

I said that the burden of taxation in this country had reached almost a breaking point. In appreciating and estimating the extent of that burden, it is not necessary to go back to a period beyond the years covered by the stewardship of my Honourable friend. My Honourable friend the Finance Member introduced his first Budget in the year 1929-30, and let us examine the volume and extent of taxation which he has added to the already heavy burden of tax in this country. In 1930-31 we gave him Rs. 5 crores additional taxation. In 1931-32 we gave him another Rs. 15 crores. We have thus added to our tax burden a recurring annual burden of Rs. 20 crores, and the present proposals of my Honourable friend seek to add another Rs. 7.14 crores in the current year and Rs. 14 crores 83 lakhs in the next year. So that within three years my Honourable friend would have added a further tax burden to the extent of Rs. 42.31 crores, whereas the total tax revenue of this country has been in 1929-30 only Rs. 76 crores.

Sir, if you look at it from another point of view, you will find that if the proposals of my Honourable friend are accepted in toto, it would mean that in the year 1932-33 we would have added Rs. 35 crores extra taxation over what it was in the year 1929-30 when my Honourable friend took charge of his office. And I ask whether India is in a position to bear this burden of taxation. My Honourable friend would say, "Yes. If today we find ourselves in this unfortunate position, it is

[Mr. R. K. Shanmukham Chetty.]

not because our expenditure has increased, but because the yield on the taxes has gone down, and how is the position to be made good? I fully realise the force underlying the plea of my Honourable friend. But, with all the praise that I am prepared to give to my Honourable friend for the honest and strenuous attempt that he has made to effect economy in every branch of the administration, I would still submit that he has not effected in the military expenditure that measure of economy that one would have expected.

Sir, there is a very interesting analysis of figures that I made. In 1929-30 our tax revenue was 76 crores of rupees. I am taking round figures. In 1931-32 on the basis of the new proposals they are expected to be 79 crores and in this period we have added to our taxes 27½ crores of rupees. If my Honourable friends will make a very simple mathematical calculation, they would realise that on the basis of the taxation as it existed in 1929-30 our income today would be only 51½ crores and our military expenditure is almost equal to that figure. Today, therefore, in the year 1931-32, we are incurring a military expenditure of 51½ crores, which is almost equivalent to the total yield of all our taxes as they existed not very long ago, that is in the year 1929. I ask, Sir, in all earnestness and seriousness whether that is a position in which any country finds itself today. We have been crying ourselves hoarse year in and year out that the only way of equalising revenue and expenditure in India is to effect a very big and effective cut in military expenditure. We have been told by one of the Commanders-in-Chief that the Army in India has reached a stage when not a rupee could be retrenched and not a soldier could be dispensed with. We have been often told that the provision made for the defence of India is absolutely at its minimum. After all these years of vain pleading, it gladdens my heart to see that our point of view is supported from a most unexpected quarter; I mean the European Association of Madras. I am waiting to see what attitude the European Group will adopt towards the solution of the problem with which we are faced, but facing these facts as honest and practical men, the European Association of Madras thought it necessary to pass a Resolution to this effect:

"This meeting while fully realising the importance of adequate national defence is of opinion that in view of the present financial stringency further reductions are necessary in military expenditure."

That, Sir, is the considered opinion of the European Association of Madras, a body composed of men who, though agitators in certain fields of life, cannot be termed as agitators in the sense in which that word is commonly used. In moving this Resolution, the gentleman gave some very significant figures culled from that admirable Report called the Simon Commission's Report. Whatever might be the attitude of my Honourable friends towards that Report, I would most earnestly appeal to them to read and digest carefully the chapters relating to the financial position of India written by Sir Walter Layton. That eminent authority, after examining the financial structure of India, came to the deliberate conclusion that the military burden of India was one which India could not be expected to bear. Just to refresh the minds of my Honourable friends, I would give only one or two salient figures quoted in the speech of the member of the European Association of Madras.

The expenditure on defence in India, he says, amounts to 30 per cent. of the total expenditure of the Central and Provincial Governments combined, and making a comparison of the percentage of expenditure with the Dominions, it is pointed out that the expenditure in Australia is 2.4 per cent., in Canada 2.9 per cent., Irish Free State 7.2 per cent., New Zealand 3.9 per cent. and South Africa 2.4 per cent. Then he goes on to say that India ranks seventh in the list of the great powers of the world from the point of view of military expenditure, and her expenditure on defence is between two to three times as great as that of the whole of the British Empire outside Great Britain. There is one more interesting comparison. Allowing for increase in prices, Britain's estimate for expenditure on defence in the year 1931-32 was 40 per cent. more than it was in 1913-14. But India's expenditure on the other hand this year is 86 per cent. more than what it was in 1913-14, and the speaker very significantly points out that the rise of prices in India has not been as great as the rise in Great Britain, and this year prices have fallen almost to the pre-war level. These facts and figures are very significant. While I am prepared to join my Honourable friend in the chorus of praise showered upon the Military Department for what little they have done, because it is a great thing to make them do even that little, I must remark that the avenues of economy in this direction have not been explored sufficiently to enable Members on this side of the House to satisfy themselves about the *bona fide* of the Government in that department.

Before I leave the question of military expenditure I would ask my Honourable friends to realise that, in the proposals submitted by my Honourable friend, there is no doubt provision made for an economy to the extent of 4½ crores of rupees in the Military Budget for 1932-33, but Honourable Members will note, if they carefully read these papers, that there is no proposal for retrenchment even to the extent of a single rupee in the Military Budget in the current year. I ask, Sir, is that a fair way of dealing with the question of economy and retrenchment? Surely the Government of India with the rest of the world began to realise the precarious position into which it was drifting some months back. Surely it must have become patent to the Government of India, even early in the current financial year, that all would not be well with the finances of the Government for the current year; and I ask, was any honest attempt made to reduce the Military Budget for the year 1931-32? It is difficult to believe that the Military Budget of India is so balanced that even in this extraordinary time of stress and stringency the Military Department cannot surrender a single rupee in the year 1931-32. It is a very significant fact and I would ask Honourable Members to keep this in mind in studying the papers.

Having made these general observations, I would now try to analyse the implications of the proposals for taxation made by my Honourable friend. Like him I am prepared to accept for my guidance the two dicta of Mr. Keynes, that new taxation must increase the balance of trade and that it must increase rather than decrease output. Let us examine the new proposals of my Honourable friend from that point of view. So far as increasing the balance of trade is concerned, it is not merely sufficient to restrict the volume of imports with a view to increase the balance of trade, because to that extent the country would be poorer. A favourable balance of trade can no doubt be realised by restricting the volume of

[Mr. R. K. Shanmukham Chetty.]

imports, but I submit that to enable that balance of trade to be beneficial to the country, it ought to be mainly brought about by creating a larger exportable surplus in the country. The two dicta of Mr. Keynes really become one dictum, and that is, proposals for new taxation must increase rather than decrease the national wealth of the country. Let us study the proposals of my Honourable friend from that point of view. I am prepared to concede that some of the proposals that he has made for increasing our customs revenue would act as a stimulus to Indian industries, but unfortunately it cannot be said of all the duties. My Honourable friend has suggested an import duty of half an anna per pound on raw cotton imported into this country. I was very much surprised that my Honourable friend the Finance Member should have suggested that this would benefit the agriculturists of this country. If only the figures relating to the consumption of Indian cotton were carefully gone into, my Honourable friend would realise at once that by no stretch of imagination could this import duty on cotton be said to benefit the grower of cotton in India. The annual output of cotton in India today stands at over 6 million bales, of which very nearly 60 per cent. is exported outside this country. If therefore the agriculturist, the grower of cotton in India is to be benefited, his benefit must arise as a result of the increase in the price of cotton in the world's market and not by any artificial increase in the Indian market itself. Moreover the long staple cotton that is imported does not compete with Indian cotton. Therefore let there be no misapprehension that this proposed duty of half an anna per pound will in any way help the grower of cotton in India. On the other hand it would seriously affect the position of the Indian textile industry. It is not necessary to remind Honourable Members of the truism in fiscal matters that raw produce should as far as possible not be taxed. I would still wait and see what further justification my Honourable friend the Finance Member has to give in support of this extraordinary proposal for the levy of duty on the import of cotton into India. Sir, the Textile Tariff Board in reviewing the condition of the textile industry, especially in Bombay, came to the deliberate conclusion that if the textile industry in Bombay was to thrive, the mills must begin to spin finer counts of yarn. The textile industry in Bombay and Ahmedabad was not slow to take this lesson given by the Tariff Board, and those who know the textile industry, know that of late these mills have taken to the spinning of fine counts, and to the manufacture of fine cloth. For this purpose it is necessary to import long staple cotton especially from Uganda. And here, Sir, as a parenthesis, let me make it perfectly clear that personally I am not in the least interested or affected by this proposed import duty on foreign cotton. Ordinarily one would not have thought it necessary to make mention of a factor like this, but we have of late found evidence in certain quarters of this House of a tendency to attribute personal motives to Honourable Members on this side of the House. So far as the mills with which I am connected are concerned, in fact, so far as the mills situated in my part of the country are concerned, we do not use even a single bale of imported cotton. We confine ourselves to the spinning of what is called the coarse and medium counts which can be spun from the cotton that is grown in India. Let me therefore make it perfectly plain that I am not actuated by any personal motive. Looking at it from the wider point of view, from the point of view of India's greatest national industry—the textile industry—I have no hesitation in condemning this proposed import duty on raw cotton. Combined with the proposed

duty of 10 per cent. on machinery, the proposal is simply absurd and ridiculous. I am surprised, Sir, that at a time when everything that lies in the power of the Government ought to be done to encourage Indian industry, my Honourable friend should have thought fit to bring forward proposals for taxation on machinery and raw produce. But, Sir, it has got a significance, and that significance is explained by an answer given by the Secretary of State to a question in the House of Commons. Our friends in the House of Commons, especially those representing Lancashire, are very much interested in Indian taxation proposals. They take a very deep and abiding interest, in our affairs, and whenever proposals for fresh taxation are made in India, they sometimes get bewildered; they are unable to realise the full implications of what it means and they ask a question in the House of Commons. The Secretary of State, being an honest man, like the average Britisher, gives an honest answer, and this is the answer that he gave on the implications of the present proposals.

"In the House of Commons, replying to a question today, Sir Samuel Hoare pointed out that the difference in the ordinary rates between British and non-British cotton piece-goods were now 6½ per cent., as against 5 per cent. The other mitigating factors, as far as Britain was concerned, were the duties on machinery and raw cotton."

Honourable Members might remember that last time when we increased the import duty on textile goods, we gave a preference to our dear friends, the Britishers, to the extent of 5 per cent. as against foreign countries. But, the surcharge that is now proposed has made this difference 6½ per cent. Well, I do not grudge this benefit that Lancashire gets as a result of the uniform surcharge that my Honourable friend is imposing. But, Sir, when combined with that, proposals are made which will seriously affect the Indian textile industry, and which will place it in a position of disadvantage as compared with Lancashire, then this side of the House is certainly justified in taking exception to that measure. Honourable Members who know the details of the textile trade will realise that while Japan is our competitor in the matter of coarse cloth and coarse yarn, it is Lancashire that is our chief competitor in the matter of finer yarn and finer cloth. To manufacture this finer yarn and finer cloth we want imported cotton, especially from Uganda. And what is the nett result of this proposal? It increases our cost of production and makes foreign cotton cheaper to Lancashire than to India. It therefore affects us both ways. I submit that, apart from minor considerations, any one who has got the interests of this national industry of India at heart cannot but oppose the pernicious duty on raw cotton and machinery. I would not wish to say at present anything about the other items with relation to the customs duties.

Coming to the other items of taxation, I must take exception to the proposal to lower the income-tax exemption limit. My Honourable friend proposes to make the minimum Rs. 1,000 instead of Rs. 2,000. For one thing, the cost of collecting the tax on incomes between Rs. 1,000 and Rs. 2,000 must be very much more in proportion than the cost of collecting the income-tax in respect of the higher limits. I would like to know from my Honourable friend what exactly he anticipates would be the cost of collection. But apart from this factor, I would submit that the persons who earn incomes varying from Rs. 1,000 to Rs. 2,000 have not got that margin which will enable them to pay this tax with ease, and from that point of view there cannot be any justification for lowering the income-tax

[Mr. B. K. Shanmukham Chetty.]

exemption limit. I would very much like that the taxable minimum should be retained as it is; but if it is ultimately found that we must go one step further in reducing this minimum, I would suggest Rs. 1,500 and not Rs. 1,000.

Sir, I must also take objection to the surcharge proposed on salt. (Hear, hear.) I have no doubt that my Honourable friends who follow me will dilate more upon this. I know that very often the Indian criticism of the salt duty has been condemned as being sentimental and as being prompted by political considerations; but whether that charge be right or not, I would submit that sentimental and political considerations do play a part in Finance Bills. Have not political considerations played a part in fixing the cuts in salaries? (Hear, hear.) Can it be contended that the fixation of the cuts in salaries was arrived at purely on financial grounds? Can it be contended that when the concessions known as the Lee concessions were given, it was not political motives that actuated them and not merely financial considerations? (Ironical Cheers from the Non-Official Benches.) Let us therefore be honest about them. Sir, political considerations and sentiment do play a part: and even if for no other reasons, certainly the political and sentimental considerations with regard to the salt tax must be respected, and I take objection to the surcharge on that.

Then I come to the proposed increase in the postage. My Honourable friend in the revised proposal that he made makes the postage on covers an anna and a quarter and on the postcard nine pies. I know that this increase will go some way towards covering the deficit in this Commercial Department. In fixing the postal rates, I think we might take as a fair guidance the rates fixed in other countries and compare the national wealth and the purchasing power of those countries with our own. The postage in England for covers is a penny and a half, and I would submit that on that basis the proposed enhancement of the postal rates in India cannot under any circumstances be justified. Sir, I will not dilate more upon this because, I am sure, my Honourable friends who follow me will take this up.

Now these are the taxation proposals to which I take the greatest objection. What would be the financial effect of my objections? In giving up the duty on raw cotton, you will have to give up Rs. 48 lakhs in the current year and Rs. 87 lakhs next year. In giving up the duty on machinery, you will lose 52 lakhs in the current year and 100 next year. In restoring the taxable minimum for income-tax to the old level, you will have to give up 38 lakhs in the current year and 70 lakhs next year. In giving up the surcharge on salt, you will have to forego 21 lakhs this year and 85 lakhs next year; and in keeping the postage as at present, you will have to give up 87 lakhs in the current year and 78 lakhs in the next year. The net effect of all this would be that there would be a deterioration to the extent of 191 lakhs in the current year and of 418 lakhs in the next year. My Honourable friend may legitimately ask, how we propose to make this good. Well, my Honourable friend, Mr. B. Das, gave some very useful suggestions. He suggested, as one avenue of finding a little more money, the equalising of the excise and the import duties on kerosene oil and levy of an excise duty on lubricating oil. Sir, this subject has been debated on more than one occasion on the floor of this House, and so far as I have been able to follow the arguments, no convincing case has ever

been made on the side of Government for the maintenance of this difference between the excise and the import duties on kerosene. I would have expected that at a time of grave financial stringency like the one through which we are passing, my Honourable friend the Finance Member would have taken hold of that opportunity to equalise these duties. I must be pardoned if I venture to remark that, if he has not included this very obvious proposal, it is not because it is financially unsound but because he is deterred from doing so by vested interests (Laughter), and that political considerations again came into play there. I hope therefore that my Honourable friend will reconsider the proposal and equalise these duties. I have not been able to work out exactly what would be the financial effect of equalising these duties and increasing the duty on lubricants. But I have been told that in round figures it might come to Rs. 25 lakhs in the current year and 100 lakhs in the next year. If this proposal is adopted, then the deficit will be reduced to 166 lakhs in the current year and 318 lakhs in the next year, and how is this to be met? I should like to point out again that in spite of the campaign of retrenchment and economy, in spite of the extraordinary times through which we are passing, the Military Budget has not been touched by one single rupee in the current year. I ask, is it too much to expect that the Military must now come to our rescue and reduce the Budget of the current year at least by Rs. 166 lakhs? The 318 lakhs for the next year must again be made good by a further reduction in the Military Budget. If for any reason it is not found feasible to meet the whole of that deficit by a reduction of the Military Budget next year, then I propose, Sir, that that deficit should be spread over another year or two years.

These, Sir, are the proposals that I would venture to make, and I have no doubt that I will get support for these proposals at least from a considerable section of the House. (Some Honourable Members: "Oh, yes.") I do not think that at this stage of discussion, it is necessary to elaborate in greater detail the various points emerging from the proposals made by my Honourable friend. When the detailed consideration of the Finance Bill is taken up, we will then have the opportunity of discussing these items in greater detail; I think that in the present stage of discussion I have done my duty by indicating the broad and general lines on which we would like the Honourable the Finance Member to proceed. Sir, whether the suggestions that I have made are feasible or not, I would be satisfied if my Honourable friend would credit me with being honest and fair in the criticisms that I have made. But whether our criticisms are fair and honest or not, we cannot get away from the fact that as a result of this crushing burden of taxation, we shall have to leave this House after two weeks with a heavy heart and a lean purse.

Mr. Arthur Moore (Bengal: European): Sir, I listened, as I think we always do, to Mr. Chetty's very clear speech with the very greatest pleasure; but in listening to it I found myself waiting and waiting for some light, because I had hoped that Mr. Chetty would be able to help us in this present situation. He said that he was looking anxiously to see the attitude of the European Group. Well, I can return the compliment, because we were looking anxiously to see if we could get any help from Mr. Chetty. He was quite right in quoting the Madras Europeans. We are out for the same thing, and I do think that we can claim that in this House at the beginning of the present crisis it was this Group which first definitely raised the flag of retrenchment,—18 months

[Mr. Arthur Moore.]

ago in the Delhi Session at the beginning of 1930. When we were offered the choice of a subject to bring forward for a token cut on the Budget, we did see something coming—we do not pretend to have been anything like sufficiently accurate prophets of pessimism, and certainly we never anticipated anything so bad as has happened—but we did see trouble coming, and we definitely chose the subject of retrenchment, and moved a cut on the ground of the Government's lack of economy. The result of that was that the Government appointed a special retrenchment officer who reported;—but I think not very much came of that report. Things got worse, and we reached the situation of last January, February and March, 1931, when there was a pretty general realisation that they had become very bad indeed.

Now, on the question of Army expenditure, we had all realised that the Military Budget as it then was was going a long way towards breaking the back of the country, and during the discussions in the Session at the beginning of the year we here did very much press the necessity for further reductions in the Army. I may say that personally I have for years been making a speech which perhaps Members are getting tired of, in which I have annually pleaded that very great reductions could be made in the Army by a larger use of the Air Force. Therefore we have certainly been with the House on this point of reduction in the Army. But I do think we must be fair to the Army; and when Mr. Chetty says that not a pie has been cut down in the current year, I seem to remember that when we all united against the Government last March on the subject of income-tax, and the opposition had become so strong that the Government desired if possible to meet us, it was the Commander-in-Chief who helped to save the situation. This he did after the Budget had been produced; he it was who came to the rescue of the Finance Member by offering to postpone his re-equipment programme, and to effect a further saving. This was the contributory cause of the Finance Member being able partially to meet us on the question of the new taxes on income. Moreover, a considerable reduction had already been effected for the current year in the Military Budget, in addition to that new reduction to help us during March. Therefore I do not think it is fair to say that there is no reduction in the current year; and when you go on to the next year, I must say that I think that the Army has effected a very substantial and recognisable economy. I remember a few years ago the late Commander-in-Chief coming to us and making a speech in this House in which he said that although the Inchcape Report had laid down 50 crores as an ideal for the Army expenditure, that was not a figure that the Army could accept. They also recognised it as an ideal to work for, but he personally held out no hopes of it ever being realised in our time, and actually his Military Budget of that year of which I am speaking, was, as far as I remember, 55 crores. Yet now we find that the Army are content with a Budget which has come down to the neighbourhood of 46 crores, almost 10 crores less, and I cannot help thinking that if this figure had been put before us four or five years ago, we should all have been enchanted. But of course our appetite grows by what it feeds on, and now that we have been told that the Budget can be got down to 46 crores, we are no longer satisfied. In regard to that there is another consideration. I was delighted to hear the somewhat unexpected tribute which my friend Mr. Chetty paid to the serious work put into the Simon

Report. But as regards Sir Walter Layton's analysis of the problem, we have got to remember that he is comparing things which cannot be compared. It is all very well to talk about 2½ per cent. military expenditure in Canada or Australia or New Zealand; but you must remember that Australia has no land frontier at all, New Zealand has no land frontier at all.

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): And Canada?

Mr. Arthur Moore: And Canada has the most remarkable thing which exists in the whole world—an enormous land frontier which it does not defend. The frontier between Canada and the United States is a remarkable instance of what can be done by friendship between two nations. Were either country to be suspicious of the other and feel compelled to undertake defence (owing to the discrepancy in population the greater burden of the defence of that frontier would really fall on Canada) the cost of the defence of that land frontier would be colossal.

Mr. C. S. Ranga Iyer: If the Honourable gentleman will forgive my interruption, may I inquire whether it is not a fact that the Indian military expenditure is kept up so high with such a big army only from Canadian considerations to meet times of emergency?

Mr. Arthur Moore: I am not the person qualified to answer that military question. But it has never occurred to me as even possible that that is so; and I am quite sure that I am safe in saying that it is not so. How can the Honourable Member suggest that we maintain our troops on the North-West Frontier in order to be able to whisk them at a moment's notice into Canada? If that is the suggestion, it does not seem to me to square with common sense.

Mr. C. S. Ranga Iyer: But is it only maintained for the North-West Frontier? Is not the Army maintained also for Imperial considerations? Has it not been admitted?

Mr. Arthur Moore: Certainly. I think that is true, but after all even when it is put in that way, as it now very often is, we have got to remember that the phrase, "Imperial considerations", if you analyse it, comes back very much to the same thing as the defence of India, because India is regarded as the highest imperial consideration in the large sense. Certainly the largest overseas military problem which we possess is the defence of India, so that although that phrase, "Imperial considerations" is increasingly used, and I am quite prepared to agree that there may be something in it in the sense that India is entitled to a contribution towards the maintenance of her army—for I think that is a very arguable point—at the same time the phrase when analysed does not amount to anything very different from the defence of India. That is a point for the defence of India.

An Honourable Member: Or is it that India is the property of England?

Mr. Arthur Moore: The point I am leading up to is that we yield to nobody in our desire to reduce military expenditure; but we are compelled to recognise what has been achieved and what is being achieved, and we are not prepared to say that more can be achieved in the eighteen months for

1638

LEGISLATIVE ASSEMBLY.

[5TH NOV. 1931.]

[Mr. Arthur Moore.]

which the Honourable the Finance Member is budgeting. As regards Mr. Chetty's point about this eighteen months, the way it appears to us is this. The vital point is that there is a deficit of 19 crores next March and if you are going to balance your Budget, then instead of finding what you are now finding, you will have to find another ten crores between now and the end of March; and I cannot believe that any proposals that the Finance Member can devise which would balance the Budget at the end of March, would receive the support of the Honourable Member. How conceivable could we be asked to find another ten crores between now and the end of March? I cannot think of a way, and if we do not do that the only alternative is to carry forward for a further year in order to be able to show that the Budget is being balanced. Otherwise we are undergoing all the agony of retrenchment and extra taxation without getting from the rest of the world the credit for having balanced our Budget; and it is essential for India and for our credit that we should balance the Budget, and show to the world that we are doing so. Therefore I am convinced that the course which was adopted by both the Home Government and the Indian Government in practically an identical emergency, an emergency which has overtaken all governments practically, is the right one; and that is to budget for eighteen months. From many European quarters the same suggestion has come as Mr. Chetty put forward

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhammadan): Have they done so in England?

Mr. Arthur Moore: Yes: that has been done there; but the suggestion has been put forward that we should "wait and see", and let the situation run till March. To my mind that would be fatal. If we are going to face up to this emergency, we have got to do it now, and if we are going to do it and to accept this heavy taxation, do at least let us get the credit of balancing our Budget.

In detail, Mr. Chetty's main criticism was, as I understood it, that he wants a great deal more retrenchment and a great deal less taxation. There again, I think all of us here would be entirely in agreement with him if only we knew how it is to be done. Both the Finance Member and Mr. Chetty quoted with great respect Professor Keynes' dictum about taxes which should increase output. With all due respect to Professor Keynes, I think he was talking "through his hat". I have no respect for this dictum. If any one will produce these taxes I am willing to vote for them, but where are they? Somebody said—somebody from Scotland I think—that there was no bad whisky: there was only good whisky and better whisky. My views about taxes are equally simple: there are no good taxes: there are only bad taxes and worse taxes; and I do not believe that these wonderful taxes that Professor Keynes is talking about can be found or have any existence whatever

Mr. C. S. Ranga Iyer: But is the Honourable Member aware that taxes go to the head?

An Honourable Member: Like whisky?

Mr. Arthur Moore: That again is a fundamental difference of opinion about the whisky

Mr. C. S. Ranga Iyer: It sometimes goes to the liver!

Mr. Arthur Moore: But when Mr. Chetty came to criticising taxation in detail, I could not help thinking how extraordinarily difficult it is for any one attempting to devise a system of taxation for India to reconcile the conflicting views that are put forward as what India wants. Listening to Mr. Chetty, I felt myself very largely in agreement with him: yet I kept asking myself, what would Mr. Gandhi say, and what would those Honourable gentlemen opposite say, who although they do not accept what may be called the Mahatma's ticket, nevertheless do very often speak as if they were in agreement with him? I find Mr. Chetty opposing the duty on machinery and the duty on raw cotton.

An Honourable Member: And on salt.

Mr. Arthur Moore: All that is entirely opposed to the set of doctrines which are now being preached in London as the economic ideas of India. We have been told that India does not want imports, that she does not want foreign goods including of course British goods. Yet when a tax is put upon raw cotton there is an outcry that it will prevent or rather will act as a handicap to Indian mills which are launching out in a new line of business, to produce the finer counts of cloth. Now to a large extent my own sympathies are with the mills, though I am not for that reason suggesting that this tax is not necessary as a revenue tax; but thinking it over while Mr. Chetty was speaking, it occurred to me that the point where he and Mr. Gandhi really are in agreement, and where I feel that they are fundamentally on the wrong track, is in the assumption which underlay all his arguments that there was an opposition between Indian trade and prosperity and British trade and prosperity. He attempted to prove that these taxes were really introduced by the Finance Member not in the interests of India but in the interests of England, and dictated by a sentiment in favour of England

Mr. R. K. Shanmukham Chetty: I did not suggest that was the object of my friend; his object was very laudable and honest, but that is the result of his proposal.

Mr. Arthur Moore: I do not desire in any way to misrepresent my Honourable friend, but I think that when he quoted the Secretary of State's answer in the House of Commons and various other things he was suggesting that while the Finance Member probably thought he was honest he was really unconsciously being influenced by a sentiment of, shall we say, English patriotism. Anyhow he asserted that there is that sentiment and I am not concerned to deny that. I am quite sure that we on our side possess that sentiment. What I am concerned to deny is that you get anywhere by this perpetual balancing of the interests of India and the interests of England in opposition, and by suggesting that they are fundamentally opposed. Take the case of the duty on machinery. A few years ago this duty existed already, and it was an unexpected result of the Tariff Report on cotton that it suggested the abolition of the duty on machinery

Mr. H. P. Mody (Bombay Millowners' Association: Indian Commerce): What was the duty in those days?

Mr. Arthur Moore: I have forgotten, but the Honourable Member probably will recollect. (An Honourable Member: "2½ per cent.") Anyhow, there existed a duty, and it was the unexpected result of that Report

[Mr. Arthur Moore.]

that it recommended the abolition of the duty in the interests of the cotton industry, which is the same ground as my friend has given for his opposition to it today. Well, the abolition of the duty was then (I am quite clear in my recollection) opposed in this country on the ground that it was being abolished really in England's interests, because the machinery was imported from England. Now, when the duty is put on again we are being told that it is put on in England's interests because it helps Lancashire

Mr. B. Das (Orissa Division: Non-Muhammadan): I do not think that statement is correct, I mean that the duty was opposed by the Indian industrialists.

Mr. Arthur Moore: My friend must not misunderstand me. I am not prepared to say that it was opposed in this House. I don't remember a debate on the subject, but it was certainly vehemently criticised in the Press on those grounds. It is not possible to have it both ways. But when it comes to a tax on machinery

Mr. B. B. Puri (West Punjab: Non-Muhammadan): Was not there a Press Act in those days?

Mr. Arthur Moore: When it comes to a tax on machinery, I think we all agree with Mr. Chetty,—I hope we all do; we here certainly do,—that a 10 per cent. tax on machinery is a most undesirable thing, and that machinery, above all others, is one of the imports into this country which should be free. We hope very much that the Finance Member will make a note of what Mr. Chetty has said and of the feeling of the House on this matter, and that he will earmark this tax as one of the earliest to come off. There is another point about it, and that is that it operates very unfairly. There are many people for whom machinery is plant which is installed once for all and is merely undergoing gradual depreciation and is finally after a great number of years replaced; for such people the tax no doubt is not very formidable. But there are other people for whom the import of machinery is continual, and is an absolutely necessary and vital part of the conduct of their business, and they are the people who will feel it as a perpetual burden. I am quite sure that there must be in this House a very general agreement that this tax on machinery which I am sorry to say Mr. Chetty represented, somehow perversely as put on in the interests of Great Britain, is entirely objectionable, and he will find that the British community in this country is entirely with him on this point. There remains the great difficulty of discovering how you are going to effect further retrenchment without doing a great deal of harm. Meeting a deficit is very much like trying to take the hollow out of a rubber ball; if you press it in one place you always make another hollow in another place. If you retrench, you throw people out of employment. Very often they are people who are trained for your particular purpose, and there is no opening for them in the labour market. That certainly must be true of a great many unfortunate people who lose their jobs on the railways, and it is obviously true of people like telegraphists; while on the other hand if you try to meet the deficit by taxation, you are very often subjecting yourself, as was said yesterday, to the law of diminishing returns, and you are contracting business, and therefore in the last resort contracting your own field of taxation. But we have to remember—I think

that my Honourable friend Mr. Chetty glossed rather lightly over it when he talked about the yield of taxation—we have to remember that, although we talk about this crushing burden, (and it is a crushing burden because it falls largely on the same shoulders) we are not getting more out of the country. It is the diminishing yield of taxation that is producing the crisis, and when you have got a country which has in the last ten years increased its population by over 30 millions, that aggravates the whole problem and the whole expense of Government throughout the country. A problem will remain at the end of these eighteen months, in view of the coming constitutional changes, which inevitably must result in expense. Do not let us disguise from ourselves the fact that the new form of government will be much more costly. It is the universal experience of the world that the more you broaden the base of democracy the more you increase your expense; though not always your efficiency. It is certain you will increase your expense, and we have got to face the fact that instead of working towards a more economic form of government, we are all collectively working together to produce a more expensive form of government. In those circumstances, with a more expensive Government at the centre and more expensive Governments in the provinces, it is inevitable that we shall have somehow to broaden the basis of taxation. I hope the Honourable the Finance Member will not think that I am for a moment suggesting that he should keep these taxes on; that is the last thing that I wish to suggest. My point is this. The main flaw of the Budget is that he has not broadened the basis of taxation. If I may say so, this is an extremely simple Budget; he has put a surcharge on income-tax, and he has put a surcharge on the customs duty, and he has effected certain retrenchments. That is the whole Budget. Sir Walter Layton was right when he said that the base must be broadened; and that is our real task. Retrenchment is necessary and retrenchment, I am glad to say, we are now getting in what we must admit is a very serious measure. But there remains the other problem which is for us to explore, new sources of taxation.

Mr. B. Sitaramaraju (Ganjam cum Vizagapatam: Non-Muhammadan Rural): Mr. President, the Honourable the Leader of the European Group has broken his silence, and he would like to know what Mahatma Gandhi would say if he were to break his. I wonder whether the Leader of the European Group thought that Mahatma Gandhi would congratulate the Honourable the Finance Member for having touched the pockets of the poor by his taxation proposals. Before I deal with the Honourable the Leader of the European Group about the remarks which he made on the military expenditure, I would at the very outset like to thank the Honourable the Finance Member that he has been pleased to acknowledge on an earlier occasion that in facing this unpleasant task we are not actuated by any personal motives, but we have been thinking of the constituencies that we have the honour to represent. That is so. We are now thinking of the people whom we have the honour to represent, and everybody who knows anything of this country will realise that the country is a poor country and the mass of the people are extremely poor. When we think of the heavy expenditure that is being incurred by the Government from time to time and that mainly on elementary functions of Government, such as defence and the like, and very little money is spent to stimulate trade or to promote the material prosperity of the people,—it is difficult

[Mr. B. Sitaramaraju.]

for the country to bear any additional taxation. Sir, ever since the memorable announcement made in the House of Commons that India would be placed on the road to self-government, we have found that year after year expenditure has increased, and obstacles more or less of a financial character have been found placed in our path, and the race that we fondly anticipated that we would be able to run is a race, not a flat one but an obstacle race. When after the war other nations had been reducing their expenditure, particularly their military expenditure, we found that soon after the war, our military expenditure more than doubled itself, and the present Finance Bill, which has been introduced as a measure to meet an emergency is, as has already been pointed out by the Honourable the Deputy President, one of the series of measures that has been brought from time to time to cover deficits which have been almost a normal feature of the Government of India's Budgets.

Sir, a few years ago, in 1922-23, we were faced with a similar heavy deficit, and the present proposals of the Honourable the Finance Member are very much like the proposals which were made on that occasion. The Finance Member in those days taxed those articles which were used by the poor people. The present Finance Member does the same. The primary necessities of life have been taxed over and over again, and it is impossible for us, on an occasion like this, to accept a crushing burden of taxation. The Honourable the Finance Member said that we cannot hate his task much more than he does himself. We sincerely regret that the regime of the Honourable Member should be governed by circumstances over which he appears to have no control; it is abundantly strewn with calamities due to a policy over which he also appears to have no control and with which we have every reason to be dissatisfied. The Honourable the Leader of the European Group as well as the Finance Member reminded us of our responsibilities. I wish that they thought a little less of our responsibilities and a little more of those responsibilities of the powers that are, who are constituting themselves as the trustees of this country. I must say at the very outset that we are not, in making these observations, actuated by any political motives. As has been pointed out by the Honourable the Deputy President, even the European Association of Madras have criticised these proposals. Surely they cannot be attributed to have political motives. There is a deficit of Rs. 39 crores, of which more than Rs. 22 crores are to be met by taxation, and the rest only by retrenchment. That is not fair distribution. Sir, we are very glad that the European Group in Madras have taken a bold stand, and they have cried for retrenchment of a more drastic kind in the Army. In dealing with the Army expenditure, both the Finance Member as well as the Leader of the European Group were starting from the Inchcape Committee. To take the figures from the time of the Inchcape Committee is rather an unhistorical basis to start with. We have to go earlier than that. We have to go to the very beginning of Lord Ripon's time. You find that at that time the Army Budget was stabilised at 17 crores. I am not going to deal in detail with the various measures which have been taken to increase the expenditure, but I would point out that in the ten years following Lord Ripon's time, that figure has grown to 21 crores, and Afghanistan was held responsible for that, and after that 10,000 European troops and 20,000 Indian troops were added to the military strength of this country, and that was responsible for a further increase in expenditure

to about 26 crores; and right up to the war in 1914, we find that the average annual expenditure was about 28 or 29 crores. After the war in 1914, we find that—leaving those three years of war—that the military expenditure has increased from 28 to 68 crores, and now from 68 crores we have been coming down to about 51½ crores. The Honourable the Leader of the European Group said that we cannot expect a sudden reduction to pre-war level. Why not? It must be remembered that besides this, 51½ crores expenditure, there are other items of expenditure which are not classed as military expenditure but which are really meant for military purposes, and if we take those figures also into consideration, the expenditure would come to about 70 crores in all—an intolerable burden which must be cut down. I would like to point out that there are two ways in which we can retrench this expenditure. One is by the reduction of the Army and effecting more economies, and the other is by asking the Imperial Government to bear a share of the burden of the Indian Army.

I would like to read a passage from one of the Government of India's despatches which shows that the Army in this country is out of all proportion to the requirements of the country and the British Government should bear a proportionate share of the expenditure. This is what the Government of India say:

"Millions have been spent on increasing army in India, on armaments, etc., to provide not against domestic enemies or to prevent the incursions of the war like peoples of adjoining countries, but to maintain the supremacy of British power in the East. The scope of all those great and costly measures is far beyond India's limits, but the policy which dictates them is an Imperial policy. We claim therefore in the maintenance of British forces, in this country, a just and even a liberal view should be taken of the charges which should legitimately be made against Indian revenues."

This is not an irresponsible statement made by the Leader of the Opposition, Sir Hari Singh Gour, but by responsible ministers of the Government of India themselves. When Sir Hari Singh Gour was pointing out that the strength of the British troops should be reduced, the Finance Member resented the suggestion as one amounting to sending away the entire British force from this country. That was not what Sir Hari Singh Gour suggested. What he said was that the burden was out of all proportion to the requirements of the country, and that the British Army should be reduced. I would like to say that as one European soldier costs five times as much as an Indian soldier, from the point of view of economy, it is necessary that at least 10,000 troops in the British Army should go, particularly in view of the fact that it was even suggested at one time by the Simla Army Commission that 50,000 British troops were adequate for the defence of India. Even in other classes of expenditure there is further room for retrenchment. Several items are seen from the Report of the Retrenchment Committee which give scope for reduction. I do not like to go into details or into many of these items, but I would like to draw your attention to one or two items here. On page 81 of the Army Sub-Committee's Report it is stated as follows:

"The scale of a ration is based upon medical advice and it is contended that a recent exhaustive examination has shown that the ration is in no way in excess of requirements. To this expert advice we must yield, but we would point out that the normal system of bulk supply to units does not take into account the probability that 800 men do not consume, 800 standard rations every day. A system of a sliding scale was recently introduced whereby units were permitted to underdraw on certain items of the ration and to share with Government the saving thereby effected. We are informed that last year the system resulted in a saving to Government of Rs. 80,000 and to units of Rs. 2,34,000."

[Mr. B. Sitaramaraju.]

Some expert comes and says that so much ration should be given to each soldier and that word is final although in actual practice it is found that the soldiers do not require that standard. They could underdraw on several items and as a matter of fact they have been actually underdrawing and as they do so they were able to save some money. Instead of that amount going as savings to the Government the practice now is that profit made by these savings are shared by Government and the soldiers—one-third should go to the Government of India and two-thirds to the units which made the saving. The whole of this amount saved over the excess of the actual requirements of the soldiers has not gone into the pockets of the Government, but was deliberately allowed to be shared largely by the units. To countenance such a practice, I think, is bad. I think that there is a possibility of saving under several heads of expenditure of that description. There are several items. Here is one, for instance, where it is said that, "If for one day meat is substituted for beef among the rations given to the soldiers, it would cost the Government four lakhs of rupees." At page 31 it is pointed out that since the Army themselves do not want meat and would rather prefer beef, these 4 lakhs could be saved. (*An Honourable Member*: "Meat? You mean, mutton? Then, say so.") Thus, it is pointed out, if beef is substituted for mutton, it would save to the Government of India four lakhs on that item alone.

Sir Abdullah Suhrawardy (Burdwan and Presidency Divisions: Muhamadan Rural): What about the old agitation of cow protection?

Mr. B. Sitaramaraju: Never mind about that; the Army has got nothing to do with cow protection. Sir, the main grounds of justification for the increase from Rs. 29 crores to 68 crores in the military expenditure of this country after the war were stated to be that there was a general rise of prices, and that there should be enhanced rates of pay granted, and that there should be an improvement in the standards of comfort. For this purpose the original standard figure of 29 crores, which was the annual expenditure spent on the Army, was increased to 68 crores. I have come across in this report the fact that the amenities which the soldiers are given are as follows:

- (1) Improved barracks and hospital accommodation and electric lighting.
- (2) Increase of the establishment of the Army dental corps.
- (3) Anti-malarial measures, and mosquito-proofing in hospitals.
- (4) Improvement in the rules for free furlough.
- (5) Improved scales of rations.
- (6) Improvement in clothing supplied, etc.

For improving these amenities,—it must be noted that they already did have some sort of amenities—for improving them still further, there has been an increase in the expenditure incurred from 29 crores to 68 crores. (*An Honourable Member*: "Crores?")—Yes, crores. This is what is said: I am reading from p. 11:

"In 1913-14, before the War, the net expenditure on defence stood at 29 crores. By 1921-22 just before the Inchcape Committee held its inquiry the cost had risen to 68 crores."

an increase which was attributed by that Committee to the general rise in prices. To-day of course prices have fallen, and there is not that justification for the increased military expenditure to continue. Enhanced rates of pay were granted to all ranks naturally in consequence of the rise in prices, but that justification also does not hold good now. Another ground for the increase was the improvements in the standards of comfort and amenities of the troops to which I have already referred. Therefore, from this it would appear that though after the war, since 1921, we have had no increase in the number of the troops, still, by way of increased amenities alone to them we have increased their cost by several crores and so I ask, is it unreasonable on the part of Sir Hari Singh Gour, the Leader of the Opposition, to suggest that there should be a reduction in the net Military Budget?

Then I come to the next item, that is, civil expenditure. It is very unfortunate that we should be called upon to discuss retrenchment proposals before the Committees have had time to go through all the items and then recommend a consolidated report. However that may be, we must express the view that the reductions indicated by the Honourable the Finance Member as being such as could be accepted by the Government are so inadequate that we must hold that, even more expenditure could be saved by the recommendations of the Retrenchment Committees notwithstanding their being improved upon in certain respects. Now in dealing with civil expenditure, the Honourable the Finance Member suggested three ways of action. One, by restricting the activities of certain departments of Government. Now here I would like to make one observation, *viz.*, that care should be taken that in restricting those activities such restriction should not be made in those departments which are intended to serve the material prosperity of the country.

Then the second line of action the Honourable the Finance Member has taken is the cut in salaries. Here, I must make one observation. H. E. the Viceroy has set the noble example of imposing upon himself a voluntary cut of 20 per cent. and the thanks of this House are due to him for having so nobly responded at this time of emergency. The Executive Councillors have however imposed upon themselves only a 15 per cent. cut on a graduated scale and 10 per cent. on their immediate subordinates of the superior services. But when it comes to the question of dealing with the lower subordinate ranks of the services, the Honourable the Finance Member says that, after examining every possible form of graduated scales, he has come to the conclusion that a uniform scale of 10 per cent would be good for the subordinate services. In other words, Sir, we have graduated cuts from H. E. the Viceroy down to the highest services, but we have got a uniform cut for all the lower subordinates; and then the Honourable the Finance Member says that the reason why he wanted a uniform cut is that that is wanted on financial grounds. It amounts to this, Sir. As the poor people are many, if we touch their pockets they will yield a greater amount, they being so numerous, whereas the higher officers are a few and if you touch their pockets you won't get much. That is the justification for imposing unequal burdens on the different services. The principle of these cuts, particularly in an emergency like this, should be that everyone should bear a proportionate burden. This is not followed. Equality of sacrifice is the principle on which the cuts should be based, and that being so, how can it be justified that a poor man drawing Rs. 40 a month should forego

[Mr. B. Sitaramaraju.]

Rs. 4, whereas a Secretary to Government drawing Rs. 3,000 or Rs. 3,500 is only expected to forego about Rs. 300 and odd? Does the four rupees in the salary of the lower-paid officer represent the same amount of sacrifice as the Rs. 300 in the case of officers of the higher grades? Sir, for the want of four rupees, a poor clerk may have to forego a necessity, whereas the loss of Rs. 300 in the case of the higher officers will only mean their being compelled to forego one of their luxuries. Therefore, Sir, it is not possible to accept this uniform cut for the lower subordinates. There should be a graduation in proportion to the ability of the men to pay; and in so far as that is concerned, I am strongly of the opinion that we should follow the example of Australia, which has imposed cuts varying from one per cent. to 15 per cent. on a graduated scale. (An Honourable Member: "Down to one per cent?") Yes. When other Governments are doing their best to see that the hardships entailed by the cuts do not fall upon people disproportionately, I do not see why the Government of India should not follow the same example.

With regard to taxation—which is the third line of action which the Honourable the Finance Member has proposed to take—I must say that this taxation is coming after only the recent taxation imposed by the last Finance Bill, and all the arguments we could possibly advance now have already been advanced at the time of the last Finance Bill to show clearly that the country is not prepared to accept any further taxation. Take for instance the income-tax. Every argument that was advanced against the increased income-tax was in vain, because the views of the Opposition and of the House on that matter were not given effect to even on the last occasion and now the exemption limit is lowered even. We may once more lodge an emphatic protest. Further, the Honourable the Finance Member says that this income-tax is to be included in the cuts in salaries of the higher officials. I shall record my emphatic protest against this discrimination. This is not a fair way of dealing with it even, objectionable as the proposals are.

The Honourable the Finance Member in answer to an argument put forward by the public over this question suggested that the higher officials have been already paying increased taxation and bearing other burdens, so that it is not fair that they should be asked to pay more. But that is not the way of looking at it. Here is a tax which is imposed upon the whole country. Why should there be a discrimination in favour of Government officials? Why should the Government officials escape a burden which the whole country is expected to bear? If the Honourable the Finance Member says that you cannot impose very many burdens on one class of persons, I would ask him if he wants to adopt the line of argument that there should be no cumulative effect of these taxes upon individuals. If that were so, there must be several persons, particularly among the richer and middle classes and professional men, who have been paying taxes under different heads, and if we take the cumulative effect of all these taxes into consideration would the Government lighten their burden in the same way they want to lighten the burdens of the superior services?

With reference to the customs revenue, I would only like to make one observation. If this country is deprived of imports and thus enabled to give an impetus to local production, we would be glad. Any imposition of taxes on imports which would enable us to benefit by a stimulation of

indigenous products and industries we would be glad of. But there are several imports which cannot be produced locally and which we have of necessity to import, and if these imports are taxed, and that at a time when the purchasing power of the consumer is low and when there is much economic distress, it would be difficult to bear. The consumer, on the other hand, will be able to purchase less hereafter, and if he purchases less, necessarily the revenue must fall and if the revenue falls, we will be faced again with deficits. I do not think that the Honourable the Finance Member is ignorant of the operation of the law of diminishing returns. He is banking upon one thing. As there are certain imports which it is absolutely necessary for the country to have, he thinks that even if he gives an additional turn of the screw to an alarming degree, the strain will be borne by those who are obliged to purchase, though he may lose some customers, who on account of their incapacity to bear the additional burden, will not be able to purchase any more. But he hopes that by a turn of the screw he would be able to get the necessary income though he might lose a few customers. That also is not a fair way of dealing with the problem even if his calculations are accurate. Past experience shows that his anticipations in that direction were not very accurate because he has himself just reported that there has been a fall of about 10 crores under customs revenue. When this is so, how can the Finance Member expect a considerable increase this year under this item? Again we have also got to consider the effect of a possible reaction on the export trade. If we have got a monopoly of certain exports, other countries are bound to take them and we can afford to restrict our imports when we have a monopoly in the export trade. But there are very few articles in which we have a monopoly, and America has been competing seriously, and the balance of trade has fallen from 100 crores during a space of 3 years to 88 crores, and even as the Finance Member says, a balance of trade is necessary for a sound financial condition. If the balance of trade is showing deterioration, it is not right that we should build any hopes by expecting that our export trade would increase far more than the import trade and that the balance of trade will reach the high standard at which it stood before. Year after year the same kind of articles are being taxed and the result is that enormous difficulty is being felt both by the public and the trade. When Bill after Bill comes in for increasing the taxes on the same articles without even the usual gap of 12 months, it is found very difficult to adjust the retail prices, and the result is that it is impossible under these conditions to pass on the exact amount of the increase to the consumer, and, therefore, in order to be on the safe side, the merchants have been putting up the prices very high ever since the Honourable the Finance Member has introduced the Finance Bill, and the sufferings of the consumer on this account are much more than what this Bill is intended to make it.

With regard to the postal rates, I would like to deal with these a little more in detail later on when I move the cut, but I would like to observe only one thing here, and that is, that the law of diminishing returns would tell more effectively on this kind of article. It may be said that though there may be a sudden fall now in the number of postal cards and covers used, in the course of a few years it would again reach its former level. But as this is an emergency measure, it would not at any rate under those conditions give them the necessary funds. Secondly, they have not taken into consideration one fact. I have seen the graphs which have been supplied with annual reports, and I find there has been a steady increase in

[Mr. B. Sitaramaraju.]

the use of postcards for instance by about 20 millions every year from 1919. Then we doubled the rates. The figures were, if I remember aright, about 650 millions and odd, for postcards when the rates were doubled. Immediately after the rates were raised it fell down to about 500 millions and then, ever since, there has again been that 20 million increase year after year. And at the present moment I think that the figures have not actually reached their former level. I think that up to 1930 they have come to about 580 millions. Now, although the Government would say that though there may be a fall now, the figures would resume their former proportion, unmindful of those yearly increases I referred to. Supposing there was no doubling of these taxes in 1921-22. We could have expected that the gradual increase which we were having up to 1922 would have gone on up to now and to-day we would have had the use of about 800 million postcards, whereas, after we have doubled the taxes, instead of going up to 800 millions it has fallen first to about 500 millions and all these years did not enable the figure to reach even 600 millions. The result is, if I take that calculation, there is really a fall which was never made good and therefore if you impose further increases in the rates, there would not be any appreciable gain to the revenues to justify such an imposition. It is very surprising that the Government should, in trying to reconsider this matter now, have considered it from the wrong end. Instead of giving relief to the poor man's postcard, they have given relief to the rich man's cover. I shall deal with this a little later when I move the cut in detail. At the present moment, I should like to say, Sir, that one of the predecessors of the Honourable the Finance Member remarked :

"The post office was so potent an engine of civilisation that no Government would be justified in allowing fiscal considerations to stand in the way of such improvement."

Nevertheless, Sir, fiscal considerations are always held out and that without any real justification. With these few words, I conclude.

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

The Assembly re-assembled after Lunch at Half Past Two of the Clock. Mr. President in the Chair.

Mr. N. M. Dumasia (Bombay City: Non-Muhammadan Urban): Mr. President, the Honourable the Finance Member proclaimed yesterday that, "Government wanted the world to know that India was determined to live within her income, to meet all her debts, and to maintain financial stability." I hope I will be pardoned when I say that this is not the correct description of the present crisis. In my opinion the Government have resolved to continue to live on a policy of blunder and legalised plunder by taxing the people out of existence. If the wealth of the country were multiplied by increasing the productive capacity of the soil, by making its industry and commerce flourish; if Government adjusted its expenditure to existing sources of revenue, then alone the assertion made by the Finance Member would have been justified. But here the existing resources are found insufficient to pay the way of services and the Indian

Government are not living within their income. All increases in taxation are absorbed in existing expenditure. If India is determined to live within her income, then the expenditure should be brought down to the level of income. We do not find anywhere any indication of that. If the additional taxation is absorbed in expenditure, how are we to meet all debts which are now piling up with ruinous rates of interest? And if debts are being piled up, how is financial stability to be maintained? The Finance Member asked us to face the reality. May I say that the remark should be applied to the Government itself? Have Government faced the reality? I think not. The grim reality is that he was cynical in his taunt to his critics about the crushing burden, forgetting the taxable capacity of the over-burdened tax-payer. The homily that he delivered to his critics can well be applied to the Government. I will, however, accept his advice and will not call this "crushing burden" by its true name. I will put it in another way.

In March last the Government placed upon the country a fresh and exceptionally heavy burden of taxation and promised to remove it as soon as the financial situation improved. The financial situation has got worse; and while the country is still reeling under the stunning and staggering blow and has scarcely emerged from its effects, the Government have dealt a knock-out blow to His Majesty's loyal Indian subjects. Low wages, high rates of interest, scarcity of capital, lack of confidence and loss of credit, political upheaval and world depression and loss of employment, lack of purchasing power and economic distress do not complete the picture of misery. Indian industry is crippled and trade and commerce are paralysed and they will suffer further by additional taxation on the importation of machinery and raw materials. The speeches that we heard yesterday and today were not barren of constructive suggestions, but those speakers have had the misfortune of not possessing the knowledge and superior wisdom which seem to be monopolised by the learned Pandits on the Treasury Bench.

The Honourable the Finance Member has justified this extraordinary taxation which would have been considered abnormally high even in war time, on the ground of emergency. Here I beg to request the Finance Member to face the reality to which he is fond of directing the attention of his critics. Emergency arising in a time of crisis can only be met by a national Government. Have we got a national Government? Is this crisis national? We have no control over the purse; we have no voice in army expenditure which has gone up by 100 per cent. since 1914, while the expenditure on armies in other countries has gone up from 30 to 50 per cent., as Mr. Chetty has just shown in his able and clear speech. We have not got a national Government, but we have got an irresponsible, unresponsive and irremovable executive with its powers of certification and veto, and therefore it can govern without the consent of the people. The present position of the bankruptcy of India has been brought about by a reckless growth of expenditure in the past. If Government faced reality, they would find that when the taxpayer wanted a piece of loaf, Government gave them a stone. We can do without cheese with our bread in this time of stringency and all-round cuts in our income, but millions of people do not get even sufficient bread to fill their hungry mouths and empty stomachs. If there were a national Government, controlling and directing national revenue and national expenditure, if it were reflecting the mind of the nation, if its services were manned by and were under the control

[Mr. N. M. Dumasia.]

of the national Government, then it would have been reasonable to ask for national sacrifice such as is demanded today. The demand now is only to meet the day to day requirements of the services. We see today the break-down of the bureaucratic machinery under the pressure of a top-heavy administration. Had the present proposals come from our national Government, it would have met the fate which the Labour Government and Labour Party recently met with in England. The Finance Member voiced a grave warning about the danger of further economies in the army. I realise the danger, but the danger and difficulty have to be faced and overcome, for there is greater danger in driving the present discontent underground, and turning the masses against the Government to whom all their misfortunes will be rightly or wrongly attributed. A contented India will defend the country with a small army. The army expenditure ought to be brought down to the pre-war level at any cost.

I understand the Finance Department have submitted memoranda to the Secretary of State for the guidance of the Round Table Conference and that two specimen budgets have been attached for purposes of illustration. If the Members of the Assembly were supplied with those memoranda, we would have been better able to judge the present and future position of the Indian Government's finances, and what will be our position when Burma is separated from India. In the first memorandum there appears to be a remark to the effect that, according to present indications, it would appear prudent to make provision for a permanent fall in revenue, and it will be for the Government of India to devise permanent measures for meeting it, to adjust its present expenditure to the probable future level of the existing sources of taxation which, according to their opinion, is to form the mainstay of federal revenue. It is for the Government to adjust their expenditure to existing sources of revenue, as indicated in the memorandum, and not to put this burden, which seems to be permanent, on the already over-burdened tax-payer. Though the Finance Department note states that the two specimen budgets they have attached to their memorandum by way of illustration, have nothing to do with the forthcoming constitutional change, nor has it any special connection with the idea of federation, we must be pardoned if we assume that the present proposals are meant not to strain the federal finance from the start, which would prevent the Indian States from willingly joining it. In the same note it is remarked that,—

"The Federal authority will succeed to the whole of the buildings and public works of all kinds which are at present the property of the Government of India. The replacement value of these is of course an enormous sum. The greater part of them has been constructed out of the revenue. Instead of financing such works from revenue resources, the Government of India would have been justified in the past, following the practice of other countries and even according to the practice pursued generally by Provincial Governments in India, in financing works from even funds and correspondingly increasing the revenue available for accumulation in revenue reserves". (This is their own admission.) "From such revenue reserves Government could have met subsequent revenue deficits which were in fact met by borrowings and which have therefore gone to swell the margin of uncovered debts".

Why do not Government borrow on those enormous assets, built up from the revenue which it was their duty to conserve for stringent times to meet what the Honourable the Finance Member calls a national emergency? Why is it proposed to hand over the enormous assets to the Federal Government? Why not borrow against that asset to meet the emergency?

There is an indication in that memorandum that certain claims of the Indian States will have to be settled and that the dispute with the maritime States of Kathiawar and Gujerat, especially of Jamnagar and Baroda, will have to be settled independently of the Round Table Conference. The Government of India have received more than three crores of rupees, and I wonder how and when the claims of Jamnagar and Baroda are to be settled. If there is no provision, I am afraid there will be a further deficit when the claims of these maritime States are adjusted. Already the Indian States which had hitherto remained silent are clamouring for a share in the customs revenue. It seems that Government have entered upon a policy of drastic and indiscriminate tariffs, and it will introduce a new complication in the relations of the States with British India. It is further stated in the memorandum that the claims of certain Indian States will have to be spread over, as the immediate settlement would make the start of the federal constitution difficult from the financial point of view. Why are we not told what those claims are and how they are to be met? Are they to be met by further taxation or from the present proposed taxation? Then, Sir, the Prime Minister of England has more than once affirmed that the Government of England would give every help to maintain India's credit. Where is that help and what is the nature of that help? I hope the Government of India will enlighten us on these two important points.

Then, Sir, in March last I pointed out that a large part of the Army in India had been reserved to maintain the supremacy of the British power in the East and many responsible statesmen have urged in the past that the cost of the military reserve should be debited to England. Sir, it is the duty of the Government to press this claim upon the Home Government to defray a part of the military expenditure.

Then, Sir, we know that this emergency has arisen on account of Government's reckless expenditure in the past. Time after time grave warnings were given to Government to reduce the expenditure, but they always turned a deaf ear to all our entreaties and appeals, and today the crisis with which we are faced is due to Government failing to pay any heed to our appeals to reduce the expenditure. Sir, as I pointed out in my speech in March last, the country is no longer able to bear any further burden which is in excess of that levied during the last war to enable England to win it. Such a burden can only be justified by imperative national emergency or in a time of great calamity, or when it is necessary for a national purpose, for national development and progress of the moral and material welfare of the people. Can it be, I ask, in all honesty said that these new taxation proposals are conceived in national interests or that the additional revenue is to be spent for the benefit of the people? Sir, as I have pointed out, additional taxation will not restore the stability of the country. It is not to the credit of the Government to maintain stability by over-taxing the people. The credit of the Government will lie in making the people happy and contented. We are all ready to make adequate and reasonable sacrifices, but it is for the Government to become reasonable and bring the army expenditure to pre-war level.

Sir, when I entered this Hall, I was given a leaflet which contains Resolutions from the All-India Government Employees' Federation. They ask for a graduated scale of reduction instead of imposing a uniform cut in their salaries. The speech of the Honourable the Finance Member, to which we listened yesterday, is a cruel reminder of the fact that poor

[Mr. N. M. Dumasia.]

people have no friends in this world. Last year my friend Mr. Mody pointed out certain directions in which taxation should be levied. At present rich landlords escape the income-tax and I hold in my hand an extract from the Layton Committee's Report but I would not refer to it today

Mr. T. N. Ramakrishna Reddi (Madras ceded districts and Chittoor: Non-Muhammadan Rural): But what about the agriculturists?

Mr. N. M. Dumasia: I am not talking of agriculturists or of people with small incomes. I have my sympathy for the small landholders, but there are wealthy people who should be brought under this taxation. I hope Government will consider that it is in their own interest to see that they do not drive people to extreme courses. We all know the genesis of the no-tax campaign. The duty of the Government is to pacify the people. I can only say that these proposals conceived with the best motive will only invite Bolshevism in India which it is our earnest prayer that Government should do everything in their power to avert.

Dr. R. D. Dalal (Nominated Non-Official): Mr. President, in intervening in the general discussion of the Supplementary Finance Bill my justification is that I desire to call the attention of this Honourable House to one or two important points. I think the House should be deeply grateful to the Honourable the Finance Member for his frank, fair, and honest account of the financial position of the country. I consider that the Finance Bill is rightly conceived, that it is adequate to meet the needs of the country, and that it is certain to maintain and to preserve the credit of the country. I confess that the proposals made by the Finance Member are admittedly drastic and disagreeable, and there is no doubt that increased taxation will operate so harshly that it will involve much misery, but the proposals are justified only by the regrettable necessity urged upon the country by the present financial crisis. The Honourable the Finance Member has tried as best he could to spread the burden of the sacrifices as evenly and as fairly as human ingenuity can devise, and I hope that those who are affected by retrenchment or by increased taxation will show sufficient public spirit to make the sacrifices demanded, and sufficient intelligence to perceive that refusal will exact from them and from the whole country sacrifices infinitely greater, and I trust that consciously or unconsciously Honourable Members will not make appreciation of this situation more difficult. Sir, it is no pleasure for the Honourable the Finance Member to call upon people to make sacrifices or to bear additional burdens, but since the events of the last few weeks have shown beyond any shadow of doubt that a grave financial emergency exists, we must be determined to bear them, if not with enthusiasm, at any rate with cheerfulness in our hour of need.

Mr. Lalchand Navalrai (Sind: Non-Muhammadan Rural): From where to bring the money to pay these taxes?

Dr. R. D. Dalal: It has been said that when the proposals of lowering the exemption limit of income-tax become widely known, there would be an indignant revolt and ruffle on the part of those affected, but I think the Finance Member has made an honest endeavour to spread the burden of the sacrifices more justly and to bring home to a large portion of the

population some real sense of financial responsibility. Sir, I submit, that in itself is a constructive measure which may bear good fruit in the future.

Now, Sir, there is one thing vitally affecting the health of the country to which I want to call the attention of the House; and what I have to say is the outcome of deep conviction as a devoted servant of India and as a medical man with wide experience of medical and public health matters and as a technical expert who has had an intimate acquaintance with the working of medical and public health departments. I was painfully surprised to learn that the General Purposes Sub-Committee of the Central Retrenchment Advisory Committee had recommended the abolition of the posts of Director-General of the Indian Medical Service and Public Health Commissioner with the Government of India, and on the 29th September when the Finance Member in his grave speech said, "We are determined to approach all proposals of the Retrenchment Committee with the firm intention of giving effect to them", my amazement knew no bounds. But a study of the Government Memorandum on the recommendations made by the Retrenchment Committee on the medical services shows that the Government have decided not to accept these recommendations, and it was a great relief to me.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Does the Honourable Member know that they are provincial transferred subjects?

Dr. R. D. Dalal: Sir, I congratulate the Government on their wise decision. I congratulate the Honourable the Finance Member also because it shows that he is keen not only on the financial health of the country but also on the physical well-being of the country. A study of the Government Memorandum issued yesterday shows that in view of the grave financial crisis without any retrenchment committees the Director-General of the Indian Medical Service himself has effected substantial retrenchments so much so that there will be a saving of 50 per cent., and as retrenched the cost of the Central Medical and Public Health Organisation will come to Rs. 5,54,500. As the abolition of these two important posts has been recommended over and over again, I shall take this opportunity to go into details and to satisfy the House that the existence of a Central Medical and Public Health Organisation is of great importance to the country. Sir, I have nothing but praise, appreciation, admiration, and approbation for the arduous work of the Retrenchment Committees, but to think that the present financial crisis requires the abolition of the posts of Director-General of the Indian Medical Service and the Public Health Commissioner with the Government of India is to live in a fool's paradise. I shall prove to the House that such a recommendation is sheer arrant nonsense.

Mr. Amar Nath Dutt (Burdwan Division: Non-Muhammadan Rural): On a point of order, Sir. Are we discussing the Retrenchment Committee's Report, or are we discussing the Finance Bill?

Mr. President: We are discussing the question of retrenchment as affecting the increased taxation proposed and every speech that has been so far made has dealt with retrenchment. The Honourable Member is quite in order.

Dr. B. D. Dalal: Let me at once assure the House that these appointments cannot be abolished without serious detriment to public interests, and as regards medical and public health matters which deal with life and health, it is essential that we should not fall below the standard which obtains in other civilised countries. Retrenchment is of course the chief need of the moment, but the step recommended by the Retrenchment Committee is a most retrograde step which no civilised country in the world has ever attempted. The Retrenchment Committee itself acknowledges that the Government of India will continue to need the services of two medical officers of sufficient standing and experience to advise the Government of India on the medical administration of the central areas and to guide them on all matters of medical policy and public health. Sir, I submit that these two medical officers must be technical experts; but before a man can be considered an expert, he must make Medicine or Public Health a life study. The proposals of the Retrenchment Committee aim at effecting economy by scrapping an organisation which has been built up during the last fifty years for carrying out the obligations of the Government of India as regards Medicine and Public Health—an organisation which as retrenched I will show will cost nothing to Government. I said the Director-General has brought down the cost to Rs. 5,54,500, but the saving effected by the central administration of the Medical Stores Department is more than that sum, therefore the Central Medical and Public Health Organisation will cost nothing to Government, and it would be a great mistake—a blunder worse than crime to scrap this Central Organisation.

Sir, the Medical Services are quite different from other services in that the Medical Services have Civil and Military Branches. The Medical Services have a large personnel

Mr. President: I should like to interrupt the Honourable Member to point out whether it is right that he should go so elaborately into such details especially in view of the statement which he has himself made that the Government of India have disallowed the recommendation of the Retrenchment Committee and are continuing these appointments. In view of that statement I should like to ask whether it is right that he should go so elaborately into the merits of appointments in one department which have no direct bearing on the issues before the House?

Dr. B. D. Dalal: My contention is this. Here in the Central Government as well as in the Provinces they are always talking about the abolition of the posts of Director-General, Director of Public Health, Surgeon-General, and so on, and unless I go into all the details of the question, the House will not be convinced.

Mr. President: The question is whether this is the appropriate occasion for it. The Honourable Member can give notice of a Resolution asking the Government to lay down a specific policy. At present we are considering the Finance Bill. This is not the occasion when the Honourable Member can go into the justification of one or two specific appointments in the Government of India.

Dr. B. D. Dalal: I bow to your ruling, Sir, and I shall not go into details. Sir, what I have to say I shall say without going into details. When we remember the conditions under which Indian Medical Service Officers are recruited, when we remember that Officers of the Indian Medical Service have prospects of getting civil medical appointments and

especially such posts as those of Director-General, Indian Medical Service and Public Health Commissioner, I submit that these appointments cannot be abolished with one stroke of the pen without a reference to the Secretary of State who has guaranteed certain rights and safeguards to members of His Majesty's Indian Medical Service. My contention is that the Retrenchment Committee being a lay committee should not have made this recommendation.

Mr. B. Das: On a point of order. Can the Retrenchment Committee be called a lay committee when it was appointed by this House and has it not got the right to reduce any posts if it thinks necessary to do so?

Mr. President: It is perfectly open to Honourable Members to criticise the recommendations of any Committee which they may have appointed. There is nothing to prevent Honourable Members doing so.

Mr. B. Das: I object to the words "lay committee".

Dr. B. D. Dalal: Lay committee means one that does not contain technical experts. Sir, parsimony in providing what is essential to secure the highest attainable standard of health for the community is not economy but essential extravagance, for it wastes life and health—two of the most precious assets of mankind. It would be a most retrograde and dangerous policy to abolish such posts as those of the Director-General of the Indian Medical Service and the Public Health Commissioner with the Government of India, for the health and physique of the individual and the community is the principal asset of the people, and the impairment of the physique of the human body is the impairment of intellectual and moral fibre. As these recommendations always emanate from a lay source, I respectfully suggest that at an opportune time Government should appoint a committee of independent impartial technical experts, who should make a thorough investigation, examination, and re-examination of the proposals of the Retrenchment Committee, and who should draw up a scheme for a Medical Service suitable to the needs of the New India, for the political future of India is now in the melting pot; and I am strongly of opinion that no changes should be made in the Medical Services until such time as the future constitution of India is settled.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): I understand that at this stage there will be only a general discussion of the Finance Bill. The Honourable the Finance Member when speaking yesterday gave us numerous figures, counter figures, tables, memoranda and what not. Unfortunately that speech is not available to us, and consequently it is impossible for us to deal with it in an efficient and satisfactory manner in order to convince him that we on this side, laymen or experts, at least try to be honest and fair in our criticism. A suggestion was made by my friend, Mr. Das, yesterday that the speech might be made available to us so that the rest of the debate might at least continue after a full understanding of the bearings of the entire speech from beginning to end. Unfortunately that suggestion has not been taken note of.

The Honourable Sir George Schuster (Finance Member): May I inform the Honourable Member that I shall be glad to give him a copy of the speech if he wants to read it. I may say that a complete *verbatim* report of it appeared in the *Statesman* of this morning.

Mr. Amar Nath Dutt: We do not read that paper.

[5th Nov. 1931.]

Raja Bahadur G. Krishnamachariar: I read the *Statesman*, but unfortunately my copy did not come and consequently I did not get the entire text of his speech, and even if I did, I do not profess to be an expert to understand these things in two hours and come here and fire off a speech which would not be open to the criticism that it was neither fair nor honest. My complaint is not unfounded. If you will refer to the speech of Mr. Mudaliar on the last occasion when the Budget was introduced last March, he pointed out with some elaborateness that the one crore 75 lakhs or one crore 45 lakhs retrenchment in the Military Department was an absolute camouflage. It was not retrenchment but only a shuffling of figures from one place to another. It was putting off expenditure from one time to another, and consequently it was not retrenchment in the sense that it was available for purposes of general revenue. Now, Sir, not being an expert and having taken to this thing late in life, it is not possible for me to understand these things at a moment's notice. If it is a question of law, I challenge anybody to come and have it out with me. I do not require any preparation for that, but finance is rather a difficult job, and I do not want to commit myself to any statement which may be open to criticism. The reason for these prefatory remarks is that my criticism can only be general and perhaps destructive. Yesterday my friend, Mr. Das, was somewhat afraid to level destructive criticism, and although he did a service in pointing out certain heads of taxation, I do not see any reason why we should fight shy of destructive criticism. Our business is not to make any counter proposals. I have read with some care the speeches of very eminent men in the House of Commons, and I do not see that they get up and say you do this or you do that. They simply criticise, and destructive criticism, although it has got an offensive smell around it, is really the very best service that you can render. You make your proposals from one standpoint. You do not see the other side of the picture. We always look at the other side of the picture. Every lawyer knows how to tackle the other side of the picture, and when we level destructive criticism you ought to be thankful to us. But, Sir, it is not that we have not made any constructive suggestions all these years. I have read the speeches of the late Mr. Gokhale. I remember to have read the speeches of a great many eminent men who have been in this Assembly. From that time to now, has a single suggestion made in a constructive manner ever been accepted by the Government? Now, take this very retrenchment question. Now, the Finance Member takes credit for the position that he has reduced the military expenditure by 10 crores. What is now possible to do was certainly possible many years ago, as I very respectfully submit. Everybody was tired of the war, everybody had the war fatigue, and therefore that was the time when you could have very easily and quietly retrenched. But you never did that. One previous Commander-in-Chief said: "If you do that, India is going to be lost". Perhaps my friend, the then Commander-in-Chief, did not remember what Lord Kitchener telegraphed to Lord Hardinge when the war began when they were in trouble and Lord Hardinge hesitated to send troops from India. He said: "Lose India but do not lose the Marne". Well, the skies never fell, and they are not going to fall till eternity, till the Almighty ordains it. If you had only retrenched 10 crores or even 5 then, it would have amounted to 50 crores by now; and my Honourable friend, Mr. Chetty, would not have had to deliver that detailed speech, and my Honourable friend, Mr. Das, would not have had to go to the pains of suggesting Rs. 28,854,000-4-0 of extra taxation by

other means. These 50 crores would have quite sufficed; and except for the cut in salaries, I very respectfully submit you could, if you had the mind, do without the fresh taxation proposals, provided you make an honest endeavour to retrench in every Department. That is the constructive suggestion we make; our predecessors also sitting in these places made those suggestions; but did the Government listen to them ever? Now there was Mr. Dalal on a committee appointed by yourself, and he wrote a very wise minute of dissent, but the Government went against it. He protested against the adoption of 2s. 4d. for the sale of reverse councils, but its adoption meant a loss to India of 50 crores. Did you listen to that constructive proposal of Mr. Dalal's? Then we wanted a reduction in the Army expenditure, and a scheme was proposed by the Skeen Committee. Where is the scheme now? Where is the other report by the Military Requirements Committee, which unfortunately I have got to say was suppressed until some day somebody brought it out at the Round Table Conference. Otherwise it would never have seen the light of day. Did you honestly try to implement that report? Therefore, it does not lie in your mouth now to say to us constantly that we indulge only in destructive criticism, that we never put forward constructive suggestions. Whenever we put forward such suggestions, we are told either that we are laymen or agitators or men with axes to grind. Our constructive proposals are all swept away, and I am not such a fool as to waste my time going on making constructive proposals only to be told by Government that my constructive proposals are impracticable and so forth. We have got better things to do. We have come all the way from near Cape Comorin surely not to be told that we do not take the trouble to put forward constructive suggestions. We make hobbies of some of these subjects and we make considered suggestions, but we are told that we are not making constructive suggestions; at the same time when we do make such constructive suggestions, they are all swept overboard. But, Sir, I do not blame anybody. It is the official mind which is to blame. I myself had a bit of official experience, but unfortunately or perhaps fortunately it came towards the end of my life. An ordinary man, however democratic he may be, once he gets into an official seat, assumes what John Stuart Mill called the "infallible temperament". There is the assumption of infallibility. However reasonable, however ready one may otherwise be to accept a particular position, once he is in the official chair, he becomes imperious; probably he is obsessed by the policy he is expected to pursue, since, as long as you are a Government servant, you are not to put forward your own ideas as against that policy. One suffers from that mental disability of assuming that there is no wisdom outside the official mind. Now once you make him get down from his official chair, he finds to his surprise that after all he was not such a wise man in his capacity as an official. That, Sir, is the position; but over and above all this, when we waste our own time, when we make constructive proposal after constructive proposal, not only are we told that all this is destructive criticism, that we are mere laymen and so on and so forth, but then comes the Right Honourable the Secretary of State for India who is 6,000 miles away; well, he was complimented by my Honourable friend, Sir Akbar Hydari, and his compliment consisted in this that he and his wife flew in an aeroplane from England to India, as if it was a great service rendered to India. Now that Secretary of State, when England went off the gold standard, what did he do? Probably to placate the financiers of London—I do not want to suggest any motives, I do not

[Raja Bahadur G. Krishnamachariar.]

understand these things, and I do not want to put forward random allegations (but it does not appear certainly for very straightforward reasons)—he sent an ukase, “You are now going to tack your rupee to sterling”. Therefore, it is no good at all the non-official people making any constructive suggestions to the best of their ability, because you do not seem really honestly and straightforwardly to implement our suggestions, though I admit that you are perfectly at liberty to shape them as you think best according to your lights and information and thus act the part of the divinity which shapes our ends, rough hew them how we will. The Honourable the Finance Member in paragraph 15 of his Budget speech had said:

“If you do not agree to all the proposals I am making in my Finance Bill, it might in effect mean that India, on the date that she will be inaugurating her new constitution, will find herself instead struggling desperately for existence in a morass of economic trouble.”

Is this the way we are to enter that promised land? I do not quite understand the figures he gave us, but I am asking whether the 19 crores deficit is over and above the 13 crores that we were asked to agree to in the last financial statement. Sir, I may not put forward any constructive proposal, but surely any person who understands the work, and who cannot find out that there is going to be a deficit of 82 crores out of a total estimated sum of Rs. 130 or 140 crores has not got the right to turn round and say, “Your suggestion is not good, but my suggestion is good”. Time after time we told you that the crisis was coming. It is not now. We started saying it from the old Imperial Legislative Council. Nobody listened to us. As long as we paid the taxes, everybody said, “India is very nice; there is no difficulty about India at all. These few fellows simply shout for their own ends. But look at the great cattle chewing the cud underneath the big oak tree. They do not make any noise”. But you are depending too much upon it. Gandhiji's civil disobedience movement taught you a lesson. Neither Gandhiji nor anybody else even more influential than he can ever manufacture a grievance as long as the people do not feel it, and the greatest and the wisest and perhaps the meanest of mankind has said 400 years ago, “If there is sedition, remove its cause.” The civil disobedience movement ought to be an eye opener to you, for people in the villages, you will be surprised to hear, who never interested themselves in these things, who worshipped Government as God the Almighty, and whose only idea of Government is the village policeman,—they all mustered strong in this movement quite ready to go to jail. When the Collector went into camp in a place called Veda-janyam, I believe he told them to go away and do their work and not to act foolishly thereafter. That is the spirit that has come on the people already. The depression in agriculture is so much that it is impossible for us to pay any tax, if the seasons do not improve. Somebody talked about the no-tax campaign. I should like the Government to wait for another three or four months, and if the seasons do not improve—I am not threatening them; I am not frightening them; I am not talking without authority—well, God alone protect the ryot. I myself own a large extent of land. Sir, hundreds of thousands of acres to-day are dryer up without water after having been ploughed. Do you know what that means in agriculture? That is the position in the country, and you are putting a surcharge of 25 per cent. on all taxes sitting here. Delhi is

perhaps not so hot as other parts of India, and sitting here and cooling your feet, you are thinking that because you can realise this money, because somehow or other this money will come, there is plenty of money in the land, that you can realise the taxes and that no trouble will come. I warn you against that idea as a man who comes from the villages, as a man who represents rural interests, as a man who is himself living on land. I say that these taxes can never be borne by the people. If you want to rid yourself of the trouble which you yourself have created, for God's sake, for Heaven's sake, for the sake of those very people for whom you say you feel the greatest interest, find out some other way by which you can relieve this burden and you can go on. And now, at this point, what I cannot understand is this. It has been raised by two or three Honourable gentlemen. I hope the Honourable the Finance Member will at least give attention to it. Why should you make a forecast for 18 months, I cannot understand. You did not know what was going to happen in September when you were passing the Finance Bill in March last, and here we are with 19 crores deficit. Can anybody, even the Honourable the Finance Minister, say there was not going to be further trouble which would increase the deficit to 30 crores in March next? What are you going to do then? I do not understand the reason, nor has any been assigned, why 18 months' forecast should be made. Probably there is some way by which the trouble that they are now faced with could be readjusted by taking into account the next year also. I cannot say.

Coming to details, I do not want to take up much of the time of the House, but I say that I oppose every item of the most important items of taxation. I do not want to go into the full details because I hope there will be occasion for me to do so when the details of the Finance Bill are being considered. I oppose these items because the trouble that Government is faced with is not my creation. At one time I had to suffer a great deal because I went into the Government lobby on a cut of a lakh of rupees which the Nationalist Party moved in connection with the last Budget. They said to me, “You went and voted with the Government”, as though it were a bad thing to support Government even when they are right. At that time I was obsessed with the idea that, after all these people must carry on the Government and you must supply grist to their mill. But you are going to create a bitter position your-self. You are adding to the burden already unbearable. There is a limit to suffering and that limit has been reached. It is impossible for us out in the country to pay any of these taxes. I know that in the end they will say “We have collected the taxes; you said you cannot pay the taxes”. That is only a temporary relief. You saw what trouble they gave you over this little bit of civil disobedience movement. When there is a bigger trouble in consequence of these increased taxes, at that time you will think that, after all Krishnamachari spoke something which ought to have been realised at the time. I would very strongly oppose especially the salt tax, the income-tax, the postal rates and the tax on cotton.

With these few words, Sir, and thanking you for the courtesy of giving me an opportunity to speak, I close my remarks.

Khan Bahadur Haji Wajihuddin (Cities of the United Provinces and Muhammadan Urban): Sir, though the supplementary Budget introduced by the Honourable the Finance Member has been received with the greatest disappointment throughout the country, I must however admit on the

[Khan Bahadur Haji Wajihuddin.]

floor of this House that my esteemed friend, Sir George Schuster, has made a heroic effort to balance the Budget. He is no doubt perfectly right to expect a deficit of 19 crores 55 lakhs at the end of the current financial year and a further deficit of 19½ crores in the next financial year. Both these deficits amount to about 39 crores and are to be made up within the next 18 months. My Honourable and esteemed friend has therefore proposed increased taxation on a wholesale scale and if he succeeds in his expectations he will find himself in possession of a surplus of 5 crores and 28 lakhs. But, Sir, I doubt very much to what extent my Honourable friend the Finance Minister's calculation will be realized. My Honourable friend will remember he had estimated certain receipts after enhancing taxes only in March last, and I hope my Honourable friend will excuse me for saying that his proposal of increase in taxation and estimate of certain receipts based on his own increase were adopted by the House which proved after 6 months quite unjustified. May I ask him what guarantee is there that his new expectations will be realized?

Sir, I being a business man, venture to say that taxation on a scale like that proposed by the Honourable Sir George will have a further depressing effect on Indian trade and industry and will be a serious blow to the traders throughout the country and will not bring the revenue anticipated by the Honourable Member. I hope, Sir, every Honourable Member will agree with me that trade is very badly sick and the further burden proposed would sap its vitality and lessen its power of recovery. I could only compare the proposal to extract more money from extremely distressed commerce of this poor country with the operation of extracting blood from stone.

I think with a view to balance the Budget the imposition of fresh burdens on the existing taxpayers and enrolment of the smallest shopkeepers, hawkers, and commission agents among the income-tax payers, is to invite a very serious disaster.

Sir, let me say frankly that experience of the past generally and of the last 8 months especially has proved that increase in taxation no longer yields the anticipated revenue because the limit has already been reached leaving no room for further taxation upon the poverty-stricken masses of this poor country.

The increased taxation, surcharge and increase on post card as proposed are of a most drastic character affecting every article of necessity and affecting the poor man still more, perhaps, than the richer class.

I think the only remedy to solve the problem satisfactorily at this critical juncture lies in drastic cuts in the high salaries and allowances of the services as well as in bringing down establishment charges in all the departments. Poor India is quite unable to maintain the services at the existing scales of pay. If my Honourable friend, the Finance Minister, is really anxious to hand over a sound business to his successor, my sincere advice is, that he must effect drastic cuts and bring down charges to the extent of our revenues.

Dr. Ziauddin Ahmad (United Provinces, Southern Division: Muhammad Rural): Sir, we on this side of the House, in the interests of our country are quite anxious to have a balanced Budget, but our position unfortunately is not a very enviable one. We are asked on the one side not to touch salaries; we are asked not to have any say on the currency

problem. We cannot have any say on the flight of gold and other important problems connected with finance, and the only thing that we are asked to do is to touch the pockets of the people and ask them to pay the last pie which they have got, in order that the Treasury Benches, under the directions of the Secretary of State, may spend the money in their own way. The next thing to which I should like to draw the attention of Honourable Members is the novel practice of having an 18 months Budget. Could anyone, including the Honourable the Finance Member, in March last foresee what would happen in September, and can he or anyone else foresee what may or may not happen in March next? Is it desirable at all to assume the circumstances, which are changing so rapidly, 18 months ahead and make a Budget for 18 months? It would have been quite sufficient if the Honourable the Finance Member had come forward with a supplementary Finance Bill for the remaining part of the year and not dragged it on for the year 1932-33.

Sir, I shall take up a few questions of general importance as they affect the financial position of our country before I come to the question of retrenchment. The first point to which I wish to draw the attention of the Assembly is the question of exchange. It may be an accident, but it is a fact that our Budget began to be a deficit Budget from the very moment that we passed the Currency Act and fixed the ratio at 1s. 6d. As was pointed out by my Honourable friend, the Deputy President, till 1926-27 we always had a saving. In 1923-24 we had a saving of Rs. 4.80 crores; in 1924-25, 5.18 crores; in 1925-26, 8.81 crores; in 1926-27, 2.95 crores; and the moment this Currency Act began to operate, we had a deficit in 1927-28 of Rs. 2.21, and in 1928-29, a deficit of 1.05 and so on. Another important fact, which may also be called an accident, is that up to the time that we passed the Currency Act, the actual income in the Budget was always greater than the anticipated income, but since the time we fixed the exchange ratio the actual income continually fell short of the income anticipated in the Budget. In order to maintain this policy of exchange, Government had to borrow large sums of money and had to fall back upon various methods in order to manipulate this exchange. Now, during the same interval the Government have borrowed Rs. 103 crores in India and 45½ millions in England, making a total of 164 crores. During this period we have had a deficit, and in spite of the deficit, a big sum of 164 crores had been borrowed, and India had been put under the burden of this debt. Now, this money, unfortunately, as I will show later on, has not been invested in any profitable concern. The greater portion of it has been spent in a concern, which as I will show later on yields only an income of 1 per cent. We have borrowed the money at a very high rate of interest from 6 to 6½ per cent. and invested it at 1 per cent. Sir, this is really the outcome of this policy of exchange which the Honourable the Finance Member has always followed. May I remind him, in connection with this exchange question, of the resolution passed by the Brussels International Conference? It says—

"Attempts to limit fluctuations in exchange by imposing artificial control on exchange operations are futile and mischievous. In so far as they are effective they falsify the market, tend to remove natural correctives to such fluctuations, and interfere with free dealings in forward exchange which are so necessary to enable traders to eliminate from their calculations a margin to cover risk of exchange, which would otherwise contribute to the rise in prices. Moreover, all Government interference with trade, including exchange, tends to impede that improvement in the economic condition of a country by which alone a healthy and stable exchange can be secured."

1932

LEGISLATIVE ASSEMBLY.

[5th Nov. 1931.]

[Dr. Ziauddin Ahmad.]

Now, this is the resolution passed by the Brussels International Conference, and I should like to know how far our Finance Member has acted upon this resolution. Has he not manipulated exchange by issuing reverse council bills, by raising the rate of exchange and by other artificial processes? Sir, the bad habit of borrowing to which the Honourable the Finance Member has been accustomed (Laughter) has lowered the prestige of this country, and India which at one time commanded a very great credit has now been degraded into a debtor country. Our securities have depreciated and we have to pay very high rates of interest in India and in England. Sir, this exchange policy has been one of the causes of the deterioration in the prices of agricultural products. By this exchange policy we put a premium of 12½ per cent. on them. It has increased prices in the world market, and India cannot possibly compete with this premium in the sale of her agricultural products in the world market. It is said very often that we gain by this exchange 12½ per cent. on all our imports and we lose 12½ per cent. on our exports; but we notice that the balance of trade has always been in our favour. Therefore India has always lost 12½ per cent. on account of exchange in the amount which represents the balance of trade. The balance of trade during the same years has been on an average of about 50 crores a year. Therefore India has been losing about 6 crores a year on account of the exchange policy of the Government. My friend may possibly say something about the invisible balance of trade. This invisible balance of trade is always created whenever we have got the visible balance of trade.

There was some justification, though of course not an entirely correct one, to connect the rupee with gold sterling; but after England has gone off the gold standard, there is no justification whatever why India should be linked up with this paper sterling, and I maintain that the Currency Act becomes *ultra vires* because section 2 clearly says:

"For the purposes of determining the equivalent rate applicable to the sale of sterling under this section Rs. 21-3-10 shall be deemed to be equivalent to such sum in sterling as is required to purchase one tola of fine gold in London at the rate at which the Bank of England is bound by law to give sterling in exchange for gold."

Here, England is not bound by law to give this gold in exchange and therefore evidently

The Honourable Sir George Schuster: Will my Honourable friend tell me on what authority he makes that statement that the Bank of England is not bound by law to purchase gold at a certain price?

Dr. Ziauddin Ahmad: They are not bound because England has gone off the gold standard.

The Honourable Sir George Schuster: The fact that England has gone off the gold standard does not affect the liability of the Bank of England to purchase gold: that is the determining factor and that has not been altered in the least by the fact that England has gone off the gold standard.

Dr. Ziauddin Ahmad: Whatever theoretical argument may be put forward, the fact remains that before England went off the gold standard we could purchase a sovereign for Rs. 18-6; but from the moment she went off the gold standard it has not been possible to have the same gold for that amount, but the price has gone up; and any person who wants to

make a profit can always do so by purchasing what you call an expert bill in terms of sterling and demanding from the Indian Government to pay it in terms of gold. This gold he can take outside India and sell it for a higher value and therefore any one who has some money can do business of this kind and get an enormous profit, and at whose cost? at the cost of the Indian tax-payer.

It was pointed out at the Simla Session that even the Hilton Young Commission, in paragraph 24 of their Report, clearly said that the rupee should not be linked to sterling if at any time England might go off the gold standard. There was honest difference of opinion whether the ratio of 1s. 6d. was more profitable than the exchange ratio of 1s. 4d. The Honourable Sir George Schuster gave a solemn undertaking in these words and I am going to ask him whether he is willing to repeat the same vow now. Quoting the words of Hippocrates he gave the plan of the oath which he made his disciples administer and he said:

"I swear by all gods and goddesses that I will, according to my power and judgment, make good this oath and covenant that I sign. I will use all ways of medical treatment that shall be for the advantage of sufferers, according to my power and judgment, and will protect them from injury and injustice. Nor will I give to any man, though I be asked to give it, any deadly drug; nor will I consent that it should be given; but purely and holily I will keep guard on my life and my art."

Then he continued:

"I would willingly accept no less binding vows."

I now ask him, is he prepared to take the same vow, that the rupee should be linked to the paper sterling at 1s. 6d. at a time when England has gone off the gold standard?

Mian Muhammad Shah Nawaz (West Central Punjab: Muhammadan): The notion about gods and goddesses has changed since then!

Dr. Ziauddin Ahmad: There is one point I should like to draw attention to about the encouragement of banks. It is not the practice in any country, with the possible exception of a few, to give unlimited permission to foreign banks to carry on home business. At any rate they are compelled to prepare balance sheets of the business carried on in the country in which they have opened their business. But here in India the foreign banks have got unlimited power to carry on the business in their own way, and not only this, but the Finance Member came forward and included them in the list, which he gave us in the last session of the Assembly, as suitable banks to whom the Government of India were willing to give financial help. He patronised a large number of foreign banks and unfortunately he could not include more than two Indian banks. Now, is it at all justifiable as part of our financial policy to give this undue freedom to foreign banks to open their branches and to carry on the home business to an unlimited extent with the assistance of our money and without showing separately their balance sheet as it is always done in other countries? What is the result of this policy? The result has been this. I will just give a little quotation given by the Director of the Imperial Bank of India, Mr. Smith. He says:

"Even in the present day when representatives of many countries have invaded India"—(mark the word "invaded")—"bringing with them developed and stable systems from Europe, America and elsewhere and capturing"—(mark the word "capturing")—"the trade and business of the seaports and the more populous inland towns, the Marwari, the Multani, the Chetty, the sowcar and other Indians still carry on in the mufassal as they did one hundred years ago."

[Dr. Ziauddin Ahmad.]

From this it appears that this is really the settled policy of these foreign banks under the protection and patronage of our own Government to capture the whole of the banking business in India and to oust the Indians to the remote corners of the country.

The second point I should like to make is that we should make every effort to stop the flight of gold from India. The Ordinance that the Finance Member had passed on the first occasion was really the right Ordinance and it was in the interests of this country; but unfortunately he was overruled by the Secretary of State, and any person in his position should never have tolerated an interference of this kind.

Sir, at one time it was believed that the prosperity of a country depended upon the balance of trade, but the experience of the countries in middle Europe after the war has proved that this theory has practically no foundation. The currency of those countries was inflated, their purchasing power was very much diminished, and people from outside could purchase articles from those particular countries, but those countries had not got sufficient money to purchase from outside. So the balance of trade was enormously in favour of those countries, and in spite of a very heavy balance of trade in their favour, we know very well that there has been enormous misery in those countries, and this theory of "the balance of trade" is not a suitable test for judging the prosperity of a country, and the central European countries could have avoided most of their miseries to which they were subjected, had they not adhered to the theory.

The second theory which the Finance Member is trying his level best to adhere to is that the prosperity of a country and of its trade depends upon the exchange question. In the first place, I may be permitted to quote from Hansard (Gregory)—"There is only one person who knows the alchemy of exchanges, and that one man is in the lunatic asylum." So unless the Finance Member considers M. L. A. to mean a member of a lunatic asylum, he has no claim to call himself an expert

The Honourable Sir George Schuster: May I ask by what authority my Honourable friend himself claims to be speaking?

Dr. Ziauddin Ahmad: I am quoting a passage from Gregory's Exchange book

Mr. O. S. Ranga Iyer: Do you consider this House a lunatic asylum?

Dr. Ziauddin Ahmad: If any Honourable Member of the Legislative Assembly considers himself to be an expert on exchange, he has no reason to say so unless he interprets M. L. A. in this sense (Laughter). The real prosperity of a country depends upon the stability of prices. If you have stability in prices, then the exchange will look after itself; the balance of trade will look after itself. The exchange and balance of trade are both the effects, and not the causes, of disparity in prices. If you have stable prices, then everything else will follow its own course and the country be prosperous. There will be a balance of trade in favour of the country. But I ask, Sir, is it possible to have a level price by increasing taxation? My answer is no. If you go on increasing taxation, if you go on multiplying customs duties, it is impossible to maintain a level price in the country. A level price is really the one important thing which we ought to try to achieve. It is a truism, and as the Deputy

President has shown this morning an increase in taxation does not necessarily mean an increase in income. We gave the Finance Member five crores in the year 1930-31; but then when he came forward last year with his Budget he showed that there was a falling off in revenue in certain directions and he demanded additional taxation to the extent of 15 crores. We gave him 15 crores, but again he says that there has been a falling off in the revenue. We have seen that increased taxation does not necessarily mean increased income or revenue. There are two kinds of commodities called "elastic" and "inelastic". An "inelastic" commodity is one which every one must use and for which there exists no cheaper substitute. In regard to inelastic articles, increased taxation means increased income. Salt is an example of an inelastic commodity. If you increase the duty on salt it will mean increased income. Of course, we may not support the salt duty for political and other considerations, because it is really a burden on the poor people, and it is not at all right that salt should be taxed, but at any rate increase of duty on this commodity will mean increased income. But there are other commodities called "inelastic" in which increased duty does not necessarily mean increased income. For example take motor cars. There are some persons who will always buy motor cars, while there are others who will never buy motor cars. But there are some who are just on the border line who will buy a car if the purchase price and the cost of maintenance comes within certain limits, and if it passes their limit, then they will forego the pleasure of a motor car. This limit is the point beyond which we have the law of "diminishing return". Increased taxation will not mean additional income because the customs duties on this commodity will be diminished as there will be a less number of cars imported. Therefore these are called inelastic articles, and all those commodities which have a cheap substitute or without which we can go on are all called "elastic". Increased taxation beyond this limit would not necessarily mean increased income. A scientific investigation to determine the limiting point of each commodity was never made. The Finance Member keeps the whole thing to himself, and on the 28th of February he comes forward with a bomb shell in the Assembly Chamber and asserts that such and such articles should be taxed, and I do not think that he ever took sufficient precautions to see whether by imposing additional taxation on certain articles he could expect additional income.

I shall give some illustrations to prove that increased taxation does not mean increased income. First I take the export duty. An increase in the export duty does not necessarily mean an increased income. My friend, Mr. B. Das, by opening the book on the "Review of the Trade of India" saw on a certain page some figures, on the export of hides and skins and he concluded that if we put up the duty from say 5 per cent. to 15 or 20 per cent., it would yield so much more income. He calculated the increase by single arithmetic. But he entirely forgot that it has already been overtaxed, and by increasing the cess on hides and skins the trade will practically be killed. (An Honourable Member: "It is already killed".) I may be excused if I go a little more in detail into this particular question as it is often contested by persons who are interested in tanning industry in Southern India. This particular trade has been taxed twice over. In the first place, we have levied a premium of 12½ per cent. on account of the exchange, and we levy a cess of 5 per cent. on export, that is, a duty of 17½ per cent. on the whole. With what result? Before the war the number of cow hides which we

[Dr. Ziauddin Ahmad.]

exported was 7,952,000. In the year 1929 it was reduced to 8,770,000; in 1929, to 8,284,000; in 1930, it was reduced to 2,898,000; and this year it was reduced to 1,928,000. So, it practically means that we have killed this particular trade. In the case of buffalo skins, before the war we had 1,185,000; in 1928, it was reduced to 699,000; in 1930 to 282,000; and in 1931 it was 298,000. If we calculate the value of these skins and the loss to India, by a simple mathematical calculation, it comes to about Rs. 6 crores a year. Therefore, on account of the policy of the Government, in one particular commodity alone, the whole country is losing Rs. 6 crores every year. I have got the figures here; they are not mine, but they are given in the "Review of the Trade of India". If you look at the prices of the exported hides and skins before the war and those of the current year, you will find that there is a dead loss to India amounting to Rs. 6 crores. Let us see in whose hands this particular trade is. (An Honourable Member: "The hides remain in India".) These Rs. 6 crores are buried in the ground. The value to India of this industry taken as a whole is about Rs. 40 or 50 crores. It provides employment to large numbers of men, and is a factor in the economic well-being of millions of the depressed classes. The Cess Committee's Report also tells us that a larger percentage of exports consists of inferior grade hides from animals

Mr. President: Order, order. May I draw the Honourable Member's attention to Standing Order No. 39, which says:

"On the day on which any such motion is made, or on any subsequent day to which the discussion thereof is postponed, the principle of the Bill and its general provisions may be discussed, but the details of the Bill must not be discussed further than is necessary to explain its principle".

On an occasion like the present the Chair has not thought fit to interfere, but I should like to ask the Honourable Member whether he is right in so elaborately dealing with a suggestion made by an Honourable Member to increase the duty on hides and skins. I think that is going far beyond anything that the Chair could allow even on an occasion like this. I would therefore like the Honourable Member to restrict his observations to the principle of the Bill as laid down in Standing Order No. 39.

Dr. Ziauddin Ahmad: I will only just mention my conclusion. The conclusion at which I was to arrive was this, that by increasing the cess you cannot increase the income, but the best way to increase the income is to abolish the cess altogether and then you may tax the profits of the businessmen engaged in this particular trade. The detailed discussion of this point was an important one for the proof of my theory, but stable prices are more important than stable exchange.

Sir, the next question that I should like to touch, though slightly, is the question of motor spirit. Last year the duty on motor spirit was six annas per gallon. This was increased by two annas per gallon and the proposal is to have a further increase of two annas, that is, it makes altogether a duty of ten annas per gallon. It is very significant that the price of petrol in England is less than the duty which is imposed upon it in this particular country. It is only three annas a gallon in America, it is less than one shilling a gallon in England, and about the same in other countries. I ask, is the Honourable the Finance Member justified in putting a duty on motor spirit equivalent to the price at which it is sold in other countries? There is one other point in this connection to which

I should like to draw attention, and that is that the price at which petrol is sold in Delhi is Rs. 1-12-0 a gallon. Out of this we pay ten annas as excise duty, and the cost of production, if I am not mistaken, is only two annas a gallon leaving out the overhead charges. So, it leaves a profit of one rupee per gallon in the hands of the capitalists. Here the producers have a regular monopoly, and on account of this monopoly they give a dividend of 22½ per cent. Is not this kind of monopoly, I ask Honourable Members, a civilised form of robbery and dacoity? All the producers have entered into an unholy alliance and they have fixed their own price which they command. Since this article must be purchased, the people have to pay a high price, and the monopolists make an enormous amount of profit. Of course, we do not mind people from outside coming forward with foreign capital to develop the natural resources of this country. A thing like that is not very much resented by us, but what we do resent is the monopoly which robs the people by charging enormous prices in order to pay a dividend of 22½ per cent. If the Honourable the Finance Member will agree, I will suggest that the Government should take the sole charge of petroleum in this particular country, and that is the only way by which this monopoly can be broken.

Mr. Arthur Moore: Which Government? Burma?

Mr. President: I am very sorry to interrupt the Honourable Member again. He still goes into details. The issue in the Bill is a surcharge of 25 per cent. on the import of petrol. The question as to how the public will be affected by this increased duty is perfectly relevant. But is this an occasion when the Honourable Member should go into details of this trade? I can allow the Honourable Member to have his full say on the effect on the public of the increased surcharge which the Bill contemplates imposing, but I would ask him once more not to go into details in the manner in which he has been doing.

Dr. Ziauddin Ahmad: May I reply to the Honourable the Leader of the European Group when he spoke about the separation of Burma?

Mr. Arthur Moore: I did not say anything about the separation of Burma.

Dr. Ziauddin Ahmad: I thought the Honourable Member had given away the whole case when he said that this question of monopoly would not arise if Burma was separated. Government monopoly of petrol would yield an income so as to render fresh taxation unnecessary. I take another tonic and it is the question of the Army. We had been discussing two kinds of balance of trade,—the visible balance of trade and the invisible balance of trade, but here we have got two forms of Budget, the visible Budget and the invisible Budget. In the case of the Army you have got a visible Budget which is quoted in every report. Then you have got an invisible Budget for the Army which a layman cannot find out unless he goes through all the intricacies of the figures. As regards the visible Budget of the Army, it was Rs. 59 crores in 1929-30, Rs. 53 crores in 1930-31, and Rs. 58½ crores in 1931-32. In addition to this visible Budget, there are certain items which I may call the invisible Budget of the Army. The first item of this invisible Budget of the Army is the contribution by the railways. We know that the railways contribute to the Army in two different ways. The railways spend Rs. 178 lakhs for the Army in strategic lines. The second way in which the railways support the Army

[Dr. Zisuddin Ahmad.]

in this. There is a standing order that any soldier, by paying the fare of a third class ticket can travel in the second class. They have also concessions in luggage. Those are the two contributions which the railways make to the Army Budget.

Then there is the civil administration which also makes contributions to the Army in the form of invisible budget. We make a contribution in the shape of constabulary, which is about 1 1/3rd crores; and then there is the Survey of India which is about 41½ lakhs. That is about half a crore. Taking the visible and the invisible items in the Budget of the Army, the net expenditure comes to not 54 crores, but to about 60 crores. If we adopt the same policy, that we have adopted in the civil Budget, of cutting salaries and having a better organisation, by which we effect a saving of 16½ per cent. we should have a cut of at least 10 crores from the military Budget. That is the very minimum and that will be on the lines of the civil Budget. I know 10 crores will not satisfy the Members on this side of the House. They would like to have a still bigger cut, but I just follow the principle of the civil Budget and demand only a cut of 16½ per cent.

Now, Sir, I come to the railways, and the reason is that they used to contribute 7 crores to the General Budget. In the proposal which the Finance Member has laid before us, he has clearly said that the railways cannot contribute a penny. This means that there is a definite loss of 7 crores. I maintain that this can be contributed and our General Budget will come down by this amount. During the period under review, the last five years, the Government have spent 40 crores in new construction. Taking the case of the old running lines, they have spent 80 crores out of the loan that we have taken for them during the last five years and in addition they have drawn 50 crores from the Depreciation Fund. They have spent 40 crores in new construction and therefore the total capital expenditure excluding the money drawn from the depreciation fund spent by the railway during the last five years is 120 crores of rupees. That is the capital expenditure which has been drawn from our loan. Out of this 120 crores, 80 crores have been spent on the running lines, which yields no income, and the 40 crores spent on new construction yields a revenue of one per cent. In the Railway Retrenchment Committee's Report there is an appendix in which the yield and the cost of the new constructions have been given and if you add up the total of the capital and the yield the profit comes to only one per cent. It is really a bad investment. We borrow money at 6 per cent. and 6½ per cent. and invest it in undertakings which yield only one per cent. The Honourable the Finance Member is really responsible for the general finances of the railways, although the Railway Budget is separated, but it is under the charge of the Financial Commissioner, who is the Secretary of the Finance Member. It is his business to see that the capital expenditure is properly spent. He should not misspend in the way in which they have been squandering the money. We have been demanding here that 10 crores ought to be supplied to buy the B. & N. W. Railway which is yielding an income of 18½ per cent. Now, the Honourable the Finance Member had no money to invest in a concern which yields an income of 18½ per cent. He has got 120 crores, two-thirds of which produce nothing and one-third produces only one per cent. Now, the Acworth Committee very strongly recommended that the railway authorities should lay aside a certain sum of

money every year in order to purchase the B. & N. W. Railway. They outwitted a reserve fund amounting at one time to about 20 crores. The whole of that was spent, some persons really believe that that amount was intentionally spent in order that no money might be available for the purchase of the B. & N. W. Railway. They had the same problem in the Nizam's State. They began to build up a reserve fund and set aside 2 crores every year and they succeeded, without any loan, in buying the whole of the railway in the Nizam's dominions. And we done the same thing we should have saved all these questions and resolutions. I will just say a few words on how it is possible to make the railways yield an income of 7 crores. The Railway Retrenchment Committee did not have the opportunity to see the running lines. We worked only during the Simla Session, and had the opportunity to examine and discuss the Railway Board and the departments directly connected with the Railway Board. We had no time at our disposal to go into the running of the line. We had recommended a saving of 75 lakhs and the railway authorities have already effected an economy amounting to 4.3 crores and if we apply the principle of the cut in salaries then the saving will come to about 10 crores. There is great room for retrenchment in the running of the line. We give large sums of money, amounting to 36 lakhs a year, to each Agent to spend in his own way, for which no regular budget is prepared and no regular sanction obtained. We also have duplication of work between the Superintendent and the Agent's office. All these are items which will have to be looked into by some Retrenchment Committee, and I am perfectly confident that if we effect economy and have this reorganisation, we will have sufficient money to fulfil the obligation of paying one per cent. on the capital at charge. We thus have another income of 7 crores.

Now I come to the question of land revenue, which, on account of its application to the North-west Frontier Province, comes under the purview of the Assembly. There is now a very strong feeling among the landlords not only in the North-West Frontier Province but practically in every province that the policy of the Government is to purchase the whole of the landed property without paying for it. The reason for this is that in several provinces Government have asked the landlords to remit the rents without a corresponding remission in the land revenue. They also do not help the landlords in the collection of unrealised rent. The zamindars suffer in two ways; first, they are forced to remit their rent, and they cannot realize what is legitimately due to them; and the result is that these zamindars have to pay the land revenue from their own pockets. Moreover, the land revenue is realized by force, and by methods which can hardly be called humane; that is, any person who has not paid the land revenue is at once put into jail, and his motor car or his house and all his moveable property are confiscated and sold at a nominal price. He is actually put into jail along with other prisoners who have committed offences under the Indian Penal Code. Thus many respectable persons find that the ultimate result of their being landlords is to go to jail and they would therefore be very willing to give over the whole of their property to the Government and thus to be saved from the trouble of paying the land revenue, which it is impossible for them to pay. Sir, we all know that this year the zamindars of Upper India have actually had to sell their ornaments amounting to over 80 millions which has all gone into the currency in the shape of 'distress' gold. Now you cannot expect these zamindars to go on paying these amounts for ever. Now they are

[Dr. Ziauddin Ahmad.]

possibly manage to pay this year, but this experiment cannot be repeated year after year. The value of the property will go down from 100 to 80 and then to 25 and then to almost nil. Sir, it is lamentable to find that the Government do not care for those who already stood by them and who are their real friends, but they care far more for the tenants because there is more force behind them. I warn the Government that, so long as they follow this policy of treading down their own friends, it would be impossible for any Government to exist very long. One point which is really a very important point at issue is that while the Government insist upon the zamindars giving up a certain amount of rent, at the same time they themselves are not prepared to remit their own land revenue. I think there is no justification . . .

Mr. President: The Honourable Member takes a point and then elaborates it at considerable length. May I ask him what relevance zamindars' grievances have to the motion now before the House?

Dr. Ziauddin Ahmad: Because the particular question arises in the N.-W. F. Province, and the Government are adopting a tyrannical policy.

Mr. President: The Honourable Member has been speaking about the grievances of the U. P. zamindars. What has that to do with the precise issue before the House? Will the Honourable Member please explain?

Dr. Ziauddin Ahmad: The grievances of the landlords in the N.-W. F. Province are the same as those of the landlords in any other part of India.

Mr. President: What has that to do with the present Bill? I want the Honourable Member to tell me that.

Dr. Ziauddin Ahmad: The point is that, in order to meet their diminished income, the Government should diminish their scale of expenditure; and unless they revised the whole scale of salaries, it would be quite impossible for them . . .

Mr. President: What relevance has that to the grievances of the zamindars and tenants in the United Provinces, or even in the North-West Frontier Province? The Honourable Member has spoken for one hour and I do not object to his going on as long as he likes, provided what he says is relevant to the issue before the House.

Dr. Ziauddin Ahmad: The last point that I should like to make is this. We have got a deficit Budget. It is impossible for the country to pay the present enormous overhead charges either of the Central Government or of the Provincial Governments; and it is now high time that the Government reduced the scale of salaries. Simply a cut of 5 per cent. or 7 per cent. or 10 per cent. will not suffice. The thing that is exceedingly important is that you ought to revise your scales of salaries from beginning to end and bring them down to the pre-war level. The important point is really that, namely, when income is being diminished, the overhead expenses must also diminish. While our income is practically now coming down to that before the war, our expenditure in some cases is about three times what it was before the war, and it is very desirable that income and expenses must be balanced.

Sir, the last thing I want to speak on has reference to the deliberations at the Round Table Conference. They have been discussing a good deal there about communal problems. I think that the example of Egypt will help in the solution of this particular problem; and both Hindus and Muhammadans . . .

Mr. President: I am very sorry to go on interrupting the Honourable Member. I have however repeatedly drawn his attention to the fact that we are dealing with a Finance Bill, and anything that arises out of the Finance Bill is alone relevant. I wish the Honourable Member would restrict himself to the issues that are before the House.

Dr. Ziauddin Ahmad: May I utter my last sentence? In the future Assembly, we ought to have the real power of regulating the Finance and Currency; and the future Assembly should not be reduced to the position of a school-debating society, which is the name given by the Honourable the Home Member to this Assembly.

Mr. Amar Nath Dutt: Sir, at the fag end of the day I am not going to inflict a long speech upon the House (Hear, hear), or to sermonise the Honourable the Finance Member, who undoubtedly is an expert in finance, about what he ought to do and what he ought not to do. But, Sir, we should be failing in our duty if we did not enter an emphatic protest against the Finance Bill as introduced by the Honourable the Finance Member; an emphatic protest because of the manifold grievances of the people of this unfortunate country which remain unredressed. Sir, the lurid light of affairs at Dacca, Midnapore, Chittagong and last but not least, Hijli, has shed its lustre on the ever lengthening fame of the Honourable the Home Member, I mean the present incumbent of that high office. Sir, at times I thought that it was useless for me to get up and address the House because I found the Treasury Benches empty; and if I am now to address the House on the Finance Bill, I shall address myself only to such points as concern the maladministration and misgovernment of this country by other Members of the Government except the Honourable the Finance Member, upon whose devoted head all the blames are being placed because he happens to be the author of this Finance Bill. I believe, Sir, that if only the Honourable the Home Member and the Honourable the Finance Member had exchanged places, we would have been better off than we have been at the present moment. I hope the Honourable the Home Member will excuse me if I am obliged to speak out my mind; at times, Sir, it is very necessary that we should speak out our minds. Sir, we do not want misgovernment, in the name of government; and the sooner the same is put an end to the better for all concerned and to expedite that, we want to throw out the Finance Bill. Our guiding principle should be "Refusal of supplies before redress of grievances". We have been asking for redress of our grievances, day after day, hour after hour, in this very House and elsewhere from platforms all over the country, but the Honourable the Home Member has turned a deaf ear to all our demands. Safe as he is under the present constitution, and constituted as we are as the representatives of the people under the present constitution, our only remedy against his tyranny is to refuse supplies. So, if I say a few words against the present Finance Bill, it is more directed against those who are responsible for the administration of the country and not the Honourable the Finance Member, whose misfortune it is to introduce the present measure. Apart from this, I think I am bound to point out to the Honourable the Finance Member for his consideration certain provisions of the Finance Bill which should be deleted from the Finance Bill. I do so at the risk of being characterised as an unfair and dishonest critic. Probably the only fair and honest critic in this House . . .

[Mr. Amar Nath Dutt.]

is the one man who is the friend of India over there according to the certificate of the Bengal Government. I have never aspired for any Government certificate as an honest and fair critic of that type. The moment I do so, my public life will be gone, and I shall have sold myself to the bureaucracy. This reminds me of a great statesman in England who used to say, "Whenever I found that the *Times* agreed with me, I thought that I was in the wrong". If my views tally with those of the bureaucracy or of the official Benches, then I think seriously and try to suspend my judgment, because I think that I must be in the wrong, because the Members over there and I cannot agree on fundamental and essential points. My friend, the Honourable the Deputy President, has pleaded that he may not be characterised as a dishonest and unfair critic. I do not lay claim to that. Let the Government characterise my criticisms as dishonest and unfair, and I know what is its worth.

Sir, the Honourable the Finance Member began by saying, when introducing the Finance Bill, that he wants to restore equilibrium between revenue and expenditure. It is necessary to restore equilibrium between revenue and expenditure in order that the administration may go on. Unless there is equilibrium, the administration will succumb. But you can do so either by reducing the expenditure or by increasing the revenue. But when it is proposed to keep up the alien people with fat salaries, we must impose further taxes,—to that I enter my emphatic protest. If they want to have the luxury of ruling India and of posing before the world as the great Moguls they should not do so by exploiting India, but should get money from their own homes instead of getting it from the starving millions of India. I quite believe the statement of the Honourable the Finance Member when he says that it is with the greatest possible reluctance that he has been obliged to introduce this emergency measure. But at the same time, Sir, I think you will forgive me for saying that he had no other alternative but to do so. His is not the choice in the matter. He has to act under duress, and that being so, I pity his lot. If that is going to be the lot of every Finance Member in the future constitution—of course under the present constitution I do not expect to be a Finance Member, but if that is going to be the lot under the future constitution—I would not covet the position of a Finance Member for myself if I was to be dictated to. We are then asked to assume an attitude of feeling a share of responsibility. Do you really and sincerely mean that we have any responsibility? Do you ever act up to our advice? At times you sleep, as the Honourable the Home Member is sleeping when I am speaking about maladministration by him. At times you take notes about replies. That is the way in which all our statements are dealt with. If that be so, why do you ask us to assume an attitude of responsibility? Where is the responsibility? If I were to ask Sir Joseph Shore, "Sir, instead of a 5-pice envelope, have 2-pice postcards at least and have a 6-pice envelope" will he accept my advice? He won't. That being so, why do you ask for our advice? Our business is to denounce, and let us denounce. After hearing our speech, you go away from this hall saying "These people are talking loudly; let us go on". I know many of the Honourable Members over there will

do that. But there are some people who may be thin skinned and will feel it. Probably the Honourable the Home Member is one of them. He is rather a little thin skinned, because when he comes down upon us with abuses, I think he feels keenly about our remarks. We are asked to frame an essentially constructive scheme for "the India which we are serving". You are serving India? That is the language which is used. The great French comedian Moliere said that speech has been given to conceal rather than express man's thoughts. There is an example of that. "That India which we are serving". While you are ruling India you say you are serving India. As has been said of the members of the Indian Civil Service that they are neither Indian nor civil nor servants, so you are serving India. Masters say that they are serving India. I do not like this sort of language. Your only kind of service is to relieve the poor of the little they have to pass their days on this earth and thus to shorten their days in this unhappy world.

I shall criticise the speech of the Honourable the Finance Member even at the risk of being characterised as a dishonest critic. It has been said by the Honourable the Finance Member about withdrawal of the Lee Commission concessions that it would be "discriminatory action of the most unfair kind". "Discriminatory action of the most unfair kind." People with several thousands per month have had additions to their pay for going with their families overseas, and over and above the overseas pay, several other things. You know what are those concessions. If at the present moment we ask for a withdrawal of those concessions, you say "discriminatory action of the most unfair kind". No doubt it is unfair to deny anything to those fair-complexioned men. It has been said that those concessions are designed to meet inequalities between various classes of officers. Here we have to help the Honourable the Finance Member at his word. What are the inequalities between the various classes of officers? Certainly I do not know and probably the Honourable the Finance Member himself does not know, unless he is on this point enlightened by members of that heaven-born service, because he does not belong to that service. But the pay and prospects of a member of the Civil Service in India are, I think, higher than in any other country in the world. In spite of that, you have added to the pay after the great war when prices went up many concessions under what we call and what we have termed in this House, "Lee loot" or "Lee plunder". About 14 crores have been taken away. At present, the Honourable the Finance Member, who has been eloquent in asking us to make all sorts of sacrifices, says that even this which was given to them at a time when prices were very high, cannot be taken away and that it would be discrimination of the most unfair kind, and that it is designed to meet inequalities between various classes of officers. In this country, I put it to you, you will find young men, the flowers of Indian universities, spending their whole lives on Rs. 400 or 500 a month. Go to the Science Colleges in the University College. You will find Premchand Raychand, scholars and Doctors of Science of the London University, working for Rs. 500 or 600 a month and no more prospects than Rs. 1,000 a month. Certainly the members of the Indian Civil Service are not intellectually better equipped than these, the flowers of the Indian universities. And what do these people get? They get four times, five times, six times, eight times as much. Is there any police which the Honourable Member

[Mr. Amar Nath Dutt.]

over there hold under the Government of India which the flower of our universities cannot discharge with credit to themselves and to the country as well as to the Government? I think it will be the height of impertinence for any member of the Indian Civil Service to say that they are the only men qualified to discharge the duties of governing India or misgoverning India. So, Sir, when Mahatmaji laid down the maximum salary of anybody under the sun to be Rs. 500, he was perfectly right, considering the conditions under which we have to live here in India, considering the poverty of the millions of the people of this country; and you ought not to claim the high salary which you have got, far less ought you to take advantage of the plunder which was started a few years ago to augment your incomes. It has been said, Sir, about income-tax on leave, that these are established rights. Established rights there are many on earth. This is an established government. So was the government of Siraj-ud-daulah in the year 1757; that established government vanished. Mind you I am uttering no idle threat. I tell you that if you go on taxing the resources of the people to the extent to which you have done and which you are doing by the present Finance Bill, you will be held responsible for the anarchy that is bound to follow. I give you this warning. You cannot tax us further. Look to the condition of the agriculturists of the country. I moved a Resolution for inquiring into their distress and to see what could be done to relieve them. The Honourable Member in charge of the Department with smiling words said, "We are inquiring, and will receive your suggestions". The income of agriculturists has gone down by 75 per cent. Wheat and paddy are selling at one-fourth their usual price, and you want to raise further taxation from a people, 79.3 per cent. of whom live on agriculture alone. Then again what is the condition of traders? Some of the traders have been utterly ruined. I have found big millionaires travelling second class, and they say that they are feeling the pinch of the trade depression and in fact their incomes have gone down by 50 or 60 per cent. and some have been ruined. Then what about the professional classes? The profession of my Honourable friend, Dr. Dalal, as also the profession of my Honourable Leader, Mr. Hari Singh Godra, take note from the income-tax officers what is their real income. People who used to call in doctors now go to doctors' houses because they cannot pay their fees. People who used to litigate for their just rights, would not come now to courts. Your courts will collapse and with it your administration if things go on like this. I know you do not care a bit for all these warnings, because you are not interested in the welfare of this country or its people, but we who are the children of the soil, we who have lived here for centuries, and we who expect our children's children to live here for centuries to come, we have an abiding interest in the land. This ancient land, favoured of the gods, the sacred soil of Arjavarta with its traditions and history, its culture and civilisation, and its philosophy and religion shall ever inspire our posterity and if you also wish to live here with us—and we will not grudge that if you live like men and not as our oppressors or tyrants—we are willing to allow you to live with us and pass your weary years in this unfortunate land of ours where we manage to eke out a mere existence; but of course you must accept Indian standards of life and do away with your English standards, which are not suited

to a warm climate like this, and you must not get more than Rs. 500 for any post you may occupy. But you want that you should get your salaries cut only by ten per cent.—a very big cut indeed, a far higher cut than what my friend Dr. Gour or Dr. Dalal have undergone and far less than the traders and agriculturists. Ten per cent. on Rs. 6,600 means Rs. 660. . . .

An Honourable Member: Less income-tax.

Mr. Amar Nath Dutt: While your income has been cut down by ten per cent., you do not allow any extra deduction of income-tax; but you do not allow us to include it in the way in which you protect your own income. To that extent you escape scot free, while we have to go on contributing. You say, "Let the country bear the income-tax. We will not have any further reduction in our salary".

Then what about the injustice of this uniform cut of ten per cent. in pay? The man who is now drawing Rs. 6,600 was certainly drawing a few years ago Rs. 4,000 or even less, because at that time he might have been at the most a Secretary to the Government of India. That being so, why cannot he live on the income at which he lived all his life or the best portions of his life—say at the income at which my Honourable friend, Sir Hubert Sams, is going to retire? He is going to retire after attaining the position carrying Rs. 4,000, while other Honourable friends must have their Rs. 6,000. A few years ago my Honourable colleague, Sir Joseph Bhore, who was also our colleague then, was getting Rs. 4,000. Cannot he forego Rs. 2,600? That would make about 40 per cent. of his income. I would have a 40 per cent. cut in the pay of all people drawing more than Rs. 2,000 per mensem. If you do not do that, I tell you to your face that you are hypocrites: you really do not want to serve India; you do not really want to come to the benefit of the people at this time of distress. You will not surrender 40 per cent. of your income. Look to the generous Viceroy. He has voluntarily surrendered 20 per cent. and I am sure he would have surrendered even more if you had not stood in his way. I do not know whether I am correct, but a little bird whispered in my ears that even the Finance Member was for a graded cut, but some other influences were brought to bear upon him and of course he could not do that.

An Honourable Member: Is it the Civil Service?

Mr. Amar Nath Dutt: Some friend of mine asks, "Is it the Civil Service?" It may be so, because they are the best friends of India. Some such pressure was brought to bear upon him. Knowing him as I do and knowing him as many Members on this side of the House do, Sir George Schuster wanted—I do not know whether he still wants or whether it will be possible for him—to hand over sound finance to the next constitution. But let us not talk about the next constitution, because I know that with the new Government at home the spirit here has already changed and the spirit which we found in Simla is wanting here. So long as that gentleman at home, whom I had the honour of meeting at luncheon some years ago when he came here in an aeroplane, happens to be the guiding spirit of our destinies, your spirit and attitude will remain unchanged. So I submit that a ten per cent. cut is not the way in which you ought to have come to us.

[Mr. Amar Nath Dutt.]

Much has been said about the military expenditure. I certainly differ from the Honourable the Finance Member when he says that His Excellency the Commander-in-Chief has done whatever was possible in the circumstances and that it is not possible for any further reduction in the military expenditure of the country. . . .

Mr. President: May I know how long the Honourable Member is likely to take?

Mr. Amar Nath Dutt: About an hour, Sir.

Mr. President: The House will now adjourn till 11 o'clock tomorrow.

The Assembly then adjourned till Eleven of the Clock on Friday, the 6th November, 1931.

LEGISLATIVE ASSEMBLY.

Friday, 6th November 1931.

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

THE INDIAN FINANCE (SUPPLEMENTARY AND EXTENDING) BILL—*contd.*

Mr. President: Further consideration of the Finance Bill.

Mr. Amar Nath Dutt (Burdwan Division: Non-Muhammadan Ruffah): Sir, I began yesterday by saying that we shall refuse all supplies unless our grievances are redressed. I need not reiterate all the grievances which we have and which need immediate redress. But, Sir, there are certain recent occurrences which I shall place before the House for the edification of the Honourable Member in charge of the department of which I am speaking, and those occurrences relate to the unfortunate affairs at Hijli. Sir, it is more than a week since the Report of the Committee appointed by the Government themselves has been published,—remember that this Committee consisted of members who were nominated by the Government themselves,—and this Committee has described in no unmistakable language as to how this unfortunate incident occurred and whether there was any justification for the wanton murder of those helpless detainees in the Hijli detention camp. When asking for the military expenditure, the Finance Member said that it is absolutely necessary for the peace and progress of India that it should be free from attacks and outside invasions. What is an outside invasion after all compared to the Hijli affair? When an invader comes, he kills and loots. Now, here we have in the Hijli detention camp an example of the killing by methods, the like of which could not be expected even from an invader. Would the killing methods which the invader would employ upon Indians be more brutal than those employed at Hijli? No, they will fight hand to hand; some of the invaders would be killed on their side, while some on our side would also be killed; but here in Hijli what is the position? You take away men under certain Ordinances on the ground that it is necessary for the safety of the Empire, and then by a concerted conspiracy, you kill them in the very detention camp where you confine them! Can the killing methods and murders of an invader be more brutal than the methods employed at Hijli? Then again, Sir,

The Honourable Sir James Ormer (Home Member): I regret to have to interrupt the Honourable Member. The actual facts of the incident have been the subject of an inquiry of a judicial character and I feel that it is entirely improper and unwarranted on the part of the Honourable Member to suggest that it was the result of a concerted conspiracy.

Mr. Amar Nath Dutt: Yes, this is not my characterisation, but the characterisation of that great poet of Bengal who has characterised these

[Mr. Amar Nath Dutt.]

murders as concerted homicidal attacks, and I may also state for the edification of the Honourable the Home Member that he has characterised this incident as a ring dance of vengeance and violence. I know that such condemnation has no effect upon the Honourable Members opposite; I wish it had; but at the same time I shall be failing in my duty if I do not state before this House the reasons why I oppose this Finance Bill, and the reason is that the Government which you represent do not deserve the support which you want from us. And why? Because of the actions like those at Hijli. This is not a solitary instance of the brutal murders committed. Sir, when the other day we expressed our sincere indignation and horror at the murder of some officials, we were characterised by that great and sincere gentleman as hypocrites. I think he is the one sincere man who does not feel sorry at the murder of these unfortunate detenus at Hijli. We had eloquent effusions from him when the murders of those officials were the subject of discussion in this House, but not a single word up till now, though this House has been sitting for the last three days, has escaped from his lips about this unfortunate incident, nor have we heard a word from that fair and honest critic of the Government who has got a certificate from the Bengal Government and who sits here reading some papers without listening to the debate about this unfortunate incident, in his lengthy speech which he made yesterday. Sir, on behalf of Bengal, on behalf of afflicted Bengal, on behalf of tyrannised Bengal, on behalf of impoverished Bengal, I do protest against any taxation which this Government want to impose on us for their upkeep. There is a place called Tirol where people who are suffering from insanity are taken before a goddess and some iron amulets are placed in their hands in order to cure them of insanity. I believe it is a disease in the body politic of the present-day Government which requires to be cured, and some Members sent to Tirol. No one who is sane and who is outside Bedlam can ask for any amount to keep up the present administration by further taxing the impoverished people. When the invaders come, they rob you; they rob the rich, but not the poor. But here you want to rob not the rich, but the poor, and how? You want to introduce a 10 per cent. cut in the salaries of people who are getting such small sums as Rs. 100 a month. You do not seem to realise their difficulty, and how they can make both ends meet with Rs. 100 or Rs. 150, and you come down with a tax on their income and also with a cut in their salaries. This is nothing but sheer exploitation, wholesale exploitation, far more severe than one would suffer if a Mahmud of Ghazni or a Tamarlane came to India at frequent intervals. In connection with this I may say one or two words more, because I know there are several Honourable Members who want to speak, and I shall try to be as brief as possible. Only one or two words about the military expenditure. It may be said that I am a mere lawyer and what do I know of the Army and its exploits? I do admit that. I also admit that I have never set a squadron in the field, but at the same time, I should like to know whether India needs an army of the size which she has at present. For nearly half a century, even my amiable friend over there, Mr. Arthur Moore has admitted—the cry has been that the Army expenditure must be considerably reduced. It cannot be denied that half of the Army is an imperial army kept for the prestige of the British Empire. And should not England contribute something towards the cost of this Army? Then again, if you Indianise the Army you will be able to reduce the expenditure to one-half. I need not reiterate the principles which were enunciated by the Brussels Conference

years ago that no country should spend more than one-fifth of its revenues over the army. Now, Sir, you may say that it will not be sufficient to keep the invaders away from India. With the example of the brilliant fighting material which we sent over during the Great War, who fought for you and saved your Empire, I think there is still some patriotic feeling left in the Indians, who would easily enlist themselves in order to have a national militia if the occasion arises. Even if you retain the numbers of the present Army, if you Indianise it, you can reduce the cost to one-fourth of what it actually is. I believe Rs. 10 crores for the Army is sufficient. I see that my Honourable friend the Finance Member and Sir James Crerar are laughing at this statement of mine. Probably they think that it is a ridiculous statement that I am making. No, Sir. It is not a ridiculous statement that I am making. It is impossible for them to understand what I mean (Laughter from the European Group) unless they can understand where the shoe pinches. Sir, we have on the rolls of the Indian Civil Service honoured names like those of Allan Octavius Hume, Sir William Wedderburn, and Sir Henry Cotton, and I have witnessed with pain the members of that service of the present day, who would not understand our grievances, would not understand our sorrow and humiliation, but would only ridicule and hurl abuses if we say anything sincere or even if we express regret at the murder of officials. I am not going to imitate their ways.

Sir, reference has been made to the Bible of that Army expenditure, known as the Inchcape Committee's Report, and the Honourable the Finance Member congratulated himself by saying that Rs. 46 crores was not even dreamt of by the Inchcape Committee. All I can say is this. When your deficit is Rs. 38 crores for the next 18 months, I tell you, if you were wise you would at once put your hands into the Rs. 46 crores which still remains of the Army expenditure. And if any invader comes, let us see whether we can defend ourselves or not. No, you won't do that. You have your own kith and kin in the Army and they say blood is thicker than water. Sir, I am obliged to utter these unpleasant truths, but it is in the interests of my country, and when I find that the poverty-stricken millions of my countrymen are still to be exploited for an imperial purpose, I cannot but enter an emphatic protest against the passing of this Finance Bill.

Mr. H. P. Mody (Bombay Millowners' Association; Indian Commerce): Mr. President, I think every one recognises that the Honourable the Finance Member is perhaps the most harassed individual in India to-day. Ever since he assumed charge of his portfolio, he has been engaged in a desperate struggle against a situation created partly by the financial policy thrust upon the country by his predecessor and partly by the collapse of currency and credit throughout the world. Every one watches with sympathy the Honourable the Finance Member grappling with problems which are not of his own creation, and concedes that so far as he is concerned he is doing his best to serve the country whose salt he is eating. But when my Honourable friend expects the opposition to suspend its judgment, to spare criticism and to offer nothing but constructive criticism, in some measure I think he is asking for the impossible. I see my Honourable friend sitting day after day with an air of resignation, sometimes of unutterable boredom, and often of pained surprise that human nature should be so perverse, that his critics should not recognise his integrity of purpose and the difficulties by which he is surrounded.

[Mr. H. P. Mody.]

other day, in moving the consideration of the Finance Bill he asked his critics to face realities; he asked them not to indulge in destructive criticisms. When he made this appeal to the House, may I point out to him that he forgot the constitution under which we are working? He seems to have entirely overlooked the fact that, year in and year out, this side of the House, whether in the reformed Legislature or in the pre-reform era, has been making suggestions by the cartload, good, bad and indifferent, only to find them all rejected, unceremoniously, and I ask my Honourable friend what possible encouragement has he or any of his predecessors or anybody on the Government Benches given to this side of the House to offer constructive criticism? I will make my Honourable friend a sporting offer now. Let him withdraw the Budget, and we on this side of the House are prepared to produce a Budget in which the revenue and expenditure will be equally balanced, without many of the objectionable features of taxation which he has introduced in his Budget. Is my Honourable friend prepared to accept that offer? Is my Honourable friend prepared to accept any of the constructive suggestions which have been made, and which will be made in the course of this session? When my Honourable friend comes forward and says he is prepared to accept reasonable suggestions, then will be the time for him to ask us not to indulge in destructive criticism.

Now, Sir, I have got a three-fold objection to this Budget. In the first place I fail to understand why my Honourable friend should have thought it necessary to provide for revenue for a period of 18 months. When he framed this Budget, it must have been done on the facts and figures as they appeared to him some time at the end of August, that is to say, within five months of the financial year. In those five months he found his previous estimates out by a very considerable sum, something like 19 crores of rupees. What is there to show that within the next five months which remain of the financial year, his estimates may not be completely upset and a different aspect put upon things? 19 crores deficit was shown in the results of the first five months of this year. Since then a change of world wide importance has taken place in the financial situation, and that is the going off the gold standard on the part of Great Britain. The effects of that great move have been noticed already in India in a substantial measure. Cotton has appreciated by something like 50 rupees per candy, jute has improved substantially, rice and other commodities have also gone up in value, and there is an all-round buoyant feeling due to the fact that we are no longer pegged to a high exchange. How can the Finance Member at this stage say that within the next 6 months or 12 months the position of India will be as he found it in the first five months. It may change in a remarkable way. Assume for a moment that it does not change for the better, what happens? There is the Budget session in March, and the Finance Member will be able to come forward before us and say, "Well, I am sorry to have to state that the financial situation has not improved and I shall have again to provide for a deficit Budget and to impose taxation to balance it." I therefore cannot agree to his providing for a revenue for a full 18 months when the next few months may be pregnant with very great possibilities. After all we do not know what cuts in expenditure may be possible during the next few months, and it may well be that the Finance Member, by imposing this heavy taxation, is providing for a large surplus at the end of

18 months. We may be right, we may be wrong in this view, but after all there is no earthly necessity for his coming forward at this stage to impose upon us taxation for the next 18 months.

My next objection is that the retrenchment that has been carried out is inadequate in some particulars. I shall readily admit that I was greatly impressed by the statement made by my Honourable friend when he particularly dealt with the question of retrenchment as it affects cuts in pay. I think from his own point of view he made out quite a good case, but there are certain objections which I want to point out—objections which go to show that retrenchment could have been carried further, and the necessity for at least some of this taxation obviated. I will deal of course with what nobody in this Assembly, or any other Assembly that I can imagine for the next few years, can get away from, and that is the question of military expenditure. The Inchcape Committee brought it down to 57 crores from pretty well 71 crores, and they recommended that it should be brought down to less than 50 crores, and they added in their Report that, even this was more than the taxpayer in India should be called upon to pay. Since that Committee made the report, two outstanding events have occurred so far as the Military Budget is concerned. In the first instance the Inchcape Committee reckoned on a 1s. 4d. exchange in making up their calculations. The exchange went up to 1s. 6d. soon after, and it was pegged there. The result was that a great deal of the stores and materials which are bought from foreign countries were obtained at a discount of 12½ per cent., which in itself should have resulted in a very substantial saving, and I find it admitted in one of the financial memoranda attached to this Budget or the previous Budget—I forget which—that a great deal of the savings on the 57-crores Budget of the Committee was effected because of the factor of exchange having changed from 1s. 4d. to 1s. 6d. Then again, the prices of commodities have come down very considerably in the last few years, and I maintain that if the Inchcape Budget was 57 crores, it should have been possible within two or three years to bring it down to 50 crores. The more I study this question, the more I feel convinced that the military Budget should not have exceeded 50 crores in the last four or five years. What would have happened if it had been brought down to that figure? In four or five years, 20 to 25 crores would have been saved to the taxpayer. I quite admit that my Honourable friend, with the assistance of the Commander-in-Chief, has done his best, and I am prepared to concede that a cut of 4½ crores in the military Budget at one stroke is a substantial concession to popular demand, but I say that that is not the last word on the subject, and I maintain that the military expenditure is capable of still more drastic reduction than has been found possible this year. We have from time immemorial, whenever we talked of the military Budget being reduced, been faced with the bogey of invasion and the threat to internal security. In this connection I just want to put one question to my Honourable friend and his military advisers. How often in the course of the last 50 years have the military forces of India been stretched to their fullest capacity? Can you give me one single instance in which they were so stretched? You have during this period had many expeditions outside India, where large bodies of Indian troops have done meritorious service, and their absence has not imperilled in the least the security of this country. I referred to this point two years ago in my Budget speech.

[Mr. H. P. Mody.]

You have to choose between a state of acute distress in this country carrying with it the seeds of widespread discontent and agitation and the maintenance of the Army at the present strength. Which are you going to choose? Let it not be forgotten that, after all, the Army exists for the people, and not the people for the Army. I say without exaggeration, and I am not given to tub-thumping, that the Army has during all these years sucked the life-blood of the people, and it ought no longer to be allowed to go on sucking it. I am not a military expert. I am not prepared to say what the size of the Army should be. My only point is that the size of the Army should be exactly what the country can afford to maintain. In this connection let me for a moment turn to what has been done in England. My friend Mr. Chetty gave figures yesterday, which went to show that, as compared with a 40 per cent. increase in England since the pre-war period, the increase here has been very nearly 100 per cent., but this figure of 40 per cent. increase since 1913 in England becomes a great deal more striking when taken in relation to what England has been spending on other services. In 1913 the Budget of England was 188 million pounds; in 1929-30 it was 829 million pounds, that is to say the Budget went up by very nearly 500 per cent. and yet the expenditure on the Army was kept at 40 per cent. In this same period on education England, which spent 14 million pounds in 1914, spent 42 millions in 1929-30; likewise on agriculture, health and various other services the expenditure of England during this period has gone up by something like 400 to 500 per cent., and yet they were able to keep down their Army expenditure only to 40 per cent. over the 1913 figure. That should I think serve to remind my Honourable friend and the Government Benches that, after all, there are other considerations than those merely of military defence.

There are just a few observations that I would like to make on the question of the cuts in pay. I quite grant that a serious effort has been made to meet the view point of the various Retrenchment Committees which have done such meritorious work, but I am not enamoured, in spite of all the arguments of the Honourable the Finance Member, of an all-round uniform cut of 10 per cent. (Hear, hear); and so far as I am concerned I am prepared even to sacrifice revenue if need be, but I am not prepared to tax the lower-paid employees of Government on the same scale as the higher-paid employees. If you like, if you think a great injustice would be otherwise done, by all means keep your higher-paid employees on a cut of 10 per cent.; but I say, reduce in the case of the lower-paid employees the cut that you have sought to impose; and so far as I am concerned, I am prepared even to give up a little revenue. After all, do not forget the very acute distress which has been caused to the lower middle classes through the unemployment prevalent in this country. Whom does that unemployment hit the hardest? The lower middle-classes, who probably have found that, instead of two or three bread-winners in the family, there is now only one left, and that the others have to be supported. In this connection I would also like to inquire of my Honourable friend as to why it is that he has come forward with the proposal that so far as the Post and Telegraphs are concerned there should be a cut in everybody's salary even under Rs. 80 a month, when that is not sought to be done with regard to the other services. With regard to the police and the Army and the various other services you have sought

to lay down a minimum, but with regard to the Post and Telegraphs you want to tax everybody. I do not think that that is fair, and it is calculated to cause a great deal of heart-burning and a sense of injustice among a class of employees on whose honesty and efficiency depends a great deal of the comfort and amenities of life in this country.

Mr. Lalchand Navarai (Sind: Non-Muhammadan Rural): It is so for the Railways also, I believe.

Mr. H. P. Mody: Now, Sir, my third objection to the Budget is that my Honourable friend cannot get away from customs and income-tax whenever he wants to increase taxation in this country. The same class is being taxed repeatedly, and my Honourable friend seems to think that that class has got inexhaustible resources and can be fleeced and bled as often and as much as he likes! I think I mentioned during the last Budget debate, that the number of assesses to income-tax in India is something ridiculously low, namely, 330,000 people. I do not know whether that figure is absolutely correct. Is that correct, may I ask?

The Honourable Sir George Schuster (Finance Member): I have not the exact figure with me, but I think that is approximately correct.

Mr. H. P. Mody: I am grateful to my Honourable friend for the information.

The Honourable Sir George Schuster: I may point out to my Honourable friend that, according to the proposals of this Finance Bill, the number of income-tax assesses will probably be increased by another 330,000. I hope that will meet part of his objection. (Laughter.)

Mr. H. P. Mody: I will come to that presently. What is the position? 330,000 persons, which means less than a thousandth part of the population, are asked to pay a fifth of the total tax-revenue of the country. The total tax revenue of the country is Rs. 86 crores, and 17 crores was budgeted as the amount which the income-tax would yield. You are already taxing these 330,000 people to the tune of 20 per cent. of the full tax revenue, and you propose further heavy increases. Now is that just, is that justified by any canons of taxation or of fair play? What would be the consequences? Even within these five months it is found that, in spite of putting up the income-tax heavily in March last, there was a deficit of a crore and a quarter. After all, the Finance Member must remember that the capacity of the taxpayer is very limited, even if the rapacity of the tax-gatherer be unlimited.

Then, Sir, I want to invite the Honourable Member's attention to the burdens on trade and industry which are continually being foisted upon this country. I am not going at this stage to talk of the various direct burdens which have been imposed upon them. I want only to invite the attention of the House to one factor, and that factor is the bank rate. Sir, the bank rate today is kept at 8 per cent. when the inter-bank call rate is not more than 5½ per cent., and was less than 4 per cent. only very recently. The inter-bank call rate is the sure indicator of the supply and demand position so far as money is concerned; and while that keeps at a very low figure, the bank rate is being maintained at 8 per cent. I do not know whether it is under the instructions of my Honourable friend that this bank rate is being maintained. Taking the position of the five leading banks, I find that something like 60 crores has been

[Mr. H. P. Mody.]

lent out to trade and industry in loans, cash credits and bills. I am not talking of the much larger figures of the advances for internal trade, but am talking only the position of these five banks and their cash credit and loan position, and I find that it is something in the neighbourhood of Rs. 80 crores. Now a one per cent. difference in the bank rate means a loss or gain of 80 lakhs to the trade and commerce of this country, and a difference of 2 per cent. would mean a loss or gain to the trade and commerce of this country of one crore and 20 lakhs. When my Honourable friend is borrowing at 7½ per cent. on three and six months' Treasury Bills, how can he possibly expect the industrialist to finance concerns, particularly when he has to face the difficulties of a period of acute depression, and when his own resources have been strained to the utmost? And if trade and industry are not going to be helped by the maintenance of the bank rate at a reasonable figure, how is it possible for the Finance Member to obtain the taxes which he anticipates would accrue out of these imposts? The fundamental basis of all taxation, Sir, is economic recovery, and unless that recovery is forthcoming through the improvement of trade and industry and agriculture, I wonder how my Honourable friend is going to get all the revenue he is budgeting for? That leads me to support the demand made by my Honourable friend, Mr. Arthur Moore, when he said that the basis of taxation must be broadened. Sir, the time has arrived when the Finance Member should consult a few people with a view to find out whether the basis of taxation should not be broadened and other sources of revenue roped in. (Hear, hear.) I think the serious consideration of that problem is urgently called for. Otherwise what happens? Year in and year out, whenever the Finance Member is faced with a deficit, he immediately pounces upon the customs and the income-tax to balance his Budget, and the same process goes on year after year. Sir, the time has arrived for a very serious consideration of the basis of taxation, and the various suggestions which my Honourable friends have made here in the course of this debate and the last two or three debates ought to be taken into consideration when next framing the Budget.

The Honourable Sir George Schuster: Has my Honourable friend got any suggestions of his own to offer?

Mr. H. P. Mody: If my Honourable friend is disposed to receive them earnestly, I will give him as many as he wants. I am prepared to offer a great many suggestions to my Honourable friend, but I am not prepared to offer them merely for the purpose of their being discarded unceremoniously. You will remember, Sir, that in the earlier stages of my remarks I made this sporting offer to my Honourable friend that we are prepared on this side of the House to produce a budget, an evenly balanced budget, without many of the obnoxious features of the Finance Member's own Budget. (Hear, hear.) I just forgot one point, and that is with reference to the taxation of incomes between Rs. 1,000 and Rs. 2,000. My Honourable friend suggested that this was a sort of thing which ought to gladden my heart, but it does not, I am sorry to say, as a matter of fact I feel very depressed at the prospect of a large number of people being taxed out of existence in the manner suggested by the Honourable Member. Already that class has been hit very hard, and the proposal to tax incomes between Rs. 1,000 and Rs. 2,000 ought to be stoutly opposed by every single Member of this House. Sir, I have made a few general

observations, as few as I could make them, on the general aspects of the Budget. I do not want to say anything on particular items figuring in the Budget. I shall probably, with your permission, Sir, have other opportunities of speaking on them. When the taxes on cotton, on income and on machinery and various other items come to be debated, I shall lodge my objections in the manner I think best. I do not think I need take the time of the House any more now. I hope that, so far as this Budget is concerned, if it is to find acceptance on this side of the House it will be radically altered before it is put to the vote.

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhammadan): Sir, the Honourable the Finance Member, in his opening speech, asked the Members of the Opposition to eschew sentiment and face realities. Sir, the Members on this side of the House ask the Honourable the Finance Member and his colleagues to do the same. For, what are the realities? The only reality in this constituted Assembly is the preponderance of the elected representatives of the people, and the only unreality is the minority Government who are able to over-rule the majority of this House. That is a fact which the Honourable the Finance Member might have remembered when he asked the representatives of the people in this House to face realities. Sir, for the last 10 years and more the representatives of the people have been crying themselves hoarse against the increasing burden placed upon the people of this country, a burden which Honourable Members will see has grown by leaps and bounds since the advent of the reforms. In spite of the devolution of power, in spite of the decentralisation, we find that the civil expenditure of the Central Government has increased by no less than 50 per cent. From Mr. Layton's note on page 222 of Volume II you will find that, while the civil expenditure of 1921-22 stood at Rs. 8.64 crores, the civil expenditure budgeted for 1930-31 rose to Rs. 12.20 crores; that is to say, the civil expenditure of the civil Government during the last 10 years, in spite of the devolution of power and general decentralisation on account of the Reforms Act of 1919, has gone up by 50 per cent. The history of the military expenditure is vividly portrayed in Mr. Layton's note to which I shall refer. In 1921-22 the military expenditure was said to be 50.60; in 1930-31 the expenditure is shown as 54.35. But, Sir, that does not state the fact correctly. Only the other day I asked the Honourable the Finance Member to state whether the table which I had prepared of the military expenditure in this country was not correct, and he said that it was correct barring a few typographical errors which do not count. Let me give Honourable Members the figures. In 1910-11 the military expenditure, gross, was 20 million, nett 19 million. In 1928-29, revised estimates, the military expenditure was gross 58 million, nett 55 million.

The Honourable Sir George Schuster: Will the Honourable Member tell me what figures he is using? He is talking about millions, but I rather think the last figure given is in crores of rupees.

Sir Hari Singh Gour: These are the figures which we got from the India Office. They are given in the Memorandum on page 386. I drew the attention of the Honourable the Finance Member to the Central Committee's Report. These are the figures which the Honourable the Finance Member said were correct.

The Honourable Sir George Schuster: Where does the Honourable Member get the figure of 55 millions from?

Sir Hari Singh Gour: These are the figures which I asked the Honourable the Finance Member about the other day and he said that they were quite correct. I got these figures in England and consequently you will have to read it in pounds, not in rupees. I will pass the book on to the Honourable Member. In 1910-11 the military expenditure was gross £20 million and odd; we will say roughly speaking, and nett £19 millions. It has gone up in 1928-29 to 58 million gross and 55 million nett. That is the fact.

The Honourable Sir George Schuster: I do not know what my Honourable friend is quoting from, but I can inform him that, wherever he is quoting from, the figures must be wrong.

An Honourable Member: It must be crores.

Sir Hari Singh Gour: Yes, crores of rupees. This is an official publication. They are shown as pounds in earlier years and rupees later. Now, Honourable Members will remember that the Honourable the Finance Member has been every year speaking of the military expenditure as either 54 crores or 46 crores as he did in his latest statement the other day. Sir, we on this side of the House have always challenged the correctness of those figures. Honourable Members are aware that when the Honourable Sir George Rainy introduced his Railway Budget, he pointed out that there was a loss of no less than Rs. 3 crores on what is known as strategic railways, railways which are built and maintained for military purposes. We have a further expenditure of over Rs. 2½ crores upon the watch and ward on the frontier. Then we have a very large amount of loss due to the concessions made by the railway for transport of military supplies, and there is the loss of revenue on account of concessions given to military officers travelling on the Indian railways. On the top of it all, we have the expenditure incurred upon cantonments, upon hill stations, on the wireless, upon hospitals and roads and the Navy. The cumulative effect of it all is an increase on the revenue side of the expenditure which would, if properly calculated, come to about Rs. 65 to 70 crores, and the question is whether this country is able to bear this enormous expenditure. Mr. Layton, in his note, on page 216 says:

"An outstanding feature of this summary is the high proportion, 62½ per cent, which current expenditure on defence bears to the total expenditure of the Central Government, a higher proportion in fact than in any other country in the world."

He later on points out:

"Security is of course essential if the production is to develop, but it cannot be claimed for expenditure on defence either that it is a mere redistribution of income or that it promotes productive efficiency. Indeed economically speaking it is a most burdensome form of expenditure and this is particularly the case."

Mark these words:

"and this is particularly the case where as in the case of India the army contains a large element drawn from elsewhere."

Sir, this is the opinion of the accredited economical adviser of the Royal Commission, and I submit that he had accepted the figures given to him by the official departments, namely, 54 crores of rupees, overlooking the very large sum of money which should be added to the military burden of this country if regard is had to the facts. I have already stated, Sir, the one fact that emerges from this examination of the question of military

expenditure, is that this expenditure is out of all proportion to the expenditure of any part of the civilised Governments of the world. Immediately after the war we had an economic conference in which the India Office were represented. In that economic conference at Brussels, to which reference has already been made, the following passage occurs:

"Nearly every Government is being pressed to incur fresh expenditure largely on palliatives which aggravate the very evils against which they are directed. A country which accepts a policy of budget deficits treading the slippery path which leads to general ruin. To escape from that path no sacrifice is too great. ("Hear, hear" from Treasury Benches). The statements presented to the Conference show . . .

Please hear, hear a little more and see what follows:

"The statements presented to the Conference show that on an average some 20 per cent. of the national expenditure is still being devoted to the maintenance of armaments and to preparations for war. The Conference desires to affirm with the utmost emphasis that the world cannot afford this expenditure. Only by a frank policy of mutual co-operation can the nations hope to regain their old prosperity and to secure that result the whole resources of each country must be devoted to strictly productive purposes. The Conference accordingly recommends most earnestly to the Council of the League of Nations the desirability of conferring at once with the several Governments concerned with a view to securing a general and agreed reduction of the crushing burdens which on their existing scale of armaments are still imposed on the impoverished people of the world, sapping their resources and imperilling their recovery from the tragedies of war."

That, Sir, is the statement which was made with special reference to military expenditure of 20 per cent. of the revenues of the countries concerned; but what would have been the situation if the Brussels Conference had been informed of the military expenditure of the Government of India, which runs to 52½ per cent. according to Mr. Layton's note, to which I have already referred?

The Honourable Sir George Schuster: I really must interrupt the Honourable Member. 62½ per cent. represents the percentage to Central Government expenditure. I think if he reads the Report further, he will find that the percentage to total expenditure, which includes Provincial Governments—and you must remember in India the Central Government performs only a few functions—is something like 25 per cent.

Sir Hari Singh Gour: Even if you were to add to the revenues of the Central Government the revenues of the provinces, which approximately come to about as much as the revenues of the Central Government, the expenditure would be over 30 per cent. That, I submit, is in itself a grossly appalling sum for a poor country like India to spend upon her defence; and when we remember that the vast expenditure under the various heads to which I have adverted brings it to a much larger figure than the military expenditure professedly incurred by the Government of India, then I submit that we on this side of the House have a much stronger case than we had upon the statements of the Treasury Benches. Sir, if the military expenditure had been incurred upon the defence of this country, it would be lamentable but unavoidable. But what are the facts? As far back as 1917 Lord Curzon, who had special knowledge of the arcana of the Government of India, writing in his introduction to the book called "The Indian Corps in France", made the following statement:

"During the past half century the foreign campaigns in which that army (that is the Indian army) has been employed, greatly to its credit and glory, have extended from Egypt and even Ashanti on the West to China on the East and have embraced most of the intervening countries. Even before this war began it was the pride of

[Sir Hari Singh Gour.]

the Indian Army that its British units saved Natal in the Boer war of 1898-1900, that it rescued the legations at Peking in 1900 and that on its banners were inscribed the names of hard-fought engagements in almost every part of the African and Asiatic continents. The Indian Army, in fact, has always possessed, and has been proud of possessing, a triple function: the preservation of internal peace in India itself, the defence of the Indian frontiers; and preparedness to embark at a moment's notice for Imperial service in other parts of the globe. In this third aspect India has for long been one of the most important units in the scheme of British Imperial defence, providing the British Government with a striking force always ready, of admirable efficiency, and assured valour."

And I might add with not a cost of a single cent. to the revenues of England. (Hear, hear.) That, Sir, is in a nutshell the history of the Army in India. As the ex-Viceroy wrote, it is maintained for Imperial purposes, and British troops in India are stationed here because India is regarded as the strategic base for the defence of England's possessions in the Middle and Far East. The troops might just as well be stationed at Aldershot as they are stationed in the various cantonments in India, and I therefore submit that I see no reason whatever—and the Members on this side of the House see no reason whatever—why the poor resources of this country should be utilised for the maintenance of this garrison here. Honourable Members are aware that when the Imperial garrison was maintained by the various colonies, which afterwards developed into self-governing Dominions of the British Commonwealth, it was not the Colonies that paid for the Imperial garrisons stationed there, but the Imperial Government, the British Government. I cannot understand why India has been made an exception to this general rule for over half a century. Imperial troops were stationed in Australia, in South Africa and in Canada at the expense of the British exchequer, and for a long period these troops remained in those Colonies even after a substantial measure of self-government had been conceded to them. I do not understand why the Government in India should not insist upon the payment by the British exchequer of the British Army maintained and stationed in India.

We have been told to face realities. The Honourable the Finance Member could not be unaware of what the realities were and are. When 12 Noon. the Act of 1919 was drafted, speakers in both Houses of Parliament pointed out that the letter of this Act of 1919 must be treated as implemented by the Report of the Joint Select Committee of Parliament, and in that Report the following passage occurs, and I wish to draw the attention of the Honourable the Finance Member to it, because while he wants us to eschew sentiments, he wants us to face realities and that is exactly what I ask him to do. The Joint Parliamentary Committee said:

"The Committee has given most careful consideration to the relations of the Secretary of State with the Government of India and through it with the Provincial Governments. In the relation of the Secretary of State with the Governor General in Council the Committee are not of opinion that any statutory change can be made so long as the Governor General remains responsible to Parliament. But in practice the conventions which now govern these relations may wisely be modified to meet extraordinary circumstances caused by the creation of a Legislative Assembly with a large elected majority. In the exercise of his responsibility to Parliament which he cannot delegate to any one else, the Secretary of State may reasonably consider that only in exceptional circumstances should he be called upon to intervene in matters of purely Indian interest where the Government and the legislature of India are in agreement."

Will the Honourable the Finance Member take this House into his confidence and say whether this convention as recommended by the Joint

Parliamentary Committee has been observed from 1921 down to date and how often it has not been broken in the month of September 1931? (Cheers.)

The Honourable the Finance Member, and following his lead, the Honourable Mr. Moore, whose speech greatly surprised me and those who are of my way of thinking, said that we are now budgeting for an expenditure for the next 18 months, and Mr. Moore in his speech yesterday said that in doing so the Government of India are following the precedent of the British Parliament. The Honourable Mr. Moore is a journalist; he could not have forgotten the procedure that was adopted by the British Cabinet. After formulating their proposals for additional taxation they immediately advised the King to dissolve Parliament and took the public into their confidence and asked from the public a mandate for the future taxation of the country. That is what the British Parliament did. That is the precedent of the British Parliament. We cannot follow that precedent here. Is the Honourable the Finance Member prepared to advise his colleagues that, after the publication of this Bill, the Legislative Assembly should be dissolved and a fresh election should take place? And if he were to give that advice, he knows what the result would be, and therefore we might as well take the result as an accomplished fact. If the procedure which I have idealised were to be followed, there would not be one single Member returned to this House who would support the Finance Member's Bill. That, I submit, would be closely following the precedent of the House of Commons, and I therefore submit that you cannot draw upon the analogy of the British constitution for an extremely anomalous position created by the Government of India Act.

Look at the Government of India Act itself. Some of my Honourable friends did me the honour of asking me whether in one year there can legally be two Finance Bills. Well, Sir, I have considered that question and I find that this Government of India Act is full of pitfalls. Under section 65 of the Government of India Act the Government of India are empowered to make laws for all persons and all courts and all places and things; and then we find section 67A which particularly deals with the question of supplies and it says this:

"The estimated annual expenditure and revenue of the Governor General in Council shall be laid in the form of a statement before both Chambers of the Indian legislature in each year.

The proposals of the Governor General in Council for the appropriation of revenue or moneys relating to heads of expenditure not specified in the above heads shall be submitted to the vote of the Legislative Assembly in the form of demands for grants."

So far as section 67A is concerned, it lays down a self-contained procedure and that procedure is that once in each year the Government in India shall prepare an annual statement of expenditure and revenue, and so much of it as is permitted to be submitted to the vote of this House shall be submitted for its vote. I beg to submit that while it is perfectly legal for the Government of India to introduce not one but half a dozen Finance Bills in the year, the question still remains whether in the circumstances of the present case we would not be deprived of the right we possess of voting supplies in the month of March 1932 if we were to agree to the demands of the Honourable the Finance Member by giving him supplies for the next 18 months. Let me visualise for a moment the position into which we should be thrown in the month of March. According to the statement made by the Honourable the Finance Member—and I accept it—if we were to give him the supplies he wants, he will have a surplus of

[Sir Hari Singh Gour.]

Rs. 7.70 crores for the next financial year. If in the month of March we were to reduce expenditure and there remains this surplus, we should be budgeting for a surplus which was wholly unnecessary either in the current year or in the next year. Supposing that, without having recourse to the surplus we were in a position to balance the Budget by making other retrenchments which the Honourable the Finance Member has himself foreshadowed, we should be granting him supplies in excess of the immediate requirements of the national emergency. Now then the House is put into this dilemma. You have cut down expenditure and you have not the means of cutting down the revenue, because you have already hypothecated the revenue of the next 18 months by your precipitate action in November 1931. That is the position which Honourable Members of this House would be confronted with, and I ask the Honourable the Finance Member whether he can seriously ask this side of the House to voluntarily place the Legislative Assembly in this dilemma in which it would inevitably be placed by voting supplies for the next 18 months. Sir, under the Government of India Act the Governor General in Council is entitled to levy taxes, and he levies these taxes; but under the Government of India Act he is not bound to say that the taxes shall be applied in the particular manner in which you desire that those taxes shall be applied. The proposal for appropriation must come from them, and you have to be consulted whether the appropriation is to be made or not. I remember, Sir, last year, and if I remember aright even the year before last, when the Honourable the Finance Member made his statement and taxed this country to the tune of 5 and 15 crores, respectively, he said he was budgeting for a small surplus, and he said that with the advent of reforms the provinces would be languishing for want of funds, and the surplus which he was keeping as an asset would be given to the needy provinces. Well, Sir, probably that same promise holds good as regards the surplus of the next year. But I ask the Honourable the Finance Member what guarantee is there that, with this surplus given to him in advance, the retrenchment campaign would not be relaxed? We know very well when you have got plenty of money in your pocket you do not feel inclined to do the same economies which you would do if you were hard up. That is experience of every day life, and if the Government of India were today placed in possession of a plethora of funds, I am afraid that there would be a pause to the retrenchment campaign upon which the Government of India have now embarked. I therefore suggest that the Honourable the Finance Member should seriously reconsider the position and amend his Bill so as to enable him to balance his Budget of the current year, and if he finds that more money is required, if he finds that the economies he has made and is about to make, do not give him sufficient money to balance his Budget, let him come before this House in the proper time and ask for fresh supplies upon grounds which he must then disclose. He has himself in his speech pointed out that he is still exploring the other avenues of retrenchment. This is what he has said:

"In the case of the Railways, the execution of retrenchment measures has already proceeded very far. Government are considering the other measures, and in particular the recommendation for a further Report by an expert Railway Committee on the more technical aspect of the working of the Railways is being followed up."

Then speaking under a different head on the question of Post and Telegraphs, he said this:—"Further economies are in view". As a matter of fact in the Post and Telegraphs Retrenchment Committee's Report, of

which Honourable Members have got a copy, there is a clear statement that, owing to the shortness of time, they were unable to make other recommendations of retrenchment which they would otherwise have done. I therefore submit that the position in which the Legislative Assembly today stands, speaking generally, is not very different to the position in which it found itself in the month of September when the Honourable the Finance Member introduced his Bill. In other words, we are not yet in a position to know to what extent economies have been effected, to what extent economies are possible, and to what extent economies will be effected in the next six months. But there is one alarming feature in the Honourable the Finance Member's speech. The main question on which we on this side of the House and the Honourable the Finance Member and his colleagues are at variance is economy in the military expenditure, and speaking of the military expenditure I find, Sir, that in his statement there is one alarming sentence to which I should like to draw the attention of Honourable Members of this House. He says:

"The one point which I wish to emphasise here is that military expenditure has now been reduced to a point which leaves no appreciable margin for further reduction, except by the actual reduction of fighting troops."

Is this a cryptic way of stating that, so far as the composition of the British and Indian troops in this country is concerned, the Government of India are still as impotent and as powerless as they were on the recommendation of the Incheape Committee? If the Honourable the Finance Member will turn over the pages of the debates in 1923-24, he will find that while the Government of India had recommended the reduction of white troops, the Under Secretary of State for War in the House of Commons declared that the Cabinet had overruled the Government of India because any reduction of white troops in this country would entail an additional burden upon the British taxpayer. I wish to ask once more whether the Government of India have not represented to the Home authorities that the reduction of white troops in this country is a first necessity, and now, an impelling necessity calling for immediate action? Sir, on the last occasion when I took the opportunity of speaking on behalf of these Benches, I pointed out to the Honourable the Finance Member that there must be a reduction of the white troops in this country, and if there is no reduction, the proportionate cost must be borne by the British exchequer. The Honourable the Finance Member ejaculated an interruption and said you cannot reduce the white troops in a single day. Sir, the Finance Member knows full well that this is an old cry. Since 1921, since the inception of reforms and the constitution of the first Legislative Assembly we have been pressing upon the Government of India for the Indianisation of the troops and for the reduction of the white troops. In doing so we are not impelled by any racial antagonism. Our main principle was, and that principle holds good today, that while it is confessed by the official Benches that the cost of the white troops in India is five times as much as of the Indian troops,—and I venture to submit that it is nearer to six times than five times the Indian troops,—the mere change in the composition of the white troops in India and their replacement by the Indian troops would entail economies to the extent of four-fifths if not five-sixths. I therefore submit that we are pressing not for the reduction of the fighting troops, but for the replacement of the British troops by the Indian troops. By the plain rule of three, if the British Tommy costs five or six times as much as an Indian soldier and we have

[Sir Hari Singh Gour.]

got about 68,000 white troops in this country, we shall be able to maintain an army of about 800,000 soldiers, all Indians, in this country for the same money, and nobody can ever deny that the Indian soldier has proved his worth in the battle-fields of Flanders, where you find his heroism and valour emblazoned upon the pages of this official History of the War. On every page of this book published under the authority of the India Office you will find unstinted praise of the valour and heroism of the Indian soldier. His power of leadership, which was at one time denied, has been proved in the fiery furnace of war. When the European officers were all shot dead, an ordinary subedar took up the escort and displayed a valour and courage the like of which has not been excelled in any other theatre of war. That I submit is a living example of what an Indian soldier, organised and trained, equipped and disciplined, can achieve in any theatre of war. That being the case, it is idle now to think of keeping a foreign army costing five or six times as much as an Indian army, unless the main purpose of maintaining that army in India is the Imperial purpose and not the immediate purpose of the defence of this country. Sir, it is a long history, but I wish to cut it short. In the first Assembly we had the alarming report known as the Esher Committee's Report upon the function of the Indian Army. That Committee, appointed by the British Cabinet, wanted to hook in the whole of the Indian Army as a part of the Imperial defence, and at the cost of India. We immediately protested against it, and a committee was appointed with the concurrence of the Government of India. Unanimously, with the concurrence of the Government of India, it decided that the main and primary and sole purpose of the Army in India was the defence of India. The then Commander-in-Chief took action, but after the change of Government in England and the change in the personnel of the Secretary of State, the late Lord Rawlinson came to this House and said that he was a soldier, and when he made his statement he did not really understand its full implications.

Sir, I know to what extent the Government of India have been supporting the national cause, and I equally know to what extent they are thwarted by Whitehall. The history, if it is ever disclosed, the history, if it is ever written, will be a history of constant struggle of the Government of India to fight the cause of India with Whitehall, and that I submit is the anomalous position in which the Government of India find themselves today. Even as regards this Finance Bill, if the full history were known,—and the little history that is known makes us declare with a certain amount of confidence that the Honourable the Finance Member has done his very best to serve this country honestly and faithfully and carry out those words which my Honourable friend Dr. Ebrahuddin Ahmad so appositely read from his first Budget speech of 1926. But what is he to do? He is all alone, and as has been pointed out, the Government of India is a subordinate Government 8,000 miles away. The policy is a policy not dictated by the Government of India, and the one cry, the one lament that we wish to give expression to is that under the Parliament Act and under the Joint Parliamentary Committee's recommendations it was the duty of all concerned to give the Government of India autonomy in their own homes and to give them the power of formulating and carrying out their policy when they were in agreement with the elected Members of the Legislative Assembly. That, Sir, was the intention of the Act of

1919. That, Sir, is the intention which has not been fulfilled, and it is idle now to ask Members on this side of the House to face the realities when you yourself are living in an atmosphere of gross unreality. I am quite sure that many Honourable Members on the Treasury Benches must be at times feeling extremely uncomfortable having to serve two masters, having at times to compromise with their official conscience. They feel for the best interests of this country, they feel that they must carry the elected Members of the Legislative Assembly with them, but then comes a cable, "Carry out our orders because you are under the direction, supervision and control of the India Office". That is an extremely anomalous position. It is an anomalous position which has been recognised by the Government of India and by all concerned who have written and spoken on the subject, but in this short stage of transition I would ask the Honourable the Finance Member to exercise his good offices to see that at least on this occasion, this exceptional occasion, the like of which has never occurred in the life of four Assemblies, he carries the Legislative Assembly with him, and that he has the courage to say to those who would thwart his will that the convention which has been laid down by the Joint Parliamentary Committee is a convention which cannot be lightly treated or dismissed as of no moment. If he does that, I am quite sure that he will find every one of us responsive and able to help him. We are not here to non-co-operate with the Government; we have come here to co-operate, and for the purpose of co-operating with you we want you also to co-operate with us, and that is all that we want. If you had done that, you would have been able to tide over this grave and great crisis; you would have balanced the Budget; you would have given the Legislative Assembly time to think; and in the month of March next you would be able to see more light than you are able to see today. I therefore strongly support the proposal made by my Honourable friend Mr. Mody in his eloquent and able speech, on which I congratulate him, that the Finance Bill should not extend to a period of 18 months.

There are two other points upon which I should like to speak before I close. The Honourable the Finance Member says in his speech that, "All parts of our plans are inter-dependent". Well, Sir, in a taxation proposal I do not see any logic of interdependence between the various parts of it. As my Honourable friend Sir George Rainy said the other day, his colleague was anxious to get whatever he can from whomsoever he could, and that being the case

The Honourable Sir George Rainy (Member for Commerce and Railways): Is the Honourable Member quoting from any public utterance of mine?

Sir Hari Singh Gour: That being the position, there is no such thing as interdependence between the various parts of the Bill. You want money; there is no logic in your measure, no science behind your demand; it is by force of sheer necessity that you are called upon to raise these taxes, and therefore you should not invest your proposals with the sanctity of logic and science and say that your proposals are all interdependent. Take what you can to balance your Budget and be happy. We are prepared to help you to that extent, but we are not prepared to fill your pockets with Rs. 8 crores, the expenditure of which we have no means of checking, and which we know full well, as we do from your past conduct before and since the reforms, you might not use wisely for the benefit of India.

[Sir Hari Singh Gour.]

Then it has been said by the Honourable the Finance Member that Members on this side of the House have been indulging in destructive criticism. They have not made any constructive proposals. I wish I knew what it meant. How can we make any constructive proposals when you sit on that side of the House and we on this? Change places with us and then it will be time for us to make constructive proposals. This is a place sacred to destructive critics. That is a place which is the shrine of constructive proposals. (Laughter.) You cannot possibly expect people in the Opposition to make constructive proposals which they have no means of carrying out. As my friend Mr. Mody very rightly pointed out, give him a chance to prepare a Budget and he will produce a Budget which will be more acceptable to the people of this country than the Budget which you have proposed, or rather the Finance Bill that you have introduced. It is idle to talk of destructive criticisms and constructive proposals. What really matters is that, situated as we are, in the lamentable position in which we find ourselves placed, with a majority without responsibility, we are doing the best we can to assist, and we are happy to assist you because we feel that your time for departure is drawing near and it is just as well that we should part as friends. That being the position, I have given you the terms upon which we are prepared to assist. If you accept those terms, well and good. If you don't accept those terms and carry this measure over our heads, the responsibility will be yours, not ours. (Applause.)

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

The Assembly re-assembled after Lunch at a Quarter Past Two of the Clock, Mr. President in the Chair.

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): Sir, the time with which we have to deal has got very serious and grave aspects, and we cannot light-heartedly treat the situation, and neither can we stop the financial improvement of the country by an appeal to mere sentiments at this time. We know that the collapse of the currency, which came about in certain countries, had been the result of not balancing their Budgets and the primary duty of every Government and of every responsible person in the country is to see that the Budget is properly balanced, without which the credit of the country cannot stand. We have to see how far we can balance the Budget, and what is the best way in which it ought to be balanced. For one thing, the grave aspects of the situation which had been revealed by the Honourable the Finance Member in his speech at Simla when introducing the Finance Bill took everybody by surprise. Of course we all expected that the financial condition was going to be serious, but we did not think that it was so bad as it was revealed on that day. One thing we saw was that, last March, when the Budget proposals came before this House and taxation was increased and a great deal of increment was proposed in the rates of income-tax, in spite of that we found there was a loss of a crore and a quarter in the income-tax alone, which shows that the trade depression was so extensive and the income of non-officials had gone down so tremendously

below their previous incomes that that could not but be the case. In spite of the increase in the income-tax, the returns of collections came to a crore and a quarter below expectations, which shows really that this decrease in incomes, coupled with the increase in the income-tax rates, explained the loss of income of private individuals.

The Honourable Sir George Schuster: The decrease of $1\frac{1}{2}$ crores is below the estimate of the income-tax, with the increase: we have not lost both the increase, and $1\frac{1}{2}$ crores on the top of that.

Mr. Muhammad Yamin Khan: I was saying that there was an estimate that so much would be the receipt from the income-tax by putting on the increased taxation; so that increased income, which came in compared with the last year into the treasury, and this $1\frac{1}{2}$ crores which was expected to be realized but which was not fulfilled has all been due to the loss of income of private individuals. The Government Members have not been touched at all in this respect, and in spite of whatever they have contributed as increased taxation, there has been a decrease of a crore and a quarter. The diminished returns of income-tax are the index and the net result of the decrease in the income of non-officials.

Now, Sir, when we find this serious situation, and when we find in one passage of the Explanatory Memorandum of the Honourable the Finance Member wherein he says that the net deterioration of 10 crores in the customs revenue in the current year is due to the prevailing trade depression and the reduced purchasing power of the people, and when he distributes that in the following paragraph, all this shows that he admits one fundamental principle, viz., that the purchasing power of the people has gone down far below what was assumed, and the trade depression is only due to this factor that the people cannot purchase the commodities which they have hitherto been accustomed to purchase. This shows that India as a whole has been losing its purchasing power to a great extent. Now, curiously enough, the policy which is being adopted at present is further taxation on all goods. Now if a man's purchasing power has been reduced from one rupee to eight annas, and he cannot purchase an article which he used formerly to purchase with a rupee, if you tax that article again and it costs now Rs. 1-4-0, how can that person be expected to purchase this article when an enhanced customs duty is levied on it? This is the crux of the situation. Now if this policy of increasing taxation in the shape of customs and of increasing income-tax is followed for this year and for the next year, I do not know where the country will be standing and what will be the real gain which will come. To take an illustration from the taxation imposed last session. The net result for instance of an increase in the duty on spirits and liquors has been an absolute loss of income of 70 lakhs. That is shown therefore as a minus. Now spirits and liquors are things which are not consumed by the poor people but by the richer classes who can afford to indulge in that luxury. Well, if these richer classes of people could not purchase their spirits and liquors to the extent assumed in the Budget, and which has therefore brought a loss of 70 lakhs of rupees to the Government treasury, then we can understand that this had been solely due to the increased taxation resulting in decreased consumption. The same is the position as regards sugar, tobacco, minerals, motor cars and cycles. Well, all this had been the net result of the unsound increases of taxation, because the essential fact is that people have not got the money. If you put on a higher price, then a man thinks twice whether he should purchase the same amount or

[Mr. Muhammad Yamin Khan.]

whether he should satisfy himself with half the quantity. I have been talking to a friend, Sir, and he told me that the result of the Government proposal to increase the duty on whisky is that he used to consume 6 bottles a month, and now he will do with 3 bottles a month. Now, if he consumes only 3 bottles a month instead of 6 bottles, although the Government increase the duty by 25 per cent., the net amount they will get will be less. They won't get 25 per cent. over the 6 bottles. This is the result in the case of each commodity which is proposed to be taxed.

Another thing, Sir. I am acquainted with my provinces, but not so much with conditions in other provinces. In my own province we zamindars have been so hard hit that our purchasing power has gone down not merely by 50 per cent. but more. We have lost about 85 per cent. of our purchasing power. The Government of the United Provinces, as a result, passed orders that the tenants were to pay the same rent which they used to pay in 1901, that is, 30 years ago. If a zamindar realises the same rent which he used to realise 30 years ago, and his expenditure remains the same as it was in 1930, certainly his purchasing power comes to zero. In spite of this, the reduction which is proposed in the land revenue is very nominal. While we have to forego Rs. 5½ crores in rent, we are given relief only to the extent of Rs. 73 lakhs in land revenue. This shows that the richer classes have nothing to purchase with in the next 10 months and Government cannot expect those people who can afford to pay for their luxuries to indulge in their luxuries in the next 16 months. The tenantry is asked to pay only 50 per cent. of their rent. That reveals their condition. It shows that the tenant has got no money to pay at the present moment and he is not likely to get any in the near future. Therefore he is asked to pay only 50 per cent. of his rent. So their purchasing power also is gone. So, 80 per cent. of the Indian population has lost all its purchasing power. They cannot purchase articles even at their present prices. So, all the increases proposed by the Honourable the Finance Member, instead of bringing in enhanced revenue, will tend to decrease the customs receipts, and the net result will be that, instead of getting 25 per cent., they will lose 50 per cent. That is the state of the country. If we simply make up our programme on paper we will be deceiving ourselves. We must go by hard facts. We should not expect a man who cannot spend a penny to spend a rupee. These hypothetical figures, which have been brought before us, are based on the assumption that the people will go on purchasing the same quantity which they had been purchasing in the last year with reduced prices. I am afraid this will not be the case. We know that 85 per cent. of the population who are entirely dependent upon agriculture have lost more than 50 per cent. of their income. Is there any justification for keeping up the same expenditure which we have at present? If we can revert to our income of 1901, why can't we revert to our expenditure of 1901? If the Government used to pay in those days

Mr. President (Referring to an Honourable Member who was reading a newspaper in the Chamber) Order, order, newspapers are not allowed to be read in the House.

Mr. Muhammad Yamin Khan: If the salaries were paid by grades in 1901, is there any justification why, for these 18 months, we should go on paying by time-scale, and why the increments which have been given

should continue? We have been asked by the United Provinces Government to be patriotic and be satisfied with what we used to get in 1901. My answer is this. We are quite satisfied to get this, provided the Government side is also prepared to accept the same salaries which they used to get in 1901. We are quite prepared to be content if the whole expenditure and income reverts to what it was in 1901.

The Honourable Sir George Rainy: May I say I have not the least objection to accepting the income of 1901.

Mr. Muhammad Yamin Khan: My Honourable friend has been really very patriotic when he voluntarily surrendered 15 per cent. of his salary

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): I hope it includes the Lee concessions, also.

Mr. Muhammad Yamin Khan: I have not the least hesitation and I congratulate the Honourable Members of Government for having voluntarily surrendered a portion of their salary. But I find a great deal of grumbling in other quarters. I find that people are not even willing to have a 10 per cent. cut in their salaries, and the Government have not accepted the very moderate suggestion which was made by the main Retrenchment Committee unanimously, and which was not going to be hard on the poorer people. We had given the benefit of the lower pay to everybody. If a man getting Rs. 30 had to give up half an anna in the rupee, the man getting Rs. 100 would get the benefit of this. He will pay half an anna only on the first Rs. 30 and one anna on the remaining Rs. 70. The graded scale of cut, which had been accepted unanimously by the Retrenchment Committee, would not have meant a great hardship. It might have meant a little hardship to men drawing over and above Rs. 3,000 for the portion which constituted his salary over the Rs. 3,000. But this has not been accepted, and it is suggested that the 10 per cent. cut should include the enhancement in the income-tax. May I ask, Sir, in all seriousness, where is the responsibility being shown by the Government? Is it the responsibility which is an example for the other people to bear cheerfully their reduced circumstances? The example must come from the people who preach. When we have lost 50 per cent. of our income and when we are paying taxes on this reduced 50 per cent. which we have got, we find that the Government are not willing even to allow the Government officials' pay to be reduced below 10 per cent., not even to accept 10 per cent., because the contributions which they will make in the shape of income-tax are to be borne by everybody, official or non-official alike. By calculation we have found that in some cases the cut comes only to 5 per cent. and if the retrenchment in the case of people who live in luxury is only 5 per cent., is it right and proper to convince or try to argue with the poorer classes that they should be satisfied with their lot and should be satisfied with purchasing their necessities at double the cost at which they are purchasing them today? I am convinced that the reduction in the prices has not very materially affected the richer classes. They have not gained so much; perhaps they have gained about 2 or 3 per cent. in their daily expenses, while it has given good benefit to the poorer classes. A man who used to get Rs. 20 a month, could quite easily live on Rs. 10 a month. His present salary of Rs. 10 will be the same as the Rs. 20 two years ago. I quite see that, Sir. But we have to remember that that man was living

[Mr. Muhammad Yamin Khan.]

barely from hand to mouth; he had the barest, simplest, necessities of life. The richer classes are not living from hand to mouth. They have got their luxuries, and when they are not prepared to give up their luxuries, how can they expect men who used to get Rs. 15 or 20 formerly, and who get about Rs. 25 or 30 now, and who have accustomed themselves to that way of living to give up a part of their earnings? That is very unconvincing and it will be very difficult for any Honourable Member of this House to try to convince his constituency on this ground. A certain association came before the Posts and Telegraphs Retrenchment Committee, and their spokesmen said that they were not willing to give up a portion of their salaries unless and until the allowances of the higher officials were cut. We tried to argue with them and convince them that the Lee concessions were not allowances, and afterwards their representative was convinced that they were not allowances. These people could not see their way to accept any retrenchment in their salaries before the pay of the higher officials was reduced, and they did not see any justification for those high salaries. The spokesman said: "I have earned my salary; this is mere allowance and they have not earned it. Why should it not be cut first before you touch my salary." We argued at great length and convinced them, and they were ready to forego a portion, provided everybody did the same proportionately. The Secretary of State for India sent this message which has been quoted by my Honourable friend the Finance Member:

"Further, in regard to officers protected by the Government of India Act or in regard to whom the Secretary of State has himself to make rules, I am authorised to say that His Majesty's Government are satisfied that a financial necessity exists, amounting to a national emergency, which requires that a reduction should be made in pay and that His Majesty's Government have undertaken to introduce legislation in Parliament at the first practicable opportunity. The legislation would be of an emergency character and would authorise the Secretary of State in Council to reduce the salaries of officers protected under the Government of India Act for a limited period and subject to a maximum of 10 per cent. which would be inclusive of the enhancement of income-tax contained in my present financial proposal and subject to a discretionary power for the Secretary of State in Council to make exceptions in case of hardships."

I think, Sir, that when he was dealing with the class of people over whom the Government of India have got proper control and for whom they can make rules, he was acting as the true follower of Mr. Ramsay MacDonald; but, Sir, when he was dealing with the people about whom he had not authority, he was not acting in the spirit of a Conservative Secretary of State or the follower of Mr. Baldwin, but he was showing the spirit of Mr. Henderson, and he was acting as a Labourite who was not willing to part with his portion of salary and he wanted that this class should live on the savings or the Provident Fund of the nation. This spirit looks very bad and he did not realise that it would create a very bad political atmosphere in India. People who would be cheerfully willing to help the Government would be criticised not for the fault of the Government of India but for the reactionary use of the powers vested in the Secretary of State. The protection which is given to a certain class of officials on account of the powers vested in the Secretary of State creates discontent not only among the people employed under the Government of India and under the orders of the Government of India, but also in the whole country. I have to ask Honourable friends near me whether they have got the same income this year which they used up to

have two years ago. None of them can say that he has lost only 10 per cent. Probably they have been hit more hard than most of us have been. Their commerce has been at a standstill. They have not got the same income. They have been cheerful, but in spite of their bearing this burden, why should the burden not be borne by the authorities who have got the destinies of the country under their control? None of us would be unwilling to allow any taxation which the national emergency will require. We have never hesitated and we will never hesitate, provided we find that the same spirit to meet the national emergency is shown by that portion of the Legislature and that body which really controls the destinies of India. Non-official Members are willing to vote, but they want that the same sacrifice should come from the other side also. As for myself, I would unhesitatingly bear any responsibility which might come to me and would give my vote in favour of any taxation if I found that there was a necessity. I will never grudge that, because it is our primary duty when we have come into this House to see that we should not ruin our country or our country's credit. But at the same time we have to see that the Government which is the better half of the Legislature (Laughter) . . .

An Honourable Member: The fatter half you mean?

Mr. Muhammad Yamin Khan: . . . also bears that burden according to the proportion that we have been bearing. The policy of further taxation is, I think, suicidal, and this glass, if it is not broken already, is going to break on the stone very soon. You cannot keep up these high prices very long. This will stop the whole trade of the country and everybody will suffer: nobody is willing to purchase—they have got no means to purchase; and you are reducing the purchasing power by taxation still further. Increased income-tax will bring less to your coffers in the shape of less receipts in customs duties. A man cannot pay more than what he has got in his pocket, and if you reduce his purchasing power you cannot expect that the country will continue to purchase as before.

There was only one class which was not hit hard up till now and it is not going to be hit up till the first of December; and that is the protected class of the Government officials. Everybody else has lost; but when you are going to decrease their income also in this shape, then this thing will never continue. What I apprehend is this: whatever figures have been shown as receipts will not be realised. You will never get the income which has been shown, and therefore I say this is the time when the policy ought to be changed by the Government in the shape of a further retrenchment. When we sat in the Retrenchment Committee we never knew that there was going to be a deficit of the magnitude which has since been revealed to us. We never knew that this was the condition. It was known to us after the reports had been submitted. If it had come to the knowledge of the Retrenchment Committees that this was the state of affairs and that things were so serious, probably the Committees would have thought twice before submitting the reports they have submitted: they would have devised other measures of retrenchment. I think we should see that everybody from the official side comes forward to follow the very good example which has been set by His Excellency the Viceroy and the Members of his Council; they should part with so much of their salaries as would properly balance the Budget. (Laughter.)

[Mr. Muhammad Yamin Khan.]

I find that in 1929 the expenditure was Rs. 132 odd crores, and the revenues were Rs. 1,32,69,00,000; and we had a surplus of Rs. 27 lakhs. Now in 1931-32 it is proposed that the expenditure should be Rs. 136 crores 94 lakhs or Rs. 137 crores nearly. That means an increase of Rs. 4½ crores since 1929, that is, since two years ago. How does this increased expenditure come about? Why cannot it be reduced at once, we cannot understand. It is explained that there have been certain extraordinary items of expenditure. Certainly there have been; but Rs. 5 crores is a big sum to spend within two years' time. If the Finance Member had made a ten per cent. cut in that expenditure all through, we would have had a reduction at present of Rs. 13½ crores

The Honourable Sir George Schuster: Is my Honourable friend suggesting that we should take ten per cent off the interest we pay on Government securities? The 136 crores to which he is alluding includes interest paid by railways and on Government advances and to the holders of our own Government securities. I suggest to my Honourable friend that, if he is going to compare expenditure, he should confine his remarks to the actual administrative expenditure of the Government of which I have given very full and accurate particulars.

Mr. Muhammad Yamin Khan: I am thankful to the Honourable Member. Of course I did not have the Explanatory Memorandum in which these figures are given. Of course the interest charges are included, which the Government are getting in the shape of income and paying out in the shape of expenditure also. But what I believe is that the income may come in the shape of interest, but if it is to be debited to interest on loans, that cannot be decreased. I would much rather like that my Honourable friend may just quote to me how much are the interest charges: when we exclude interest charges which we have to pay on account of loans, I suppose they may come to something like 2 or 6 crores: then I put down the safe figure at Rs. 6 crores

The Honourable Sir George Schuster: It is more like Rs. 30 crores for the railways alone.

Mr. Muhammad Yamin Khan: If they come to something like Rs. 30 crores, then we have left Rs. 107 crores, and ten per cent. of that means a reduction of Rs. 10·7 crores

The Honourable Sir George Schuster: I would ask my Honourable friend not to try and make calculations on the floor of the House. I have provided him with very detailed explanatory figures showing exactly what the Government's real administrative expenditure is. I suggest that my Honourable friend might take advantage of the information that has been supplied.

Mr. Muhammad Yamin Khan: I am very thankful. I am not such a great expert in financial figures. (Laughter.) I admit it; but as a layman I can see that by putting down even so much, I do expect at least something like Rs. 10½ crores, which could have been easily saved by a reduction of 10 per cent. But what I find is actually only Rs. 8½ crores. That is going far below the expectation of even 10 per cent. all through in a

departments; and I say even if this reduction of 10 per cent. is not sufficient, it should be further increased. This is a time of national emergency. What I fear is this. Even if we vote for all the revenue that has been proposed, we will find at the close of the next year that the Budget will not be balanced and that is my fear.

I think there are two ways of meeting this grave situation. One is by further taxation, and another is by the reduction in expenditure. We know that by further taxation we cannot bring in that revenue which we expect. Therefore, the other remedy which we have got is only further retrenchment in expenditure without which we cannot do, and if the cut is for only 16 months, everybody can cheerfully bear it by foregoing some of his luxuries, because as a friend told me, he was spending nearly Rs. 250 a month on his beautiful garden, but on account of reduction in his salary, he is going to cut down the luxury of maintaining a beautiful garden and he will not spend so much on it in future. Of course, it may be a luxury to him, and he will in future keep up a smaller garden; he will not have beautiful palm trees, but he will be quite content with grass and lawns in the house. Similarly, I cited the example of a man who wanted to curtail his expenditure on whisky from 6 to 3 bottles only. You are not paying your Government servants so much as they need, and by these taxes and other things you are taking away from them nearly 25 per cent. from their income and depriving them of some of their daily necessities. Now they are being hoodwinked in this way. Here you pay them a certain salary, while with the other hand you take away from them money in several ways and their income is reduced by nearly 25 per cent. So I think this policy cannot continue for very long, and serious thought has to be given to this matter.

Now, there is a suggestion in regard to the Posts and Telegraphs Department that the enhancement of the duty on postcards and envelopes would bring in an increased income to the Government. Even in the last Delhi Session there were Honourable Members in this House who were demanding that the rate of postcards should be reduced from two pice to one pice; there was a strong section in this House which was wanting the reduction of the price of the postcard, but now when the price of the postcard is going to be enhanced, I am sure there will be very little support to this part of the duty, because tradesmen will find that they will not be able to carry on their business by paying so much enhanced duty on postcards, with the result that the enhancement will mean instead of an increase in the income an appreciable reduction in the income of Government. Most people who are accustomed to write letters, will resort to postcards in future, with the result that the income of the Government from this source will never be more. The anticipations of Government in this matter can never be realised and I am sure that the enhancement of the duty on postcard and envelopes will not be supported by any Honourable Member on this side of the House.

There is one point to which my friend, Mr. Mody, alluded in the course of his speech this morning, and I feel I must give him a reply. Of course, though his attack was directed against the Government, it was not really so, but it was an attack on the Sub-Committee on Posts and Telegraphs, of which I had the honour to be a member. The Posts and Telegraphs Retrenchment Committee suggested that there should be retrenchment in the salaries of all employees, even of those who are getting Rs. 20 and

V2, 3) (N3) 63535
N3) 7

[Mr. Muhammad Yamin Khan.]

less. It was not Government which made that suggestion, but it was suggested by the Posts and Telegraphs Committee, the Chairman of which is a dear and near friend of my Honourable friend, Mr. Mody, I mean Sir Cowasji Jehangir. Now, Sir, the position was this, that out of 11 crores, which is the expenditure on the Posts and Telegraphs Department, we found that 8 crores were spent on salaries; out of the 8 crores, 50 lakhs were spent on the salaries of gazetted officers alone, and $7\frac{1}{2}$ crores were for the establishment. When we had a deficit of 1 crore 47 lakhs, even if we had recommended the dismissal of all the gazetted officers, we could have saved only 50 lakhs, and we could never have balanced the Budget. . .

Mr. H. P. Mody: How many people have you under Rs. 40?

Mr. Muhammad Yamin Khan: The postmen, who form the majority of the postal establishment, are all under Rs. 40; they get from 3 P.M. Rs. 18 to Rs. 38. We were very reluctant to touch them, but we could not avoid touching them. (An Honourable Member: "Reconsider your decision now.") We cannot reconsider the question now. The suggestion which has been made of cutting only Rs. 3-2-0 per cent. from their salary, that is 2 pice in a rupee, means that a man getting Rs. 30 will have to forego 15 annas from his pay. May I ask my friend if he can contend that the man has not gained by the reduction in prices in his daily necessities by more than 15 annas?

Mr. H. P. Mody: Probably he has more people to support now.

Mr. Muhammad Yamin Khan: He might have produced another child, I do not know. Anyhow, after careful consideration, it was found that the man who is getting a smaller salary had gained immensely by the fall in prices, and there is no justification, when we ask the higher paid people to give up a portion from their income, in stating that we should not ask these lower paid people in this national emergency to contribute a little from their income. We know that many of their kith and kin in the villages are starving; their brethren who were getting Rs. 30, are not getting even Rs. 12 now, and most of them probably have been thrown out of employment, while the postmen are at least in their jobs. Therefore, should they not be ready to bear up the burden which is expected of them in these stringent times? If these people had not been touched, then the substantive reduction which has been proposed by the Committee could never have been achieved. If the Committee had confined its task only to 50 lakhs, probably they would have saved at the most about 10 lakhs, but 10 lakhs in a deficit of 147 lakhs was nothing. We wanted to balance the Posts and Telegraphs Budget; we wanted that the receipts should be the same as the expenditure. There was the increase given to the men only two or three years ago under exceptional circumstances, and so considering all sides of the question, we had to touch the pockets of the postal peons as well. We were of course, I must confess, very reluctant to touch the pockets of these lower paid men; we had to go into minutest details and deliberate for days and days before coming to definite conclusions. It is not the fault of the Government in suggesting a cut in the postal peon's salary. Whatever fault there might be must be put down to the Posts and Telegraphs Committee, and I am ready to share a part of the blame, if there is any blame at all. With these few remarks, I think I will have to vote on those items where we find

them to be unjust, against the Government, but on many others we might find ourselves in support of the Government. Sir, I support the motion for consideration.

The Honourable Sir George Rainy: Your distinguished colleague, Mr. President, the Speaker of the British House of Commons, if Reuter is to be believed, took the opportunity of his re-election, when he was entitled to address the House on general matters, to express a decided opinion in favour of short speeches. He said, I understand, that the best speeches he had heard sometimes lasted for not more than 20 minutes. I cannot promise one of the best speeches, but I think I can promise the House that I shall not exceed the limit fixed. That, of course, closes to me the avenues into certain attractive meadows. I cannot for example follow my Honourable friend, Dr. Ziauddin Ahmad, into what is perhaps a thorny jungle rather than a meadow,—the problem of exchange and currency. He made a gallant, I might almost say heroic, attempt yesterday to explain to the House all its intricacies and how exactly it bore upon the Finance Bill. But I am afraid that his success was not on a par with the energy he threw into the subject. They are indeed very difficult—these questions

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): May I just say one word, that we are given only one chance in the year to express our grievances, whereas Members on the Treasury Benches can speak on a number of occasions.

The Honourable Sir George Rainy: I am only expressing my sympathy with the Honourable Member,—a sympathy which I have no doubt is felt by all Members in this House—that perhaps he did not entirely succeed in making these difficult matters plain to us. (An Honourable Member: "He had to abruptly close his speech.")

There are one or two matters, Mr. President, which I will touch upon only briefly. The Honourable Mr. Chetty at the outset of this debate gave us a rather alarming set of figures as to the enormous sums taken from the pockets of the people during the course of the last two or three years by means of extra taxation,—Rs. 5 crores in one year, 15 crores in another year, working up to a total of, I think he said, Rs. 35 or 40 crores. But when these figures are mentioned, it is always well to remember that it is because we have not been able to get those sums from the pockets of the people that we are having to propose higher taxation now. It is quite true that, if things had been quite different the rates of taxation imposed might have given us those figures, but the emergency arises from the fact that, circumstances being what they are, these sums have not been taken, and cannot be taken, at the old rates of taxation from the people of India. I think that is a fact which we ought to bear in mind.

Another point which has been mentioned by a number of speakers in the course of the debate, including my Honourable friend, Mr. Mody, was the intolerable burden of taxation—the favourite phrase used I think was that the people were being "taxed out of existence". Now, I wondered when my Honourable friend was speaking, which people and what taxes he had in view. I think he laid the greatest stress upon those who at present pay income-tax. Well, Sir, when a tax is laid upon people, because they have incomes, and in proportion to the incomes they possess, surely, it is very difficult to say they are being taxed out of existence. He objected

[Sir George Rainy.]

also to the extension of the tax downwards—he was, indeed, reasonably impartial in his dislike of Government proposals—he disliked the extension downwards of the income-tax to the lower limit of Rs. 1,000 a year. But even in that case, if a man's income is Rs. 1,000 a year and if he is paying less than 2 per cent. or about 2 per cent. on that income, it is difficult even in that case to say that he has been taxed out of existence. And then I wondered, Mr. President, whether I had not been wrong, and whether perhaps my Honourable friend was thinking of some other class of taxpayers, perhaps, those who buy cotton cloth. I do not know whether it was these he had chiefly in view when he talked of people being taxed out of existence. Mr. President, I frankly admit that it is a heavy burden of taxation that we are asking the House to impose. But do we gain anything by over-stating the case and by exaggerating the weight of the burden? Honestly I do not think that we do, and I suggest that the matter is one which deserves to be discussed without over-statements of that sort.

Now, Mr. President, I come to a point on which I should like to speak a little more fully. Great exception has been taken to the plan adopted in this Bill by which the scheme of taxation is to last for a period of 18 months. Of course, so far as customs duties are concerned, the period of 18 months does not apply. We have followed the ordinary practice by which customs duties—apart from the protective duties which are always dealt with specially—are imposed for an indefinite period. For obvious reasons this is the plan which must necessarily be followed, for if the whole customs tariff were liable to revision automatically every year, the complete uncertainty which would exist for about three months before the annual Budget would be equally disastrous to the revenues of Government and to the possibility of carrying on trade. But, Sir, we are departing so far as the other sources of revenue are concerned from what has been, since the introduction of the reforms, the practice in India; that is to say, it has been the custom to prescribe annually in the Finance Bill the rates of income-tax, of salt-tax, and the postal rates. On this occasion we propose that they should remain in force for a period of 18 months, that is, up to 31st March 1933. It has been suggested that in some way this is a gross constitutional impropriety. I do not want to go into that fully, for time does not admit of it. But I should like, if I may, to draw the attention of the House to paragraph 428 of Volume I of the Simon Commission's Report and to paragraph 160 of the second volume. I may perhaps read to the House what is said in the latter passage:

"It has been a general practice in India to vote annually all the principal taxes except under customs duties. This appears to have originated in a desire on the part of the Assembly to follow the practice of the British Parliament whereby one direct and one indirect tax has been voted annually. It is enough to say that the reasons which led to this practice in the British Parliament do not appear to have any application to India, and while we do not make any specific recommendation on the point, there would seem to be no constitutional reason why there should be an annual Finance Bill when there are no changes in taxation."

That I think disposes of the question of constitutional propriety. But I think the really important aspect of the matter is not formal or constitutional or legal, but one that is extremely practical. What was the situation with which the Government of India were faced in the middle of this financial year? We made a great effort last March to

present a Budget that was really balanced, but we found after a few months that our expectations had been disappointed and we felt and still feel that it was necessary to grapple with the emergency at once, and that it was impossible to wait until the ordinary time of the year, the month of March next. One of the principal objects which we had was certainly this—to inspire confidence in the world generally that the Government of India and the Legislature of India were ready to grapple with the whole situation and that they were determined to balance the Budget. Now if we had introduced a Bill imposing these taxes for six months only, I think the general impression received in commercial and financial circles would have been that the Government of India had completely underrated the emergency, and that they did not appreciate the grave position which they had to face. That being so, they would think twice before they risked their money so far as the Government of India are concerned. That is the practical aspect of the matter. The rate at which India can borrow, the prospects of our being able to resume the economic development of the country, whether by means of railways or irrigation or anything else, depend fundamentally on the opinion which the commercial and financial world hold about our solvency and our determination to deal with the economic crisis on its merits. I do most emphatically say that if we had refrained from dealing with the whole position on the basis that we had to balance the Budget for the whole period of 18 months then we should not have been doing justice to the necessities of the position and should justly have merited the censure of this House. So much for that.

I had intended also to say something about what fell from my Honourable friend, Mr. Mody, about the cut in pay in the railways and in the Posts and Telegraphs Departments, but my Honourable friend, Mr. Yamin Khan, has to a large extent relieved me of that duty. It is quite true, as he said, that so far as the lower ranks of the service in these departments are concerned, we have followed exactly the recommendations of the Retrenchment Committees. The reason why we felt it necessary to do so is the reason that he gave. These commercial departments have to pay their way. A very large proportion of their expenditure is on salaries and unless the cut in pay extends right down the scale, it is impossible to make the economies required. My Honourable friend, Mr. Chetty, suggested that, unlike other people, Government were often in a position to avoid the necessity for retrenchment by having recourse to taxation. Whatever may be true of Government as a whole, it is not true of the Railway and the Postal and Telegraph Departments. We have to cut our coat according to our cloth, and the possibility of obtaining more cloth at a time like this is strictly limited. It is true we can raise rates and fares, but then we have to consider whether in fact an increase in rates and fares will give us the extra revenue. I think I need not develop this point further, because there are in the House members of both these Retrenchment Committees who are perfectly capable of dealing with the point, should it again recur.

I have listened with interest to what has fallen from several Members by way of objection to the taxes which the Government have proposed in this Bill. As usually happens these criticisms are not always entirely unanimous. My friend, Mr. Yamin Khan, for example, objected most to the increase in the customs duties, but the other speakers, so far

[Sir George Rainy.]

as I have followed them, did not seem to have any particular objection to the surcharge on the customs duties. I do not propose at this stage to go into these matters in detail because, as Mr. Mody pointed out, there will be opportunities later, if the House passes the motion that the Bill be taken into consideration, to deal with the matter more fully.

My Honourable friend, Mr. Mody, made a sporting offer to the Finance Member that, if he would only put the responsibility in his hands, he and his friends would put up a perfectly balanced Budget without any obnoxious taxes. I was glad to find my Honourable friend so confident of what could be done, but I became a little doubtful when he said that he did not think he could bring himself to cut the pay of the lower paid establishments, because he was thereby denying himself access to a very large field in which economy is practicable. But even apart from that, I doubt whether my Honourable friend, the Finance Member, will have the courage to accept the offer which has been made. My Honourable friend, Mr. Mody, seemed to think that in the course of the next six months or 12 months or 18 months there might be some great, and I presume some very favourable change in the circumstances with which we are faced to-day. Naturally we should be very glad if that were so, but frankly to frame our plans on the basis that something may turn up is not perhaps the best basis for dealing with a national emergency, and I do not know that anybody would select Mr. Micawber, who was the historic person always waiting for something to turn up, as Chancellor of the Exchequer.

Before I sit down there is one more point to which I must briefly refer. My Honourable friend, Mr. Moore, yesterday, in replying to part of what fell from my Honourable friend, Mr. Chetty, said that he had been listening anxiously and hoping for light, light as to how the crisis was to be dealt with, if the plans of the Government were open to insuperable objection. So far as I could gather, my Honourable friend did not get that light, but I thought he was a little less than just to my Honourable friend, Mr. Chetty, for towards the end of his speech the light at last dawned—not the most brilliant of illuminants perhaps, for kerosene, in spite of its many merits does not for light-giving purposes compete with electricity. (Laughter.) My Honourable friend had in mind, no doubt, the old epigram *ex luce lucellum*, "a little profit from a little light". But, if he had reflected for a moment, he might have remembered that in the case of the match tax in England about which that epigram was made, what finally emerged from the light was not profit but what is more commonly associated with light, namely, "a great deal of heat. (Laughter.) However, he seemed to think that with the aid of more retrenchment in the Army, the financial salvation of the Government of India was to be found in kerosene! Now, Mr. President, I am a little doubtful whether the way of safety is the way pointed out by the Honourable Member—more than doubtful, indeed—but still, in justice to him, I thought that his suggestion was worthy of notice.

In conclusion, Mr. President, I have only to say this. I have listened to all the speeches, so far as I have been able to, with great care and attention, and I think I have only heard one which pointed directly at the rejection of the Finance Bill. I did not observe that Members

were inclined to say that there was no emergency, or that there need be no extra taxation. Their attacks have been directed to particular aspects of the Bill, to particular taxes proposed, to the question of more retrenchment and less taxation, and so on. What we are on for the moment is the general question whether the House should agree to give consideration to this Bill: and I claim that the great majority of the speeches made have in fact been speeches in favour of that motion (Applause.)

Mr. L. V. Heathcote (Nominated Non-Official): Mr. President, yesterday in his speech, the Deputy President at an early stage of his speech drew a comparison between the private individual and the Government when each was faced with the knowledge that he was living beyond his income. In the case of the private individual, the Deputy President would have us believe that there is only one alternative and that is to reduce his expenditure, whereas the Government are in a more fortunate position, in that not only can they reduce their expenditure but they can increase their income. The lesson that the Deputy President would have us draw from what he said is, as everyone will agree, particularly those on my right, a very sound one: we do wish the Government to reduce their expenditure even if they have to increase their income, but actually the argument which he used is not entirely a correct one, because, if the private individual works harder, in ninety-nine cases out of a hundred he can increase his income. On the other hand, the Government cannot force the country into working harder and producing more, either in goods or services, whereby to pay for increased imports and therefore increased customs revenue.

We were assured by the Honourable Mr. Chetty that no one was more anxious that the credit of India should be maintained than the Indian; and although I think he might have allowed us to share with the Indian his anxiety that India's credit should be maintained, if everyone here will realize that that is the point, that that is the question, which we are here now to consider, there can only be one answer to the motion which is now before the House.

The Deputy President asked why the Government should budget for 18 months—and he has had his answer from the Honourable the Leader of the House. The Honourable Sir Hari Singh Gour also asked the same question and he twitted Mr. Arthur Moore with not having been entirely accurate in what he said yesterday in regard to the methods which the British Government had adopted to meet a similar set of circumstances. Whether the British Government actually put forward to the House of Parliament a Budget for 18 months, I personally cannot just now remember, but whether they did or whether they did not, I venture to say that Sir Hari Singh Gour was also somewhat incorrect. He told us that when they were faced with this crisis, they immediately went to the country, asked the country to give them their confidence; to allow them to come back and to set their house in order. Actually, before they did that, they imposed several very heavy taxes in much the same way as this Government are now imposing taxes before the Budget is produced next year in the ordinary way.

Mr. O. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): But is the Government here, after introducing this taxation, prepared to go to the country just as the British Government did?

Mr. L. V. Heathcote: That is a hypothetical question, I think. The crux of the matter is that India's credit must be maintained at all costs, and that an emergency has arisen, or did arise and was realized last September, and no one can deny that the Government have been quick to realize the position and to take this House into their confidence, to tell them the position before they got to next March to realize what it was. Steps have been taken both in regard to retrenchment and by the introduction of additional taxation. As for retrenchment, it must be the general view of the House that a retrenchment of the civil expenditure which goes to the extent of over 17 per cent. cannot be regarded as anything but very severe, and although I do not for a moment suggest that there is no scope for further retrenchment—I am sure there is—equally, there are some directions in which I think the retrenchment which we have in view is too much; particularly have I in mind the retrenchment in the Department of Income-tax administration and collection. Sir, we can risk nothing in that Department in order to improve the percentage of collections of the tax which is due. It is not for me to say whether the particular people whose posts are to be done away with are doing their work, or whether they have work to do, but what I am perfectly certain is that the money which the Government now propose to withdraw from the administration in that sphere could be very well spent with the certainty of collecting a hundred times that amount in revenue (Hear, hear).

We have heard a great deal about the retrenchment which is yet to be made in the Military Budget. My own idea is that we have gone beyond the stage now of merely calling for retrenchment. We must be rather more specific in our recommendations. My Honourable friend, Mr. Moore, referred to his plea which he has put forward for one or two or perhaps more years in succession, and that is, for reduction of the land forces and their substitution by increased aircraft forces. As far as I know, we have had no reply to that plea. Perhaps it is a foolish one. But unless we are told that it is so and we are told why it is so, that plea will come forward every year until perhaps something may be done, and I have no doubt that those non-officials who are more acquainted with the Army than I am, will also be able to put forward other suggestions whereby a reduction in the expenditure may be made—substitution possibly of the ordinary Army by military police. It is not possible for me to say whether this is a sound suggestion or otherwise. Those who are better acquainted with Army matters can follow it up if there is anything in it.

My Honourable friend, Mr. Mody, referred to the fact that the Inchcape Committee said that it should be possible, before many years were over, to run the Army for 50 crores or perhaps even less if there was a reduction in prices and he told us that there had been an unexpected reduction in prices because the exchange was altered from 1s. 4d. to 1s. 6d. and this reduced the cost of all the stores and equipment which have to be imported into India for the sake of the Army.

Mr. H. P. Mody: Reduction in prices plus advantage in exchange. Both.

Mr. L. V. Heathcote: I am referring to the drop in exchange. I was referring particularly to the alteration in the exchange rate reducing the rupee cost of the material which has to be imported. But I think Mr. Mody has forgotten that all these materials and equipment have to pay

duty, and although I am not quite sure what the general tariff rate was in 1925 when the Inchcape Committee reported—it was probably 10 per cent.—it is now 25 per cent., and in this respect I should imagine that what those who are responsible for the cost of the Army gained in the swings they fully lost in the roundabouts.

Mr. H. P. Mody: They did not impose 25 per cent. until recently.

Sir Hari Singh Gour: Does my Honourable friend suggest that the Government stores are subject to customs duty?

Mr. L. V. Heathcote: I am stating that military stores are.

The Honourable Sir George Schuster: May I say that my Honourable friend is perfectly correct.

Mr. H. P. Mody: When did this 25 per cent. duty come into operation?

Mr. L. V. Heathcote: We are talking about the Army.

Dr. Ziauddin Ahmad: This is the invisible Budget of the Army Department.

Mr. L. V. Heathcote: There is a risk, as every one here must realise, that inasmuch as prices are now low and we all expect them to rise, the Army will be hard put to it to keep its expenditure within its Budget and that perhaps is the same answer which I would give to my Honourable friend, Mr. Mody, who asked when the increased customs duty came into effect. They budgeted for an expenditure of 46 crores before they knew what the duty was going to be.

The taxation proposals of the Government cannot be regarded as anything but arbitrary and I do not suppose that even the Honourable the Finance Member would wish to regard them as anything else. But there has been no time to study each import on its own merits and to try and adjust the rate of import duty for the one to the fullest extent that it can bear, so as to be able to relieve another which is overtaxed by the surcharge of 25 per cent. It is because the Government have not had time to consider this question we can realise that it is the emergency which has brought about this state of affairs. While for myself I cannot do anything but object in the strongest way possible to the methods of taxation which this Finance Bill introduces, there is no option but to accept it as an emergency measure and to allow it to pass into law. The various suggestions which have been made by Honourable Members on my right for other sources of taxation, unless I am mistaken, would have produced a very small amount of money and were the Government to accept these suggestions I would almost like to be here when the scramble takes place to decide which commodities ought to have taxation upon them reduced. It will be extraordinarily difficult to get any unanimity among the Honourable Members of this House as to which taxes should be reduced when the amount available for reduction is as small as the revenue which their proposals would produce.

As the Honourable the Leader of the House has just pointed out, the Honourable Mr. Chetty yesterday made a great deal of the enormous burden of taxation which has been placed upon this country during the last few years, but in his speech, with his customary fairness the Deputy President reminded us that actually, although this burden had been placed

1710

LEGISLATIVE ASSEMBLY.

[6TH Nov. 1931.]

[Mr. L. V. Heathcote.]

upon the country, the revenue from the taxation was very little, if any, greater than what it was three or four or five years ago. So his remarks on that subject seem to me more or less to balance one another out. But he failed to draw what would seem to me to be the obvious conclusion to be drawn from the state of affairs to which he drew our attention, and that is, that if with steadily increasing rates of taxation no increased revenue is being realised, it must surely be that the law of diminishing returns, which has been so often mentioned in this discussion, is beginning to work, and even if others would explain it entirely by the outside conditions which are prevailing, this law of diminishing returns, if not actually at work to-day, must be very nearly at work and should the Honourable the Finance Member find himself next March with again very much less revenue than he expected, so that he will be forced perhaps to introduce still further taxation, where will he go for it? We must suppose he will go for a further increase in income-tax and customs duties. Last Budget, I tried to lay some stress upon the necessity for broadening the basis of taxation, and the fact that these increase in rates of taxation are bringing no further revenue seems to me to bring still clearer to our notice the absolute necessity for the Government to broaden the basis of taxation. In declaring his inability to accept the 25 per cent. surcharge on the salt duty, the Deputy President told us that it was impossible to expect sentiment and politics to be absent from the speeches and discussions which take place in this House on the Government's taxation proposals. I do not suppose that that is in any way peculiar to India. In any country where taxation proposals are placed before a popular legislature there will be found sentiment and politics to oppose them, and I would be the last to suggest that sentiment and politics are not or should not be found in discussions on the Government's proposals. Let us use all the eloquence we have to tell the Government that this surcharge on salt, this reduction of the taxable limit for income-tax, is not proper taxation for the circumstances of this country. Let us do that; but having done so, let us face facts, however unpalatable they may happen to be, and when the time comes to vote, let us vote with the Government so that they may balance their Budget. Sentiment and politics, it seems to me, can only be carried to their final conclusion where there is a system of party government and where there are alternative fiscal systems, one of which is backed by one party, another by another, possibly one supporting direct taxation with light indirect taxation, the other heavy indirect taxation and light direct. In those circumstances, with party government and a Government who are responsible to the Legislature, there sentiment and politics can be carried to their final conclusion. But in India there seems to me to be no probability of any party system evolving which will support one particular fiscal system against another. In India, as far as one can judge, in anything like the reasonably near future, it will be a case always of the Government seeking to tap new sources of revenue wherever other sources can be found; and if that is the case, sentiment and politics can find no place. If broadening the basis of taxation is what is required, as I am confident it is, it must be recognised that whenever any new source of taxation is discovered, some new taxpayer is discovered, and there is bound to be an outburst of sentiment and politics when any tax is introduced to bring this new taxpayer into the fold. And what I wonder is whether, supposing the Government were

to convene a committee of Members of this House in response to a demand that the basis of taxation should be broadened, the Government could rely upon the members of that committee to keep one consideration only before them throughout their deliberations, and that is that new sources of taxation are required, and that they should be ready to withstand all the sentiment and politics which they will hear, and with which they will be greeted, when they take their seats on the next occasion in this Assembly with proposals to carry out those recommendations which they may have been able to find as suitable new sources of revenue. If Honourable Members of this House would indicate that the Government could rely upon them to consider every possible new source of taxation

Sir Hari Singh Gour: Which Government do you mean?

Mr. L. V. Heathcote: This Government.

Sir Hari Singh Gour: Do you expect the Opposition to support this Government?

Mr. L. V. Heathcote: As the Honourable Sir Hari Singh Gour knows, the credit of this country is even more important than its present Government, and however much Honourable Members dislike the position in which they are placed at the moment, it cannot but be that they must assist the Government to introduce taxation and to provide the country with revenue to enable its administration to be carried on. What I was going to say was, if Honourable Members on my right were to assure the Government that they would help them to devise new systems of taxation—and those new systems have got to be revised before very long; I would remind them of what my Honourable friend, Mr. Moore, said yesterday, namely, that democratic Government costs more and more—if they would assure the Government of their assistance, I feel that the Government would welcome a committee to help them to devise new forms of taxation.

Mr. T. N. Ramakrishna Reddi (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): Mr. President, the general discussion on this Bill has been going on for three days, and barring a few nominated Members who do not represent anybody except the Government, there has been a commendable unanimity of opinion with regard to the condemnation of the taxation proposals of the Government. Sir, if at this late stage I wish to add my emphatic protest against these heavy taxation proposals, it is like slaying afresh the slain. But this is an important occasion; when the country has been threatened with a very heavy burden of taxation, I think it is my duty to add my feeble voice in protest against the taxation proposals. The Honourable the Finance Member has stated that he had to present this supplementary Budget on account of the deterioration in the customs revenue and income-tax and other sources of revenue, and he has also stated that in this year we have to meet a deficit to the tune of 194 crores, and perhaps if conditions do not improve in the next year we will have also to meet a similar deterioration; and after proposing some retrenchments in the civil and military expenditure and also cuts in salaries, he has come forward with taxation proposals to the tune of nearly Rs. 29 crores. He also stated, when he brought forward these proposals, that he would not come before this Assembly unless he was thoroughly convinced that the retrenchment proposals had been carried out to the utmost extent. If we on this side of the House say that we are not going

[Mr. T. N. Ramakrishna Reddi.]

to allow the Finance Member to levy such heavy taxation on this country, which is already overburdened with taxation, then he will say that we are irresponsible critics, that we should somehow meet the emergency, and that without fresh taxation it is impossible to meet this emergency; and he also asks us to see how the various governments in European countries have met this crisis by levying fresh taxation. Comparing India with other independent governments such as France, Great Britain and other countries is fallacious. Here we are ruled by an irresponsible bureaucracy who are ruling only in the interests of their own country. Year after year we have been pressing upon the Government the necessity of reducing the military expenditure. The military expenditure has been sapping the very vitality of the nation, and year after year we are told that the Government cannot reduce the military expenditure by a single rupee because it would take away the efficiency of the Army, and India would be exposed to invasions from all sides, and in order to keep up the efficiency of the Army they could not reduce the military expenditure.

The Inchcape Committee sat in about 1921 and they proposed that the Army expenditure must be cut down to the extent of nearly 12 crores within the next year or two. That was done. Did the heavens fall or was India invaded by any other country? Nothing of the kind. They then recommended that it was impossible for India to bear this heavy burden and that the military expenditure should be reduced in very few years time to Rs. 50 crores. This is what they recommended:

"We do not, however, consider that the Government of India should be satisfied with a Military Budget of Rs. 57 crores, and we recommend that a close watch be kept on the details of military expenditure with the object of bringing about a progressive reduction in the future. Should a further fall in prices take place, we consider that it may be possible, after a few years, to reduce the Military Budget to a sum not exceeding Rs. 50 crores, although the Commander-in-Chief does not subscribe to this opinion. Even this is more, in our opinion, than the tax-payer in India should be called upon to pay, and, though revenue may increase through a revival of trade, there would, we think, still be no justification for not keeping a strict eye on military expenditure with a view to its further reduction."

So, as long ago as 1922, this reduction of military expenditure was recommended. Instead of giving effect to it, till 1930-31 the Government could not see their way to reduce this expenditure.

Take the civil expenditure. Within the last 10 years the civil administration expenditure has been increased by Rs. 4 crores. Thus on account of this heavy civil and military expenditure, the country has been brought to the brink of ruin, by the levy of new taxations year after year to meet deficit Budgets. And when India, along with other countries of the world, has met with the present grave crisis, she finds herself unable to bear any additional further taxation on account of the heavy taxation that has already been imposed upon her year after year in ordinary normal years when they could have met deficit Budgets by retrenchment.

The Honourable the Finance Member has taken two years together for framing this supplementary Budget. That course has been subjected to criticism in this House and this criticism has been answered from the Treasury Benches. But I find that there is no satisfactory explanation forthcoming for the adoption of this course. The Honourable the Finance Member has simply copied the British method in framing this Budget for

two years together. Though in this he has followed the British method, he has copied only the worst feature and not the best feature. We shall see what Mr. Snowden has done. The Chancellor of the Exchequer has met the deficit of the current year by retrenchment to the extent of 60 per cent, and has proposed fresh taxation only to the extent of 40 per cent. That is what the Chancellor of the Exchequer has done. But what has our Finance Member done to meet the deficiency here? He has proposed a cut of only 90 lakhs for the current year to cover a deficit of 191 crores. That is what has been done here. And for the two years he has proposed taxation to the tune of nearly 30 crores. Though we are being subjected to deficit Budgets year after year, though there were occasions for the Government to cut down the expenses, yet they did not do any such thing in previous years, and they have been postponing retrenchment all these years, saying that the Government have appointed the Jukes Committee or some other committee who were investigating into methods of retrenchment; and they have been postponing and postponing their retrenchment proposals until the last day, so that they may somehow or other avoid retrenchment and when in the end they have been faced with a crisis, they have now come forward with proposals for heavy taxation. The Finance Member stated that he would not come before the House for further taxation until he was satisfied that he had carried out retrenchment in the Government expenditure to the farthest possible limit. Now, let us examine for a moment if the Honourable the Finance Member has carried out the retrenchment proposals to the fullest possible extent. Taking the civil expenditure, we find that there has been a general revision of salaries of civil servants under the Lee Commission's recommendations, and it must be remembered here that the revision of salaries was undertaken when the prices were fabulously high and the expenses of living were also very high. Now there has been a decline in prices, in fact some of the prices have fallen even lower than the pre-war level, and there is no reason why the Lee concessions should be retained now. No attempt has been made to touch the Lee concessions. Then again there are so many departments which were created by Government when they were in a prosperous condition; for example the Imperial Agricultural Research Institute, the Railway Rates Advisory Committee, the Tariff Board and several others, and I do not see any reason why, when the country is faced with such a heavy crisis, these departments should not be retrenched in such a manner as their activities may be revived when prosperity revives. In this connection I am strengthened by the Resolution passed by the Madras European Association in Madras very recently; they state that there is plenty of scope for effecting retrenchment in the civil administration. I shall read the Resolution which was unanimously passed at the meeting. This is how it reads:

"This meeting is of opinion that while it is essential for the trade and well-being of India that the Budget should be balanced, the estimated deficit should be met mainly by retrenchment, it calls attention to the growth of expenditure in the civil and railway administration of the Government of India in recent years in spite of the large devolution of responsibility to the provinces since the reforms and urges the setting up of a searching inquiry into the departments and agencies of the Central Government with a view to effecting drastic economies and reducing expenditure to the maximum necessary for the efficient carrying out of the essential functions."

Sir, this Association of Madras is not unfriendly with Government, and they have passed this Resolution without any dissentient voice. So it is quite clear that there is abundant room for economy in civil administration expenditure.

[Mr. T. N. Ramakrishna Reddi.]

Take again the military expenditure. During the last ten years the Assembly has been urging upon the Government to reduce the heavy military expenditure. In 1918-14 about the time of the last great war the military expenditure was about 28 crores, and after the war, about the time of the Inchcape Committee, the expenditure went up to 67 and odd crores, and the Inchcape Committee, as I said, proposed that the country with its deficit Budgets could not bear such a heavy military expenditure and recommended an immediate reduction of 12 crores and a further reduction not exceeding 50 crores subsequently. Now, Sir, they did not stop there, but they said that even that was very heavy and that Government should keep a very close watch every year to see that the military expenditure is reduced gradually. We have the authority of Sir Purshotamdas Thakurdas, who was one of the members of the Inchcape Committee, and he said last year that they never anticipated such a heavy fall in prices as now, and if they had any such idea of the fall in prices as is happening at present, they would straightaway have recommended a reduction to the extent of 40 crores, and, Sir, in spite of all protestations and warnings, year after year, the Government have not paid any heed to our appeals and warnings in so far as the reduction of military expenditure goes. Now, we have the authority of no less a person than the late Lord Rawlinson, late Commander-in-Chief of India, who stated that there are over-abundant officers in the Indian Army and they are really superfluous. This is what he says:

"In 1913-14 the Army cost 29½ crores; in the new scales of pay the annual cost of the British soldier will have risen to Rs. 2,500, while the cost of an Indian soldier from Rs. 300 to Rs. 550. I am shocked to find that we have nearly 2,500 officers in excess of our requirements. They were taken on when they were wanted during the war, and we cannot simply kick them out, but how to keep them is the question."

Now according to Lord Rawlinson the Army was already too heavy; such a huge Army was quite unnecessary for India, and that it is quite clear there is abundant scope for reduction in the number of troops. I need not state elaborately the huge burden India has been bearing on account of military expenditure in proportion to its revenues, as it has been clearly stated in great detail by the Leader of the Opposition in his able speech this morning. Therefore, the cut that the Commander-in-Chief has accented is very small, and we on this side consider that the whole deficit must be met by cutting down the Army expenditure to a greater extent.

Then with regard to the cuts in salaries, the Retrenchment Committees have proposed a graduated cut, whereas the Finance Member has adopted a uniform cut of 10 per cent. This will tell very heavily on the lower paid people, while officers drawing higher salaries will escape lightly, especially when we consider that this includes the additional income-tax in their case. So in order to meet this emergency, there should be a graduated cut, and also the cut should go up to 20 per cent. in the higher paid classes, and 10 per cent. which is proposed now is quite inadequate in the case of the higher paid officers.

I shall now briefly allude to the various proposals of taxation suggested by the Finance Member. The country is already overburdened with taxation, and any further taxation will have a very deleterious effect on the trade and industry of the country, particularly the tax on certain items which he has selected for additional taxation like machinery, raw cotton,

etc., will prove very detrimental to the industrial enterprise of the country. Even the Fiscal Committee recommended that we ought not to levy duties on raw products because that would prevent the development of Indian industries. At this late hour I do not want to dilate upon the evils of taxation on these articles. On the whole, I am convinced that the Finance Member has not done full justice with regard to the retrenchment proposals and also the cut in the salaries. I therefore oppose all the taxation proposals which the Honourable the Finance Member has made.

Mr. Nabakumar Sing Dudhoria (Calcutta Suburbs: Non-Muhammadan Urban): Sir, I beg to oppose this Bill. There is a chorus of opposition to this Bill from the entire country. The Europeans have joined with the Indians in opposing this Bill. Even in normal times abnormal taxation proposals meet with great unpopularity. It is no wonder, therefore, that during such exceptionally abnormal times the enhanced duties on all and sundry imported articles will evoke a great popular outburst.

I am gratified to find in his opening speech of this session that the Honourable the Finance Member has anticipated the main trend of our objections and is in a mood to cut his coat according to his cloth. But as such talks had been more or less dull platitudes all these years, I do not feel sure whether he will be able to have his own way in all matters when things come to practical purposes. India may be determined to live within her income, but whether she would be enabled to carry out such determination is the question.

While I thoroughly believe that the Government are in an extreme financial plight, I am not convinced that they have gone about their business of adjusting the expenses with their income with sincerity of purpose and courage of conviction. They have failed to display in their real that just and generous outlook and far-seeing imagination that were so very imperative in solving such a singular situation, and are out to destroy the existing order of beneficial things rather than to construct them.

Although the retrenchment proposals, proposed by the different committees, do not themselves go far enough, yet even that much of the recommendations do not seem to have been whole-heartedly adopted by the Government. Only a 10 per cent. cut all round from top to bottom in some departments to the discrimination of two other important departments, as the Railways and the Posts and Telegraphs, has been the subject of great criticism exposing them to charges of partiality and unfair discrimination. The proposed reduction in the military expenditure has been considered only a mere eyewash in view of the fact that the whole world is moving towards reduction of armies and limitation of arms. The civil administration retrenchments cannot satisfy the public at all.

To my mind the present acute financial stringency of the Government is due to causes for which they are entirely responsible. By their borrowing policy and conversion operations they have carried away from the country large capital year by year. In their exchange and currency policy they have involved the country in heavy financial losses. In undertaking huge and unnecessary capital projects, involving tons of money, they have frittered away enormous resources of the country. Recently our gold reserve in England has grievously declined, due to the direct result of their ruinous currency policy. Our people cried themselves hoarse over the effect of such policy, but it was not timely heeded. The result of such a policy on the part for years has been that the stability of the country's credit and currency

[Mr. Nabakumar Sing Dudhoria.]

has been miserably shaken; the export trade has altogether vanished and the normal purchasing power of the people at large has been woefully reduced.

The proposal of further import duties on machinery and raw cotton is against all commercial policy and sound finance. The enhanced duty on machinery will only increase the difficulties of the industrialists and arrest the development of local industries in general. Similarly, the duty on raw cotton will handicap the Indian manufacturers of cotton goods in the diversification of their coarse products by importing a superior quality of raw cotton from foreign countries. The Tariff Board, in recommending the need of diversification of Indian cotton manufactures and the need of spinning local finer counts with imported cotton, thought that that step would not only make India independent of foreign imports but also would secure for her local industry an increasing market. Similarly, the Indian Fiscal Commission recommended that the import of machinery from abroad should be quite free and unrestricted. The raising of the income-tax rates at such a time of serious trade depression and darkest agricultural and industrial gloom will be quite injudicious. There is likely to be some improvement in the revenue by bringing down the exemption limit, but the extent of the sacrifice which the possessors of such low incomes in such abnormal times will have to make, will be really too much for them. Any attempt, therefore, to augment revenue by taxing smaller incomes of salaried and professional people will naturally be counteracted by reduced yield from trade and industry. Then, Sir, the import duties, if they are intended to yield a revenue, must not be pitched too high, because then the consumption will be diminished by reason of the high prices of the imported articles, and the revenue will therefore fall below the anticipated level. Again, as India's import is more or less elastic depending upon her export, the present collapse of prices of agricultural commodities, coupled with the fact that the export trade is at a standstill, resulting in the crippling of the entire purchasing power of the people, is sure to lead to a falling off of imported goods. The additional duty on salt spells further misery to the Indian poor, who are at present virtually on the brink of starvation.

The proposed increase of the already enhanced inland postage rates of postcards and letters by 50 per cent. and 25 per cent. respectively is not only economically unsound, as it will be unproductive, but also morally unjust, as Government themselves have the monopoly in that line, and is also bound to be extremely unpopular. I cannot help observing here why the question of increase of rates of foreign postage and telegrams has not been at all thought of, because that was a source which was sure to yield a substantial income. The European mercantile community and the Europeans in general should cheerfully bear the burden owing to the fact that the country in which they are out to make a living is in great financial distress and they should help her out of moral considerations.

To lay aside criticisms and come to constructive proposals now. The Government are undoubtedly in a deficit and need additional revenue to make it up. How to find that revenue? Naturally by taxation, if other resources are to fail. As all taxation proposals mean some sacrifice on the part of the people, the people should bear the proposed taxation for the sake of their country. But it is also the duty of the Government to see that the people on the other hand are not burdened with heavy, unnatural

and unreasonable taxes. The Government are expected to make some sacrifices on their part also, in order to make the people realise that they are also anxious to share their burden. They should, therefore, effect drastic economies by reduction of pay, emoluments and allowances all round from top to bottom, based on a graduated scale and natural considerations. They must also inexorably reduce to the pre-war level their expenditure on their military administration, which engulfs such enormous resources of the country and without thorough reduction of which there will never evolve a true solution of India's financial deficit. They should also explore other fresh avenues for taxation such as tea, coffee, mineral products, etc., rather than put an additional tax on those already taxed.

Owing to these considerations, I beg to oppose the Bill in its entirety, although I am anxious to keep alive some of its provisions in order to balance the present Budget.

Lala Hari Raj Swarup (United Provinces: Landholders): I join the Honourable Members who have preceded me in protesting against the extraordinary procedure adopted by the Honourable the Finance Member in introducing a Finance Bill for 18 months. My opposition is based on three grounds. The first is that you deprive this Assembly of its right to refuse supplies for 18 months, while you retain for yourself a right to present a supplementary Finance Bill whenever you like. The second ground is that most of the Retrenchment Committees appointed by you have not yet submitted their reports, and if you confine the effect of this Bill only till March next, the Committees will have time to submit their full reports and we shall be able to discuss them in detail. The third ground is that you have adopted in Simla a new currency policy, the full effects of which cannot yet be realised, and if you take another five months, you will be able to judge the full effects of the exchange policy on the financial situation. I therefore suggest that the Bill should be limited to the present financial year and not carried over to the next year.

It has been suggested that the Honourable the Finance Member has followed the analogy of the British Parliament in this regard. I am glad that he has followed this analogy but he has not carried this analogy further. He has followed the practice of England where it suited him and not where it did not suit him. Now, as regards the cut in pay of Government servants we find that in England they have recommended a graduated cut. They have recommended a 10 per cent. cut for all employees right down to the bottom, a 15 per cent. cut for those who draw £2,000 or over, and 20 per cent. for those who draw £5,000 or over. The Honourable the Finance Member has adopted the 10 per cent. cut but he has not carried it further and adopted the graduated scale as has been done in England. He would have carried this part of the House with him had he recommended a higher percentage of cut for those servants drawing salaries of Rs. 1,500 a month or over. In England they not only reduced the salary of Government servants but withdrew certain concessions to which people in England might be attaching great sanctity. The Government in England did not consider it discriminatory treatment but, here the Finance Member says that it will be discriminatory treatment to withdraw even the Lee concessions which were granted under very exceptional circumstances which no longer exist. In England they withdrew the cost of living bonus from civil servants to the extent of 10 points in March last and a further 5 points during the present Budget. As regards our demand for a graduated cut in

[Lala Hari Raj Swarup.]

salaries, we find support from unexpected quarters, a quarter which was always zealous to support the claims of service men. The *Pioneer* of Allahabad says:

"For our part we think that the exemption limit announced by Sir George Schuster is too low and that a uniform cut, not exceeding 10 per cent. in any grade, including the incidence of income-tax is inequitable. The reductions should follow a graduated scale and the Finance Member's present proposal of their maximum extent will be deemed by the average man as showing extraordinary concern for Government servants."

The paper further goes on to point out the inequity of allowing the Lee concessions to stand.

"But the members of the Civil Service will not enthusiastically support his demand for the total abolition of the Lee concessions. The abolition will react sorely against them but at the same time it cannot be ignored that these concessions were granted under conditions not obtaining now."

The paper points out that they were granted at a time when prices were very high, and it was definitely said that these concessions were granted for meeting the increase in the cost of living, and now the prices are about 200 per cent. lower than what they were before the war.

As regards other sources of retrenchment on the civil side, we find that civil expenditure has risen by about 66 per cent. on the pre-war level. Besides the cut in pay, the Government should have by this time fixed the salaries for future recruits. Secondly they should have suspended the time scale increments for at least two years as a measure of national emergency. Since the introduction of the time scale the administration of the country has become very expensive. Further, they should have laid down that those persons who have completed their period of pension and not reached the age of 55 should retire. They should also have reduced the personnel of the various services in order to restrict future recruitment.

As regards the military expenditure, we have to look at it from two points of view. The first is what is the percentage of military expenditure to the total revenues? The Honourable the Deputy President has shown that it is only 2 per cent. in the Dominions and about the same in England. The Honourable the Leader of the European Group has said that India has got a large frontier to protect, but what has he got to say to the remarks of the leader of this party this morning that it was stated in the Brussels Financial Conference in 1921 that the expenditure on armaments in European countries is about 20 per cent. of the total expenditure and they considered it to be very high and recommended reduction. I think every country on the European Continent has got a bigger frontier than we have in India, and when 20 per cent. was considered high, how can we justify an expenditure of 30 per cent. on the Indian military forces in a poor country like India? The second point is that since the war in the Military Department expenditure has not so much increased on the soldiers, as it has increased on the administrative services. Its progress has been somewhat as follows: in 1913-14 the administrative services for the British troops were 3,846. In 1922, they rose to 7,206. Now, as regards Indian troops they were 2,213 in 1914 and 25,988 in 1922, that is about 12 times. Going into one branch of the administration alone, that is the medical service and hospitals, the expenditure in 1913-14 was about 8 lakhs. It rose to 322 lakhs in 1922-23 and even now it stands at 163 lakhs. That is about 20 times more than it was before the war. I therefore maintain that there is plenty of scope for retrenchment in the administrative services of the Military Department.

Coming to the new taxation proposals, I am opposed to the taxation of salt, the lowering of the income-tax limit and the enhancement of the postal rates and to the duties on machinery and raw cotton. It has been suggested that the opposition to salt duty is based on sentimental grounds. Certainly sentiment plays an important part in politics, and as the Deputy President has already shown, sentiment plays an important part with Government also. I, however, have my objection to the salt tax on other grounds, on larger grounds of public health about which my friend Dr. Dalal was so particular yesterday. The normal consumption of salt for an individual is estimated to be 20 pounds per annum. In India the consumption is only 11 pounds per head of the population. The richer classes consume 20 pounds but the poorer classes consume only 9 pounds, that is 11 pounds below what is necessary for their health. In the Travancore State in India the consumption is 24.2 pounds per head. In England it is 40 pounds and it is this poor consumption of salt which is to a great extent responsible for the low efficiency and high death rate.

Sir, if we refuse all these five taxes, to which I have referred, we shall deprive the Government of about 4.18 crores of revenue. My friend, the Deputy President, has suggested that it should be mainly met by retrenchment, and I agree with him.

I will suggest another source of income which will give Government 240 lakhs of rupees a year. Till very recently, about 8 years ago, the Government used to derive about Rs. 2½ crores from the import duty on matches. The imports were as follows:

In 1915-16 they were 18.3 millions gross,

In 1921-22 they were 13.7 millions gross,

In 1922-23 they were 11.3 millions gross,

and then they went down to 1.5 million gross in 1928-29. They must have gone down still further subsequently. In 1921-22 the Government raised the tariff duty on matches to Rs. 1/8 per gross, and the result was that imports ceased. Our total requirements are now met by production in India. We require about 18 millions gross of matches every year, 12 millions of which are produced by the Swedish match combine and 6 millions by the various Indian enterprises. If we could levy a duty of one rupee per gross on the produce of the Indian enterprises and Rs. 1/8 on the produce of the Swedish match combine, we should get about Rs. 240 lakhs a year. Besides getting this huge amount of revenue, we should also be removing the standing grievance of the Indian manufacturers of matches, who say that the Swedish match combine has entered into a cut-throat competition with them and has begun to sell matches at the rate of 15 annas per gross, whereas they used to be sold at the rate of three rupees in 1921; and this taxation will be very evenly distributed because everyone of us consumes matches.

In conclusion, Sir, I will just refute one suggestion made by my Honourable friend, Mr. Dumasia, that the income from land should be taxed. I think, Sir, that when he made that proposal, he did not realize in what great difficulties we are on this side (Hear, hear). We have to pay taxes to the Government even though we are not able to realise the same amount from the tenants. We are living on our capital (Hear, hear): and it will be a hard task to pay any tax further in the shape of income-tax. My friend, Dr. Ziauddin Ahmad, referred yesterday to the plight of the zamindars in the United Provinces, who are now being treated very unfairly

[Lala Hari Raj Swarup.]

by the United Provinces Government as they have declared a remission for tenants but not a corresponding remission for the landlords. Sir, the Government are not even prepared to follow the law in that behalf, but they the other day went so far as to threaten to have an Ordinance passed by the Governor General if the zamindars did not agree to their terms, which of course they flatly refused. I will close my remarks now, Sir, with the request that the Government of India should now consider seriously the tapping of new sources of revenue and broadening the sources of taxation and that they cannot make up the whole deficit by levying taxes on income and customs which are already showing diminishing returns.

(Mr. C. Brooke Elliott rose.)

Mr. President: How long are you likely to take, Mr. Brooke Elliott?

Mr. C. Brooke Elliott (Madras: European): Perhaps I might be able to compress my remarks a great deal.

Mr. President: What I mean is that if you are likely to be long, I will adjourn the House now. But if you expect to finish within 15 or 20 minutes, then I will allow you to speak now.

Mr. C. Brooke Elliott: Very well, I will speak now, Sir. But if I should be a little longer, I may ask a few minutes' indulgence tomorrow.

Mr. C. S. Ranga Iyer: On a point of information, Sir. I would like to know whether, in view of the Honourable gentleman's observations, there is a statutory limit of 20 minutes in this case?

Mr. President: There is no such limit in connection with this Bill. If the Honourable Member is likely to be more than 20 minutes, then I propose to adjourn the House now—because the House seems to be tired, but if he is likely to take 15 or 20 minutes at the most, then I will allow him to speak.

Mr. C. Brooke Elliott: I should be sorry to pledge myself absolutely and to talk to a tired House, and I would therefore prefer to speak later.

The Assembly then adjourned till Eleven of the Clock on Saturday, the 7th November, 1931.

LEGISLATIVE ASSEMBLY,

Saturday, 7th November, 1931.

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

QUESTIONS AND ANSWERS.

INCOME FROM THE PUSHKAR FAIR, AND EXPENDITURE OF THE "SHAMILAT" COMMITTEE.

1218. ***Mr. Gaya Prasad Singh:** (a) Will Government kindly state what is the average annual income of Pushkar Fair, in Ajmer (Rajputana); and how is the money spent? Will Government kindly lay on the table a copy of the latest account of income and expenditure of the *Shamilat* Committee, together with the auditor's note if any?

(b) Does the election to the *Shamilat* Committee take place regularly every year? If not, why not?

(c) Is it a fact that there are no public latrines or urinals in Pushkar; and yet people are being prosecuted for committing nuisance on public roads?

(d) Are Government aware that the temple of Barahje is in a very bad condition, and have Government considered the question of repairing the temple out of the funds in the hands of the *Shamilat* Committee?

(e) Has any dispensary been opened in Pushkar: if not, when is the work likely to be taken in hand?

Mr. F. B. Howell: With your permission, Sir, I will answer questions Nos. 1218 and 1219 together. The information is being collected and will be communicated to the Honourable Member in due course.

(When question No. 1220 was put, the Honourable Sir James Crerar, to whose Department this question related, was not present in his seat.)

Mr. President: I will ask the Honourable Member, Mr. Gaya Prasad Singh, to put the questions to be answered by Sir James Crerar at a later stage.

MUHAMMADAN OFFICIALS IN PUSHKAR.

1219. ***Mr. Gaya Prasad Singh:** Are Government aware that Pushkar in Ajmer is an important place of pilgrimage for the Hindus, with about 98 per cent. Hindu population? Is it a fact that almost all the police and other officials there are Muhammadans? If so, why?

†For answer to this question, see answer to question No. 1218.

†1220.

RECOMMENDATION OF THE RETRENCHMENT COMMITTEE RE BROADCASTING AND FOR THE WITHDRAWAL OF THE LEE CONCESSIONS.

1221. *Mr. Gaya Prasad Singh: (a) Has "Broadcasting" been ordered to be closed down as a result of the recommendation of the General Purposes Retrenchment Sub-Committee (*vide* Report, page 69)?

(b) Have the Sub-Committee's recommendation regarding the withdrawal of the "costly" Lee concessions been accepted, and given effect to? If not, why not?

(c) Are Government going to take necessary steps to bring about the withdrawal of the Lee concessions, especially in view of the remark that "there is a volume of Indian opinion which regards them as an unfair burden on Government revenues" (page 8 of the Report)?

(d) Were figures showing the cost to Government of the Lee concessions, asked for by the General Purposes Sub-Committee, supplied to them? If not, are Government prepared to supply the required figures now?

(e) What are the exact nature and extent of the considerable additions made to the list of concessionaires, since the Lee Commission's Report (page 8, para. 17 of the General Purposes Sub-Committee's Report)?

The Honourable Sir George Schuster: (a) I refer the Honourable Member to the summary of action proposed by Government on the Retrenchment Reports which has been furnished to all Members.

(b) and (c). I stated in my speech the decision of Government on these recommendations.

(d) An approximate estimate of the cost of the Lee concessions was supplied to the Sub-Committee on 21st August, 1981, and has proved substantially in accordance with figures recently received from Accounts officers.

(e) It is impossible to epitomise the additions to the list of entitled officers made subsequent to the publication of Government's first orders on the Commission's recommendations. The main category added included officers of equivalent status to the regular Civil Services in the State Railway Services. Another analogous addition was that of British Officers of the Indian Army.

The remaining additions were of miscellaneous posts held by officers of status equal to that of members of the regular Civil Services. Many concessions of this class were personal to named individuals, and their total number is small.

Mr. Gaya Prasad Singh: With regard to (d), may I know the total amount of expenditure involved in the Lee concessions? The figures were supplied to the members of the Retrenchment Committee later on. Will figures be supplied to this House?

The Honourable Sir George Schuster: I am going to answer a question, if it comes on, today which gives more details on that point.

†For question No. 1220. see after question No. 1222.

RECOMMENDATIONS OF THE RETRENCHMENT COMMITTEE RE TAXATION OF PENSIONS AND LEAVE ALLOWANCES PAYABLE OUTSIDE INDIA, AND RENT OF GOVERNMENT BUILDINGS.

1222. *Mr. Gaya Prasad Singh: Has effect been given, or is it contemplated to give effect to the following recommendations contained in the Report of the General Purposes Sub-Committee:

(a) "There is another source of revenue which has been neglected by the Government of India. Pensions and leave and deputation salaries and allowances payable outside India have been exempted by special notifications from taxes payable under the Indian Income-tax Act. For such exemption we can find no justification whatever. We have recommended that the exemption be withdrawn, and taxes on these incomes and salaries be deducted at the source according to law. We estimate that a sum of about 50 lakhs will then be added to the revenues of the Central Government" (page 9, para. 18); and

(b) As regards Fundamental Rule 45-A-II, relating to rents of Government buildings occupied by officers, "We recommend that all residential buildings should be assessed on the capital cost of the building *plus* the cost of the site and the grounds, and the officers occupying them should be charged rent on that basis" (page 9, para. 20)?

The Honourable Sir George Schuster: No. I have dealt fully with these matters in my speech in moving for consideration of the Finance Bill, when I mentioned:—

(1) that we have no legal power to levy Indian income-tax on sterling pensions, even if it were considered desirable to do so;

(2) that while Government do not bind themselves in perpetuity to accept the principle that leave salaries paid abroad should be exempt from Indian income-tax, they have decided that the present is not a suitable time to remove this long-standing exemption, when the sacrifices which it is considered necessary to impose on Government servants are being effected in other ways; and

(3) that for a similar reason they do not propose to modify the arrangements for calculating rent introduced as a result of the Report of the Lee Commission.

Mr. Gaya Prasad Singh: Sir, do Government propose to take necessary steps to secure the imposition of income-tax on persons outside India?

The Honourable Sir George Schuster: Does my Honourable friend's question refer to pensions?

Mr. Gaya Prasad Singh: Yes, with reference to pensions.

The Honourable Sir George Schuster: I think I explained the position very fully in the speech which I made in moving for consideration of the Finance Bill. At present we have no legal power to levy Indian income-tax on sterling pensions, quite apart from the merits of the case. The Government of India cannot confer upon themselves power which would be effective for the purpose of levying a deduction of Indian income-tax on payments which are duly made to persons resident outside India. That would involve the Government of India taking upon itself jurisdiction to affect residents in other countries. They would have no means of giving effect to that power.

date. In most cases the ten per cent. reduction will be less than that which would have been entailed if the soldiers affected had been brought on to the new rates.

(b) Before the 26th October, 1925, private soldiers on enlistment received 2 shillings and 9 pence a day; since that date the rate has been two shillings a day. Details of the rates of pay of soldiers of various ranks will be found in paragraph 43 of Pay and Allowances Regulations, Part I. Soldiers who re-enlist extend their service or re-engage will receive pay at the rates introduced on the date mentioned.

(c) On the 1st May, 1931, the number was 23,185.

(d) Approximately Rs. 17 lakhs a year.

Lala Hari Raj Swarup: What is the pay of the soldiers appointed after 1925?

Mr. G. M. Young: I have given that, Sir—two shillings a day.

REDUCTION OF RAILWAY FREIGHT ON AGRICULTURAL PRODUCTS.

1227. ***Lala Hari Raj Swarup:** (a) With reference to the following remarks of the Honourable the Finance Member in his statement on the financial position on the 29th of September, 1931, under the head "Railways", viz., "It is, in our opinion, essential that if they have any margin, it should be made available for reduction in freights on agricultural products", will Government be pleased to state what reductions in freight and on what agricultural commodities have Government allowed during the current year, and if any concessions have been allowed after the statement was made?

(b) What are the total sums of money involved in such concessions?

(c) How much of the loss, incurred in such concessions, was recovered from the Provincial Governments?

Mr. A. A. L. Parsons: (a) I am placing on the table a statement showing the reductions in freights on agricultural commodities which Railways made during the current year with either the approval or the knowledge of the Government of India.

(b) The information is not readily available and its compilation would involve a considerable amount of labour.

(c) The Honourable Member has presumably in mind the arrangement under which the Punjab Government agreed to bear the full amount of the rebate of one-third of the railway freight on consignments of wheat despatched from the Punjab to Calcutta from the 1st February to the 31st March 1931, vide item 8 of the statement placed on the table in reply to part (a) of his question. The amount of the rebate paid approximated to Rs. 1,88,000.

Statement showing reductions in freight rates for agricultural produce.

Serial Commodity No.	Railways.	Period for which rates reduced.	Particulars of reduction.		Stations to and from which reduced rates applied.
			Rates ordinarily charged (Telescopic).	Reduced rates charged. (Telescopic).	
1	Wheat	N. W.	Schedule C/K, viz :— Miles. Pie per maund per mile. 1—150 . . . 380 151—250 . . . 250 251—400 . . . 125 401 and over . . . 115	Schedule C/R, viz :— Miles. Pie per maund per mile. 1—150 . . . 140 151 and over . . . 110	To Karachi from any station not less than 600 miles from Karachi, subject to the condition that the charge for the lesser distance at the ordinary rates not exceeding the charge for the greater distance at the reduced rates.
2	Do.	E. I.	Do.	Schedule C/O, viz :— Miles. Pie per maund per mile. 1—100 . . . 200 101—200 . . . 170 201—500 . . . 140 501 and over . . . 100	To Karachi, except for traffic originating at stations on the B. B. & C. I., B. & N. W. and R. & K. Railways.
3	Do.	N.W., B., B. & From 1st Feb. C. I., and E. I. 1931 to 31st March 1931.	Schedule C/B-C/M, viz :— Miles. Pie per maund per mile. (i) For 100 miles . . . 333 (ii) For distances over 100 miles— Miles. 1—75 . . . 380 76—300 . . . 200 301 and over . . . 100	Schedule C/O, viz :— Miles. Pie per maund per mile. 1—100 . . . 200 101—200 . . . 170 201—500 . . . 140 501 and over . . . 100	To Calcutta from stations in the Punjab.
			(a) N. W. Rly. Schedule C/B-C/K, viz :— Pie per maund per mile. (i) For 232 miles . . . 333 (ii) For over 232 miles— Miles. 1—150 . . . 380 151—250 . . . 250 251—400 . . . 125 401 and over . . . 115	Two-thirds of the freight ordinarily charged.	
			(b) B., B. & C. I. Rly. Schedule C/B-C/J, viz :— Pie per maund per mile. (i) For 300 miles . . . 333 (ii) For over 300 miles— Miles. 1—150 . . . 380 151—250 . . . 333 251—500 . . . 200 501—700 . . . 130 701 and over . . . 100	Schedule C/B-C/J as shown above.	
4	Cotton seed	B., B. & C. I. and G. I. P. From 29th Dec. 1930 to 31st May 1931.	Schedule C/B-C/J as shown above.	Schedule C/B-C/J as shown above.	To Bombay.
5	Wheat and wheat flour.	N. W.	Schedule C/K as shown above.	Schedule C/P, viz :— Miles. Pie per maund per mile. 1—75 . . . 250 76—150 . . . 170 151—500 . . . 140 500 and over.	To Karachi from any station not less than 600 miles from Karachi, subject to the condition that the charge for the lesser distance of the ordinary rates not exceeding the charge for the greater distance at the reduced rates.
6	Do.	N. W.	Schedule C/K as shown above.	Schedule C/R as shown above.	Do.
7	Cotton seed	G. I. P.	Schedule C/B-C/J as shown above.	Twenty-five per cent. less than Schedule C/B-C/J rates.	To Bombay.
8	Do.	B., B. & C. I.	Do.	Thirty-three per cent. less than Schedule C/B-C/J rates.	Do.

Note.—Items Nos. 1 to 6 were allowed prior to the 29th September 1931 and items 7 and 8 after 19th September 1931.

SAVINGS UNDER THE MILITARY BUDGET.

1228. ***Lala Hari Raj Swarup:** (a) With reference to the proposed saving of 4½ crores next year (including the re-equipment charges of 1·75 crores) under the Military Budget, will Government be pleased to give a detailed statement as to how this figure is composed?

(b) How much of this is due to savings on rations and clothing?

Mr. G. M. Young: (a) A statement showing generally how it is proposed to effect the savings has been supplied to Honourable Members. Many of the details of this statement are however tentative: and although Government have definitely decided to effect savings to the total amount stated, it is probable that some changes will be made under individual heads.

(b) No reduction of rations is at present contemplated. As regards clothing, it is hoped to effect about the same annual saving as is recommended by the Retrenchment Committee, namely, 23 lakhs, though this may not be obtained in exactly the same way as suggested by the Committee.

SCALE OF CUTS IN SALARIES AND PENSIONS IN ENGLAND.

1229. ***Lala Hari Raj Swarup:** (a) Will Government be pleased to state what exact scale of cut in the salaries of the civil and military services has been adopted by the British Government in England?

(b) Is it a fact that the British Government have effected a cut in the pensions of military services in the course of last year and the present year, if so, what is the percentage of such cut? Has a similar cut been effected in the pensions of the Civil Service?

The Honourable Sir George Schuster: (a) It is extremely difficult to answer this question concisely without creating a misleading impression, first because the British provisions are very complicated and hard to understand for one not familiar with the details, and secondly because the main reduction in the case of British officials has been effected by cuts in the variable cost of living bonus. Accurate statistics as to the cost of living are kept. The following briefly is the position.

Civil Service.—No reduction of basic salary is made where bonus reductions operate, bonus being payable on practically all salaries below £1,800. Bonus was reduced by 10 points from 1st March, 1931, and by a further 5 points from 1st September, 1931. It is now provided that the amount of bonus must in any case not be more than would bring the remuneration up to £1,800. There are a limited number of civil servants on inclusive or non-bonus rates and in their case cuts as from 1st October 1931 are as follows. On less than £200 cut is equivalent to reduction in total emoluments where bonus is payable as a result of drop in bonus figures from 55 to 50. On £200 and over but under £500 cut is of 5 per cent.; on £500 and over but under £1,000 cut is 7½ per cent., and on £1,000 and over, 10 per cent.

Defence Services.—The reduction from the 1st October, 1931, is based on the average of index figures published for the six months ending August 1931, which means roughly an 11 per cent. deduction.

(b) Pensions as well as pay paid since 1st July, 1919, have a variable element according to cost of living, for there is a rule in the Home Regulations that the rates of officers' retired pay, etc., introduced from 1st July, 1919 or from a subsequent date are subject to revision upwards or downwards to an extent not exceeding 20 per cent., in relation to the variation in the cost of living since 1st July, 1919. Pensions of military officers dropped by 7 per cent. with effect from the 1st July, 1930. This deduction was increased to 8 per cent. from 1st July, 1931, and was further increased to 11 per cent. from the 1st October, 1931. As regards the last sentence of this part of the question, I have no information.

SAVINGS FROM RETRENCHMENT AND COST OF PENSIONS AND COMPENSATION TO OFFICIALS RETRENCHED.

1230. *Lala Hari Raj Swarup: (a) Will Government be pleased to state what action they have so far taken on the proposals of retrenchment made by the General Purposes Sub-Committee under the various heads in their Interim Report?

(b) Is it a fact that the total saving contemplated by the General Purposes Sub-Committee in their Interim Report is 1.20 crores out of which Government expect to incur 20 lakhs for compensation and pensions in respect of officials whose posts are abolished?

(c) Is it not a fact that the General Purposes Sub-Committee do not contemplate such a big sum to be payable by way of compensation and pensions?

(d) Will Government be pleased to state how much of this sum is payable in regard to (i) pensions and (ii) compensation? Will they further be pleased to give the detail of the sum involved in compensation?

The Honourable Sir George Schuster: (a) A statement showing the action taken or proposed by Government on the various recommendations has been furnished to Honourable Members.

(b), (c) and (d). The total net saving contemplated by the General Purposes Sub-Committee in their Interim Report is 120.24 lakhs. The General Purposes Sub-Committee have not given any estimate of the cost of compensations, etc. The method of calculation of allowance for compensation, leave allowances and pensions of retrenched personnel has been stated by Government in the General Summary of the position as regards retrenchment. It is impossible to estimate accurately the cost of pensions, compensations, etc., until it is known what actual individuals are selected for retrenchment.

FUTURE STRENGTH OF THE BRITISH ARMY IN INDIA.

1231. *Lala Hari Raj Swarup: (a) When do Government expect the Committee on Imperial Defence to complete their examination of the question of the future strength of the British Army in India?

(b) In view of the present financial stringency, do Government propose to press upon the Committee to conclude their examination soon?

Mr. G. M. Young: (a) The matter is still under expert examination. Government are not in a position to say when a conclusion will be reached.

(b) Government are fully alive to the desirability of reaching an early decision.

REVENUE EXPECTED FROM ADDITIONAL DUTY ON SUGAR.

1232. *Lala Hari Raj Swarup: How much additional revenue do Government expect to get from the new surcharge duty on sugar?

The Honourable Sir George Schuster: The Government of India hope to get 81 lakhs more in the current year, and 162 lakhs more in 1932-33, than they would have got had the surcharge not been imposed.

COST OF THE LEE CONCESSIONS IN THE CENTRAL GOVERNMENT AND THE PROVINCES.

1233. *Lala Hari Raj Swarup: Are Government in a position to supply to the Assembly the figures of sums involved in the Lee concessions in:

(a) the Central Government, and

(b) the Provinces?

The Honourable Sir George Schuster: The total amount of money paid in 1930-31 as a result of the Lee Commission's recommendations amounts to about Rs. one crore for the civil services throughout India, Rs. 25 lakhs for officers on State Railways and Rs. 24 lakhs for the passages of officers of the Indian Army. Of the crore of civil expenditure, about Rs. 25 lakhs are debitable to Central and about Rs. 75 lakhs to Provincial estimates. The main items are—

(1) Pay and remittance concessions, estimated as not exceeding Rs. 60 lakhs for the civil services and Rs. 18 lakhs on State Railways. Of the 60 lakhs of civil expenditure, under 20 are debitable to central estimates and the balance to Provincial. It is impossible to compile figures giving the exact extra cost of the pay and remittance concessions because of the fact that most officers eligible for sterling overseas pay granted in 1924 would otherwise have been eligible for the rupee overseas pay introduced for all the regular services in 1919-20.

(2) Passage concessions cost for the civil services about Rs. 22 lakhs in 1930-31 (about 16 Provincial and 6 Central), on the State Railways Rs. 8½ lakhs and in the Indian Army Rs. 24 lakhs. These figures are dropping appreciably every year and will continue to do so with further Indianisation.

(3) *Pensionary concessions*.—The raising of the maximum pension for the uncovenanted services by Rs. 1,000 annually is now estimated to cost Rs. 9 lakhs, of which about 3 would be debitable to Central and 6 to Provincial estimates.

(4) The cost of exclusion of site value from the assessed rent of Government residences and of certain medical facilities granted to officers of non-Asiatic domicile is incapable of accurate assessment but cannot be very large. This and rent concession has now been extended to all officers of the Central Government, and the total cost for all officers may be estimated at about 5 or 6 lakhs.

The total cost of the Lee concessions therefore does not exceed Rs. 1½ crores annually, of which approximately half is debitable to Provincial revenues.

CLAIMS OF INDIANS FOR PAYMENT OF RUSSIAN ROUBLE NOTES.

1234. ***Mr. Jagah Nath Aggarwal**: (a) Will Government please state whether the claims of those Indians who hold Russian rouble notes have been entertained by the Russian Claims Department, Board of Trade, London, or not?

(b) If the answer to part (a) be in the negative, will Government kindly state the reason therefor?

(c) If the answer to part (a) be in the affirmative, will Government be pleased to state the stage in which these proceedings are and when the claims are likely to be met?

Mr. E. B. Howell: With your permission, Sir, I propose to deal with all the heads of the Honourable Member's question at once. In accordance with the prescribed procedure, claims preferred by Indian holders of Russian rouble notes have been registered in India with a view to their submission to the Anglo-Soviet Debts and Claims Committee now sitting in London. That Committee is still in session, and it is not possible to express any opinion whether, and, if so when, a settlement is likely to be reached as a result of the negotiations.

SYSTEM OF PENSIONS FOR GOVERNMENT SERVANTS.

1235. ***Mr. Lalchand Navalrai**: (a) Are Government aware of a Resolution moved by the Honourable Mr. Veda Murti and accepted by the Council of State on the 18th February, 1924, regarding a change in the existing system of pensions for all gazetted and non-gazetted servants and for providing gratuities to their families?

(b) Is it a fact that in February, 1931, the Honourable Mr. Khaparde moved a Resolution for effect being given to the aforesaid Resolution of the Honourable Mr. Veda Murti, and pointed out that a delay of seven years had occurred in not carrying out the promise of Government of an inquiry and action into the aforesaid matter?

(c) Is it a fact that the Honourable Mr. Khaparde withdrew the Resolution on an assurance having been given to the Council of State by Sir Arthur McWatters that Government would arrive at a decision within a year?

(d) Will Government be pleased to make a full statement now as to what progress has been made in the matter and what decision, if any, Government have arrived at?

The Honourable Sir George Schuster: (a), (b) and (c). Yes.

(d) I would refer the Honourable Member to the reply given on the 21st September, 1931, to part (a) of question No. 600 put by Sardar G. N. Mujumdar on behalf of Mr. S. G. Jog.

Mr. Lalchand Navalrai: Will Government be pleased to say if this question was in any way considered or submitted to any of the Retrenchment Committees and if they have given any opinion on this?

The Honourable Sir George Schuster: As far as I know, none of the Retrenchment Committees has yet considered that particular question.

ABOLITION OF THE APPOINTMENT OF DIRECTOR OF POSTS AND TELEGRAPHS, SIND AND BALUCHISTAN.

1236. ***Mr. Lalchand Navalrai**: (a) Will Government be pleased to state if, in view of insufficient work or for other reasons, it was in contemplation to do away with the office of the Director of Posts and Telegraphs, Sind and Baluchistan, and to revert to the old system of placing the division under the charge of the Director of Post Offices, Bombay?

(b) Is it a fact that, in order to make retrenchment, the Retrenchment Committee had before it the question of abolishing the Office of the Director of Posts and Telegraphs, Sind and Baluchistan?

(c) If so, what conclusion did the aforesaid Committee arrive at?

(d) If the answer to part (b) be in the negative, do Government propose to make an inquiry as to the necessity or otherwise of retaining the Office of the Director of Posts and Telegraphs, Sind and Baluchistan, and ascertain whether it is not a feasible item of retrenchment? If not, what are the reasons for it?

The Honourable Sir Joseph Bhore: (a) The abolition of the office was considered before, but was regarded as undesirable on administrative grounds.

(b) and (c). The abolition of the office has not been recommended in the Report of the Posts and Telegraphs Retrenchment Sub-Committee.

(d) In view of the previous enquiry which led to a decision to retain the post, Government do not propose to undertake another enquiry.

Mr. Lalchand Navalrai: Will the Honourable Member be pleased to say if it has been considered from the financial point of view in these Retrenchment Committees?

The Honourable Sir Joseph Bhoré: I take it that every one of these proposals was considered from that point of view by the Retrenchment Committee.

Mr. Lalchand Navalrai: Has it been considered by the Retrenchment Committee on post offices?

The Honourable Sir Joseph Bhoré: Certainly, Sir.

PLATFORM FOR PRAYERS FOR MUSLIMS PROVIDED AT THE KARACHI GENERAL POST OFFICE.

1237. ***Mr. Lalchand Navalrai:** (a) Will Government be pleased to state, with reference to the answer given by Mr. Shillidy to unstarred question No. 55 asked by Mr. S. C. Shahani on the 26th January, 1931, what justification was there to incur expense by way of compensation for building a new platform when the original one was clearly an encroachment and should have been removed by Government?

(b) Did the Director General of Post Offices approve of or contest the action of the Director of Sind and Baluchistan in sanctioning further expense for building a roof on it instead of getting the encroachment removed?

(c) If the answer to part (b) be in the affirmative, what justification was there for such a condonation?

(d) If not, do Government propose to make the Director of Sind and Baluchistan personally liable for the amount so spent and to get the encroachment removed?

(e) Will Government be pleased to state what information was communicated to Mr. S. C. Shahani in reply to part (b) of his question mentioned above?

(f) Are Government aware that encroachments such as the one in question are getting common in India? Do Government propose to issue orders to the Local Governments to be vigilant in not allowing such encroachments being made and in getting them removed at once?

The Honourable Sir Joseph Bhoré: (a) Government have no information that the platform was an encroachment and, as already explained, when the old platform was demolished, a new platform was built by way of compensation.

(b) and (c). The Director sanctioned this expenditure under his own powers and there was no need for him to refer the case to the Director General of Post Offices.

(d) Does not arise.

(e) In reply to part (b) of his question, Mr. Shahani was informed that there were no such orders of the Government of India. Under the orders of the Government of Bombay the construction of mosques, temples and tombs within the compounds of Government buildings is not

permitted without the sanction of that Government, but those orders were not applicable to the case of buildings belonging to the Central Government.

(f) The Government of India have no reason to believe that Local Governments are not vigilant in not allowing improper encroachments and see no necessity for issuing such orders as have been suggested.

Mr. Lalchand Navalrai: Does the Honourable Member think that when a certain piece of land has been misappropriated or encroached upon, it is the duty of the Government to pay compensation for it?

The Honourable Sir Joseph Bhoré: I have already explained to the Honourable Member, in replying to part (a) of this question, that we have no information that an encroachment was made in this particular case.

Mr. Lalchand Navalrai: Is it not necessary therefore to give the proper answer saying that inquiries will be made to see if the encroachment was made?

May I take it there is no answer?

The Honourable Sir Joseph Bhoré: I think a question like that hardly calls for an answer.

Mr. Lalchand Navalrai: I think that it is unanswerable, as my friend says.

TRANSFER OF THE ASSISTANT COMMISSIONER OF INCOME-TAX, SIND.

1238. ***Mr. Lalchand Navalrai:** (a) Will Government be pleased to state if there is any rule or practice fixing any period during which the Commissioners, Assistant Commissioners and Income-tax Officers of the Income-tax Department can remain at one place before they are transferred to another?

(b) Is it a fact that it is a recognised rule of practice not to locate an officer for an inordinately long period at one place?

(c) Will Government be pleased to state if there have been any representations that, in view of the Assistant Commissioner of the Income-tax in Sind having remained there for a long time, he should be given a change?

The Honourable Sir George Schuster: (a) No.

(b) No.

(c) Neither the Government of India nor the Central Board of Revenue have received any such representations.

INCOME-TAX APPEALS IN SIND.

1239. ***Mr. Lalchand Navalrai:** (a) Will Government be pleased to state how many income-tax appeals were presented to the Assistant Commissioner of Income-tax in Sind and what was their result during the years 1929-30, 1930-31 and 1931-32?

(b) In how many of these appeals did the Assistant Commissioner of Income-tax in Sind call for the reports from the Income-tax Officers while considering the appeals and in how many cases were the contents of those reports made available to the appellants concerned?

The Honourable Sir George Schuster: With your permission, Sir, I will answer questions 1239, 1240 and 1241 together. The information is being obtained and will be communicated to the Honourable Member in due course.

INCOME-TAX APPEALS IN SIND.

†1240. ***Mr. Lalchand Navalrai:** (a) Will Government be pleased to place on the table a statement showing the number of cases sent for by the Commissioner of Income-tax, Bombay Presidency, from each of the Income-tax Officers in Sind during the assessment years 1929-30, 1930-31 and 1931-32:

(i) of his own motion, and

(ii) in consequence of petitions for revision?

(b) (i) In how many of these cases under each head were assessments reduced or cancelled?

(ii) In how many cases were assessments enhanced?

(iii) In how many cases were orders issued for action under section 34 of the Act?

INCOME-TAX APPEALS IN SIND.

†1241. ***Mr. Lalchand Navalrai:** (a) Will Government be pleased to state the number of cases inspected by the Assistant Commissioner of Income-tax, Sind, in each charge of the Income-tax Officers during the assessment years 1929-30, 1930-31 and 1931-32?

(b) In how many of these cases were orders issued for action under section 34 of the Act?

ORDERS FOR NON-REFUND OF INCOME-TAX IN CERTAIN CASES.

1242. ***Mr. Lalchand Navalrai:** Is it a fact that instructions have been issued by the Central Board of Revenue to the effect that in cases in which action has been taken by the Income-tax Officers under section 34 of the Act and as the result thereof taxable income less than that previously assessed is discovered the proceedings should be recorded and no orders for refund passed? If so, how do Government justify such orders?

The Honourable Sir George Schuster: The Central Board of Revenue has pointed out to Commissioners of Income-tax that section 34 of the Indian Income-tax Act does not confer upon Income-tax Officers power to reopen an assessment and make an entirely new assessment, but merely empowers them to assess or reassess income that has escaped assessment or been assessed at too low a rate. This interpretation of section 34 appears to be correct.

†For answer to this question, see answer to question No. 1239.

CONDITIONS FOR REOPENING OF INCOME-TAX ASSESSMENTS IN SIND.

1243. ***Mr. Lalchand Navalrai:** (a) Is it a fact that in a number of cases in the various districts of Sind the Income-tax Officers have made it a condition precedent to the reopening of assessments under section 27 of the Act that the tax be paid in the first instance?

(b) If the reply to part (a) be in the affirmative, will Government be pleased to state under what rule is such a practice allowed?

The Honourable Sir George Schuster: (a) and (b). The Government of India presume that the Income-tax Officers in Sind and elsewhere are acting in accordance with the law, which gives them no discretion to postpone the recovery of assessed tax when an application has been presented under section 27 of the Indian Income-tax Act similar to the discretion which section 45 of that Act gives them to postpone recovery when an assessee has presented an appeal.

APPOINTMENT OF AN INCOME-TAX INSPECTING OFFICER IN THE BOMBAY PRESIDENCY.

1244. ***Mr. Lalchand Navalrai:** (a) Will Government be pleased to state if it is a fact that an appointment of an Inspecting Officer was created with effect from 1st April, 1926, in order to inspect the records of Income-tax Offices in the Bombay Presidency?

(b) If so, will Government be pleased to lay on the table a statement showing for each of the years from 1926-27 to 1930-31 the number of cases inspected by this officer in each of the income-tax charges in Sind?

The Honourable Sir George Schuster: (a) Yes.

(b) I lay on the table a statement giving the figures required for 1926-27, and 1927-28. Since 1927-28 this officer has been fully employed elsewhere than in Sind. He was appointed to assist the Assistant Commissioners in their inspection work, not to relieve them of it. It was also intended that he should specially scrutinise refund work which is comparatively unimportant in Sind.

Statement showing the number of cases inspected by the Inspecting Officer.

1926-27.		1927-28.	
Circle.	No. of cases inspected.	Circle.	No. of cases inspected.
Shikarpur . . .	389	A—Division, Karachi .	468
Sukkur . . .	500	B—Division, Karachi .	463
Hyderabad . . .	506	Hyderabad . . .	318
Total . . .	1,395	Total . . .	1,249

EARTHQUAKE SHOCKS IN BRITISH BALUCHISTAN.

1245. ***Mr. Lalchand Navalrai:** (a) Will Government be pleased to state since when, during this year, earthquake shocks began to take place in British Baluchistan?

(b) At what places and on which dates did they occur?

(c) What casualties of life and property took place in each of these places?

(d) What steps did Government take to avert the happenings of such casualties?

(e) Have Government found out the causes of these incessant earthquake shocks?

(f) Was any expert consulted; if so, what was his opinion?

(g) Will Government be pleased to place his opinion on the table?

Mr. E. B. Howell: (a) and (b). The Honourable Member is referred to the communiqué issued by the Honourable the Agent to the Governor General in Baluchistan, dated the 29th August, 1931.

(c) In all 104 deaths have been reported in Kalat State territory and 7 deaths in British Baluchistan. The Central Jail, railway buildings, and other Government property at Mach were seriously damaged. At Quetta and Ziarat a considerable number of Government buildings were slightly damaged. In the Bolan Pass neighbourhood numerous Government buildings and also the railway and the road were seriously damaged. Mach and Shahrih bazaars were destroyed. In Quetta itself and in a number of villages in the Kalat State considerable damage was caused to private houses.

(d) After the first shock the public was warned to sleep outside and were given all possible facilities for doing so. Medical attention was provided where necessary and arrangements for water and sanitation were made with the least possible delay.

(e), (f) and (g). An expert from Calcutta was called in immediately to investigate the nature and cause of the shocks. His report has not so far been received. The Director General of Observatories also reported regularly to the Baluchistan Administration by telegram information regarding the centre of the disturbance and the probability of further shocks.

Mr. Lalchand Navalrai: May I know from the Honourable Member where the communiqué referred to is?

Mr. E. B. Howell: It was published in the Press.

Mr. H. P. Mody: Is there no Ordinance under which Government can take action against earthquakes? (Laughter.)

Mr. Amar Nath Dutt: Are Government aware that there is a popular belief throughout the country amongst the Hindus that these earthquakes are caused by the sins of the Government? (Laughter.)

Mr. Lalchand Navalrai: Will the Honourable Member expedite the report of the experts that the country may know more about the matter?

EXPORT OF GOLD FROM INDIA.

1246. ***Mr. S. C. Mitra** (on behalf of Maulvi Sayyid Murtuza Saheb Bahadur): (a) Is it a fact that the flight of gold to foreign countries continued with greater vigour during the month of October, 1931, than during the previous six months?

(b) What was the average shipment to America and Europe during the first two weeks of October and what was the average during the previous six months?

(c) Is it a fact that the import of gold into India had considerably diminished and that export steadily increased during the last few months?

(d) Is it a fact that a great deal of this distressed gold from up-country amounting to about twelve crores had already been sold in the market and large amounts are still expected to be disposed of?

(e) Is it a fact that a great deal of this gold had already been shipped abroad with a view to taking advantage of the higher value prevailing there?

(f) Do Government propose to put a stop to the depletion of the gold stocks of the country by legislation?

(g) If not, what other prompt and effective means do Government intend resorting to for checking exports of gold?

(h) Are Government prepared to undertake buying gold at a rate as nearly as possible approaching what prevails in the international markets?

The Honourable Sir George Schuster: (a) Yes.

(b) The total exports from India during the first two weeks of October, 1931, amounted to Rs. 356 lakhs as against Rs. 165 lakhs during the first six months of the year.

(c) Yes.

(d) The Government of India have no information as to the actual amount of gold from up-country which has been sold in the market or as to the amount which may be sold in the future.

(e) The Government of India presume that export of gold would not have occurred if it had not been a profitable business transaction.

(f), (g) and (h). The Government of India do not consider that there would be any justification at present to interfere in any way with the export of gold on private account or to purchase gold except at the statutory buying rate.

Mr. B. Das: May I inquire if the export of gold abroad does not help the Honourable the Finance Member to ease the exchange situation?

The Honourable Sir George Schuster: My Honourable friend is perfectly correct. Any form of export strengthens the rupee exchange position.

Mr. B. Das: Has the Honourable Member considered the advantage of issuing currency-notes for buying this gold in order to create a Reserve Bank which he has in contemplation?

The Honourable Sir George Schuster: I have stated the view of the Government in my summary reply to parts (f), (g) and (h) of the question. The Government at present are under no obligation to purchase gold except at a certain statutory buying rate; that statutory buying rate is quite out of touch with the present market price: the statutory buying rate is just over Rs. 21 per tola, and the market price is over Rs. 25 per tola. If Government were to buy gold now at the price of the day, it would be an entirely speculative transaction, which no currency authority in the world would at present undertake.

NON-RESERVATION OF A RAILWAY BERTH AT PATNA JUNCTION STATION.

1247. ***Mr. B. N. Misra** (on behalf of Mr. Badri Lal Rastogi): (a) Has the attention of Government been drawn to a letter published in the *Indian Nation*, Patna, on the 17th October, 1931, regarding the non-reservation of a berth from Patna Junction Station by the 12-Down Express train in spite of payment of the reservation fee and the fare from Dinapore to Patna Junction by a Professor of the B. N. College?

(b) Is it a fact that the Station Master of Patna Junction refused to reserve a berth saying that the Station Master of Dinapore had got a right to do so as the train starts from Dinapore?

(c) Is it a fact that the Station Master of Dinapore, when approached by the gentleman for the reservation of a berth, refused to do so, saying that the Station Master of Patna Junction would reserve the berth?

(d) Do Government propose to put a stop to this grievance of the public by issuing instructions to all the Station Masters of all important stations at least to reserve berths for 1st and 2nd class passengers without harassing them in the manner indicated?

Mr. A. A. L. Parsons: (a) No.

(b) and (c). Government have no information.

(d) I am bringing the Honourable Member's question to the notice of the Agent, East Indian Railway, for such action as he may consider necessary.

RESERVATION OF RAILWAY BERTHS AT INTERMEDIATE STATIONS.

1248. ***Mr. B. N. Misra** (on behalf of Mr. Badri Lal Rastogi): (a) Is it a fact that berths for 1st and 2nd class passengers are not being reserved by the Station Masters at intermediate stations?

(b) If the answer to part (a) is in the negative, do Government propose to direct the railway authorities to reserve berths for 1st and 2nd class passengers at intermediate stations on sufficient notice being given and when they have to perform a long journey?

Mr. A. A. L. Parsons: I would refer the Honourable Member to the reply I gave him on the 18th March, 1931, to his question No. 1015.

EXPENSES OF DELEGATES TO THE ROUND TABLE CONFERENCE.

1249. ***Mr. B. N. Misra** (on behalf of Mr. Badri Lal Rastogi): (a) Is it a fact that most of the delegates to the Round Table Conference have gone there at their own expense?

(b) If the answer to part (a) is in the affirmative, will Government please state the names of those delegates?

The Honourable Sir George Rainy: As I explained in answer to Rai Bahadur Sukhraj Rai's question on the 23rd September last, British India delegates proceeding from India to the Round Table Conference were supplied with passage certificates entitling them to first class passages at Government expense. At that time we had no information as to what delegates had made use of the certificates. We now know that 45 delegates utilized them: but as to the remaining 23 information is still awaited from the shipping company. As many of these sailed only in October, it may be some little time before the shipping company requests payment from Government on the strength of these certificates.

DEFICIT BUDGETS IN EUROPEAN COUNTRIES AND CUTS IN SALARIES.

1250. ***Mr. Badri Lal Rastogi:** (a) Will Government please state how many countries in Europe have had to face a deficit Budget and to what extent?

(b) Will Government please state:

(1) which of the countries in Europe has balanced its deficit Budget by retrenchment and cuts in salaries, and

(2) which by a levy of fresh taxes?

(c) Will Government please state which of the countries has adopted a uniform cut in the salaries and which a graded cut?

(d) Do Government propose to reconsider their proposal of effecting a uniform cut in the salaries and to adopt a graduated cut according to the recommendations of the Retrenchment Committee?

The Honourable Sir George Schuster: Parts (a) to (c). Government have no information beyond what is available in the Press.

Part (d). Government have carefully considered the recommendations of the Retrenchment Committee, but for the reasons already explained by me, Government prefer to adhere to their original proposal.

QUANTITIES OF BULLION AND COINS HELD AGAINST CURRENCY RESERVES.

1251. ***Lala Hari Raj Swarup:** Will Government be pleased to state:

(a) the quantity of gold and silver bullion held in India against the gold and paper currency reserves;

(b) the quantity of gold and silver bullion held in London against the gold and paper currency reserves;

(c) the quantity of gold and silver coins held in India and London;

(d) full particulars, description, nominal value, cost price and market price of the sterling and other securities in which gold reserves and paper currency reserves are invested in London;

(e) full particulars, description, nominal value, cost price and market price of the sterling and other securities in which gold reserves and paper currency reserves are invested in India?

The Honourable Sir George Schuster: (a) to (e). The information regarding the Gold Standard Reserve is given in the quarterly statements published by the Government of India. As regards the Paper Currency Reserve, the information which the Government of India are required to publish under the Indian Paper Currency Act is given in the weekly statements issued by the Controller of the Currency.

PAYMENT OF PROCEEDS OF POSTAL CASH CERTIFICATES TO HEIRS OF DECEASED PURCHASERS.

1252. *Lala Hari Raj Swarup: (a) Will Government be pleased to state whether Postal Cash Certificates of 1917, 1918 and 1919 are still lying in post offices without being disbursed?

(b) Are Government aware of the fact that the heirs of depositors, who happen to be dead without handing over the Postal Cash Certificates to their successors, find it very difficult to have the money realised from the post offices?

(c) Do Government propose to see that in future the depositors be directed to declare the name of their heirs in their applications for Postal Cash Certificates?

The Honourable Sir George Schuster: Government are not aware that the facts are as stated in the question, but enquiries are being made and the result will be communicated to the Honourable Member in due course.

ESTABLISHMENT OF A BRANCH OF THE LEAGUE OF NATIONS IN INDIA.

1253. *Lala Hari Raj Swarup: (a) Is it a fact that a branch of the League of Nations is going to be started in India?

(b) If so, will Government be pleased to state when the idea is likely to mature?

Sir Lancelot Graham: (a) and (b). The Government of India understand that provision for the establishment of a branch office of the League of Nations in India has been included in the Budget of the League for 1932 and they presume that the proposed branch office will be inaugurated in the course of that year.

UNSTARRED QUESTIONS AND ANSWERS.

PURCHASE OF BLOCKS BY THE PUBLICITY OFFICER, EAST INDIAN RAILWAY.

142. Mr. Bhuput Singh: With reference to the answer to a question asked by the Honourable Mr. Surput Singh in the Council of State, about February or March last year, that there are three firms that supply the Publicity Officer of the East Indian Railway with blocks, *vis.*, (i) T. Black & Co., (ii) Elphinstone Company, and (iii) The Calcutta Chromotype Company: will Government be pleased to state, for the information of the House:

- (a) what amounts have been actually paid, on account of blocks, to every one of these firms or any other firms, during 1926-27, 1927-28, 1928-29, 1929-30 and 1930-31;

- (b) whether the Publicity Officer places orders for all the blocks that are required by the East Indian Railway or for such as are required by his own Department only;
- (c) if the answer to part (b) be in the negative, what other officer or officers place such orders; and the amount spent by each during 1926-27, 1927-28, 1928-29, 1929-30, and 1930-31, specifying separately the amounts that have been paid to the various firms;
- (d) whether the Publicity Officer calls for tenders either at the beginning of a financial year or occasionally when giving out important jobs in order to obtain the most advantageous rates;
- (e) if the answer to part (d) be in the affirmative, whether the tenders were called for by advertisement in papers or only respectable block makers were invited, by means of letters, to tender; if the tenders were called by advertisement in papers, the name and date of the paper or papers be specified; if the tenders were called for by special circulars to respectable block makers mention may be made of (i) the firms to whom the circulars were sent, (ii) the firms who responded to the circulars by submitting quotations and (iii) the firms who were selected out of the lot to execute orders;
- (f) if the answer to part (d) be in the negative, what procedure has been adopted by the Publicity Officer in order to determine that he was getting the best value for the public money that he has been spending; and whether steps will be taken immediately to call for tenders by means of advertisements in papers, or by other suitable procedure;
- (g) referring to part (c) above, if there be any other officer (perhaps the Printing Superintendent) who places orders for blocks, besides the Publicity Officer, what procedure does such officer adopt with regard to the quality and price of the blocks that he is buying; and
- (h) whether Government will kindly furnish similar information with regard to the Eastern Bengal Railway?

Mr. A. A. L. Parsons: With your permission, Sir, I propose to answer this and question No. 144 together.

I am asking the Agents of the East Indian and Eastern Bengal Railways to furnish such of the particulars required as are readily available and will communicate with the Honourable Member when these are received.

PURCHASE OF BLOCKS BY THE MANAGER, GOVERNMENT OF INDIA PRESS, CALCUTTA.

143. Mr. Bhuput Singh: With regard to blocks—colour, half-tone or line—that the Manager, Government of India Press, Calcutta, buys, will Government be pleased to state, for the information of the House:

- (a) what amounts have been actually paid, on account of blocks, to various firms during 1926-27, 1927-28, 1928-29, 1929-30 and 1930-31;

REPRODUCTION OF POSTERS IN INDIA.

145. **Mr. Bhuput Singh:** Further to part (e) of my unstarred question No. 91, dated January 28, 1931, will Government be pleased to state whether they are prepared to issue instructions to the Central Publicity Bureau of the Government of India, Railway Board, and the Publicity Departments of various Railway Administrations—State or Company-owned—to give preference henceforward to presses in India in the matter of reproduction of posters?

Mr. A. A. L. Parsons: Government do not consider there is any necessity for the issue of instructions on the lines indicated, as they understand that there are certain types of posters which, either owing to their size or to the colours used, cannot be satisfactorily reproduced in India.

SUBJECTS OF POSTERS ISSUED BY THE CENTRAL PUBLICITY BUREAU AND RAILWAY ADMINISTRATIONS.

146. **Mr. Bhuput Singh:** (a) With regard to the issue of pictorial posters by the Central Publicity Bureau of the Government of India, Railway Board, and/or various Railway Administrations—State or Company-owned—do Government realize:

- (i) that the designs should be depicting some natural beauty spot, some picturesque building, or some place of historical or other interest in order to attract foreign tourists and other general travellers; and also
- (ii) that the designs should be of some religious place which would attract pilgrims from the poorer classes, even if the place may not fall under any of the categories mentioned in item (i) above?

(b) Will Government be pleased to state, for the information of the House, under what classification they are prepared to put the "Mullick Ghat" poster? Are Government aware that "Mullick Ghat" means the foul-water pumping station of the Calcutta Municipal Corporation: what was the underlying idea of issuing this poster?

(c) Will Government be pleased to state, for the information of the House, whether this design was prepared at the express commission by some officer or officers of the Central Publicity Bureau or of any individual Railway Administration? If so, will Government please state their names, present designation, and salaries drawn?

(d) Is it a fact that the design was prepared at the initiative of the artist herself and then it so happened that the officer or officers responsible for the purchase, of the designs bought the picture? If the case be so, will Government be pleased to state the name or names, designation, and salaries of the officer or officers concerned?

(e) Will Government be pleased to state, for the satisfaction of the House, that no more public funds will be spent by the Publication of a poster depicting the Calcutta Municipal Corporation's other achievements?

Mr. A. A. L. Parsons: (a) I agree that considerations such as those detailed by the Honourable Member should influence the production and publication of posters. As far I am aware, they always have.

(b) to (e). I have called for certain information and will communicate with the Honourable Member when it is received.

(b) in order to obtain the most advantageous rates, whether tenders are called for in the beginning of a financial year or occasionally when giving out important jobs; if not, what other procedure is adopted;

(c) if it is not a fact that by systematically and periodically obtaining competitive rates from various firms the Manager, Government of India Press, Calcutta, is in a position to obtain:

(i) very advantageous rates; and, at the same time,

(ii) the very best quality;

(d) if it is also a fact that the Manager, Government of India Press, Calcutta, maintains a register of approved block-makers and gives out orders by rotation; and

(e) whether Government will insist on other Departments, including railways, adopting similar procedure?

The Honourable Sir Joseph Bhore: Information is being collected and will be furnished to the Honourable Member in due course.

POSTERS FOR THE EAST INDIAN RAILWAY PRINTED AT THEIR OWN PRESS AND OUTSIDE.

†144. **Mr. Bhuput Singh:** With reference to the answer to a question asked by the Honourable Mr. Surput Singh in the Council of State, about February or March last year, (1) that the East Indian Railway own a lithographic plant; (2) that they print some of the posters in their own press; and, (3) that whatever they are not able to print in their own press they get them out from abroad, will Government be pleased to state, for the information of the House:

(a) particulars, as under, with regard to posters printed at the Railway's own press during 1926-27, 1927-28, 1928-29, 1929-30 and 1930-31:

(i) description of work,

(ii) number of copies printed, and

(iii) departmental charges therefor;

(b) particulars, as under, with regard to posters printed outside

(i) in India, and (ii) abroad, during 1926-27, 1927-28, 1928-29, 1929-30 and 1930-31:

(1) description of the work,

(2) number of copies printed,

(3) name of the press who printed, and

(4) amount actually paid for each job, specifying separately, in the cases of jobs done abroad, the actual charges for printing, paper, freight, customs, etc.; and

(c) amounts paid to the artists for the preparation of designs that were reproduced at the Railway's own press or outside, during 1926-27, 1927-28, 1928-29, 1929-30 and 1930-31, with the following particulars:

(i) description of the design,

(ii) name of the artist, and

(iii) amount paid for each design?

†For answer to this question, see answer to question No. 142.

POSTERS DESIGNED FOR THE CENTRAL PUBLICITY BUREAU AND
RAILWAY ADMINISTRATIONS.

147. **Mr. Bhuput Sing:** With reference to the posters designed by Miss K. Nixon and Miss Dorothy Newsome for the Central Publicity Bureau of the Government of India, Railway Board, and/or for various Railway Administrations, State-owned or otherwise, will Government be pleased to state, for the information of the House:

- (a) with regard to the reproductions of (i) Lucknow Imambara, (ii) Sasaram, and (iii) Giraffe design by Miss Nixon and other posters by Misses Newsome and Nixon, reproduced abroad, during 1928-29, 1929-30 and 1930-31,

(1) whether payments for the printing of the above posters abroad, particularly the three specified above, have been made;

(2) if the answer to item (1) be in the negative, whether it is possible to reject the prints and obtain fresh prints elsewhere, preferably in India;

(3) if the answer to item (1) be in the affirmative, what officer or officers was or were responsible for the acceptance of these jobs and making payments therefor;

(4) what is the number of copies obtained of these prints, particularly the three specified above, and whether they were obtained by or for any one Railway Administration or shared by more than one of the same; if so, how they were shared; and

(5) what has been the total cost of these posters, particularly the three specified above, relating to design, printing, customs, freight, etc.; and how they were shared by the different railways;

- (b) whether there are four animal designs by Miss Nixon that were printed as "Calcutta Zoo Posters", about a couple of years before and shared by the Eastern Bengal Railway and the East Indian Railway; whether those four posters were reproduced in India, and what was the cost of those four posters separately on various heads;

(c) how many "Zoo" design (Calcutta) posters are there already in existence; whether the number is not more than half a dozen;

- (d) how many more animal design posters ("Calcutta Zoo" for that matter) are (i) under the contemplation of the Railways, (ii) under preparation by the artist, and (iii) under reproduction by presses in India or abroad (details and estimated cost of these be given); and

(e) whether of the posters relating to Calcutta—either published by the Central Publicity Bureau or various Railway Administrations—there are as many as six animal design posters, whereas of other places of interest there are only four, viz., (i) Howrah Bridge, (ii) Kalighat, (iii) Victoria Memorial, and (iv) Mullick Ghat (Calcutta Municipal Corporation's Foul Water Pumping Station)?

Mr. A. A. I. Parsons: I propose, with your permission, Sir, to reply to questions Nos. 147 to 153 together. I will see how much of the very voluminous information for which the Honourable Member asks can be collected without imposing undue work on the offices concerned and will communicate with the Honourable Member later.

POSTERS DESIGNED FOR THE CENTRAL PUBLICITY BUREAU AND RAILWAY
ADMINISTRATIONS.

†148 **Mr. Bhuput Sing:** In reply to my question, No. 89, dated January 28, 1931, Mr. Parsons, on behalf of the Government, informed me, by D. O., 1676-ST., dated February 23, 1931, that:

- (1) up to 1929-30, so much as Rs. 2,555 (taking roughly an item of £70, mentioned in the list, as equivalent to Rs. 900) was paid to Misses Nixon and Newsome by the Central Publicity Bureau; and

(2) up to 1929-30, to other artists paid as under:

Name of artist.	Number of designs.	Amount paid.		
		Rs.	A.	P.
Bagdatopolous ..	6	6,720	0	0
Tait ..	6	..	..	..
Broders ..	3	649	5	0
Fred. Taylor ..	2	1,800	0	0
Gawthorn ..	3	1,866	11	0
Maiden ..	4	2,133	5	0
Canadian Pacific Railway ..	2	900	0	0
Tom Purvis ..	2	2,400	0	0
Newbould ..	1	566	0	0
Martin Jones ..	1	300	0	0
Captain Maynard ..	1	250	0	0
Petnam ..	1	700	0	0
Cameron ..	1	300	0	0
Cusden ..	1	400	0	0
Miss Heanly ..	1	250	0	0
Gauri Shanker ..	1	100	0	0
P. Samadar ..	1	100	0	0

- (8) besides, Rs. 1,250 was paid to Mr. H. Veevers, an employee of the Central Publicity Bureau, for designing five designs.

In this connection, will Government be pleased to state the following, for the information of the House:

- (a) whether the figures mentioned above relate only to such designs as were purchased by the Central Publicity Bureau; or, whether they also include such as were purchased by various State Railways as well;

†For answer to this question, see answer to question No. 147.

(b) if answer to part (a) be in the affirmative, why, for instance, the following designs were not included in the list:

Name of the design.	Name of artist.	Published by
Victoria Memorial ..	Not known ..	East Indian Railway.
Shillong, the Gleneagles of India ..	Do. ..	Eastern Bengal Railway.
"Invigorating Darjeeling" ..	Do. ..	Do.
Shillong ..	Miss Newsome ..	Do.
Kamakhya ..	Do. ..	Do.
Umananda ..	Do. ..	Do.
Mount Everest ..	Alex. Taylor ..	Do.

(c) if the answer to part (a) be in the negative, the figures relating to various State Railways;

(d) in the list supplied to me there are as many as three designs relating to "Fatehpur-Sikri" and all the three made during 1929-30:

	Rs.
(1) by Miss Newsome ..	450
(2) by Donald B. Cameron ..	300
(3) by Leonard Cusden (£31-10-0 approximately) ..	400

what was the necessity of obtaining three designs simultaneously of the same subject, in the same year, from three different European artists;

(e) similarly, of "Shillong" and "Darjeeling" there are three and five designs respectively, viz.:

Shillong	by Veevers ..	Rs. 250.
	by some unknown artist ..	Price not stated.
	by Miss Newsome ..	Rs. 450.
Darjeeling	by Veevers ..	Rs. 250.
	by some unknown artist, with caption "Invigorating Darjeeling" ..	Amount not stated.
	by Miss Heanly ..	Rs. 250.
	by P. Samadar ..	Rs. 100.
	by Kushal Mukerjee ..	Amount not stated.

Information as asked for in part (d) should also be stated in respect of "Shillong" and "Darjeeling" posters.

(f) whether it is a fact that the poster styled "Invigorating Darjeeling" is by Miss M. M. Heanly; whether she is (or, at least, was at the time she drew the picture and sold it to the Eastern Bengal Railway) a mere school girl; whether they are aware that all responsible critics have declared the "Invigorating Darjeeling" poster as worthless; also whether she is the daughter or near relation of some Railway employee, who has since retired?

POSTERS DESIGNED FOR THE CENTRAL PUBLICITY BUREAU AND RAILWAY ADMINISTRATIONS.

†149. **Mr. Bhuput Singh:** I With reference to the reply to part (f) of my question No. 89, dated January 28, 1931, also part (c) of the same question (*vide* Mr. Parsons' D. O. 1676-St., dated February 23, 1931), as well from the Government's answer to another question No. 603, dated February 19, 1931, will Government please state whether it may be assumed that up to 1929-30:

- (1) 44 designs were obtained by the Central Publicity Bureau;
- (2) total amount paid for these 44 designs was Rs. 20,791 (approximately);
- (3) average cost of poster was Rs. 493;
- (4) the lowest amount paid for a poster is Rs. 100 (paid to Gauri Shanker and P. Samadar);
- (5) the next higher amount per design is Rs. 250 (paid to an employee of the Central Publicity Bureau, Mr. Veevers); and
- (6) the highest amount paid for a design is Rs. 1,400 (paid to Tom Purvis)?

II. Will Government be pleased to state for the information of the House:

- (a) whether Messrs. Gauri Shanker and P. Samadar are Indians, and whether they are the only Indians in the formidable list of twenty artists, whose designs were purchased by the Central Publicity Bureau;
- (b) whether the lowest amount—Rs. 100 per design—was paid to them; if so, why; and
- (c) of the two designs of "Darjeeling" obtained from two artists simultaneously, Mr. P. Samadar and Miss M. M. Heanly, why distinction as to rate was made, *viz.*, Rs. 250 to Miss Heanly and only Rs. 100 to Mr. Samadar? (Copies of prints of both these designs may be placed on the table to enable the House to compare their respective merits)?

POSTERS DESIGNED BY MISS NEWSOME FOR THE EASTERN BENGAL RAILWAY.

†150. **Mr. Bhuput Singh:** With reference to Government's reply to part (d) of my question No. 89, dated January 28, 1931, communicated to me personally by a D. O. (*vide* No. 1676-St., dated February 23, 1931) to the effect that "none of the posters ordered by the Bureau relate to the hill-stations"—will Government be pleased to state, for the information of the House:

- (a) whether the wording of my question did not make it abundantly clear that it was not concerning the Central Publicity Bureau at all, but clearly relating to "a certain Railway Administration";
- (b) whether Miss Newsome was given free travelling pass or passes to enable her to travel over any part of the Eastern Bengal Railway, during 1928-29, 1929-30 and 1930-31; and also whether her hotel-charges were paid by the said Railway for

her stay in Shillong during any part or parts of 1928-29, 1929-30 and 1930-31; if so, what these charges had been; and

- (c) whether, in addition to amounts referred to in part (b), Miss Newsome was paid Rs. 450 a piece for each of the following posters prepared for the Eastern Bengal Railway: (1) Shillong (Golf design), (2) Kamakhya and (3) Umananda (Monkey design)?

POSTERS BY MISSES NIXON AND NEWSOME EXHIBITED BY THE AMERICAN EXPRESS COMPANY, CALCUTTA.

†151. **Mr. Bhuput Sing:** With reference to the reply that Government gave me on the floor of the House to my unstarred question No. 89, dated January 28, 1931, to the effect that Government have no information as to the posters that Misses Nixon and Newsome had exhibited in the show-windows of the American Express Company, Calcutta, in December 1930, except in respect of two posters lent for the purpose by the Central Publicity Bureau, and about which two only Mr. Parsons communicated information to me personally by a D. O. subsequently, will Government be pleased to state, for the information of the House, all the particulars asked by me in my said question with regard to the following designs also exhibited there and most of which evidently belonged to (or, meant for) some State Railway or other?

- | | |
|---------------------------------------|------------------|
| 1. Sasaram (Tomb of Sher Shah) | by Miss Newsome. |
| 2. Bombay (B. B. & C. I. R. Building) | " |
| 3. Umananda (Monkey design) | " |
| 4. Shillong (Golf design) | " |
| 5. Benares (Ghat) | " |
| 6. Udaipur (Jaggernath Temple) | " |
| 7. Burma (Buddha design) | " |
| 8. Kamakhya | " |
| 9. Lucknow (Great Imambara) | " |
| 10. Elephant design | by Miss Nixon. |
| 11. Monkey and Giraffe design | " |

POSTERS PREPARED BY THE CANADIAN PACIFIC RAILWAY.

†152. **Mr. Bhuput Sing:** With reference to the reply to part (f) of my question No. 89, dated January 28, 1931, communicated to me by Mr. A. A. L. Parsons, on behalf of the Government (*vide* D. O. 1876-St., dated February 28, 1931), in which there is mention of two designs, *vis.*, "Delhi" and "Elephant" at Rs. 450 each, as drawn by the Canadian Pacific Railway, will Government be pleased to state, for the information of the House:

- (a) whether the said Railway was commissioned by the Central Publicity Bureau to prepare these designs;
 (b) if not, under what circumstances were the designs purchased from the said Railway; and
 (c) whether copies of both the designs will be placed on the table of the House?

†For answer to this question, see answer to question No. 147.

EMPLOYMENT OF INDIAN ARTISTS FOR POSTER DESIGNING.

†153. **Mr. Bhuput Sing:** With reference to Government's reply to my unstarred question No. 89, dated January 28, 1931, and to starred question No. 603, dated February 19, 1931, stating that up to 1929-30 the Central Publicity Bureau of the Government of India, Railway Board, paid to different artists so much as Rs. 23,245 (approximately), and out of this amount only so little as Rs. 200 (Rs. 100 each) to two Indian artists, Messrs. Samadar and Gauri Shanker—will Government be pleased to state, for the information of the House:

- (a) why Indian artists are not being patronised by the Central Publicity Bureau;
 (b) whether any steps have been taken to ascertain the merits of various Indian artists capable of turning out quite as good jobs as are done by foreign artists;
 (c) whether they are aware that at the All-India Poster Exhibition held by Lady Lytton in February 1926, the first prize, Vicerene (Lady Reading's) Gold Cup, was won by a poster for the Great Eastern Hotel, Calcutta, by an Indian artist;
 (d) whether the Central Publicity Bureau have obtained the "Safety First" design posters from an Indian artist of Calcutta recently; and what amount was paid for the "Safety First" design, showing three workmen in a smithy;
 (e) whether Government are prepared to issue strict orders to the Central Publicity Bureau and to the Publicity Departments of various Railway Administrations, State-owned or otherwise, to commission Indian artists only for whatever design they might require hereafter and stop altogether any orders *outside*;
 (f) if so, whether Government are prepared to circulate the names of the following artists (amongst whom, it may be noticed, are also names of Anglo-Indian and European artists domiciled in India) besides those referred to in parts (c) and (d):

Lahore:
 Abdur Rahman Chaghtai.
 Fyzee Rahman.

Delhi:
 Saroda Ukil.

Jaipur:
 Kushal Mukerjee.
 Sailendranath De.

Lucknow:
 Asitkumar Halder.
 Birendra Sen.

Bombay:
 Mahadev Vishwanath Dhurandhar.
 Gorey Shankar.

Calcutta:
 G. W. Parrab (of Bombay).
 Purnachandra Ghosh.
 Alex. Taylor (European).
 Philip Greaves (European).
 Morton Lacey (Anglo-Indian).
 Jyotish Das Gupta.
 Satish Sinha.
 Mukul Dey.
 Ishwari Prasad Varma.
 Jamini Prakash Ganguli.
 Elsie Siemens (European).

- (g) whether any of the above artists competed in the Railway Poster Exhibition of Simla, at which Mr. Veevers carried away the prize, and whether at Lady Lytton's Exhibition of 1926 a great many of these artists competed?

†For answer to this question, see answer to question No. 147.

SCHOOLS AND COLLEGES IN THE PROVINCE OF DELHI.

154. **Mr. Badri Lal Rastogi:** (a) With reference to a statement laid on the table on the 28th September, 1931, in reply to my starred question No. 670, asked on the 23rd February, 1931, will Government be pleased to supply the full names and addresses of those schools and colleges (that are entirely residential) existing in the province of Delhi?

(b) Which of the schools and colleges are intended solely for Indian boys and which of them meet all religious and communal requirements of the students?

(c) What is the monthly scale of charges or fees in those schools and colleges?

Sir Frank Noyce: Delhi has no entirely residential schools or colleges.

THE INDIAN SEMAL COTTON PLANTATIONS, LIMITED.

155. **Mr. Badri Lal Rastogi:** (a) Are Government aware that there is in Assam a company known as "Indian Semal Cotton Plantations, Limited"?

(b) Is it a fact that by a Charter granted to this company under the authority of the Secretary of State in Council, royalty, which is a species of tax, is not charged by Government?

(c) If the answer to part (b) is in the affirmative, will Government please state for how many years and how many acres of land have been granted to it?

(d) Is the interest at the rate of 4 per cent. per annum regularly paid to every bond-holder by this company?

(e) Is this company managed by shareholders or bond-holders?

(f) Is it registered under the Registration Act?

The Honourable Sir George Rainy: The Government of India have no information. I would suggest that the Honourable Member should address the Government of Assam.

INSURANCE COMPANIES IN INDIA.

156. **Mr. Badri Lal Rastogi:** (a) Will Government please enumerate the insurance companies that exist in India?

(b) How many of them carry on their insurance business?

(c) Which of the companies pay dividend to their shareholders every year and what is the percentage of dividend paid by them?

The Honourable Sir George Rainy: A list of insurance companies in India appears in the Indian Insurance Year Book, 1930, of which there is a copy in the Library of the House. Since the publication of the Year Book, the following six companies have come into existence:

1. Deccan Assurance Company, Bezwada.
2. Gujarat Provident and Industrial Company, Baroda.
3. Jai Bharat Insurance Company, Madras.

4. Aggarwal Assurance Society, Ajmere.

5. National Fire and General Assurance Company, Calcutta.

6. Tarun Bharat Assurance Company, Bombay.

(b) With the exception of eight new companies that have not yet commenced business, all the other companies are carrying on insurance business.

(c) Information regarding the rates of dividend declared by Indian companies carrying on life assurance business only is given on pages 86 and 87 of the Year Book. Information in respect of other Indian insurance companies is not readily obtainable.

THE INDIAN FINANCE (SUPPLEMENTARY AND EXTENDING) BILL—contd.

Mr. C. Brooke-Elliott (Madras: European): Sir, after two false starts the House may be surprised that I again face the gate! The 5th of November is a day which is associated in England with fireworks, and I have been a little disappointed myself with a good many of the rockets, while some even of the squibs that we have so far seen fired off have been a little damp. There may be, however, forces in reserve with perhaps more detonating effect than I at any rate can command.

Sir, it is true, I think that all the people of India are anxious to help the Government, and I think the best way we can help is by remembering that on every side clear thinking is needed as against hasty expressions of mere prejudice; unity of purpose as against mere sectional advancement; constructive as against merely destructive criticism; a greater trust in others and avoidance of unreasoning suspicion or imputing of motives; lastly, and most important, a firm belief in spiritual guidance. When the layman offers advice to the expert he is not always helpful. Many years ago in Ceylon the rupee went down to 10 pence, and my father, a civil servant with an exiguous income, had to make remittances for my maintenance in England, and was rather distressed. He happened to say to an elderly Ceylonese gentleman, "It is terrible, you know, with the rupee down to 10 pence", and the Ceylonese friend immediately turned round and said "Sir, the remedy is very simple". "Oh", said my father, "what would you do"? He said "If I were the Government, of course I would make the rupee bigger". (Laughter.) Well, Sir, there may be Members in this House who, if the rupee goes to 1s. 8d. (as it is going), will press on the Finance Member to accept the suggestion in a reverse sense and make the rupee smaller. I say that that kind of advice is not always helpful. I also bear in mind when I study these documents (many of which are a sure cure for insomnia) (Laughter), the advice given to a young man, by an Irish auditor. This Irish auditor had amassed a large fortune by auditing accounts. His young understudy, who was a novice in the profession, once said to the auditor "Sir, would you tell me the secret of your success?" "Ah, George, my Boy", said the auditor with an Irish brogue, which I have lost, "sure the remedy is this; always ask the man for whom you make up the balance sheet whether he wants the balance brought out on the credit side or on the debit side". (Laughter.) Consequently, I have looked at some of this bulky official literature with a faint recollection of

[Mr. C. Brooke-Elliott.]

that Irish auditor, and I am rather interested to see that no less an eminent person than Major-General Megaw, a Scotchman, by origin, though an Ulsterman to-day, at page 52 of this particular exhibit says this:

"I have gone very carefully into the administrative staff and have formed the opinion that by a certain amount of curtailment of non-essential activities and over-work on the part of the staff, the following retrenchments may be carried out",—*and now mark the following words*,—"As the Budget statement is very misleading, I have dissected,"—*a good word for a Surgeon-General*,—"I dissected it out to show what is actually spent on administration".

I think, Sir, that is a very good justification for some of the criticism that has been made in the House.

Sir, I think we should take for a moment a very brief look at world conditions. If you go back to Napoleon, England's deadliest enemy, you will find that in retirement at St. Helena he wrote certain monographs on English methods of war and peace. And I am glad to see that if you go back to 1816 when England's greatest difficulties were still ahead of her, you will find that her debt at that date was greater in proportion to national wealth than the debt now existing. Unemployment had reached a figure which in proportion to population exceeded the figure of the present day. Salvation when it came was based largely on the world's faith in British financial integrity and on the demand for English goods. The faith ministered to the demand, for the world lent to London which lent again to the world. And I rejoice to-day that England in Europe and India in Asia are the two strongest rocks of financial rectitude and integrity, and I believe that that twin association between England and India is all for the good, because it is not a question of gold; it is not a question of silver; the real world problem to-day is to get back confidence, which will lead to the revival of trade.

I believe we are all agreed that a balanced Budget is the first essential and in that respect we are here to help the Government in every way we can. The Great War was the Great Crime; and yet people seemed to think after the War that the twin devils of Inflation and Reparation were going to put the world on a sound financial basis. We must get rid of the cancer of Reparations before the trade of the world can become really healthy again. Commerce is not a clock to be regulated by a pendulum swinging from one extreme to the other. What we all want to-day is stability; and because we believe that, though we dislike cordially many of the proposals for higher taxation made in this House, we propose to support the Government with certain constructive suggestions here and there. The world must get right before it can be prosperous. The old Virgilian line "*Jam redit et Virgo recunt Saturnia regna*" shows that justice must come as the forerunner of universal prosperity.

Now, I come to my next point, which was referred to very courteously by my Honourable friend Mr. Chetty. At the big meeting we had in Madras recently we asked for less taxation and more retrenchment. I still stand by those resolutions then passed unanimously. The grounds that Mr. James, who made the principal speech—he is our planting member in the Madras Legislative Council and is known to many of the Honourable Members here—were shortly these. We asked first for a general reduction of 25 per cent. in the administrative fields of labour and industries, medical services, public health, agriculture and forests. And I am

glad to say, and I acknowledge it with grateful thanks, that the Government proposals have practically conceded what we asked for in those fields. But most of us have a strain of Oliver Twist in us, and we want more. We suggest that further fields for retrenchment may be found in the Public Service Commission, possibly in the abolition of the Tariff Board, because once India is pledged to full-fledged protection we do not quite see the necessity for a Tariff Board. We ask further for the abolition of the Imperial Council of Agricultural Research,—an admirable institution but a luxury we cannot afford—that would save Rs. 8 lakhs. We also think that further retrenchments in the scientific departments in this time of emergency are called for, and we invite the Government to put the comb again through such fields as they think they have already examined in full. The position, as far as I understand it,—and I am not a mathematician, I often find it difficult to know how many annas make a pie (Laughter), but so far as I can arrive at the position it is this. The second report of the General Purposes Sub-Committee recommended reductions of roughly Rs. 128 crores. The Government have accepted about Rs. 80 lakhs. We think that the comb might here be applied.

Sir Abdur Rahim (Calcutta and Suburbs: Muhammadan Urban): May I correct the Honourable Member? The second report has recommended a reduction of Rs. 153 lakhs—that is only in respect of some, and there are the Foreign and Political Departments and Minor Administrations which have not yet been enquired into. Their total Budget is about Rs. 6 crores.

Mr. C. Brooke-Elliott: I am coming to that point, and I am obliged for any correction because the figures I find rather difficult to follow. It is one more proof . . .

The Honourable Sir George Schuster (Finance Member): May I just intervene and ask the Honourable Member a question? He has referred to the second report having made certain recommendations. The second report has not yet I understand been drafted; it is not certainly yet in the hands of the Government.

Sir Abdur Rahim: The figures have been supplied to the Government and a representative of the Government was on the Sub-Committee all along. He knew that the enquiry was completed before the 31st October.

Mr. C. Brooke-Elliott: Well, Sir, I am obliged for the assistance I have received from both the Honourable gentlemen. The point only shows that when I said I was not a great mathematician, there are others who are not much better. (Laughter.) The substantial position, I understand, is this; that X reductions have been suggested and Government are accepting Y. Substantially there however remains a field of about Rs. 5 or 6 crores of expenditure to be examined on which we hope that the comb will bring away golden threads to the extent of at least one crore.

Sir, our view in Madras—and I have reason to think that, though Madras is sometimes known as the benighted Presidency, it is not quite so benighted as some people elsewhere think—our point is that retrenchment must be first substantial, and second, progressive. We fear that after the first fine flush of enthusiasm for economy is over, the Government will succumb possibly to that old disease which I believe mental experts call *squandermania gloriosa in excelsis*. We all know the young lady who has a baby car and who after jamming on the brakes because the policeman

[Mr. C. Brooke-Elliott.]

has put up his arm, promptly retorts by stamping on the accelerator. (Laughter.) The bad example of the young lady and the Baby Austin I commend to my Honourable friends in high places.

I next come to audit. As I said, I do not understand accounts, but I am glad to find I have others who share my ignorance. The figures there seem to be excessive. The point made by Mr. James in his speech was this. The audit department of the Government of India is costing nearly a crore today, whereas ten years ago the Inchcape Committee recommended that the expenditure on audit should be limited to Rs. 79 lakhs. Unfortunately the Inchcape Committee also recommended that the possibility of separated audits and accounts should be considered. This recommendation was accepted with the sad result that in this year's Budget the cost of special staff, considering the question of separation of accounts from audit and of the experimental offices in connection with the scheme, amounts to Rs. 17 lakhs. That, Sir, is rather an unhappy result of the Inchcape Committee's proposals for economy, and we ask that we have no more costly experiments of that kind. Further, there is surely this point to be borne in mind, that when we have much less expenditure all round there is bound to be less expenditure on audit. I understand that the recommendations of the Sub-Committee amounted to a saving of Rs. 17 lakhs, of which the Government have accepted Rs. 16 lakhs. So, subtracting 16 from 17, the difference is, I think, one lakh, and that is a matter upon which again we generously acknowledge the spirit in which the Government have received the proposals.

Sir, I referred just now to the Inchcape Committee. Personally, I am against highly paid professional committees of that kind in future. I prefer the method of examination by a small committee of this House, assisted by one independent financial adviser. In my humble opinion, and I say it with all humility, the Government of India officials who come before such committees should come as witnesses, and not as integral members of the committees. It is perhaps a little educative to remember that, including and since the Inchcape Committee, no less than nearly Rs. 2 crores have been spent upon committees in India. I should like, further, if I may, as a private Member to acknowledge with thanks the labours of these various committees. They have not yet finished their course. Their reports are interim ones: but as a humble shareholder in some companies I always feel that the declaration of an interim dividend is a cheerful forecast of better things to come. I should also like gladly and cheerfully to acknowledge the assistance that these committees have received from Government and from Government officials. I am specially glad to see what is said in the report of the Army Sub-Committee on page 10. "It must be recognised that the Army authorities have displayed a keen desire to reduce expenditure on the Army". That seems to me a new spirit rather, and a very healthy sign of the times, and I think we all ought to thank the most distinguished soldier, His Excellency the Commander-in-Chief, because we know that he has strained every nerve to help us in our hour of emergency. I think that the real issue, on which you may be asked to say "Aye" or "No"—and I trust there will be no division on the Bill—is this,—Has the Government of India really faced up to the realities of the situation and understood the grave dissatisfaction that undoubtedly has existed, and to some extent still exists, in the public mind over the enormous growth of public expenditure in the last decade? That is the question that has to

be answered. For my own part I honestly believe that the Government of India have: but our vigilance must not relax. It must rather increase. The Honourable the Leader of the House, whose very rare interventions in debate make me sometimes wonder whether he observes not merely a day of silence but a week of silence, yesterday criticised, and if I may say so, helpfully criticised some of the arguments put forward. He for example quoted Mr. Micawber, whose immortal work on sound finance is unfortunately not in our Assembly Library. I wish we had it. We know Mr. Micawber budgeted on the principle of something turning up. What always happened instead was that Mr. Micawber was invariably turned down! But let me quote in return the same eminent financial authority to the twin St. Georges on the front Government Bench. Sir, I am quoting from memory, but my recollection is that Mr. Micawber *did* understand sound finance, though like most of us he understood it for others and misunderstood it in his own case. What he said in effect was this. "David, my boy," (He was addressing the youthful Copperfield) "Income £19-19-11d, Expenditure £19-19-10d, solvency. Again—income £19-19-11, Expenditure £19-19-11d. 3 farthings, insolvency". And I think that that advice, though it comes from Mr. Micawber, has unhappily not always been kept in mind in the past by the Government of India. There is one cut that I very specially welcome. Turn for a moment to this document in my hand—it is not marked as an exhibit—it is the general summary of the position as regards retrenchment. I notice that this paragraph says:

"As regards printing and stationery the committee recommend reductions of 16·8 lakhs including about 10 lakhs due to the disappearance in 1932-33 of provision made for carry over referred to in paragraph 5 of the Report. The reductions proposed by Government amount to Rs. 19·08 lakhs."

That, Sir, is encouraging. For I sometimes wonder at the end of a session how many tons of beautiful printed paper for use of Members is left over unused. My domestic Budget as a result of less stationery and printing will mean a saving of 50 per cent. in future, for I trust that I shall now be able to despatch my official duties with the assistance of one waste paper basket instead of 2. (Laughter). Honourable Members seem to think that that is not a very considerable retrenchment in my own case. Surely it is: Fifty per cent. Sir, I have often asked myself—is it really necessary that such immense quantities of stationery should be posted to me every week, concerning people who have died from peculiar diseases in provinces with which I have really no mortal interest at all. I am glad to see that here the Government attitude is not stationary but retrograde, in the sense that it is going back upon the lavish ways with which in the past publications of this kind have been distributed.

Mr. K. Ahmed (Rajshahi Division: Muhammadan Rural): Today is Saturday?

Mr. C. Brooke-Elliott: I believe so. I want to say one word and one word only as to the attitude of our Group as regards cuts. It is this. We take strong exception to the exemption of low paid servants in civil departments drawing Rs. 40 and under from the cut while their counterparts in Railways and Posts and Telegraphs are made to bear their share of retrenchment. We think that it should be either all or none. Then I come to the brighter side of the Budget picture and it is this. I would wish to pay the highest possible tribute to the work of the Finance Member. I know that from the Viceroy and his Council downwards immense demands

[Mr. C. Brooke-Elliott.]

have been made on the public services, and they have responded nobly. I think that the bright side of the picture is this,—that the Finance Member has really put forward now a definite plan for permanent reduction in public expenditure by (1) eliminating non-essentials, (2) a general paring down all round, (3) readjusting departments which were somewhat out of gear, and (4) economising both in men and material. In other words our object is to cheer on St. George in his attack on the dragon of public expenditure. We will give him all the help that he requires. One of our Members said to me when coming up to Delhi, "Ginger up the Government", and he added, "We grow ginger in Madras". At the same time when we insist upon these, and further economies, we are prepared also to face a slight reduction in efficiency. It may not be possible for us to use the highest quality of "lubricant for official machinery". It may not be possible for us to get work done at the highest compression and with the highest speed. We shall be sensible: and we shall only ask for a reasonable degree of efficiency, recognising that if you reduce staff it is necessary in some respects to reduce efficiency. We regret deeply the cuts made in the salaries of public servants. I think it is up to us to acknowledge again gratefully the lead that has been given and so well followed: but I need hardly say we look, and not in vain, to our splendid public service to put forth increased effort in the hour of India's need. I know that very surely we shall not look in vain. Above all I trust that every Member will do all he can to explode that widespread and insane delusion that for all these things it is "Government that pays". Government in the matter of spending may be spelt not in a number of letters but by two simple vowels, "I" and "U". Let us not say glibly, "Let Government pay", "Let us go to Government", because, as

12 Noon. Sir John Simon said, the idea of a bottomless public purse leads only to the bottomless pit. Therefore we can help very largely by instructing the public mind that this idea that Government can pay indefinitely is a snare and a delusion.

Now I come for a moment to talk about ourselves, because I regard myself as an heir of the previous Elected Members from Madras. Let it not be forgotten by unofficial Members that in many cases new departments have been almost forced on Government by resolutions of private Members. It is to the credit of Government that in this hour of retrenchment these adopted children have not been ruthlessly sacrificed while Government's own children have been fondly retained. Those departments that are not touched are joyfully singing the old nursery rhyme, "*Nobody axed me, Sir, she said*". I would just draw attention to some of those adopted children untouched by retrenchment such as the territorial forces, costing 10 lakhs, the Indian Stores Department, and the new Secretariat for ourselves. I would also point out that in the proposals of Government the axe has not been laid at the root of the tree of education that is right.

Now I come to the real crux of the matter; and here I speak with a very real sense of responsibility. The crux of the position is the Army expenditure. Sir, I have no doubt that Honourable Members, both on my right and on my left, must have profited by a careful reading of the Simon Report. In volume I, page 92, Sir John Simon summed up the military problem very very clearly in a few pregnant paragraphs. I am not going to repeat them—they are known to all. I am only going to

say that I feel bound, because my intellect impels me, to accept that summary as accurate. If you turn to volume II, page 207, you will find the financial aspects discussed by Mr. (now Sir Walter) Layton. Again I feel that I must agree with the conclusion at which he arrived; the overriding conclusion at which he did arrive was that India was spending too much upon her Army. (Cheers.) Sir, that is the expression of opinion of an independent financial expert; and the deductions that he makes, so far as I am concerned, my intellect again compels me to accept as correct. Now the strong bull point, if I may use the expression, that the Opposition have in this matter is this, that only three or four years ago the then Commander-in-Chief, a very able soldier, stated quite positively and definitely that the reduction of military expenditure to 50 crores was not within the sphere of practical politics within any reasonable period of time. Well, Sir, the miracle has happened—that which was said to be impossible only three or four years ago is not only possible today but much more than possible, because the 1931-32 Army Budget is down to 46½ crores. So the age of financial miracles is not past. That is the most important point which we must bear in mind, and I think it cannot be over-stressed. Now it seems to me that if you accept those premises, the position is this. I think the Army problem is two-fold. I want to consider it under two heads: the first head I would call (a) "non-effective charges", and the second head (b) "effective charges" and under head (b) I only want to speak of the strengths of the fighting forces and the scales of pay. Everything else I put under head (a). Now head (a) has been partially examined—because the report of the Sub-Committee is again an interim report and we trust that a further reduction may result possibly in a further saving of perhaps about half a crore. Assume, however, that by now all reasonable economies have been explored under head (a). Assume also that in present circumstances there can be no safe reduction in the strength of the armed forces of the Crown in India. If you look at the papers and the map of India and also Asia, today, you will find a good deal of food for thought in that respect. Now assuming what I have already said, it seems to me that, even so, one further field for financial exploration still remains: and the following questions seem to me to arise:

(1) Is the fighting strength of the Army today being maintained at the minimum cost?

(2) Has this field been explored for all reasonable economies, minor as well as major?

(3) If not, is it also to come under thorough examination?

(4) If so, when; and by what agency?

Suppose therefore that it was accepted either by the Government today or any other Government a little later on that a 44-crore Army Budget was to be the absolute maximum in times of peace. It might then be found that the 44-crore Budget, even on the most economical scale of expenditure would not support the existing strength. If so—and that is the crux of the case—If so, would this House be prepared deliberately to advocate a reduction of the actual fighting forces which a specified contract amount may involve? Or do we stand for the present minimum strength, whatever the actual cost of that may be? That is how I view the Army problem; and I would ask whether or not it is possible for us to be told, whether the Government will enlighten us fully and frankly on

[Mr. C. Brooke-Elliott.]

those lines (or on any other lines, because it may well be that there are much better lines than I have indicated—I have faced the question to the best of my ability). I would like, Sir, because a great point has been made, I would like to be able to go back to Madras and meet my constituents and tell them definitely what the future position as regards Army expenditure, in so far as it can be foreseen, is likely to be. That is all I have to say on that point.

I will now say a few words on one or two other matters. First, I would press upon the Government to tighten up all existing forms of income-tax. Mr. Mody has touched upon that and suggested a *modus operandi* or rather *modi operandi* which will enable further income-tax to be realised. (Laughter.) Sir, let me give one concrete example. Recently, the Privy Council came to the interesting conclusion that the making of bricks was not agriculture. Put in that form, it sounds a peculiar thing that the highest tribunal of the empire should have had decided that elementary proposition; but the fact remains that in many respects in the past, those who made bricks and exercised fishing rights and a number of other transactions claimed exemption exclusively on the ground that those operations were agricultural.

Well, Sir, if that is so, gold is agriculture, because it comes out of the soil, oil is agriculture because it comes out of the soil. In fact we Members are also agricultural products because we come out of the soil. Dust we are and unto dust we shall return. I am not going to claim that I am the product of agriculture and refuse to pay income-tax. I would have done so, or rather I could have done so, but for the wisdom of Their Lordships of the Privy Council. I trust, Sir, that the Finance Department will observe that bricks are not agriculture and there should be a very considerable addition to the returns of income-tax under these heads, which in the past have escaped assessment. I would also like to see arrears claimed.

Now, Sir, the Bombay Chamber of Commerce—I am indebted to my Honourable friend, one of the members from Bombay for the figures—have taken out a table and I did not know before what an ill-used person I am. I notice that for persons having an income of Rs. 600,000 a year, the increase in tax in 1932-33 as compared with 1930-31 is only 45 per cent. But if you take the increase for persons drawing Rs. 15,000 a year, which is the datum line for the Europeans, you will find that the increase in the same period, that is between 1932-33 and 1930-31, is 100 per cent.

Mr. H. P. Mody (Bombay Millowners' Association: Indian Commerce): It is the Millowners' memorandum, I think.

Mr. C. Brooke-Elliott: I am very much obliged to the Millowners' Association for compiling the table from which I quoted. It came from Bombay. It was handed to me by one of my Bombay friends. I should like to congratulate the Millowners' Association on having given us such very clear tables of increases of taxation. Now, Sir, yesterday the Honourable the Leader of the House said that there was a popular expression about "taxation to extinction": and he put the argument that so long as the man was there and actually had an income over Rs. 1,000 and paid the tax, where was the extinction? Frankly, Sir, I rather

hesitate to break a lance with the son of such a redoubtable father, and with such a knowledge of finance as every Scotchman has bred in him—and an Irishman unfortunately has not. But may I put this question to him? Supposing the taxation kills the business. The man may be living. He may retire and go and live on the dole at home. But you have killed thereby the golden goose that lays the fiscal egg; and it does seem to me that if you do kill the golden geese that lay fiscal eggs, you are taxing the geese, and possibly men, to extinction. The point simply comes to this. Up to a certain point the camel will carry the burden. Finally comes the last straw that breaks even his back, and I must say that you are getting very near the last straw in income-tax.

Let me give two other brief examples of the dangers of very high duties. Take the duty on imported paper. Let me offer my Honourable friend a constructive criticism. I am not destructive. I am trying to help him. What has been the case with paper? In Madras a certain publishing firm—I got the figures first-hand; I guarantee them—used to spend something like Rs. 5,000 to Rs. 7,000 a month on printing, and that was a very nice source of employment to a firm of printers in Madras. The paper duty has now risen to such a height that what happens is this. The publishing firm in question sends the manuscript of the book to England. It is printed in England by English labour, and then that book printed on the paper which would have been taxed very high comes into India free of any duty, because it is a printed book and therefore subject to no duty. Now, Sir, what is the result? What about the literary goose? Has not that been taxed almost to extinction from the fiscal point of view? Instead of paper coming in and paying duty, the publisher entirely evades it quite honestly. May I tell the Honourable Member a further point? Even with regard to vernacular books we have such excellent writers in Madras that the manuscript is sometimes entirely written out by hand, sent to England, printed by mechanical processes and reproduced, and these books in the vernacular come back again into the country free of duty. Now, may I take one more example which touches some Madras firms very much. The duty on gold thread, speaking from recollection, is somewhere near 62½ per cent. It is true that some gold thread is made in Surat, but I have it on the authority of the Collectorial King of Salem, the Honourable Mr. Todd, that the Surat gold thread when used by the weavers of Salem will not stand the wash. What is the use of a garment which you cannot send to the wash, because the gold lace often tarnishes? Nearly all the gold thread that was imported into Madras was made at Lyons in France and imported formerly through Madras. What has happened now, owing to this enormous duty? The French merchants in Pondicherry import gold thread quite legitimately into Pondicherry. Pondicherry is a peculiar geographical entity. It is scattered about in a number of little *thundus* or bits of territory. The Frenchman in Pondicherry of course sells to anybody who will pay for the gold lace. The gold lace goes out into these little bits of French territory and in the night it crosses the frontier illegitimately without paying any duty. Ask the Collector of Customs in Madras if this is not so. And what is the result? The honest merchant in Madras, who wants to import this gold thread and would gladly pay a reasonable duty, finds that the trade is drying up. The legitimate trade is dried up, and the illegitimate trade is flourishing; with the result that Government are put to greater expense in their

[Mr. C. Brooke-Elliott.]

preventive staff to try and prevent smuggling, because the smuggler gains by 62½ per cent. if he gets lace into Madras, on which he has paid no duty. The result is that there is more expenditure to be incurred by Government, and they lose a large amount of duty. I put these instances forward to prove that if you pile your duties up so high, the incentive to dishonesty is increased not in the mathematical ratio but even higher. I put these two examples forward. I could give others, easily.

Sir, on behalf of the European Group, and I am quite sure on behalf of my Honourable friends on my right, I ask the Honourable the Finance Member if he will give us two assurances. The first is—if during these 18 months ahead revenue exceeds expectations, will Government by executive action lessen the crushing burden of taxation? I would like to mention a precedent. An example of such executive action may be found in the abolition by Sir Basil Blackett of the cotton excise in 1925 when he found that the revenue position justified it. The second assurance I would ask for is—if it is proved that such high taxation results in a decrease of revenue, will Government correct the position by reduction of import duties? Such assurances would go very far to remove the apprehensions that exist today among the people, and would help to reconcile them to facing up cheerfully to accept the present proposals.

A word of encouragement just now to commercial circles in India will be of very great value indeed. Sir, I always try and take what I call a plus view of the situation, and I take a plus view today of the problems of India. If we look back in history we find that depressions in the past have often been steps up to better things. I believe emphatically that hard times with their concomitant strains and stresses nerve the right types of nations and individuals to greater and more determined effort. Men's brains are stimulated, their intellects quickened. We are in India today, and we have been for some time past, undergoing such a hard test. In the end I am convinced we shall be all the better for it spiritually, as well as economically; but we must all stand together, putting away selfish ends and seeking to take those measures that are of the highest common good for India as a whole. You always get the best from human nature when you make a call for common effort, coupled with common sacrifice. (*An Honourable Member: "Amen."*) If we face this emergency, pluckily and smiling, not only will we benefit individually, but countries and peoples will be drawn more closely together by agreeing to the necessary compromises and sacrifices. (*Applause.*)

Sir Abdur Rahim: Mr. President, we have listened to a very delightful speech delivered by the Honourable Member from Madras, but still I must say it is very difficult for us on this side of the House to ascertain what the action of the British Group is going to be in the matter; we have received no definite proposals or even any lead from that Group up to now. Now, Sir, the main problem that faces us today in the serious position in which we are placed, is how far and to what extent can the Budget be balanced by retrenchment and to what extent the gap has to be filled, if at all, by extra taxation. That question is linked up intimately with the other equally vital question, and that is whether the limits of taxable capacity of the people have or have not been reached. Sir, the

position which we take up on this side of the House is that the Budget can be made up, if not entirely at least to a very large extent, by retrenchment of expenditure of the Government of India, both on the military, and on the civil side; and it is upon that point I wish to concentrate attention. Our position further is, as regards the second proposition, that you have reached the limits of taxable capacity; you have tapped all the really available sources of taxation. As regards this point, the figures given by the Honourable the Finance Member as regards the decline of the receipts compared to the estimates is perfectly convincing proof and no further proof, I submit, is necessary on that point. The estimates, or rather the expectations, to use the language of the Leader of the House, have been disappointed; I should like to add an adjective to that—grossly disappointed. Sir, if that be so, then the main method by which the Government should endeavour—and should endeavour by all means in their power—to put the budgetary position in proper order is by retrenchment. These estimates, as has been said, are more or less guesses; and after the experience which the Honourable the Finance Member had during the last few months, rather in the course of the year, I submit it is totally unsafe for Government to rely on further estimates of that character in order to put their budgetary position right. The only sound principle by which Government have to act on an occasion like this is that stated by the Honourable the Finance Member himself in his statement on the financial position at Simla; I shall remind him and the House of what he said:

"I feel that Honourable Members are entitled to ask for this, and that we have no justification in putting plans for taxation before them except under the most solemn pledge of effecting the maximum reduction of expenditure. I feel no hesitation in taking this line, because it is the right line in the public interest. Any improvement that we can effect by way of reduction of expenditure is a certain improvement, but any improvement that we seek to make by increasing taxation depends entirely on our estimates being realised and, in the present conditions, with reduced purchasing power, and when the effects of the reduced gold value of the rupee on imports are still unknown, estimates, particularly of customs revenue, are, to say the least, highly uncertain."

He has given a list of the articles on which customs revenue has declined; looking at that list, excepting betel nuts, which may well be presented to the other side, customs revenue has declined on every article and declined very largely. What then are the reasons for expecting that customs revenue will show a climb upwards now? Has the Honourable the Finance Member given us any facts to justify any such expectation? I know at the end of his speech at Simla he struck a more cheerful note; but even that was very guarded, as it ought to have been. At any rate, he has not told us upon what materials, upon what facts and figures, is his optimism or the commencement of his optimism based. On the other hand, we have been advised in the General Purposes Sub-Committee that the trade position and the revenues from customs are not likely to revive for some years to come. I am told that as a matter of fact, the Government of India sent some specimen budgets to England in connection with the Round Table Conference and the Federation proposed. I further understand that they calculated that decline in revenue or the deterioration in the financial position generally was likely to be of a more or less lasting nature. Is that correct?

The Honourable Sir George Schuster: May I ask my Honourable friend what he is referring to?

[7TH Nov. 1931.]

Sir Abdur Rahim: I have been informed that certain specimen budgets were sent by the Government of India to England in connection with the federal proposals. Is that so or not?

The Honourable Sir George Schuster: My Honourable friend is at liberty to see exactly what we did send in that respect. I was asked by my Honourable friend, the Deputy President, the other day whether those documents could be made available. As far as we are concerned, anything that was distributed to the Round Table Conference can be obtained by Honourable Members here. I can explain to the Honourable the Leader of the Independent Party that we prepared a memorandum on Federal Finance. We tried to make that as useful as possible by showing exactly what was the framework of the problem. In order to show what was the framework of the problem, we gave certain specimen figures, but these were not in the least intended as reliable prophecies of what the position might be in a year or two's time. I myself do not recollect exactly what figures we gave, but my Honourable friend is certainly not entitled to argue from anything that was said there that we disclosed a view on what was likely to be the course of trade. My recollection is that we said everything of that kind must be treated with extreme caution and that just at the present moment it was almost impossible to work out a practical plan of federal finance because all the factors were completely uncertain.

Sir Abdur Rahim: I take it at any rate that the position is this: that they are not in a position to estimate with any degree of assurance what the future is likely to be so far as the financial position is concerned. Then the only prudent course is to proceed upon the basis laid down by the Honourable the Finance Member himself.

Now I come to my theme of retrenchment. As Chairman of the General Purposes Sub-Committee I may say we had to review the entire expenditure of the Government of India except the military and commercial undertakings like the Railways and Posts and Telegraphs. We have already proposed reduction of expenditure in the field covered by our first interim report to the extent of 121 lakhs, which amounts to 37 per cent. of the total expenditure under those heads. The Government have accepted, out of our proposals, recommendations to the extent of 31 per cent., that is 101 lakhs. We have been supplied now with a list of the proposals made by the Government of India as regards the recommendations contained in our first report. We do not claim that every single item of our recommendations should have been accepted: it was repeatedly impressed upon us that ours was an advisory committee. We accepted that position. But we made it absolutely clear, when we took up the task, that our proposals, so far as the schemes of reorganisation are concerned, ought to be taken as a whole. I must say at once that in some very important matters the Government have very substantially modified our proposals. I will give one instance. We all know that Education, Health and Medical are transferred subjects: that is, they are subjects which have been made over to the charge of Ministers responsible to the Legislatures in the provinces. But we find that, although these are transferred subjects, certain expensive establishments are maintained in the Government of India in connection with Medical and Health, far more expensive than could be warranted by the fact that there are certain all-India problems of health which are the responsibility of the Government of India. Take for instance the Director General of the

Indian Medical Service. As every one knows, the Indian Medical Service is a department of the Army. They are mainly or primarily recruited for the Army, but the members of that service are posted in the provinces and they work in the provinces, and yet we have in the Government of India on the civil side an expensive establishment with the Director General at the head and with a well paid staff. On the Army side also there is a similar officer and further, questions like those of recruitment to the medical services like other services are mainly dealt with by the Public Service Commission. The Inchcape Committee, so far back as 1923-24, reported that there was no justification in keeping up such expensive establishments in the Government of India. That recommendation was turned down, and today also although the provinces have advanced a good way towards self-government, in those branches we find that this establishment is still maintained. We proposed that it should be substantially curtailed, but the Government have not seen their way to accept this proposal. Take again Public Health. The Government of India maintain a Public Health Commissioner, a highly paid officer with his staff, and yet it is a provincial subject transferred to the charge of Ministers. No doubt there are certain international obligations, the responsibility for which lies with the Central Government. But we pointed out that it was not necessary for the discharge of those obligations to maintain a highly paid staff in the Central Government. It would be quite enough for those and similar purposes to maintain a medical adviser with a very much less expensive staff. That proposal of ours was also turned down.

Some mention has been made as regards the Council of Agricultural Research. I think Mr. Brooke-Elliott suggested that that Council ought to be abolished altogether. I am afraid my learned friend is not really familiar with the facts. The Imperial Council of Agricultural Research came into existence upon the recommendation of the Linlithgow Commission, a Commission which devoted very considerable time and labour to consider the means that exist for improving the agricultural resources of India. The Government of India, after fullest deliberations, accepted that proposal and instituted that Council. We went into the matter very carefully and recommended not only that the Council must be maintained, but by placing all institutes for Agricultural Research under that Council, a considerable saving in expenditure could be effected; but that proposal of ours has not been accepted. We have got, for instance, the Pusa Institute. What reason can there be for the Pusa Institute not being under the Imperial Council of Agricultural Research? What justification can there be for additional experts, agricultural and veterinary, being entertained in the Government of India itself? The Imperial Council of Agriculture with its advisory and governing bodies have adequate arrangements for the representation of experts on different subjects, and the Government of India have at their disposal enough experts through the Imperial Council for advising them on matters of agriculture and veterinary.

Then we proposed the abolition, or at any rate the placing on the Army estimates of certain institutions like the dairy farms at Karnal and other places which are really maintained for the benefit of the Army. That has not been done either. I fully recognise that Government in accepting 31 per cent. of the recommendations of the General Purposes Sub-Committee as made in the first report have gone a good way in carrying out proper retrenchment, but we are confident that Government could have safely gone further and accepted all our proposals in these

[Sir Abdur Rahim.]

matters. We do not say that in one or two small matters we could not have made mistakes; we do not claim infallibility. As a matter of fact, however, I do say, having examined the various departments, there is still room for further economies which we could have shown if we had the time and the opportunity to go still more deeply into matters.

I have omitted to mention the case of the Survey of India. Now, that department has been in existence for I think nearly 80 years or more, and we had evidence given before us that the Department practically surveyed every inch of ground in the whole of India and Burma. But the case of the Department is that new methods have come into existence, new instruments have been devised for the purpose of more accurate surveying. We do not doubt that, but what we were not convinced about was whether there was really any need for going over the same ground and making more accurate maps of the whole of India. We came to the conclusion that, for all practical purposes, the needs of Railways and Irrigation Departments have been fully met; the maps that have already been produced by the Survey of India are quite sufficient. It is perfectly true that in some tracts of the Frontier more accurate maps had to be made. We made ample provision for that,—I think we provided 14 lakhs for that purpose so far as the military purposes proper were concerned, but I do not know how the Government of India have come to the conclusion that that is not enough. They have deducted out of the reduction we proposed another 7 lakhs, and I submit, so far as the Survey of India is concerned, 14 lakhs is more than ample for the work that is left. We wanted to know as to why they wanted such accurate survey over again of the whole of India, and the answer was—supposing there are internal troubles, you must know what trees have grown up in the meantime, what ditches now exist which did not exist before and things of that kind. I submit that in this financial crisis, in this extreme financial stress, it is not justifiable to maintain an establishment of that character for that purpose. Not only we, but even the Inchcape Committee, had evidence that tons of maps are produced which are not sold and which have to be burnt periodically. What justification is there, I ask, for maintaining any large parties of Survey of India except for certain areas on the Frontier? I claim, therefore, that the entire reduction we proposed under this head ought to be restored. Another point is this. The Survey of India is really maintained for military purposes. Why should their estimates be on the civil Budget? This is not the only instance. I could give the House several other instances. As for the Army. What the House is supplied with as the military Budget is only 55 crores; that is not the fact. There is much more which is hidden here and there in the civil Budget.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): The invisible military Budget.

Sir Abdur Rahim: My friend, Dr. Ziauddin calls this the invisible military Budget.

Now, as regards the second inquiry, the facts are these. We have not been able to submit our report because of some misunderstanding. We were informed at Simla that it would do for the purpose of the Honourable the Finance Member if we could give him the figures of our proposals before the 1st of November, and we had on our Committee an officer of the Finance Department, Mr. Nixon. We did, as a matter of fact,

complete our enquiries, I think, on the 30th October, and Mr. Nixon was there, and I believe he had the figures with him. That was all that was expected by the 1st November. But for the fact that the official Secretary, Mr. Shah, was unable to come down to Delhi, the report might have been completed by this time, but the figures are there. Our proposals are complete and those figures show, as the Honourable the Finance Member knows, that we have proposed a reduction in expenditure to the extent of Rs. 155 lakhs out of a Budget of a little less than Rs. 800 lakhs. In this second enquiry we have examined nearly 50 Demands and the percentage of reduction would be about 16 per cent. Now, in his speech in Simla on the financial position and also here, the Honourable the Finance Member told us that in dealing with these subjects, which he calls administrative and revenue collecting subjects—and they are mostly of that character—we should apply the same principles that we applied in dealing with the subjects covered by our first report. I wish to assure him and this House that we have applied exactly the same principle, and that principle is not to destroy or even to cripple or reduce the efficiency of any department of the Government but only to reduce expenditure to the minimum amount sufficient to carry on their activities with reasonable efficiency. I agree entirely with the Honourable the Finance Member that, by such pruning, efficiency will not be injuriously affected, but it will in fact be increased. That is the principle on which we have acted throughout.

Now, as regards the administrative departments, there seems to be an idea in the mind of the Honourable the Finance Member that we ought to touch them as lightly as possible; otherwise the administration would be in danger. I want now to tell the House what are the conclusions we have formed as regards these administrative departments. The constitution of the administrative side of the Government of India is this. We have got what is called the Secretariat proper, sometimes called departments proper, that is to say, under an Honourable Member of the Council in charge, there are the Secretary, Joint Secretary, Deputy Secretary and some other officers—more or less minor officers—with their necessary ministerial establishment. That is the Department or Secretariat proper. There are six such departments, but that is not all by any means. We have got what are called attached offices, subordinate departments, subordinate offices, branches or sections. It is rather a technical distinction, it is a somewhat hair-breadth distinction—between what is a department, what is an attached office, what is a subordinate office. It simply turns upon the question of the exact status or the exact amount of salary drawn by the staff. These offices, I wish to mention to the House, are fully staffed. All these subsidiary, ancillary offices, or whatever you might call them, have highly paid officers at the head, either called Director General, or Director, or Members of a Board, and they have well paid staffs, that is in addition to the Secretariat proper. Now, I will give you a list of some of them. Take for instance the Home Department. For dealing with the question of services, recruitment, discipline, and certain questions of pay such as Lee concessions, promotion, etc., you have got the Public Service Commission. It is a very important function of the Home Department—the administration of all India services. This Public Service Commission consists of one President, Sir Ross Barker, on a salary of Rs. 5,000, 4 Members on a salary of Rs. 3,500 each, a Secretary on Rs. 2,000 or more and you may take it they have a fully

[Sir Abdur Rahim.]

staffed establishment. Now, they deal with all important questions regarding the services. The Public Service Commission itself admitted to us in their memorandum and through their Chairman, who appeared before us, that they could very well do with three Members,—a suggestion which was made to them—one European Member, one Hindu and one Muhammadan. He even went further and said that, so far as the work was concerned, even one Member might suffice. But whatever that may be, we do not know yet whether the Government will accept our proposal or not. Doubts were expressed to us as regards that proposal of ourselves. Then in the Home Department we have a Bureau of Public Information. It is somewhat difficult to define the functions of that Bureau. It is a new institution like the Public Service Commission; it did not exist before. The work which is done by this Bureau used to be done in the Home Department itself. It has got a Director, a Deputy Director and an establishment of ministerial officers. The functions of the Bureau, we were told, were to collect information and supply it to Government regarding public activities, and also to give publicity to the views of Government through newspapers. They publish an annual book called "India", of which every Honourable Member gets a copy. So far, therefore, as that activity of government is concerned, the Secretariat of the Government of India has got a very well paid separate establishment. Take the Intelligence Bureau. That has got a Director General at its head, and the function of that Bureau is to watch certain kinds of activities throughout India, political and other activities which in any way affect law and order in the country. That also is a very well staffed branch, so that it ought to reduce the work of the Home Department in that connection. As regards constitutional questions, since the idea of reforms was started, we have had, and we have now, a separate Reforms

1 P.M. Office, which also is entirely self-contained. That deals with all questions relating to constitutional development which are now being dealt with at the Round Table Conference. So far as that important and heavy work is concerned, the Home Department is relieved of it. Then there are the Demands under the Viceroy's staff and his household. We all know, there is a Military Secretary and his establishment, the Private Secretary and his establishment, and there can be no doubt whatever that they are perfectly competent to deal with questions that arise in that connection.

In the Commerce Department we have the Railway Board and you know how expensive it is. It consists of five Members, on a salary of Rs. 4,000 each, and they have a separate Financial Commissioner of their own. We have got a separate Tariff Board to deal with tariff questions. All applications that are made for tariffs are sent to the Tariff Board for inquiries. Then we have the Commercial Intelligence and Statistics Departments to supply information as regards the movements of trade and business. They also have a separate establishment of their own. Then for shipping matters which is under the Commerce Department there are a Nautical Adviser and a Chief Surveyor. Again we have also here in Delhi and Simla, the Chief Inspector of Light Houses and light ships. We have the Actuary and his establishment to deal with questions relating to insurance and other actuarial work. All this is in addition to the Secretariat proper.

Now, take Industries and Labour. We have the Posts and Telegraphs in charge of the Director General of Posts and Telegraphs and his staff, and they have in addition a Financial Adviser, a highly paid man. Then there is the Chief Engineer in charge of Public Works. The Geological Survey, the Dhanbad School of Mines, Meteorology, Civil Aviation, Indian Stores. All these have their own directorates and staffs with large establishments. Then we have the Secretariat proper. The Department of Education, Health and Lands also is in a similar position. We have got for every department and branch of work a separate office. Some of these have been recent creations. In the Finance Department itself, we have the Military Financial Adviser and a number of other highly paid officers. We have also a Central Board of Revenue consisting of two Members belonging to the Indian Civil Service, men with considerable experience and standing in the service. You have got the Audit and Accounts officers, Currency and Mint, and the Master of the Nasik Security Press, with complete staffs of their own. I do not think the Members of this House will find the Budget of the Nasik Security Press in the Demands for Grants. I think only Rs. 5,000 is given, while as a matter of fact the expenditure on salaries alone for that Press amounts to Rs. 3 lakhs per month. The gross Budget of the Press amounting to lakhs is not shown in the Budget. We have the Legislative Department, whose business is to interpret for the Government of India all Statutes, rules and regulations, and to draft all legislative Bills. They also administer the establishment for the Council of State. Then we have, as you know, the Legislative Assembly Department which is self-contained.

Now, we in the General Purposes Sub-Committee have examined as carefully as we could the work of these departments and the various agencies that exist for doing that work and we have come to the deliberate conclusion that there is considerable duplication of work, largely due to over-staffing. We do not suggest for a moment that the officers have not enough work to do or the clerical establishments have not enough work. As a matter of fact with the multiplication of officers and offices, the work tends to increase. It is a natural tendency and that is what we have found. I have told you of the official agencies that exist for transacting Government business in the Government of India, but there are other agencies also. You have been told, and rightly told by Mr. Brooke-Elliott that these commissions and committees of inquiry cost a great deal of money. I think his figures were not quite accurate. In the last ten years these commissions and committees of inquiry have cost 150 lakhs and not 200 lakhs.

Mr. O. Brooke-Elliott: I spoke from the figures supplied to me, but I will accept the correction.

Sir Abdur Rahim: That is my recollection. It is between 150 lakhs and 200 lakhs. Now, as regards the administrative departments, we had very valuable evidence on this point. I was not speaking through my hat, when I say that there is considerable duplication of work. I am relying on the evidence of a very important body of officials, namely, the Public Service Commission. This is what they say:

"In most matters of importance with which the Public Services Commission deal, it would appear to them, as far as they can ascertain, that after the matter has been most elaborately considered by five members of the Commission, it is considered *ad initia* in the Government offices."

[Sir Abdur Rahim.]

We came to the conclusion that there could be no justification for a procedure of that kind,—and it is a procedure of that nature that leads to expense, to the waste of time of officials and, I am confident also, to loss of efficiency. Sir Ross Barker who appeared before us confirmed this statement, and he was strongly of opinion that such duplication ought to be avoided. What is the good of having such eminent men in charge of such a department—men of eminence in the public life of England and here, and men with trained experience some of them drawn from the services, if all the work that they do after considerable investigation has to be gone through every time in the Secretariat? I am sure the House will enter a strong protest against such a procedure and will agree with the conclusion arrived at that this is not an isolated instance but it is inevitable in the present circumstances. It is that, Sir, which we want to stop. You will find also that in the offices themselves you have got relays of officers. What is the result? The result is endless and interminable noting whatever the rule may be. The rule I think is that there ought not to be more than three notings; at any rate that is the understanding, but in practice the system of noting goes considerably beyond that. What then is the remedy? We have not proposed anything too radical. All that we have suggested is, let there be greater decentralization—not in the sense of new rules or new offices; not that. I say, “Trust your offices more, trust your subordinate ancillary and subsidiary offices more”. And if you trust them more, then there will be very much less work in the Secretariat; and if the higher officers again trusted their junior officers, who belong mostly to the same service and possess identical qualifications and have similar experience, a little more, then the work will be still more simplified and you will not need such heavy staffs.

Now let us take reports of commissions and committees of inquiry. You know most of these commissions and committees of inquiry are very carefully chosen either in England or in India. In many cases we have very eminent men at the head and as members, but what happens? Their report is made after considerable inquiry. The Commission examines a number of witnesses all over India, they inspect a number of institutions which they have got to do for the purposes of their inquiry, and then, after considerable deliberation, they make their report. Then it goes to the Secretariat. The whole thing is examined elaborately and in detail from beginning to end. I ask, what is the good of appointing these expensive commissions and committees of inquiry if the whole of the work has to be done over again in the Secretariat without the Secretariat possessing any of the facilities which these commissions and committees of inquiry enjoy? (Applause.) And who are the men? Without any disrespect to the members of the Secretariat, I say they have not got the opportunity and they cannot properly and adequately deal with the subjects which were in fact for that very reason, relegated to special commissions and committees of inquiry. The procedure which we have suggested to the Government is this, and I hope the House will support us there, that you must trust these commissions and committees of inquiry as subsidiary agencies of Government, and not as hostile bodies. If you adopt that attitude, the procedure would be very much simplified, but if you adopt a different attitude, namely, that these men really do not know their work, and you must do the work over again, well, then

of course a considerable amount of public time and money must be wasted, and that is exactly what happens. I am not saying this except upon evidence that was given before us. We were told, for instance in the case of the Labour Commission's Report, which is a very important document, that, when that goes to the Government, it has to be examined in detail and elaborately before the Government can come to its conclusions. We are perfectly aware that it is the responsibility of the Government to accept or to reject the proposals of these commissions and committees of inquiry and to take such action upon them as they consider best. But what is the use of these commissions of inquiry unless the Government accept at any rate their main recommendations? No doubt the Government will have to see what are the financial results, and what would be the political effects, and to that extent the Government would be perfectly justified in examining carefully the proposals emanating from these commissions and committees of inquiry, but they have no business to go into the matter in meticulous detail, especially as regards the findings of fact, which ought to be accepted without any hesitation whatever. In cases where there is a difference of opinion, then no doubt the Government have to consider which opinion or which recommendation they should accept. But beyond that, they ought not to go. That however is not the procedure here. So far as the evidence we have received goes, it is clear that in that way also, if only the Government trusted these agencies a little more, a great deal of public money and time would be saved.

Mr. President: May I know how long the Honourable Member is likely to take? If the Honourable Member is likely to take more time, I will adjourn the House for Lunch now and the Honourable Member can resume afterwards.

Sir Abdur Rahim: I shall take a little time, Sir.

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

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

Sir Abdur Rahim: Sir, I have been dealing with the possibilities of economy in the Government departments and I have tried to show that there is considerable duplication of work and considerable over-staffing in almost all departments of the Government. It has been suggested that the increase in expenditure is greatly due to the introduction of a democratic form of government. To some extent that accounts for the increase in expenditure. But the real cause is not the introduction of a democratic form of government, but it is the clash between the two systems, the official system and the democratic form. The natural result of such a dual system is that the official Government tries its best naturally to entrench itself behind as many officials as possible. It is a natural tendency of all Governments to strengthen their position. The popular element such as it is in the Government, for instance, the Legislative Assembly, the Commissions and Committees of Enquiry, on the other hand, want to assert an authority of their own with the result that there is a clash and conflict of interests and the result is an increase both in

[Sir Abdur Rahim.]

the staff and in the expenditure generally of the Central Government. Now, Sir, I have suggested to the House that if all these popular elements in the Government are on the other hand considered as so many helpful agencies, then in that case there would not be any clash and there would be no substantial increase in expenditure. Therein lies really the root of the present growth of expenditure, and I submit that the only remedy is in change of outlook and attitude on the part of Government.

Something has been said about the revenue collecting departments. It has been suggested that if we made a substantial retrenchment in the staff of these departments, such as the Central Board of Revenue and the establishments in the provinces, the Income-tax Department, the Customs, the Northern India Salt Revenue, Opium, etc., then in that case the Government revenue will suffer. There is a fallacy in an argument of this sort. We do not wish to make any retrenchment which will make the revenue suffer. We want to leave enough staff for the purpose of collecting the revenue. All we want to do is to cut out any redundant staff that in our opinion exists in these departments and I do not see what possible objection there can be to such a reduction. On the other hand, if the staff is reduced to its proper size, the departments will work much more smoothly and more efficiently. Now, there are certain items in the budgets of some of these revenue collecting departments which might interest the House. In the Customs Department, for instance, a certain class of officers has got occasionally to work overtime if there is pressure of work. Ships come in at night, they want to unload their cargo and the Customs officers are required to see to their work at night. For that purpose this class of officers is paid overtime. The overtime charges are paid by the ships, and they amount to something like Rs. 12 lakhs. The House will hardly believe it, but all these payments go to the pockets of these officers. Now, these are not men who are employed for the occasion, for that particular job. They are permanent servants of the Government and at times they have not got enough work during the office hours. If they are sometimes employed after the office hours, is there any justification to give them extra emoluments to an extent like this? Why? Almost every officer of Government at times has got to work beyond his office hours. Members of Government, Judges of High Courts and many other officers have got to work beyond office hours. Is there any such principle that they have to be paid extra remuneration for those extra hours of work? There is another item in which there can be a considerable saving.

Now, I have given you a slight sketch of the establishments in India itself. Now let us look to England. We had formerly only the India Office to deal with all matters which had to be dealt with in England. Now the High Commissioner's Office has been established to take over certain departments of work of the India Office, the agency work. What do we find now? The Budget of the High Commissioner is going up by leaps and bounds, and we find no proportionate reduction in the Budget of the India Office. On the other hand that is also going up. What justification can there be for such a state of things? And mind you, it is no small amount. It amounts to lakhs, quite apart from the capital expenditure that has been incurred in connection with the new building. This is a tale, Sir, you find throughout the Government of India, and if the Government of India retrace their steps and they regulate their

expenditure to a scale which will be met by the normal revenues of the country, then in that case there will be no necessity—I say confidently—for extra taxation.

There is one item which I wish specifically to mention and that is the charge for the Ecclesiastical establishment. We have got an established Christian Church in India. That accounts for about Rs. 32 lakhs a year. Now, it is the established policy of the British régime in this country that the Government must observe strict religious neutrality. I ask Government, is the maintenance of an ecclesiastical establishment and an established Anglican Church consistent with that policy of neutrality? There can be no two answers to that question. What justification can there be that you should maintain an establishment called the ecclesiastical establishment? You do not maintain any such establishment for the Hindu or the Muhammadan religion.

Mr. A. H. A. Todd (Madras: Nominated Official): Is it not a fact that the British Government confirmed a very large number of *inams* and endowments both for Hindu temples and for mosques all over the country? Every village seems to contain large numbers of *inam* lands; which are endowments for religious establishments.

Sir Abdur Rahim: Those *inams* were not given by the British Government. Was that confirmation in pursuance of a policy of religious neutrality? Does the Honourable Member know what those *inams* were for? They were not for any established church in India at all, either Muhammadan or Hindu, but they were given to certain monastic establishments or saints, Hindu and Muhammadan. They were in the nature of personal gifts. If my Honourable friend knew anything about those *inams* he would know that they had no connection whatever with what might be called the Muhammadan Church or the Hindu Church. The *wakfs* meant for the performance of religious services in mosques and temple are not analogous to the Christian Church; they were never maintained by the State. I say the ecclesiastical establishment is a flagrant violation of the policy of religious neutrality, and therefore

Mr. A. H. A. Todd: Even now large cash payments are made by the Government towards the maintenance of temples.

Sir Abdur Rahim: I will not accept that statement unless the Honourable Member can give us figures. There may be some Maulvies being paid a few rupees a month here and there, but I suppose the total will not come to more than a few thousand rupees.

Mr. A. H. A. Todd: One religious establishment alone in my district is paid Rs. 1,400 a year with reference to one particular temple.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): How much land did that temple own before the British Government agreed to pay Rs. 1,400? We know that the Sriangam temple owned lands which produces Rs. 2 lakhs a year and the British Government pay only Rs. 35,000. They would not grant Rs. 50,000 for even the repairs to that temple which is crumbling.

Sir Abdur Rahim: Perhaps the Honourable gentleman is not aware that the Government took over the administration of certain temples and mosques, but that was not property given by the British Government. That policy was soon reversed and people have been left—Hindus and

1772

LEGISLATIVE ASSEMBLY.

[7TH Nov. 1931.]

[Sir Abdur Rahim.]

Muhammadans—to administer their own *wakfs* and *debutter* properties. I think my Honourable friend is mixing up these cases. There never has been any such thing as an established church, Hindu or Muhammadan. This is the first instance; and what is it? the established Anglican Church. . . .

Mr. H. Montgomery (Bombay: Nominated Official): The question is a financial one. It is a question of the comparative amount of money paid by Government for the upkeep of religious establishments.

An Honourable Member: Where are the other religious establishments?

Sir Abdur Rahim: We are told that part of this is on account of the Army. We asked the Commerce Department, which is running this ecclesiastical establishment—I do not know what is the connection between the two

Mr. Gaya Prasad Singh (Muzaffarpur *cum* Champaran: Non-Muhammadan): Because it has a commercial value! (Laughter.)

Sir Abdur Rahim: to give us what was the cost with respect to the Army—the Army Chaplains: but they told us it was not possible to discriminate the two sides—the civil expenditure and the military expenditure—of this ecclesiastical establishment. Anyhow it makes no difference as to how much is spent on the Army Chaplains and how much for the civil establishment. Neither I nor any Member of this House would desire to deprive the Christian officers and other Christians who are in this country of such spiritual ministrations as they may be in need of; but we have very wealthy missionary societies of every denomination throughout India. I am absolutely certain they would be only too glad to take up this religious duty on their own shoulders without any cost to the Government. Besides in Britain itself what is the state of things? Has Scotland got an established church? Has Wales got an established church? What about the Continent? Do you find an established church there? India of all countries has got to maintain an established Anglican church. . . .

Sir Frank Noyce (Secretary, Department of Education, Health and Lands): I should like to correct the Honourable Member on one point. Scotland most certainly has an established church.

Sir Abdur Rahim: Is it maintained by the State? That is the point. Will my Honourable friend answer that question?

Sir Frank Noyce: I am not a Scot and I should like somebody better qualified than I to answer it. I have no doubt that some Scottish Member on this side could explain the nature of the endowments of the Church of Scotland better than I can. I can only assert that it is an established church.

Sir Abdur Rahim: The whole question is whether it is maintained by the revenues of the State or not.

Mr. J. F. Dyer (Central Provinces: Nominated Official): It is maintained by the State exactly as many Moslem and Hindu religious institutions are maintained in this country.

Sardar Bahadur Captain Hira Singh Brar (Nominated Non-Official): May I enlighten the Honourable Member by saying that in the Army, particularly in the Indian Army, we have got one Maulvi, one Pundit and one Granthi paid by the Government for the religious benefit of the sepoys?

Sir Abdur Rahim: We should be perfectly willing to retrench all that ("Hear, hear" from the Opposition Benches) and I am sure the Indian Army will not miss this loss.

Sir, there is another field of retrenchment inquiry which is still left unexplored by us, and that is the Foreign and Political Department and the minor administrations except Delhi and the Andamans, which we have already dealt with in the course of our second inquiry. Now, the Budget under these Demands comes to about 538 lakhs. Proceeding on the principles on which we have proceeded so far, I think we can clearly expect, as Mr. Brooke Elliott suggested, a good 100 lakhs out of those items. In these departments we have got what is called a military Watch and Ward that alone costs 253 lakhs. Mind you, this is entirely in addition to the large military forces of all arms that are concentrated on the frontier; and these are not shown in the Army estimates at all: these are shown in the Civil Budget.

We have also been asked to deal with the question of fixation of pay for future recruits. That will be a somewhat extensive inquiry, because in the question of salaries for future entrants the provinces also are interested. But we have examined the existing salaries in all the departments we have dealt with so far, and we have come to the deliberate conclusion that in almost every department without exception the salaries are fixed on a scale much too high, from top to bottom; and I am absolutely sure that when that inquiry is made it will be possible to reduce the scale of salaries very substantially indeed and thus reduce considerably the expenditure under those heads.

The reductions in expenditure proposed so far by the different sub-committees have been supplied to the Honourable the Finance Member. Take our first interim report. The reductions proposed by us in the General Purposes Sub-Committee amount to 121 lakhs. In the second report they amount to 155 odd lakhs. Then if we take the Foreign and Political Department, the minor administrations, the North-West Frontier Province, Baluchistan, Ajmer-Merwara and Coorg, we should get at least 100 lakhs. As regards the Army expenditure that of course is the crux of the entire situation as pointed out by all the speakers. In calculating what are the economies possible there, we must add to the ordinary Military Budget of 51 crores, other items,—Frontier Watch and Ward, as I have just pointed out, the expenditure on which comes to 253 lakhs, Strategic Railways, the net loss on which I understand amounts to 174 lakhs, the Army Finance Department, with an expenditure of Rs. 7 lakhs, the Army Department costing another 7 lakhs or a little more; then we have also what you call the railway concessions for the Army, which are calculated to amount to about 80 lakhs; the Survey of India, the greater portion of the work of which is done for the Army, must also be added to the military. Then we have to take into account substantial extra expenditure on account of the Army in the meteorological and wireless services of the Government. If you add all these, you will find that they amount to a substantial addition to the Military Budget. Altogether we should not be far wrong in saying

[Sir Abdur Rahim.]

that the total Military Budget, taking all these items into consideration and others which I have not mentioned, would be something like 60 crores at the lowest. Out of these 60 crores, what has been really proposed is a reduction of about $4\frac{1}{2}$ to 5 crores. We on this side of the House are convinced, and I believe Honourable Members of the European Group are also convinced, if I followed their speeches aright, that there is considerable room for further reduction in the Army Budget. The pre-war Army Budget was about 25 crores. Then it suddenly swelled up until the Incheape Committee brought it down, or rather proposed that it should be brought down to 50 crores. Mr. Moore has given us one argument why he thinks there may be further reduction in the strength of the land forces and that is the advent of the air force. It seems to me that that is also certainly a proposition which the military authorities might well consider. Further, as regards the ancillary services of the Army, there is much scope for further reduction. We think that if the Army Budget could be brought down, say to 40 crores, we should still be on perfectly safe ground. That would not need even any very drastic reduction of the strength, but we do think that the strength of the forces can bear a certain amount of reduction. If we bring down the Budget of the Army to 40 crores, then we shall have gone a good way to provide about 26 crores or more towards the deficit. In that case the rest of the gap that is to be filled will be very much narrowed. I have already said that, given a further opportunity, it would be possible to reduce the ordinary expenditure on the civil side of the Government still further than we have proposed. If you add to these reductions the miscellaneous items, then in that way you will get more reduction. As regards the cuts in pay for instance, the total salaries on the civil side amount to Rs. 9 crores, that is, including officers and establishments. The Government have proposed a uniform cut of 10 per cent. Now, if you have a uniform cut of 10 per cent.,

3 P.M.

then it comes to somewhere near 90 lakhs, but the Indian Members generally favour a graduated scale. The Honourable the Finance Member has told us that a graduated scale must necessarily mean a reduced financial gain, but that is basing his calculations on the proposals which certain Members made in the Retrenchment Committee. It is a question really of principle whether the scale of cut should be uniform or it should be graduated. Does it necessarily follow that if you have a graduated scale of cut, the reduction in expenditure will be smaller than by a uniform cut of 10 per cent.? Of course, it does not. What you will have to do is, and what will meet the demands on this side of the House, is that you have to slightly increase the scale of reduction in salaries in the higher grades, because the salaries in the higher grades as they stand at present are high enough to bear such a cut.

The General Purposes Sub-Committee proposed that the pensions payable in England should pay income-tax according to the Indian Income-tax Act. My friend, the Finance Member, says that this is not feasible,—that it is not possible,—I think that was his language. I fail to understand why it should not be possible or feasible. The Act says that on the payments of salaries and pensions the income-tax ought to be deducted at the source. These pensions are paid out of the Indian revenues. What justification can there be for not deducting the income-tax at the source as in the case of pensions drawn in India itself? The information given to us is—and I believe it is a fact—that the Government had to issue a special notification to exempt these pensions from payment of

income-tax. Is that fair to the Indian exchequer or to the public of this country? Why should men drawing pensions here pay income-tax, and why should men who happen to draw their pensions outside India not pay income-tax? If you levy taxes on pensions payable in England, we can get an amount equal to something like 75 lakhs per annum. I am not quite sure I am speaking from memory—but that is my recollection.

Then as regards the leave salaries also—I forget the exact figure,—that will also bring in a considerable sum. If the pensions and leave salaries have got to pay any tax in England, arrangements could very well be made, as is done in some cases, with the authorities in England to have a fair distribution. That is done with respect to mercantile incomes, and so I do not see why it should not be done in the case of pensions and leave salaries. Why should India, especially in these hard times, lose any portion of her revenue that can be had under the Act?

As regards the Lee concessions, a calculation was made by a member of the Finance Department, and the figure he gave was, I believe, 175 lakhs, that is the total value of the concessions.

The Honourable Sir George Schuster: A crore and a half for the Provincial and Central Governments combined.

Sir Abdur Rahim: I am glad to be corrected. Now, the Budget that is placed before the House does not give you any idea. I do not think the Lee concessions are even mentioned anywhere. You cannot get from a study of the Budget figures, study them as much as you like, any idea as to what is the nature of these concessions, what are the various forms of these concessions, or what they amount to under different heads; these things are not disclosed in the Budget. But supposing that figure is correct, is there any reason why in these hard times these concessions should be retained? When the Lee Commission was appointed, we all know that the prices had gone up considerably and the cost of living had accordingly gone up, and that was the main justification I say for the appointment of the Lee Commission and for the recommendations which they made at the time. Those conditions have changed entirely; prices have gone down even below the pre-war level, and yet these concessions are retained. When I refer to this question, there is no question of class or race. There are many Indians who get the Lee concessions also. As a matter of fact, under our retrenchment scheme generally many Indians will suffer ten times more than Europeans, but in making our proposals we have not taken into account any question of race or class; we merely wanted to save the financial situation. These Lee concessions assume different forms like increased pay, passages not only for the officers themselves but for their families, and all that. No doubt, so far as the individuals are concerned, the loss will be felt by a number of people, but what about hundreds or perhaps thousands of men, at any rate, hundreds of men, whose posts are going to be abolished? Will they not suffer more? In the case of the Europeans, they will suffer the least especially men of the services, because they can go back to their provinces, that is those whose posts are abolished in the Central Government will go back to their provinces. So they are well protected. But what about the Indians? Of course, you will give them compensations, but whatever the amount of compensation may be, it can never make up for the loss they will sustain by their posts being abolished.

[Sir Abdur Rahim.]

Now, Sir, I will make a few remarks about the taxation proposals. In that connection I should like to give some figures to show that since 1928-29 the exports and imports of the country have been gradually and greatly declining. In 1928-29 the exports of merchandise, excluding treasure, amounted to 339 crores; in 1929-30 they dropped to 318 crores, in 1930-31 they fell to 210 crores and in the first half year of 1930 the drop was to the extent of 125 crores, and in the first half of 1931 they dropped to 78. Look at the huge decline. Look at the imports, there is a similar tale to tell. In 1928-29 the amount was 263 crores. In 1929-30, it came down to 249, in 1930-31, 159 crores; in the first six months of 1930, it was 87 crores, and in 1931 it was 66. Now, it is all very well to impose taxes on income, tariffs and all sorts of devices. Where are you going to get the revenue from? The only practicable course is to take the revenue as it stands now and retrench your expenditure to that level; and it can be done; it is perfectly practicable.

As regards the merits of the various taxation proposals, I find that the Leader of the European Group characterised Professor Keynes' statement of the position as regards the different forms of tariffs and other taxation proposals as something absurd and said that he was speaking through his hat. That was a reflection also on the Honourable the Finance Member who quoted the Professor's dictum with approval. Is it not clear to the meanest common sense that you can have taxation proposals which will be injurious to the interests of the country, and you may have other proposals which may benefit the country? Mr. Moore said that all taxes are bad; some are worse, like Scotch Whisky. I do not know whether he used the word "Scotch", but he did use the word "whisky"; and perhaps he meant Scotch. If you tax articles on which the industries of the country depend, you necessarily hamper and handicap those industries. On the other hand, if you impose tariffs on goods which are imported into this country and are competing unfairly with the manufactures here, in that case you give an impetus to the industrial development of the country. Now, Sir, that I submit is an obvious proposition and it is on that basis that we are going to examine the taxation proposals. But our first attempt is to see whether the Budget cannot entirely be balanced by retrenchment of expenditure. Expenditure has undoubtedly gone up and Government have to reduce it. If that is not possible and to the extent necessary, we may allow some taxation proposals to go through. My own conviction is—and it is the conviction shared by every Member on this side of the House and I believe by the general public, the Indian public—that the taxation of the country has gone far enough and there is no room for further taxation. We are bound to pay heed to that cry, and I suggest to the Honourable the Finance Member that he ought not to disregard public opinion which is entirely clear and firm on this point. There is a limit beyond which Government cannot go. There is a natural limitation, and I submit that the Government ought not to drive the country to desperation.

Mr. Gaya Prasad Singh: Sir, this is the fag end of the last day of the four days set apart for a general discussion on the Finance Bill. You cannot expect me at this stage to contribute anything very striking or original to the debate. The only reason, for which I have stood up

is to record my protest against some of the proposals contained in the Finance Bill, and I shall try to do so in as few words as I can. In the first place, Sir, my Honourable friend, the Finance Member, whose sincerity and earnestness of purpose I do not for a moment question, has described the present state of the finances of this country as one of national emergency. I am glad, that the representative of a foreign Government has so far identified himself with the affairs of this country as to call the present financial situation as one of national emergency. "National", Sir, is a word which is somewhat inappropriate as coming from the mouth of the representative of a foreign system of Government; but I hope that now when he has used this expression, he will try to place himself in the position of one who has thoroughly identified himself with the national interests of the country.

Sir, I should like to enter my emphatic protest against the salt tax, and the surcharge which is sought to be imposed upon it. Sir, it has been a hardy annual for some Members on the other side to represent the hardship imposed by an increase in salt duty as based on mere sentiment. The correct principle on which a tax on salt could be justified was one laid down by the late lamented Mr. Gokhale when he said that the only proper basis on which a tax could be levied on salt was to derive an expanding revenue on an expanding system of consumption based upon a diminishing scale of duties. The next thing to which I take exception is the import duty on raw cotton. This import duty will, I am afraid, be a handicap to the development of the indigenous textile industry of this country. Similarly, Sir, the import duty which is sought to be imposed upon machinery will also put a handicap on the industrial development of the country. Machinery was on the free list before, and it is now sought to be taxed, to which I take strong exception. The third thing which I object to is the increase in the tax on kerosene. I might suggest to the Government that they should take this opportunity of equalising the import and the excise duty on this article. Kerosene oil is consumed by the poorest of the poor classes in this country, and to impose a tax upon what has become a bare necessity of life is, in my opinion, absolutely inequitable and unjustifiable. I also, Sir, object to the increase in postage rates on postcards and envelopes. I am afraid that this increase in postal rates will, instead of bringing in much additional revenue, have a tendency to diminish the consumption of postcards and envelopes by the public.

Then again I object, Sir, to the imposition of income-tax on incomes of between Rs. 1,000 and Rs. 2,000 per annum. This will hit the middle classes hard, as it will affect incomes of Rs. 84 per month and above. In England, Sir, under the English Act there are exemptions provided, and these exemptions are in favour of one's wife, children and other dependants, who are not liable to be taxed. In India, such an exemption has unfortunately not been provided by the Indian Income-tax Act, and to put an additional burden at this time on a class of people who are least able to bear it is in my opinion inequitable and unjust. These proposals for taxation are absolutely beyond the capacity of the people to bear. This is the proverbial last straw; and if the Round Table Conference, which is on the point of breaking, actually breaks up, and if the Congress launches on another campaign of civil disobedience and non-payment of taxes, some of these taxes will, I am sure, afford an admirable field for their activity. From that point of view also it will add to the general discontent of the people.

1778

LEGISLATIVE ASSEMBLY.

[7TH NOV. 1931.]

[Mr. Gaya Prasad Singh.]

As to retrenchment proposals, I should like to state that the General Purposes Sub-Committee of the Retrenchment Committee have done their duty with great care and labour, and I am in general agreement with most of the recommendations contained in the Report, with the exception of only two points. The points to which I should like to take exception are the recommendations regarding Broadcasting and Civil Aviation. Apart from its entertainment value, broadcasting is a great force in assisting the cultural and educational development of the population. I understand, Sir, that about 10,000 licence-owners have invested in sets, radio goods to the tune of many lakhs will remain idle, and Government will be deprived of the additional revenue from customs duties if broadcasting is closed down. I understand that Bengal possesses radio goods to the extent of 10 lakhs, and Bombay also to about the same amount. Radio stocks all over the land come up to the value of 75 lakhs of rupees. I am speaking subject to correction and if the plants which are installed in Calcutta and Bombay are to be sold up, I do not know whether it will be possible to sell them at an advantageous price. I would suggest in this connection that, instead of wholly closing down broadcasting, Government should try an improvement in transmission and the programme, which will induce more people to take out licences and bring in more licensing fees. The second thing which I would suggest is that an effecting check on piracy and unauthorised listeners should be imposed, and the licence fee of Rs. 10 should be a bit increased. After all people who indulge in these radio sets can very well afford to pay a little more than Rs. 10 per year. The third suggestion would be a reduction in the highly paid staff. If some of these and other proposals are carried out, I think it may not be necessary to close down the broadcasting at all, and it may be made self-supporting, if not now at least in the near future. Government have very promptly acted up to the recommendations of the Retrenchment Committee so far as this particular item is concerned. Why have they not given effect to the other recommendations which have been described so elaborately by my friend, Sir Abdur Rahim, in his speech this morning. There seems to be a policy behind retrenchment in closing down broadcasting, and it was given out by no less an authority than the Friend of India, I mean the *Statesman*. A warning was uttered in that paper that broadcasting had already educated the people or may educate the people more than they should be allowed to learn; and the *Statesman* in its issue of the 16th October published a report that the "reasons which have prevailed with the Government appear to be not only those of economy but also those of policy". It was also said that most of the people who listened in did so not so much for the Calcutta or Bombay programmes but connected themselves with the Hague and London programmes. So after all that appears to be the sin for which broadcasting has been shut down by the Government so quickly. If the suggestions to which I have referred are given effect to, I think it may be possible to put broadcasting on a self-supporting basis in the near future without any funds being given to it by the Government. Government undertook to give this system a trial for two years, and it has been shut down before the expiry of the term.

The other thing to which I object is closing down of Civil Aviation. It is a national activity of importance, and we have been told that India is under an international obligation to develop some form of this activity. Scientific activities which are nation-building subjects should be given

a fair chance for development. Indians have been denied opportunities of entering into technical and other activities on the ground that they have not become specialised in those subjects. We have been denied entrance into the engineering and technical sides of the Railways, in the higher appointments of the Security Printing Press at Nasik, and from the technical side of the Army to mention only a few instances, on the ground that we have not had proper training in them. Civil aviation is in its infancy, and to stop all forms of activity in civil aviation is to throw back the progress of the country for years, as it will deprive the Indians of a chance of being trained. The other day, before the Retrenchment Committee made its report, Government purchased four aeroplanes for the purposes of civil aviation, but now there is no buyer to purchase them, and we have to make a present of one of these aeroplanes to His Excellency the Viceroy for his occasional flights. There are no purchasers for the other three, and Government are going to sell them at a loss of more than Rs. 70,000 on each aeroplane. The wonder is that with the curtailment in the activity of civil aviation, besides the Director of Civil Aviation we have at present, we are going to have another high paid officer, a Deputy Director who is very shortly flying out to this country. You are closing down civil aviation and yet keeping and adding to this costly paraphernalia. About 1927 the subject of civil aviation was discussed in this House, and this House committed itself to a general policy with regard to it. If civil aviation is to be stopped or its activities materially curtailed, I think it is only fair that the House should have an opportunity of recording its vote upon it, and it should not be done in a hurry. If the House is of opinion that civil aviation must be curtailed or that it should be entirely shut down, I personally shall have no objection. But it is only due to this House that an opportunity should be given to it to record its vote definitely on this and other issues.

Sir, one proposal of the Government to which I object is the proposal for a uniform cut in the salaries of all Government servants. We are all grateful to His Excellency the Viceroy for having imposed upon himself a voluntary cut of 20 per cent. and we are also obliged to the Members of his Council for having imposed upon themselves a cut of 15 per cent., although I think it might have been a little bit higher in their case without any material discomfort to themselves (Laughter). But this proposal to cut down the salary of other employees by 10 per cent. will hit the poorly paid employees much more than those who are more fortunate in this respect. I would suggest in this connection that the salaries of people getting Rs. 100 and below should be altogether exempted from any cut because it is very difficult for these poor people to make both ends meet. A cut of 10 per cent. from the salary of a high official will mean merely the diminished consumption of soda and the other thing (Laughter) or a curtailment in visits to social clubs and dances and so forth; but even a small cut in the pay of the poorer class of subordinates will deprive their children of education, or it will lead to the deprivation of bare food and clothing or other necessity for his family.

Mr. C. Brooke Elliott: May I hope that the Honourable Member will drink his extra duty? (Laughter.)

Mr. Gaya Prasad Singh: Will the Honourable Member repeat? (There was no response.) Then, Sir, I do not agree with the Posts and Telegraphs Retrenchment Sub-Committee with regard to their scheme of cuts in this

[Mr. Gaya Prasad Singh.]

respect. Sir, the employees of that Department are a very hard-working and deserving class of people; and of all the departments of Government, speaking generally, the Postal Department is the one against which the public have the least number of complaints. And here I am glad to take this opportunity to record my appreciation of the services done to the Postal Department of India by my Honourable friend, Sir Hubert Sams (Hear, hear), who, I am sorry to say, is shortly going to retire from the service, and I understand that this is the last time that he is with us in this House. Sir, we shall miss his presence very much (Loud applause), but I heartily give him my best wishes in whatever new field of activity he may be engaged after retirement.

Sir, my Honourable friend, Sir Abdur Rahim, has in his exhaustive and elaborate speech dealt with the subject so fully that it is not necessary for me to add anything to it. I find that there are certain heads which could have been very usefully curtailed; for instance, what is called the Secret Service Contingency Fund. Now that Fund is a fund of which no account and no vouchers are kept; and we do not know where the money is spent and how it is spent (*An Honourable Member*: "The Home Member and his department know"), and this, Sir, is a fund which might disappear from the Budget. Then there is the Intelligence Department, and it requires a microscope to find out any intelligence in it, (Laughter) but this department also, which is very nearly akin to the C. I. D. (*An Honourable Member*: "It is the C. I. D."), and is so costly, might also very materially be curtailed. (*An Honourable Member*: "Then who will shadow you"?).

Mr. President: Order, order. Let the Honourable Member go on.

Mr. Gaya Prasad Singh: My Honourable friend, who just preceded me, referred to the expenditure on the Ecclesiastical Department, which is under the control of the Commerce Department. Sir, I do not know whether the commercial and the spiritual consciences of my Christian friends are somewhat indistinguishable, but I would point out that besides this Ecclesiastical Department, which is a costly establishment, there are indirect ways in which proselytising influence is exercised upon the inhabitants of this country. I may mention in this connection what is known as the Criminal Tribes Act. There are scattered in this country a class of persons who are classified as criminal tribes, and they are under the guidance of the Salvation Army, which is a proselytising organization of the Christians. Now money is being paid out, if not by the Central Government at least by the Local Governments for their upkeep. These members of the criminal tribes are sought to be educated and to be brought up as good citizens of the country, as we are told; but all the same I would like to record my emphatic protest as I did on a former occasion to our money being spent on the Salvation Army, which is a branch of the Christian organization, in trying to convert members of other faiths like Hindus or Mussalmans. I shall now speak just one word about the Army Retrenchment Sub-Committee, and here I am sorry to say that the report which they have presented contains very halting, meagre and disappointing recommendations. Sir, they had a fine opportunity of probing into the subject and recommending some drastic and material reductions in Army expenditure. I may read out to you, Sir, the general summary of their recommendations which is at page 105. What they have suggested is an initial saving of

Rs. 2,06,00,000, recurring saving of Rs. 1,80,95,000, and the saving recommended for 1932-33 is Rs. 2,78,50,000. That is all that they have recommended. I am glad to say here that the Government themselves claim to have gone further in the way of retrenchment than the Army Sub-Committee. Sir, the magnitude of the military expenditure of the country is beyond the capacity of this poor and unfortunate country to bear. It casts a sinister shadow across the whole field of Indian finance: and no retrenchment in military expenditure would be acceptable to this House or to the country which does not reduce the military expenditure by 12 crores at the least. Sir, I am glad it was pointed out by some previous speakers that the European Association of Madras, and I believe the European Association of some other places also, identify themselves with this demand for a substantial reduction in military expenditure, instead of new taxes being imposed. Sir, the terms of reference to the committee were sufficiently elastic. It is stated therein that, "In so far as questions of policy are concerned, these will be left for the exclusive consideration of the Government, but it will be open to the Sub-Committee to review the expenditure and to indicate the economies which can be effected if particular policies are either adopted, abandoned or modified". Thus I feel it was quite open to the members of the Retrenchment Committee to have recommended a change in the military policy of the Government, but they have failed to do so. Strangely enough, Sir, the Committee seem to have forgotten this part of the terms of reference when they made the statement on page 4:

"It will be observed that our inquiry is restricted to the administrative and business side of the Army and that the strength and organisation of the fighting services are not open to our consideration."

I do not know whether there is not some inconsistency between the part of the terms of reference which I have read out and the opinion which the Committee have recorded.

Sir, I am sorry to say that the Retrenchment Committee could not be strengthened by the addition of some of those eminent Indians who have made a special study of Army questions, and who are competent to pronounce an authoritative opinion upon some of the Army problems,—a man like Sir Sivaswamy Aiyar or Dr. Moonje. Dr. Moonje was not available, I admit; but the Army Retrenchment Sub-Committee could have strengthened their position by inviting a man of the eminence of Sir Sivaswamy Aiyar, or any other gentleman for co-operation. I find, Sir, that the Retrenchment Committee have given out some certificates, and on page 10, they say:

"It must be recognised that the Army authorities have displayed a keen desire to reduce expenditure on the Army."

This, Sir, is a somewhat incorrect statement of the position. Our complaint is that the Army authorities have not shown a keen and honest desire to reduce Army expenditure to the lowest practical point. On the other hand, they have been lavish in their expenditure beyond the resources of the country; and in giving this gratuitous certificate to the Army authorities, the members of the Retrenchment Committee have done an injustice to themselves.

1782

LEGISLATIVE ASSEMBLY.

[7TH Nov. 1931.]

[Mr. Gaya Prasad Singh.]

Sir, they have given another certificate to Mr. Bovenschen who was brought out as an Army expert from England. In reply to a question put in this House on the 15th of September last, an unsolicited testimonial was given by the Retrenchment Committee who said:

"As you know, to many of us on the Committee, Army matters were a sealed book hitherto,"

and so on.

They would have been more just to themselves if they had not confessed their ignorance in this indirect manner. Sir, in 1913-14, before the war, the net expenditure on the Army was only Rs. 29 crores; in 1921-22 it rose to Rs. 68 crores. Sir, the fact that the Report of this Army Retrenchment Committee has not been taken to kindly by the public at large will be evident from just one quotation which I will read from one of the leading journals of Calcutta, the *Amrita Bazar Patrika*. It says in its issue of the 15th October:

"The Army Sub-Committee, which was formed on the 26th of May last, have on the 15th September, signed only an interim report recommending a cut of Rs. 2,78,50,000 in the 1932-33 Budget, and a reduction in the salaries on a graduated scale is expected to save an extra Rs. 75 lakhs. The saving which the Sub-Committee recommend is not much. It does not certainly come up to public expectation."

Further on it says:

"A cut of Rs. 3 crores or a few lakhs more in an expenditure of 52 crores will be only a drop in the ocean even if the recommendations of the Sub-Committee are accepted in their entirety. It is no wonder then that the interim report of the Army Sub-Committee has not only evoked no enthusiasm in the country but has sorely disappointed the public."

Sir, I do not want to take up the time of the House any more. There is just one thing. I will ask my Honourable friend to accede to one suggestion which I ventured to make to him in the Standing Finance Committee. My suggestion is, that an opportunity may be given to this House to discuss some of the important proposals of the Retrenchment Sub-Committees. I am not speaking of any particular Sub-Committee, but I am referring to all Sub-Committees, I want an opportunity for discussing some specific and important points. I admit that it is quite impossible for us to discuss on the floor of the House every item of recommendation made by every Sub-Committee, and the action taken by Government. But at least on some definite and important points no action should be taken without giving us an opportunity of recording our votes on those points. I suggest that a day should be given by the Government, that an opportunity should be given to us to record our votes on some of the specific and important points. I made that suggestion to my Honourable friend, the Finance Member, in the Standing Finance Committee, but I do not know whether it is possible or feasible for him to do this. It is not possible for us in this session to give notice of Resolutions on some of the specific points, because no non-official day has been allotted, or else some of us would have done so most willingly. But as things stand at present, and circumstanced as we are, it is only right and just that an opportunity should be given to this House to record its vote on some of the important principles underlying the recommendations of the various Retrenchment Committees, and the action taken by the Government thereon.

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): Sir, I had no mind to take part in this debate, but certain remarks which have been made by the last speaker have made me stand at this late hour of our last day of this discussion.

Mr. Gaya Prasad Singh: I purposely did so in order to draw you out.

Sir Muhammad Yakub: My Honourable friend has made some remarks about the interim report of the Army Retrenchment Committee, which was so ably presided over by the Leader of the Nationalist Party, Diwan Bahadur T. Rangachariar, whose absence on account of illness, from this session we all regret very much and we hope that he will soon be restored to health to take part and to complete the work of the Army Retrenchment Committee which he has so ably started. My friend, Sir, I am sorry to say, has not been able to follow the terms of reference of this Committee. When the report says that our enquiry was limited only to the administrative side of the Army, it is perfectly right and correct. As we all know, Sir, the Army Retrenchment Committee's scope of enquiry was strictly limited to the administrative side of the Army and the Committee could not touch the strength of the Army and we could not deal with the question of the strength of the Army in the country. Of course that power was left to another Committee, the Sandhurst Committee, which was sitting in Simla at the same time when we started our work.

Mr. Gaya Prasad Singh: What about the terms of reference which I read out just now?

Sir Muhammad Yakub: The terms of reference when they refer to questions of policy refer only to the administrative side and not to the strength of the Army. In fact if my Honourable friend will read all the terms of reference, he will find that it was beyond the scope of our Committee to touch the strength of the Army, and that our Committee could not make any inquiry about that. It would have in fact interfered with the work of the expert Committee which was appointed for this purpose, if that matter had been included in our terms also. Two committees about the same thing could not be sitting side by side at the same time. So I submit that under the terms of our reference, our enquiry was restricted only to the business side of the Army. Then, Sir, the report quite correctly stated the state of affairs when it said that the Army was a sealed book up to this time. My Honourable friend knows that the Army Budget is not a votable Demand, that we in the Assembly have no authority to go into the details of the Army expenditure, and it was really for the first time that this Committee had an opportunity to go into the details of the Army expenditure and its departments. It was rightly remarked by one of the Army officers, who was assisting us in our inquiry that, leaving aside the Army people, nobody in the country has come to know more about the Army than the members of the Committee who were sitting round that table. Now, Sir, that being so, really an inquiry into the Army was not an easy thing. Probably our Committee was the hardest worked Committee of all the Retrenchment Committees; that were appointed. For about two months we were sitting from morning till evening, sometimes even on Sundays; and even then we have been able to produce only an interim report. When my Honourable friend criticised the report so uncharitably he forgot that it is not our final report, that it is not our complete report, and that we have not yet been able to go

[Sir Muhammad Yakub.]

through all the departments of the Army about which we have to carry on our inquiry. Really all the most important departments of the Army, for instance, Army Headquarters and some other very important departments in which an expenditure of lakhs and lakhs of rupees is incurred, we have not yet been able to touch; and on account of the sudden illness of the President of the Committee and the absence of two members in the Round Table Conference in England, we considered it proper that the work of the Committee should be suspended earlier than it was intended at first; and as the Simla Session of the Legislative Assembly was going soon to be commenced and we were asked to produce at least some *interim* report in order to guide the Finance Member in framing his budget for the next year, we have produced a preliminary *interim* report; and the report should be taken in that light and should be construed not as a final exposition of our opinion on the expenditure of the Army, but only as a preliminary report of the administrative side of the Army. (Hear, hear). Considering the report from that point of view, I think, Sir, it will be found that the retrenchments, which our Committee has suggested, are not so very meagre as my Honourable friend considers them to be. Of course I endorse the remarks which have been made in the Committee about the willingness of the Army officers in co-operating in our inquiry. I found them very willing and very courteous and they were quite ready to furnish us with any information which we wanted, and really it was very difficult for us.....

Mr. B. R. Puri (West Punjab: Non-Muhammadan): On a point of order, Sir. Is this the Finance Bill that we are discussing or is the Retrenchment Committee for the Army on its trial?

Mr. President: If the Honourable Member had been present throughout the four days, he would not have lost sight of the fact that about 90 per cent. of the debate has been concentrated on retrenchment and Retrenchment Committees' reports.

Sir Muhammad Yakub: Even the Hijli affair was taken up in this debate in a very elaborate way.

My complaint is that, although during our inquiry the officers of the Army very willingly co-operated in our work, they have not acted upon the recommendations of the Committee in such a generous manner in which they co-operated with us during the inquiry. We were assured by the Honourable the Finance Member that the recommendations of all the Sub-Committees would be followed in their entirety. But the statement on the method of giving effect to the retrenchment in military expenditure which has been placed in our hands says:

"As mentioned in the statement made by the Finance Member on the 29th September, the military authorities have been working throughout in very close touch with the Army Retrenchment Sub-Committee and are in general agreement with the principles implicit in the great majority of the measures proposed by the Committee."

Now, Sir, the words "general agreement" and "principles" are very vague and indefinite words, and it seems to me that the Army authorities are not willing to act according to the recommendations of the Committee. On page 2 of the memorandum, which has been placed in our hands, a table is given showing the heads of expenditure and savings estimated for

1932 and 1933. They have shown the figures which were recommended by the Sub-Committee and the figures which have been accepted by the Army authorities, and a perusal of this statement will show that in a very large number of cases the Army authorities have accepted a very small portion of the recommendations which were made by the Retrenchment Committee. For instance, we find under the head "Army Schools of Instruction" we recommended a reduction of Rs. 7,61,000 while the Army authorities have accepted a reduction only of Rs. 1,74,000. Then under the head "supplies" we recommended a reduction of Rs. 11,90,000, while the Army authorities have accepted a reduction of only Rs. 7,70,000. Then under head of "Animal and Mechanical Transport", we recommended a reduction of Rs. 21,50,000, while the Army authorities have accepted a reduction only of Rs. 15,11,000. Now under the head "Hired Transport and other Transportation Charges," we recommended a reduction of Rs. 18,88,000 while the Army authorities have accepted only a cut of Rs. 9,54,000. Under the head of "Remounts," we recommended a cut of Rs. 11,25,000, while the Army authorities have accepted a cut only of Rs. 4,27,000. Then under the head of "Miscellaneous Services" under the Adjutant General, we recommended a cut of Rs. 12,65,000, while the Army authorities have accepted only a cut of Rs. 10 lakhs. In this way it will be found that in a very large number of cases the recommendations made by the Army Retrenchment Committee have not been followed or have been followed only to a very small extent by the Army authorities. Of course in showing the total number they have tried

4 P.M. to raise the total to the extent of the savings which were recommended by us, but they have done it by raising the amount of cuts under the heads of the Military Accounts Department, the kit and clothing allowances and the Army ordnance factories. These were the heads about which the Committee could not make a thorough inquiry and we said in our report about these departments that we would have to make further inquiries before we gave in our final report. So, taking advantage of that, they have added this amount to the cuts which they have accepted, and they have shown the total amount, which they have accepted, as being nearly equal to the recommendations which were made by us. That is not right and proper (Opposition cheers). I submit that full effect ought to have been given to the recommendations of the Army Sub-Committee. In this Memorandum we have not been supplied with detail about the sub-heads where the Army authorities have not agreed with the recommendations of the Committee. But we find one instance is given in which His Excellency the Commander-in-Chief has expressed his inability to agree with the recommendations of the Committee, and that is a cut of six pies per day in the supplementary rations allowance of the British soldier. The rule was that in order to supplement their rations, British soldiers were allowed as many annas in India as they used to get pence at home, in order to supplement their rations. When they were given 6d. in England they were given six annas in India: when that amount was reduced in England to 5d. the sum was reduced to 5 annas in India. Now in England that sum has been reduced to 3d., but the sum which the British soldier gets in India has not been reduced to that extent, but he gets 3½ annas a day. Our recommendation was that, following the previous example, now that the soldier gets only 3d. a day in England to supplement his rations, in India he should get only 3 annas a day, and we recommended a reduction only of six pies, which would have given us a saving of 6 lakhs. But His Excellency the

[Sir Muhammad Yakub.]

Commander-in-Chief has not been able to agree with this recommendation on the ground that, "Owing to the increased customs duties on imported articles which are in the main purchased by soldiers from this allowance and the fall of the gold value of the rupee, it will not now go so far as it did before". I submit that in the first place a reduction of six pies is such a very small amount that it cannot in any way affect the convenience of the British soldier; and again when we bear in mind that the supplementary amount which an Indian soldier gets is only ten annas per month as against the British soldier's 3½ annas a day, we can see what the difference is. If we compare the British soldier's allowance with the meagre sum that the Indian sepoy gets, I think the recommendation that was made by the Committee was not at all unreasonable, and I am very sorry that His Excellency the Commander-in-Chief was not able to accept this recommendation.

My other complaint about the action taken by the Army authorities is this: there were certain departments about which our Committee could not make an inquiry during the short time that we had at our disposal and we postponed inquiry about them for the next meeting of the Sub-Committee. Taking advantage of this interval, the Army authorities have taken upon themselves to tackle these departments and they have made certain reductions. I say that it is not fair to the Committee; it has hampered the inquiry of the Committee, and it will prejudice very much the inquiry which we are going to hold. It is something like a *sub-judice* case, and when a Committee was appointed to make inquiries it was not right and proper to prejudice their inquiry and take up the departments before the Committee could take them up.

So much about the report of the Army Inquiry Committee. I hope that when the Committee meets again and we have a full opportunity to go into all the departments and see thoroughly the working of the Army, the results of our inquiry will probably be not as disappointing as my friend, Mr. Gaya Prasad Singh, considers them to be. (*Opposition cries of "Hear, hear."*)

As regards the Finance Bill I think it is so late that I will not take up much of the time of the Assembly; I will not take more than five or six minutes. It is very difficult to speak on the Finance Bill with a light heart. On the one hand we are confronted with an extreme depression of trade in the country and with a fall in prices of our exports, which has reduced the purchasing capacity of the people to the minimum. There is misery all over the country. The plight of the landlord has been repeatedly stated before this House and I do not think I will be justified in taking more time on that subject. The taxable capacity of the people is nearly exhausted. This is the condition through which we are passing to-day. On the other hand we are faced with a deficit Budget. We find that the revenue realisations are falling, and somehow or other we have got to produce a balanced Budget. But I beg to submit that the signs of this fall off in revenue realisations of the Government were visible since 1927; and during the last three or four years that have passed since then, no effort was made by the Government to take up the question of retrenchment, and to make a gradual retrenchment in the departments and also raise their taxes, if it was necessary to do so, in a slow and gradual manner. Now, when things have reached the extreme point, we find that all of a sudden extreme measures are being introduced by the Government. That being

so, I submit there is no justification for the Government to levy new taxes until the results of the retrenchments which have been suggested by the various Committees are definitely known. Some Committees have just presented their reports, and their recommendations have not yet been given full effect to. Then the Army Retrenchment Committee, which is the crux of the whole thing, must bring a lot of saving to the exchequer of the country; it has not yet produced its full report; it has only submitted a preliminary report. So I submit it would not be just and proper for the Government to levy new taxes before the effect of these retrenchments has been fully ascertained and appreciated. With these remarks, although I do not think that we should oppose the consideration of the Finance Bill, I feel we should be at full liberty to reject any proposals for the imposition of taxes which we consider to be improper or unjust so far as the present conditions of the country go.

Several Honourable Members: The question may now be put, Sir.

Mr. President: In accepting the closure, the Chair wishes to explain that it clearly realises the importance of the subject and the desire of Honourable Members to take part in the debate. Honourable Members cannot be unaware of the fact that in adjourning the Assembly session in Simla, I pointed out that we would have to finish the consideration stage of the Bill at the latest within four days, that is to-day. The issue, therefore, before the Chair is whether the closure asked for should be accepted and the House should be allowed to decide if it should close the debate now or whether it should sit as late as the majority may desire. The Chair trusts that the House will agree that we should go to vote on the motion for consideration to-day. That being so, I now leave it to the House to decide whether they want to close the debate now or whether they want to sit till a later hour before proceeding to vote.

The question which I have to put is:

"That the question be now put."

The motion was adopted.

The Honourable Sir George Schuster: Sir, I believe that I shall have the sympathy of the House in having to wind up this debate at a late hour after four very long days, when the House, I feel sure, is tired and would like to get away, rather than listen to further arguments on this very distressing subject. Nevertheless, I feel, as you yourself have just said, that the importance of the subject is such that I cannot pass superficially over a number of points which have been raised.

At the outset, I would like to express to the House my appreciation of the fact that, in spite of their feelings on the question of policy, I have throughout felt grateful for the personal courtesy which they have consistently shown. A good deal has been said about some remarks which I myself made at the opening of my speech with reference to purely destructive criticism.

(At this stage Mr. President vacated the Chair, which was taken by Mr. Deputy President.)

I called, so far as I could call, for help in the form of constructive advice. I have been told by many speakers on the other side that their business is to be destructive rather than constructive; but nevertheless I think the result of my request has not been entirely barren. I have received a number of suggestions and I have elicited from my Honourable friend, Mr. Mody, what he described as a "sporting offer". I am afraid his

[Sir George Schuster.]

offer is just a little bit too "sporting" for me. It reminded me of one's younger days when one went to a race course and met tipsters offering sporting tips. The offer generally is to sell a sealed envelope containing a list of some of the winners of the day. According to my recollection, I was never myself so guileless as to have been tempted by one of those offers; for, being of a sceptical nature, I felt doubtful about the winners. I tried to get my Honourable friend to open his envelope, and let me see what was inside. I confess that I had some hope that I would draw him on to giving me the tip which he gave me in the last Delhi Session for imposing an agricultural income-tax; which, I am sure he will admit was not received very well in any quarter of the House. Sir, I shall return to that subject again because he has raised a general question of some importance.

Not only did I elicit that sporting offer, but I was fortunate enough to draw from the other side at least two alternative Budgets. My Honourable friend, Mr. B. Das, presented me with quite an ambitious Budget. My friend, the Deputy President, was perhaps less ambitious in his proposals; but his Budget was, if I may say so, perhaps framed closer to the possibilities of reality than that of my friend from Orissa. Again, I shall have to say something on those proposals.

Now, Sir, I shall have to leave a great many subjects untouched. For one thing I do not propose to attempt in any way to deal fully with the question of currency. I notice that there are certain Members in this House whose motto seems to be, "When in doubt abuse the Government's currency policy!". The only thing I would say to those Honourable gentlemen is that I really think it is time that they re-wrote their speeches. Times have changed. We have now got a rupee equivalent to about 1s. 2d. gold. The old speeches, which were appropriate when we were having some difficulty in maintaining the rupee at 1s. 6d. gold, will hardly do to-day. It is clear that the position has got to be reconsidered. I am afraid I cannot go so far as my friend, Mr. Mody, who appears to think that this change has brought us into practical contact with the millennium. That, I fear, may perhaps be taking too rosy a view, but undoubtedly recent events have fundamentally changed the situation.

I do not see my friend, Dr. Ziauddin, here to-day..... (Several Honourable Members: "Oh, he is here"). I beg his pardon. I was anxious to make some reference to his own speech. He, I confess, has made us all feel rather uncomfortable about discussing currency matters in the future, for he has told us,—quoting from a well-known authority,—that there was probably only one individual who really understood currency and he was in a lunatic asylum. (Laughter.) I confess in the course of the Honourable Member's remarks I was tempted to ask myself whether perhaps he had not escaped. (Loud laughs.)

Dr. Ziauddin Ahmad: I interpreted it in my speech and said that M. L. A. means a Member of the Lunatic Asylum. (Laughter.)

The Honourable Sir George Schuster: I am sure my Honourable friend will not take what I am saying seriously, but I did feel that perhaps he was talking on a plane of intelligence which I myself do not occupy.

(At this stage Mr. President resumed the Chair.)

Then, Sir, I will refrain from dealing in detail with the question of cuts in pay. I tried to explain the situation as we saw it as fully as possibly in my original speech, and I have very little to add. I would

only pick up one point from the speech of my Honourable friend Mr. Amar Nath Dutt who I am sure would be recognised in all quarters of the House as one who touches the extreme limit of criticism. Well, his suggestion was that all salaries over Rs. 2,000 per month should be cut by 80 per cent. I would only like the House to appreciate that even that very extreme proposal would only give us an extra 17 lakhs. It may have satisfied the sense of justice of my Honourable friend, or may even have helped him to increase his reputation with that clientele to which he referred, but I am afraid it would not have filled my pocket to such an extent that I could make any substantial change in the proposals for taxation.

Then, Sir, I further do not intend to deal in detail with the questions of taxation. We shall have other and longer opportunities for that. But as regards the alternative proposals of my friend, Mr. Das, I would suggest to him that in what he said about the export duty on hides, he rather—if he will permit the expression—went off the rails. He represented that as a tax which would fall on the interests of European business. Surely he realises that the production of hides is a very important agricultural interest in India, and that, although a high export tax on hides may suit the interests of the tanners of Madras, it might deal a very heavy blow to a most important section of the agricultural population. I would like to say that I listened with appreciation to what my Honourable friend Dr. Ziauddin Ahmad said about that, and although he was not allowed by you, Sir, to develop the point at very great length, I think he was able to show the House that there was a good deal to be said against an increased export tax on hides.

There is one other point in our own taxation proposals to which I would like to make a passing reference, and I do so for this reason—because it has some bearing on the general principles on which we have acted. One of the taxes which has been most severely criticised has been our proposal to put a small import duty on raw cotton. We were told that that would be a heavy burden on industry, and that, combined with our proposal for a tax on machinery, we should be dealing a serious blow against the cotton mill interests of this country. It was even suggested, though I do not believe that that suggestion found support among many Members of this House, that we had been influenced by the interests of Lancashire in proposing these two taxes. Now, Sir, as regards the import tax on cotton I quite realise that the greatest portion of the cotton grown in India is cotton which is not suitable for spinning the finer counts, and that if Bombay and other milling centres are to develop their business in the way of weaving finer cloths, then they do require to purchase a certain amount of imported cotton. But I would put it to the House that this import duty will benefit in a very substantial way a large class of growers of cotton in India, and that it may help to encourage the growth of the long staple cotton which is required for spinning the finer counts. I should like to add that, although I realise the practical difficulties in the way, I think that there is an ideal which ought to be kept before this country. Just as all Honourable Members opposite hope to see the country made self-supporting in the way of cotton piece-goods, so also they ought to work for making it self-supporting as regards cotton. It should be recollected that the growing of cotton is an industry actually of more importance to India than the manufacture of cotton goods. Many more people are interested in it, and the effects of anything that

[Sir George Schuster.]

you can do to benefit the growers of cotton will be far more widely distributed over India than anything that you can do to help the cotton manufacturers. Now, I would like to read to the House in this connection a passage from a letter which I received from a man who is engaged in growing cotton in the Punjab, and who can speak with a great deal of authority on the matter. He wrote to me as follows:

"Tax on imported cotton. This is much appreciated by all cotton growers. Our agents in Bombay all agree that it should enlarge the premiums on cotton such as our 287-F. by Rs. 12 or possibly Rs. 15 per candy."

I won't read the whole of the letter, because I hope to deal with this in greater detail when we come to discuss the cotton duty, but I may say that I have since heard from him that his hopes have been fulfilled, and that the growers of the better qualities of Indian cotton have already directly benefited from the imposition of this duty. I agree with my Honourable friend Mr. Moore that all taxes probably do more harm than good, but still some are worse than others, and some may have secondary good effects. If there is any possibility of that sort of good effect, then we ought to have our eyes on the agricultural population of India at the present moment.

Now, Sir, on the point that we, in seeking to impose duties on raw cotton and machinery, have been influenced by the interests of Lancashire, I would ask the House to take it from me that we were influenced entirely by revenue considerations. Primarily, at any rate, that was our motive, although, as providing a secondary motive, the particular proposals about cotton did have in my mind the advantage that it might confer some small benefit on the agricultural interests. And if any one in this House thinks that the present Government of India are influenced by considerations of the kind to which I have referred, I would ask him to remind himself that in the last two years the import duties on cotton piece-goods have been increased from 11 per cent. to 25 per cent. on British goods and to 31½ per cent. on non-British goods. That is an enormous increase, and whether the policy is right or wrong, I do not think that any one here can say that we have been deflected from our course by any fear of offending the interests of Lancashire. It is indeed a question whether, in doing so, we have not gone further than is right or necessary for the benefit of the actual milling interests of India, and whether the public and the consumer's interests have been properly protected. That is a matter which I should advise the representatives of the public to watch. And, if we have refrained from the easy and sure revenue-producing course of imposing an excise duty on cotton piece-goods, the millowners must do their part and not take advantage of the present situation at the expense of the consuming public (Hear, hear).

Apart from the special points which I have mentioned, I had also not meant to go again in detail into the question of retrenchment. Again I thought I had made my case abundantly clear, and had convinced the House that we were making a real effort at retrenchment; that we were retrenching as much as was actually and practically possible at the present moment, and that there were no possibilities of immediate further retrenchment capable of being realized in the course of next year, of such magnitude as to enable us substantially to alter our taxation proposals. But we have listened today to a very long and full speech from my Honourable friend, the Leader of the Independent Party, and I feel it necessary to say just one or two things with reference to what he has

said. Now I should like to say at the outset that, if I differ from him in any way as regards the details, I certainly do not differ from him in his main objective, which is to achieve the maximum economy which is practically possible without breaking down the machinery of Government (Applause). It is, I may say, particularly unpleasant for me to be at issue in any way with the representatives of these Retrenchment Sub-Committees for whose formation I feel the responsibility, and of whose record of achievement I will say, if I may be permitted to say so, that I am extremely proud. But I must put certain points to the House, because I feel that my Honourable friend, unwilling no doubt, has left them under a certain misapprehension in the matter. Now, Sir, I take it that the whole object of my Honourable friend's remarks was to convince the House that we had not made full allowance for the possibilities of economy in that part of the field which was not covered in the first interim Report of his Committee. Let me say at once that I am quite prepared to agree with him that there may be room for further economies beyond what we have estimated in the statements that I put before the House on the 4th of November. I am quite prepared to agree that, in detail, there is room for changes which may even be quite substantial and run up to sums like 40 lakhs or 50 lakhs. But my point is that we had to put in certain figures, I had to present the House with my estimates: and that I am convinced, in my own mind, that we shall not be able, next year, to achieve further economies sufficient substantially to alter our general programme. Now, Sir, what are the facts? My Honourable friend has told us that he has now submitted proposals showing economies of 155 lakhs, and that he has still a field of something like 6 crores to examine. Well, I find myself in some difficulty in dealing with these proposals because all that I have is this typewritten sheet, which gives me just the totals which are involved; and I may explain to the House that my Honourable friend has been working at Simla on this Committee, and that I am not in possession of any of the details of his conclusions (for I have purposely left him to carry on his own work without interference from me), and that therefore I cannot deal, in detail, with the reasons by which he has been led to these results.

Sir Abdur Rahim: May I explain that Mr. Nixon, who is the Deputy or Joint Secretary of the Finance Department, was also on my Committee?

The Honourable Sir George Schuster: I am not suggesting for a moment that my Honourable friend has concealed anything. I am merely telling him the facts about my own position. He knows that I have tried to keep out of this Retrenchment Committee work because I wanted them to work entirely independently, and Mr. Nixon, who has been working on the Committee, has been detached from us. I have not been keeping in close touch with him, and since he returned to Delhi I have not been able to go through the details with him. But I am not making any special point of this, because the House will realize from what I shall have to say that the points where I should query the estimates are matters which are fairly obvious on the surface, and not likely to be altered very much by our going into details. Now in this total of 155 lakhs there is included an item of 29.05 lakhs for Ecclesiastical expenditure. Well now, whatever may be the rights or wrongs of charging this expenditure to our Budget, I do submit that it is not exactly "retrenchment" to say that a particular form of expenditure should be wiped out entirely in the sense

[Sir George Schuster.]

that it ought to be borne on other shoulders. That is a point which can perfectly well be taken up. That is a point which might well be argued, just as the question of the capitation charges can be argued; but it is not fair to put this forward and to say that this is "retrenchment" in the expenditure of the Government. That accounts for 29 lakhs. Then I come to two other items of considerable size: 10½ lakhs under the Secretary of State's Budget, and 11·78 lakhs under the High Commissioner's Budget. Now the House will again realize that we have not the same power of action in the case of those two items of expenditure as we have in the case of expenditure out here, and I would just like the House to appreciate that, in connection with the Secretary of State's Budget,—so I am informed, my Honourable friend will correct me if I am wrong—one of the items where he has gone for economy is the Indian contribution to the League of Nations, which he would reduce from 9 lakhs to 7 lakhs. As a matter of fact, that contribution to the League of Nations, which is payable in gold francs, will actually have to be substantially increased this year because of the decline in the gold value of the rupee. In terms of rupees, it will have to be increased by about 25 per cent. But quite apart from that, India alone cannot decide what she will pay to belong to the League of Nations. She either pays the requisite amount, as a member, on a parity with all the other members, or she ceases to be a member. But she cannot say "The scale of contribution is too high and I must be let off 30 per cent. of my contribution". I merely mention these points in order to explain to the House that there is more in these matters than might appear from the figures themselves. Then, again, I find two very large items: a proposed reduction of 16 lakhs in customs and of 12½ lakhs under salt. Well, we have already had in the course of this debate a certain amount of discussion about the wisdom of cutting down expenditure in the tax-collecting departments, and I venture to say that I myself feel a good deal of sympathy with the view expressed by my Honourable friend, Mr. Heathcote, that it may be very false economy to cut down expenditure in these departments. He himself went on to say that he did not imply, he was not to be taken as saying, that every penny that was now spent was wisely spent, and that there was no room for improvement in efficiency; but what he did say was that we could very well find ways of spending money in the Income-tax Department which would produce more than a hundredfold of what was actually spent. Now I think there is a very great deal in that, and we cannot deal with these tax-collecting departments on exactly the same basis as we deal with the ordinary administrative departments or the scientific departments. There is another point to which I should like to refer in this connection. I explained to the House that, in estimating what we should save out of this uncovered field, we had tried as far as possible to follow what we understood to be the principles on which the Committee had worked in the other fields. Well, you cannot apply principles except in like cases, and as a guide in the case of these tax-collecting departments we had before us the example of the principles which the committee had applied in the case of the Income-tax Department. I understand that in the case of the Income-tax Department they had worked on the basis of a general reduction of 7½ to 10 per cent., whereas when they came to the Customs and Salt, they worked on the principle of a general reduction of 15 per cent. Now that is where their estimate differs from ours. We, working on their original basis of about a 10 per cent. cut, have put in our estimate

Rs. 10 lakhs economy for Customs. They have put in Rs. 16 lakhs. They have suddenly adopted a much higher principle of an all-round arbitrary cut.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions—Non-Muhammadan Rural): Based on facts disclosed.

The Honourable Sir George Schuster: Whether it will be possible or not to carry that out is another matter. But I suggest that my Honourable friend will have no complaint with me if we have worked on a figure of about 10 per cent., or 10 lakhs for the Customs Department. Then when you come to a department like Salt, a great deal of the expenditure is expenditure which actually represents the cost of manufacture, and which is balanced by receipts. You cannot cut down expenditure of this kind in the same manner as you can cut off unproductive expenditure on scientific departments. Now, if I try to summarise these particular points, on which I have touched, I think I can give the House a fair idea of what the position is. As against my Honourable friend's estimate of 155 lakhs, I have to query the 29 lakhs on the Ecclesiastical Department because I say that must be decided according to other principles. We cannot take that into account as retrenchment now. I have to query 12 lakhs out of the amount recommended in the case of the Secretary of State and the High Commissioner, and I have to query 9 lakhs on Customs and Salt. I have certain queries to make on the other items but they are of minor importance. Now those main items which I have mentioned account for a difference of 50 lakhs. That would bring my Honourable friend's figure down from 155 lakhs to 105 lakhs. The figure which I have taken in my estimate to the House is 77, so that there is a difference between us of about 28 lakhs. Now, our view in the Finance Department, having gone over the matter to the extent that it has been possible in the very short time at our disposal, is that on top of that 77, there is about 23 lakhs which we are prepared to fight for. We have not got it yet. I would ask my Honourable friend to appreciate that we on the Government side have our differences, when it comes to settling who is to lose money, and there is always a margin about which we have to fight among each other. But that is the position. My Honourable friend puts up 155 lakhs. I say that 50 lakhs out of that are items which I cannot count as retrenchment. That brings the figure down to 105 lakhs. I put up 77 and say that I am prepared to fight for another 23, which makes up 100 lakhs; so that my possible figure of 100 on one side stands against his 105 on the other. I think that is a very clear account of the position. I have put in what I feel sure about, 77 lakhs, and add that we may get something more up to 23 lakhs. Now this is an indication of the scale by which our estimates may possibly be increased, and in this way I come back to my original point, that although I hope we shall be able to get more money, nevertheless I cannot see any reasonable chance of getting so much that we should be able substantially to alter our general financial proposals. Now, Sir, having dealt with those particular details which I have picked out from the general course of the debate I should like to take up one or two general points. I will be as brief as possible and not enlarge on them at such length as I should have liked. I have tried to extract, from what has been said in debate, the main lines of thought influencing the various parties in this House.

[Sir George Schuster.]

In the first place a very ordinary line of argument has been that the Government ought to have foreseen what was coming, that we had had warnings,—for we had really been working on deficit Budgets since 1927-28 that we had not tackled retrenchment, and that we have now suddenly come before the House and confronted them with a desperate situation. Now, Sir, I was very glad that my Honourable friend the Deputy President attempted some general review of the course of Government finance. I think it is extremely useful that that should be done, and I hope that if we have a session after the New Year when there are no more new proposals to consider, we may take advantage of the occasion to attempt to make some general review of the whole financial position. My Honourable friend quite rightly pointed out that the Government of India have been struggling against difficulties with too narrow a margin ever since the provincial contributions were remitted. I think I made this point very clearly myself in my first Budget speech. I raised the question, "Has the gap caused by remitting the provincial contributions been filled?" And when I came forward before the House again the next year, I ventured to say that the figures showed that the gap had not been filled, and that our revenue had not shown sufficient elasticity to take up the strain which had been put upon it. But, Sir, we were thinking of marginal differences, a question of crores or two one way or the other. We thought it was fair to give that margin in the Budget of 1930-31 by certain moderate additions to taxation. But since then what has happened? We are now confronted with an entirely different situation. It is not a question of struggling to get an extra crore or two. It is a question of our whole economic foundation having been shattered and swept away from under our feet. And if any one comes before the Government of India and says, "You ought to have foreseen these conditions, this is a hopelessly inefficient Government, one which has indulged in the fruit of that plant which my Honourable friend on my right called "*Squandemania gloriosa*", I venture to say that he is speaking without thought or reason. It is futile to maintain that we of all the Governments of the world are particularly to blame in this matter, and if Honourable Members are disposed to take this view I would ask them to turn up the files of their newspapers and see what is the present position of all the Governments of the world. I will not weary the House by giving them figures of all the Governments, but let me just take the two leading Governments whose financial position ought to be the strongest of anybody, our own British position and the position in the United States. The British position was that they were faced with a deficit of 74 millions in the current year and 170 millions for the next year. The deficit was so small this year only because they were drawing on certain special items to supplement their revenue. Then take the United States. This is a passage from a recent monthly Review:

"During the near future the Government will be required to determine its policy on the question of balancing the national Budget. Expenditure for the fiscal year ended June 30th, 1931, exceeded receipts by 903 million dollars, the first time that a deficit has occurred since the year 1919 when there was a large carry over of war expenses. But on top of that, in approximately one quarter of the current and financial year: beginning July 1st, 1931, and extending through to September the 30th, the deficit was 374 million dollars."

Three hundred and seventy-four million dollars in the first quarter of the current year! That, Sir, I submit is a staggering figure. Then take

the French position. The French Budget for 1930 showed a deficit of 1,500 million francs. Now here are the three leading countries of the world, and we are always asked to look at the United States and France particularly as examples of prosperity. Yet they have been struck by this economic blizzard or cyclone, or whatever you like to call it, with exactly the same force as ourselves, and, I maintain, with the same or even more serious results, the same or even more necessity for urgent and drastic action. Therefore, to say that we here are particularly responsible, that it is our negligence which has brought the country to this position, is, I submit, a gross misstatement of the facts.

Then, Sir, there is another point. Another general line of thought has been as follows—"Admittedly the situation is a difficult one, but what are you going to do about it? These proposals of yours are entirely impossible. The country is crushed under the burden of taxation, you cannot get the money, and particularly the burden on the poorer classes is more than can be borne". Sir, I yield to none in my sympathy with the poorer classes, but I do ask my Honourable friends to see the situation in its proper proportions. A very great deal has been made, in support of this line of argument, of quotations from the Report of my friend Sir Walter Layton on Indian Finance which was included as part of the Statutory Commission's Report. I think that a somewhat misleading picture has been presented to the House of his appreciation of the position. The point which he made was not so much that military expenditure, considered absolutely and by itself, was a unduly heavy burden on India, but rather than, while military expenditure represented about the general average burden, the expenditure on so-called nation-building and beneficial services was totally inadequate. And the whole line of his argument was, "You must keep down military expenditure if possible, get it down if you can; but, as a much more important matter, you ought to develop other sources of revenue so as to give the country more money to spend on nation-building departments". The figures that he has given are that the proportion of the national income taken in Britain by the tax-gatherer, and spent on the military and naval defence, is about 2½ per cent., that is to say £2-10-0 a head. In the case of India, the expenditure on the Army is £0-2-7 per head; or, leaving out of account the Indian States and including British India only, it is £0-3-4 per head, or about 2 per cent. of the average annual income; so that the amount which is taken per head of the population represents 2 per cent. of the estimated income in India as against 2½ per cent. in England. He then goes on to say:

"Whereas the amount collected by the Government and spent on education in Britain is as much as £2 15s. per head, the amount spent on British India is less than 6d. per head."

Then he goes on and says:

"But there is another figure to be considered and that is the ratio which the total tax revenue collected in India for both central and local purposes bears to the total national income of the country. Taking the preceding figures as a basis the ratio of total taxation to national income in India is only about 6 per cent. If the more pessimistic estimates of the national income per head in India, which place it at about 80 rupees, are correct, the taxation percentage works out at about 8 per cent. In Britain the proportion is about 20 per cent. It is perhaps even more significant than the ratio in Japan, which is an Oriental country with a population whose standard of living is low, is also about 20 per cent."

[Sir George Schuster.]

That is to say, in India, the total burden of both central and provincial taxation is 6 to 8 per cent.—according to the way in which you reckon the national income—as against 20 per cent. of the national income taken in Japan. Now, Sir, I recognise, of course, that these figures of national income are exceedingly speculative; but Sir Walter Layton has based his estimates on two or three estimates by reliable economists, and I venture to say that his figures go a long way to correct some of the very pessimistic statements which have been made in the course of this debate. He went on to say that the great task before the Government was to try and broaden the basis of taxation, to discover new means of raising revenue, and that is a subject to which I shall come again. Before I leave his remarks, I should like to add just one thing about the Army. Sir Walter Layton has been quoted as saying that Army expenditure was more than the country could bear if they wanted to develop other lines of expenditure. I sympathise with his remarks particularly when he was writing about an Army Budget of 55 crores; but he gave us himself an estimate of what he thought was possible and what should be done. And what was his estimate? He estimated that if we really set about our business properly we ought to be able to get Army expenditure in the course of 10 years, after eliminating the expenditure on the Army in Burma, which he reckoned at 2½ crores, but, allowing for that going, then in 10 years, we ought to be able to get Army expenditure down to 45 crores per annum. If you add the Burma expenditure, that means he was estimating at 47½ crores, and we, with Burma included, are going to get it down to 46.65 crores. Therefore, Sir, I do maintain that Sir Walter Layton cannot be quoted as an authority in support of those critics of the Government who say that our efforts at Army retrenchment are totally inadequate. (Applause.)

Then, Sir, let me turn to another general point. I am told, "Anyhow, even if you must increase taxation, even if you cannot get more by retrenchment, you are not going to get what you think you are going to get out of your actual proposals for taxation". I am told to consider the law of diminishing returns. Well, there may be some force in that warning, and that law will possibly apply to part of our proposals. But I would remind my Honourable friends that the law of diminishing returns does not necessarily mean that we are actually going to get less money by increasing the taxes. It takes a very long time before you get to that stage. It means that if you add another 25 per cent. to your duties you may not get the full 25 per cent. addition to your revenue, and for that effect we have provided to some extent in our estimates; but to say that because we add to our duties we are going to get actually less money, may be true possibly in one or two exceptional cases, but it certainly cannot be true for the whole. I might explain that, as we did not in fact have time to prepare detailed estimates in the same way as we usually do at the time of the Budget, we have reckoned roughly that the same total amount of money will be spent on goods plus duty as we estimated would have been spent without the new duties and therefore the Government will get a bigger share of that total, because the new duties will represent a higher percentage of the total than they would without the increase. That, I submit, is a fairly reasonable rough and ready basis on which to reckon. But I want to carry this point a little further. I fully agree that, as regards customs import duties, we may be overloading the boat just

at the moment, and that these surcharges in a great many cases may, quite fairly be described as economically unsound. But, Sir, my Honourable friend Dr. Ziauddin Ahmad made a very useful distinction when he was speaking on taxes. He said a distinction must be drawn between elastic and inelastic consumption. He went on to say—quite rightly, I think,—that salt is an article of inelastic consumption and that even if the price is likely to increase slightly, the consumption is not likely to diminish correspondingly. Well, where does that lead us? It leads us to this, that looked at from a purely financial point of view, the increase in the salt duty is perhaps about the best feature in the whole of our Budget proposals. We are more sure of getting money that way than from most of the other taxes. We cannot get away from that. My Honourable friend Mr. Das laughs, but I assure him that this is a serious matter. We cannot get away from the fact that in a country like India with a very small and limited rich class at the top and a vast mass of poor people, it is the very small amount paid by the vast masses which can really be relied on in time of emergency to make up large sums. You may be much surer of getting money by taking, say, half a pie per head from 300 millions; you cannot be so sure of getting it by trying to get say 2,000 or 3,000 rupees per head from a limited number of rich people. I am saying that these are the facts; we have got to face them, and, much as we dislike taxing the poorer people, we cannot get away from the fact that, as an ultimate reserve a very small tax on the vast masses may be the surest resource. It is for this reason that I say that the Salt tax is perhaps, looked at from a purely financial point of view, the best of all the proposals.

Take some other of our proposals which have been specially criticised. The reduction of the income-tax limit brings in the lower incomes, and there I am doing what I have been asked to do—broadening the basis of taxation. We shall get money out of that. We shall also undoubtedly get money out of other certain taxes which are new taxes—the import duties on raw cotton, and I should think a very substantial amount from the new import duty on machinery. Take raw cotton. If you take the first six months of the year, it is the only article of import which shows a substantial increase over last year. Imports of raw cotton have increased in that period by something like 2½ crores, while there has been a general decrease in our total imports of 21 crores. Therefore I say that we are very likely to get money from it. These are the sort of taxes which I think are, financially at least, sound,—the salt tax increase, bringing in the lower incomes for income-tax, and the new duties on raw cotton and machinery. The others, I admit, are much more doubtful for we cannot go on indefinitely piling up the rates of the existing taxes—the existing customs duties or the existing rates of income-tax. We are, in the case of these I am afraid, much more likely to squeeze out some of our receipts, by increasing the pressure unduly. Now in connection with what I have just been saying, if I turn to the alternative Budget put forward by my Honourable friend the Deputy President, what do I find? The taxes that he wants to get rid of are just the very taxes which I as Finance Member feel are my most sure supports in these proposals. The fact is that it is unfortunately the case that taxes which are financially good are sentimentally bad; and I must remind my Honourable friends that their arguments have not been logically consistent. They have talked about the law of diminishing returns, which was a very good argument against the general increases in the customs duties and income-tax, but they have

[Sir George Schuster.]

used that general argument to condemn and cut out these new taxes to which the law of diminishing returns will not apply and which, as I have said, are the soundest parts of the financial structure which I have put before the House. They would cut these out on sentimental grounds. We are in fact brought up against the logic of hard facts. The arguments which have some valid basis such as the law of diminishing returns apply to the taxes which Honourable Members opposite do not mind. They do not apply to the taxes to which they specially object, and I would ask my Honourable friends to think over that position before they start discussing the individual proposals of taxation when we come to the next stage of this Bill.

That brings me to another point closely connected with it, this general plea that we should broaden the basis of taxation. A very sound thing in principle, but how are you going to apply it in practice? I have already reminded the House that my Honourable friend, Mr. Mody, one of the protagonists of this plea, when he last suggested broadening the basis of taxation could only suggest the inclusion of agricultural incomes in the liability to income-tax. Now, whatever may be thought about the justification for that as a matter of theory or principle, I think all Members of this House must agree that we could not introduce that as a practical proposal just now. Everybody who relies on agricultural incomes, as we were reminded by Mr. Yamin Khan, has had to see his income practically disappear. This is not the time in which we could think of imposing a heavy burden of income-tax on agricultural incomes. What are the other proposals? Take Sir Walter Layton's Report. What are the other proposals which he put up for broadening the basis of taxation? He suggested death duties. Death duties undoubtedly represent a weapon of taxation which this country will have to take up. But again it is no use to us in our emergency. According to the present constitution, it would be a provincial source of revenue; I cannot take it up and use it for getting over the present emergency of the Central Government. Then again there is the possibility of an excise duty on matches or the question of devising some scheme by which the Government could make revenue out of the sale of tobacco. Both those are questions which must also be seriously considered in the near future. But our position just now is one in which we have to work under a very great and special difficulty. We have these constitutional changes impending, and a great part of the people of the country, with their thoughts occupied and their time occupied in attending the Round Table Conference, are thinking out the future constitution. The question of an excise duty on matches cannot be tackled in any way which will produce substantial revenue to the Central Government unless we can come to some general agreement with the Indian States; and that is a matter which we have been unable to take up just at the present moment. Very much the same thing applies to tobacco, although that is a matter which we have been very carefully inquiring into during the last year. Now I have thought it well just to tell the House these facts and to remind them of what are the possibilities of broadening the basis of taxation, and why we cannot have recourse to them just now. I do not want them to think just because our Budget proposals are simple, that they were thought out in five minutes, or that the Government have not been giving their full attention to this situation.

Then there was another point on which a good deal of stress was laid—the question of principle involved in asking the House to approve of financial proposals for eighteen months. That has already been dealt with by my Honourable colleague the Leader of the House. He has shown that there is no constitutional impropriety, and the only point I want to make is that my Honourable friend, Sir Hari Singh Gour, I think, gave vent to the expression that we were depriving the House of the right of voting appropriation or voting supplies for eighteen months. That, I would put to him, is not a correct description of the situation. As far as the voting of supplies is concerned, which according to our procedure means the voting of demands for grants, the House will be in exactly the same position in the next Delhi Session as it has always been. We are not interfering with that procedure in any way

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhamadan): What I stated was this: that under section 67A of the Government of India Act you have two things: the expenditure and the revenue; and while you can raise revenue under section 65, the intention of section 67A is, and it has been the practice, the constitutional practice ever since 1921, that we vote the expenditure first and then give you the revenue for the year.

The Honourable Sir George Schuster: I quite agree with my Honourable friend that we are going to depart from what has been the ordinary practice of this House. But I submit that there is no impropriety in it in the present emergency. I should have been inclined to agree with him that there would be some impropriety if we had been depriving the House of the right of voting supplies in the course of next year, and I wanted to make that point clear. I will now turn to another main line of opinion among those that have been expressed in various sections of the House,—the line which is illustrated by the attitude which has been taken up by the European Group. If I may say so, I feel a great deal of sympathy for their attitude. They recognise our necessity, but they do not want to make things too easy for us. And in particular, if I have appreciated their underlying meaning aright their point of view is this. They would say,—“if we are now going to put you in possession of the revenues which you want, are you then going to sit down and go to sleep about further efforts at retrenchment? We want to feel that you are straining every nerve at retrenchment, just as keenly as though we had refused to vote you the money; we want to feel that if you find you have got a margin out of the taxes which you are asking us to support, you will use that margin not so as to allow expenditure to grow again, or to relieve you from the necessity of further retrenchment, but rather to relieve us of the burdens which you are now imposing”. Well, if that is the attitude, I should like to say that I myself entirely endorse it, and I shall do my utmost to give effect to it in all the actions and policies which come under my control. (Hear, hear.) I speak not merely for myself; I am speaking for the whole of the Government of India. We are not going to abuse the position if you give us now the supplies which we think necessary. We believe that this campaign of retrenchment must not be allowed to stop. We believe,—and it is a point which I am sure all Honourable Members will agree that I have always made—we believe that this effort at retrenchment ought to be an effort at a permanent scaling down of the expenditure of Government, and that sort of permanent scaling down cannot be done by mere emergency measures.

[Sir George Schuster.]

It requires a sustained effort, and I can assure my Honourable friends on my right that that sustained effort will be kept up, and that, as I have already said, if they support us now, we are not going to abuse the position. (Hear, hear.)

There is a particular field of expenditure—military expenditure—which I have left to the end and its consideration brings me back from the review which I have attempted of the main lines of thought expressed by the various groups in this debate to the speech made by my Honourable friend the Deputy President, which, I think, in a sense pulled all the points together, and put them in that clear and logical form which we have become accustomed to expect from him. Sir, my friend, I think, suffers to some extent from his own qualities. The very lucidity and clarity of his expression, his own consistent refusal to make any attempt at fogging the issues, have in the present case, I think, done him disservice in the sense that they have revealed, if I might put it so, the rather thin and exiguous foundations of his position. I feel as if I had been looking through a crystal stream and seen as through a bright glass the bottom that lay beneath it. Now, Sir, what is there at the bottom? What do my Honourable friend's arguments come to? They come to this: "You have got to balance your Budget with about 4 crores less of taxation, and you have got to find that money by further economies from the Army." Apart from that simple position, my Honourable friend made a particular point. He said, "How can you excuse yourself for not having retrenched more in the Army during the current year?" Well, I would like to remind my friend first that we did actually reduce the Army expenditure in the Budget estimates for the current year by no less than 2 crores and 80 lakhs, and secondly that the Army are in course of carrying out a programme of re-equipment for which they had undertaken very substantial commitments. The whole point of having what we used to describe as a "contract Budget" in the good old days where there appeared to be enough money to support it, was that there should be some security for the future, so that they might be able to place orders well in advance and to carry out a consistent well planned programme. It was impossible suddenly to call off that expenditure, and His Excellency the Commander-in-Chief in accepting first of all a cut of 1 crore and 70 lakhs in his Budget, and then, at the very last moment before the voting of the last Finance Bill, accepting another 60 lakhs, actually took upon himself a task which was extremely difficult to perform. To force him on the top of that to find room for very large emergency economies would have been more than was reasonably possible. I would ask the House also to remember this, that there has been a considerable amount of unforeseen expenditure in the course of this year in connection with the movement of troops, both in India and also in connection with the Burma rebellion. We hope that all that will be met from the Budget grant, but it comes to quite a substantial sum, and as I say, if the Commander-in-Chief is able to effect the original cut of 2 crores and 80 lakhs, and on the top of that to meet all his unforeseen expenditure and to leave himself in a position to face a drop of 5½ crores next year, if all that is achieved, I think the Army will have done very well.

I am left now only with this question of future retrenchment in the Army, and here I would like to say that I am sorry that in the course of this debate there should have been any sort of accusation or dispute as

to the work of the Army Retrenchment Committee. As far as I can see, the Army Retrenchment Committee has done its work in a way beyond all praise. The Chairman of that Committee, whose absence from this session we greatly regret, actually broke down his health in tackling the work as he did. I am sure my Honourable friend, Sir Muhammad Yakub, who is a Member of that Committee, will bear me out in saying that he was up at 4 o'clock every morning and that he worked both day and night. They got through their work very quickly, and they have given us something to work on which has been of the greatest possible value.

My friend, Sir Muhammad Yakub, was perfectly right when he said that the Army Retrenchment Committee had only to consider the business side of the Army administration, and I am sure all Members of this House will recollect that when the idea of an Army Retrenchment Committee came up, I made it perfectly clear that the question of reduction of troops was a question of policy which we were not able to consider at the moment, but that the question would be considered elsewhere. That question has been referred to an expert committee in England and the whole policy is now being reviewed. Whether it will be possible to effect any reduction or not, I do not know, but certainly the last word on the possibility of the reduction of troops has not yet been said. It is one of the difficulties with which we are confronted at the moment, that this question is one which we cannot tackle here. Apart from that possibility if, without going into the question of the reduction of troops, the Army authorities have been able to promise economies to the extent of 5½ crores, then in spite of all that has been said on the other side, I maintain, that it is a magnificent achievement. And I am not going to be put off from my tribute to that achievement by this talk about the figures being camouflaged, about figures for all sorts of other expenditure which ought to be Army expenditure not being included in the Army Budget. Possibly it may be maintained that in other countries charges of the nature referred to are included in the Army Budget; but, whether that is so or not, we are comparing the Army expenditure from year to year on the basis on which it has always been made up. It does not make a bit of difference whether you include the cost of strategic railways in the Railway Budget or the Army Budget. As far as the interests of Government and the people are concerned, the result is exactly the same. But I would remind my Honourable friends that there is a good deal to be said on the other side, and that there are now included in the Army Budget a great number of items which in other countries are not put on the Army vote at all. The whole cost of war pensions, for example, which is one of the reasons why Army expenditure has gone up so much since the war, is borne on the Army vote in India. That is not normally borne on the Army vote in any other country. The question of paying customs duties on imported stores is another constant item of grievance between the Army and ourselves. It is a very substantial sum. It amounts to something like 30 to 50 lakhs according to my recollection, and it has very substantially increased in the last few years. If Honourable Members want to have that question as a matter of sentimental interest gone into, and the Army figures readjusted on a new basis, there is no objection in principle to such a course, but I maintain that it would not help in the least and that, if it is taken up, there will be a great number of items to be taken out on the other side. Apart from the items which I have already mentioned, the costs of the Indian Marine and of the Air Force have to be borne here on the Military Budget, items which in other countries are generally shown

[Sir George Schuster.]

separately. I personally would suggest that it is much better to stick to the existing basis, because then you can make comparisons from year to year. It is by comparison that you can test your position, and if you are going to alter the whole basis of accounting, you would be doing nobody any good and you would make it much more difficult for those who are interested, as representatives of the public, in following the course of public finance, to make those comparisons, which they ought to do if they want to test the effect of Government policies.

I am afraid I have detained the House at this late hour for a very long time. I would conclude with only one more remark. I have been asked what other countries have taken emergency action of this kind. I am not concerned to look round the world so as to guide our course by the example of all the countries of the world. It is quite sufficient for us to follow the example of the British Government. The British Government still stands, I maintain, as the Government which gives the lead, sets the tone, for financial integrity and financial soundness for the rest of the world. And if the British Government thought it necessary to introduce emergency procedure on exactly the same lines as we are doing, that I think is quite enough for us. As long as we continue to follow that example, then the Finance Members of India will not go far wrong.

Mr. President: The question is:

"That the Bill to supplement the Indian Finance Act, 1931, and to extend the operation of its temporary provisions be taken into consideration."

The motion was adopted.

The Assembly then adjourned till Twelve of the Clock on Wednesday, the 11th November, 1931.

LEGISLATIVE ASSEMBLY.

Wednesday, 11th November, 1931.

The Assembly met in the Assembly Chamber of the Council House at Twelve of the Clock, Mr. President in the Chair.

THE INDIAN FINANCE (SUPPLEMENTARY AND EXTENDING) BILL—contd.

RULING RE SANCTION TO AMENDMENTS.

Mr. President: Order, order. Before taking up the consideration of the Finance Bill clause by clause, I should like to remove a misapprehension which appears to prevail in regard to sanction to amendments. My office has received an official memorandum from Government intimating that certain amendments do not require the previous sanction of the Governor General. Then there are certain amendments which it is held require the sanction of the Governor General, but that the Governor General has declined to give his sanction. Further, that there are certain amendments which it is held require the sanction of the Governor General, and that the necessary sanction was given. It appears to me that the right to decide whether sanction under the Government of India Act is required or is not required in regard to amendments to a money Bill vests entirely in the Chair (Applause) and I for one, as long as I occupy this position, shall resist any encroachment upon the prerogatives of the Chair. (Loud Applause.) But the problem does not affect the Chair alone. If it is held that the sanction of the Governor General is required for all amendments whether for enlarging the proposals for taxation embodied in the Finance Bill or for reducing that taxation, the Assembly is brought down to a practical nullity. If the Assembly has merely to say—without the sanction of the Governor General—that it will either pass the Bill as a whole or reject it as a whole, then it reduces the debates in the Assembly to a "nullity", which I for one will never allow unless there is a clear provision in the Government of India Act to that effect. I have carefully studied the Government of India Act, and I do not find any provision which would justify that contention. I hold emphatically that Honourable Members are entitled to move amendments to money Bills for reducing taxation without any previous sanction. (Loud Applause.) Then comes the question as to whether Honourable Members can move amendments for increasing taxation. I hold that the only procedure which can apply to that issue is the broad principle that none but the Crown has the power of imposing financial burdens on the subject. It therefore becomes necessary, where the actual burdens on the people are proposed to be increased by amendments, that the previous sanction of the Governor General should be obtained. But in regard to all amendments for reducing those burdens, Honourable Members are perfectly free, without any previous sanction, to move amendments and to reach decisions by a majority vote. (Loud Applause.)

[Mr. President.]

I have taken this opportunity of putting the position very clearly, in order that no doubt may remain in regard to future procedure. It will, I trust, be recognised that it is but fair, both to the official and to the non-official Benches, to know exactly what the correct procedure is and I propose to follow that procedure on the present and all future occasions. (Loud Applause.)

The Honourable Sir George Rainy (Leader of the House): May I, Mr. President, say a very few words. I have not the least doubt that the ruling you have now given will be of the greatest assistance both to the official and to the non-official Benches. There has never been any doubt in my mind, or I believe in the mind of any Member of the Government, that it was the exclusive function of the Chair to decide, when occasion arose, whether a particular amendment did or did not require the previous sanction of the Governor General. A practice has, however, grown up by which sanction was applied for and was obtained to all amendments reducing taxation. The reason for that was the absence of a ruling, such as you have just given, explicitly clearing up the point, and the custom has been invariably to obtain the sanction of the Governor General to amendments reducing taxation, so that no objection could be raised at the last moment to prevent an amendment, which obviously ought to be moved, from being moved. All that difficulty, Sir, has now been removed by your ruling, and the position will be a great deal clearer and easier for the future.

Mr. O. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): May I, Sir, say that we from the Opposition Benches are grateful to you for making the position clear for the future.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): I understood you to say very clearly, Sir, that we are at liberty to move any motion reducing the taxation proposed, and that as regards proposals for increasing the taxation we are not at liberty to move them without the previous sanction of the Governor General.

Mr. President: Proposals increasing the burdens on the subject.

Dr. Ziauddin Ahmad: I take it however that it would be legitimate on the part of Members on this side of the House to make suggestions, in the course of the debate, not only about the decrease and increment of taxes, but also about new sources of income.

Mr. President: I have only one word to add in view of what has fallen from Honourable Members. I am sure that it will be recognised that it is their duty to look up the Government of India Act and the Rules and Standing Orders before sending in any amendment to find out whether previous sanction was required or not. If it is required, then they have to obtain it. So far as the procedure in the House is concerned, any Honourable Member can rise to a point of order urging that the amendment before the House required previous sanction and as that had not been obtained, it was out of order. The Chair will then decide whether previous sanction was necessary; and if necessary whether it had been obtained. If it was not forthcoming, the Chair will rule that amendment out of order. Honourable Members will now clearly realise how to act in the matter and I trust that in future such questions will not arise. (Loud Applause.)

In taking up the consideration of the Finance Bill clause by clause, I propose to begin with clause 3. Clause 2 deals with sections 7, 8 and 9, which are subject to discussion and decision later on. I propose to start with clause 3 and take the amendments to Schedule I.

The question is that Schedule I do stand part of the Bill. Mr. Bhuput Sing. Amendment No. 95, page 6.

Mr. Bhuput Sing (Bihar and Orissa: Landholders): Sir, I beg to move:

"That in Part I of Schedule I to the Bill, amendment No. 1 be omitted."

This amendment No. 1 is "Item No. 7 shall be deleted". I desire this amendment to be omitted.

Mr. S. O. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): On a point of order, Sir. Is it not strictly proper that we take clause 2 first and then go on with subsequent clauses of the Bill? As a matter of fact, so far as I know, the House is ready, on this side, to deal with clause 2 first.

Mr. President: I should like to point out to the Honourable Member that the difficulty is that clause 2 lays down that the taxation proposals shall operate upto the 31st March, 1933, and it deals with fresh taxation as amended by clauses 7, 8 and 9 of this Bill. When we reach these clauses, the House will be entitled to make changes in regard to them. If any changes are made, the wording of the clause will have to be subsequently amended. It was for that reason that the Chair suggested that it would be preferable to begin with clause 3.

Mr. R. K. Shanmukham Chetty (Salem and Coimbatore cum North Arcot: Non-Muhammadan Rural): May I say a word, Sir? As my Honourable friend Mr. S. C. Mitra has said, I take it that many of the Honourable Members on this side of the House came prepared to discuss clause 2 and I submit to you, Sir, that there will be no inconvenience caused in taking up clause 2 in the first instance. My reason is this. It is usual in the Finance Act of every year to provide that the provisions of the Indian Salt Act imposing a duty on salt, and the postal rates and the rates of income-tax shall have operation for a certain period. Under the Finance Act of 1931 these duties will remain in force till the 31st day of March, 1932, and the object of clause 2 of the present Bill is to extend the operation of that clause to the 31st day of March 1933, that is, to extend the operation of the salt duty, the postal rates and the income-tax as contained in the last Finance Act to a further period of 12 months. I submit that that can be discussed independently of the other amendments for increase of taxation, and if the Government have no objection, and if you have no objection, Sir, I think it will meet the convenience of the House that clause 2 is taken up first. The issue that will be raised in clause 2 is whether the taxes that we sanctioned in March 1931, are to extend only for one year from that date or for a further period of 12 months, in other words, whether the proposal for taxation is to be for the next 6 months or for 18 months. That, I submit, will cover a question of broad principle which can be discussed independently of the merits of the other proposals for taxation.

Dr. Ziauddin Ahmad: I beg to support my Honourable friends that we on this side of the House only came prepared to discuss clause 2, and a good many Honourable Members have not come prepared to discuss the

[Dr. Ziauddin Ahmad.] :

other clauses today. This clause raises a very broad issue, namely, whether the taxation should remain in force for 18 months or for 6 months. I beg to support that clause 2 may be discussed first.

Mr. President: May I venture to point out to Honourable Members that, having had the Finance Bill with them for a considerable period, they ought to have come prepared to consider the whole Bill in such order as may be held to be most convenient. The argument that they are not prepared to consider the rest of the Bill, therefore, does not appeal to the Chair. As regards the convenience of the House, the Chair has no objection. The Chair has considered the matter very carefully and it has come to the conclusion that perhaps the better course would be to leave clause 2 to a later stage, especially having regard to the fact that clauses 7, 8 and 9 are subject to discussion and amendment. If, however, the House is practically agreed that clause 2 should be taken up first, the Chair will raise no objection. If clause 2 is discussed now and alterations are subsequently made in sections 7, 8 and 9, it is open to the House to introduce consequential amendments on the occasion of the third reading of the Bill. The Chair should like to know whether Honourable Members desire to discuss clause 2 now or whether they will begin with clause 3.

Sir Lancelot Graham (Secretary, Legislative Department): Sir, from the strictly procedure point of view, I do not think the matter is really vital. Actually, as you, Sir, have pointed out, it may be unusual to put a clause before the House which contains a reference to another clause of the Bill as amended, and I notice on the paper motions for omitting these clauses,—8 and 9 certainly and possibly also 7. But that is a difficulty, Sir, which can be cured, as you pointed out, at the third reading by what you called purely consequential amendments. Therefore, Sir, from the point of view of procedure we have no objection.

Mr. President: I take it then that there is no objection to beginning with clause 2. (Honourable Members: "No, Sir.") We will take up clause 2 then.

The question is that clause 2 stand part of the Bill.

Mr. S. O. Mitra: Mr. President, at the very outset I thank you for kindly permitting me to begin with clause 2 and I also thank the Honourable Sir Lancelot Graham for not raising any objection to this procedure. My motion is for the deletion of clause 2. The purpose of clause 2 is to extend the operation of the Finance Bill for a year more, that is, till the 31st March, 1933. I am opposed to that idea from two standpoints. The question has been raised in this House primarily on technical conventional and legal grounds as well as from grounds of practical utility. As regards the legal point, I think there is nothing specific in the Government of India Act itself to say definitely that the Finance Act should be for one year only and that each year there should be an occasion for the House to vote for the Demands. But even if it is not so specifically put, I think the spirit is quite clear that the House should get an opportunity to vote for the Demands. The Honourable the Finance Member has said that the House will not be deprived of the opportunity of voting the Demands. I contend that there is no use in voting the Demands if the House does not get any chance to say what amount of money they shall have to sanction for meeting the cost for the year. I, however, do not

like to argue the legal point, as my Honourable and learned friend Mr. Krishnamachari said he would help us on all legal difficulties in this matter. Now, I wish to argue from the practical man's standpoint. We find as a matter of fact that we could not really provide adequately, in our last Finance Bill for 12 months even. There are uncertainties, and our expectations are not going to be realised. We found as a matter of fact that it was not possible for the House to pass an adequate Finance Bill for 12 months; we had to come after 8 months to pass a fresh Bill. If we follow the logic of events, I think it is not proper for the House to arrange for 18 months now; but if the Honourable the Finance Member agrees, the House should consider whether the period should be a little less; that is, less than 12 months; because everything is in jeopardy. The Finance Member thinks that his expectations may or may not come true. He is perfectly justified as a practical man in thinking that his expectations may not be realised. If we follow the logic of it, what follows? The Finance Bill should not be even for 12 months; if possible it should be for a lesser period. What is it that is proposed to be done here? Every day we read something new in the newspapers and if the Round Table Conference in England fails to attain its object, who knows what will be the revenue even for the rest of the four months, not to speak of the 18 months. Why should this House commit itself for a whole year ahead?

Then, there is the question of sound finance. As a matter of fact the Honourable the Finance Member twitted our friend Sir Cowasji Jehangir that we should not neglect the principles of sound finance. Even from the point of view of sound finance, why should this House burden the whole of India to pay the deficit for only one year within a period of another twelve months? The only point that I could get from the Honourable the Finance Member's contention was that it was not possible within the remaining four or five months to make up the deficit of Rs. 19 crores that will accrue in the course of the year when we make calculations for the current year. Is it sound finance that the whole of this deficit of 19 crores should be met by the people of India by additional taxation extending only to a period of 12 months? It is absolutely true that nobody could foresee a deficit. If there are deficits, they must be met by additional taxation spread over a considerable number of years, particularly in these bad days when the earning power of everybody has suffered. So I think that even according to strict finance, it is illogical to claim or want, by additional taxation in the course of another 12 months, to recover money to the tune of 19 crores to meet the deficit for this one year. That is one reason why this period should not be extended to more than the usual period. After four months we can see what the position is. The other reason is that the House decided that there should be retrenchment first, and the Honourable the Finance Member very rightly said that we must try to retrench our expenses first and then we should have recourse to additional taxation if necessary. That is a proposition which was accepted by all, and following the very good tradition of British financial experts, let us in this case also follow them. We find that they have provided for two-thirds of their deficit from retrenchment and one-third from taxation; unfortunately, as it appears in our case, we are not even going to do justice in the reverse proportion; that is to say, not even one-third of the deficit is to be met by retrenchment. My proposition for limiting this Finance Bill to its usual period is strengthened by the fact that, if we restrict it to the year, then the House will get an opportunity to go over all the retrenchment proposals of the various Retrenchment Sub-Committees.

[Mr. S. C. Mitra.]

My shrewd and able friend, Mr. Gaya Prasad Singh, on the last day pointedly asked the Finance Member whether a day would be given to the House to discuss the reports of the different Sub-Committees that have submitted interim reports. I am sorry it missed the Honourable the Finance Member. He did not say whether this House will get an opportunity. But I maintain that the General Retrenchment Committee itself was a creature of this House. If the General Retrenchment Committee and the various Sub-Committees have any responsibility, their responsibility is to this House. I know that there is a Sub-Committee of the Executive Council to sit in judgment over the Sub-Committees. I for one wish that all the recommendations of the Sub-Committees should either be examined or accepted by this House generally, or if they have any objections to any particular items, the House should judge how far the Sub-Committees have been right or whether they have gone too far, but not to leave the responsibility of accepting the recommendations exclusively to the Committee of the Executive Council. I therefore maintain that, for the principles of good finance, it is necessary that the House should judge what money may be had from retrenchment.

As regards retrenchment, I still hold that there will be opportunities before the final voting on this Finance Bill to say whether the recommendations of the Sub-Committees will be accepted. I can, however, give the House some idea as to how their recommendations have been dealt with. I know there was only one suggestion that was made by the whole Committee, but unfortunately I do not find that Resolution in the report of the Committee presided over by Sir George Schuster himself. It is about the graduated cut in salary. The General Committee with Sir George Schuster in the Chair voted—I do not like to say unanimously but I can say *nem con.* because there was no dissentient—a graduated cut. I will explain to the House exactly what recommendation the Committee made. They said after mature deliberation that there should be a graduated cut in salaries. For the first Rs. 40 it should be 2 pice for each rupee of pay. From Rs. 40 to Rs. 100 one anna, from Rs. 100 to Rs. 500 10 per cent., from Rs. 500 to Rs. 1,500 15 per cent. and above that, 20 per cent. That was the recommendation of the entire Retrenchment Committee, of which Sir George Schuster himself was the Chairman. I have nothing specially to say against the Finance Member, because as a matter of fact it must be expected that he is not one man to decide these questions. There has been pressure suddenly both from upwards and downwards. I shall later on show how we could get not only Rs. 85 lakhs, but about Rs. 95 lakhs from salaries alone on the civil side. But before dealing with this, there is one thing I should like to mention. Sir George Schuster said that if we adopted a graduated cut, we would get about Rs. 20 lakhs less. I would like to mention what happened. It will not be very difficult to calculate. According to Government's suggestion, salaries of less than Rs. 40 have been excluded. We suggested that those salaries also should bear a cut of two pice in the rupee or $8\frac{1}{4}$ per cent. From 40 to 100 we suggested one anna or a cut of $6\frac{1}{4}$ per cent. Government has excluded the former class; so that question does not arise. As regards the latter class, we suggested $6\frac{1}{4}$ per cent. while Government have fixed 10 per cent. As regards getting money from salaries of more than Rs. 100, we suggested that up to 500 there should be a cut of 10 per cent.; between 500 and 1,500 the cut should be 15 per cent., and above

1,500 the cut should be 20 per cent. Thus our scheme was on a larger scale of cut, but the reason why it has been found that there will be a shortage is that somebody suggested the salaries should be cut according to the telescopic system, that is, a man getting Rs. 1,500 a month, will pay only $3\frac{1}{4}$ per cent. on the first 40 rupees, $6\frac{1}{4}$ per cent. till 100 rupees, 10 per cent. till 500 and so on, and only 15 per cent. on the balance. Of course according to that system of cut, our scheme was calculated to give 20 lakhs less than the Government scheme. But surely we can do away with the telescopic system and substitute the block system of cut if that is more equitable. But as a matter of fact I find that the Finance Member, whatever he might say, has accepted the graduated cut, because His Excellency the Viceroy very graciously accepted a 20 per cent. cut, the people lower than him, the Executive Councillors have accepted a 15 per cent. cut, while others below him have had this 10 per cent. cut. So the only difference is that most of the Indian Civil Service people have had a uniform 10 per cent. cut. But it is a graduated cut taken as a whole: and to denounce the graduated cut is, I think, unreasonable, seeing that as a matter of fact they have given effect to a graduated cut. All over the world they have accepted this graduated cut, and it is only common sense that those who can afford to bear it, should bear the heavier burden, as it is said in the railways, "What the traffic can bear", especially in a country like India where the salaries are the highest throughout the world—I think it is only the President of the United States of America that gets a higher salary than the Viceroy here. As regards the official salaries I have gone carefully through Whittaker's Book and find that in every department the salaries here in India are invariably on a higher scale. And here I would like to say this. When the Government of India was a small Government, a bureaucracy, then it was just and proper to pay high salaries to a few people; but now they are an anachronism, because on the one side we have popular representation and we want more men sharing in the Government. I appeal to the Government to decide once for all on this point: if they are to get high salaries, logically speaking it must be a pure unalloyed bureaucratic system consisting of a few people getting perhaps a high rate of pay, and you can expect from them the highest amount of work. But if you mix up democracy with it and keep so many Executive Council Members and Ministers in the Provincial Councils, by comparison with the European officers, though they know that a lower grade of pay will suffice for them, still because of false ideas of prestige and because they think others will look down upon them, they are also paid the same scale of pay. The whole thing therefore has become an incongruity. On the one side you have the highly paid officials who must be maintained; at the same time you have the democratic element, a large number of people must find some place in the Cabinets of the various Governments. So I say it must be decided once for all now whether we must have these highly salaried officers in a bureaucratic system or whether we must not reorganise the whole system and have people on lower rates of pay. I think there will be an occasion later on for me to deal with the scales of pay, because I have many things to say then about the grades of salaries obtaining in India. I still maintain, however, that if we are to accept a block cut of 10 per cent., let us do it in all earnestness. I find from Mr. Jukes' Report page 14, that in pay and pensions and sterling allowances, etc., the total amounts to Rs. 9.5 crores. A block cut of 10 per cent. will, on the civil side alone, give us 95 lakhs. But we have got only 35 lakhs according to the proposed system.

[Mr. S. C. Mitra.]

One other matter that I want to mention is the Lee concessions. It is very natural for the Honourable the Finance Member to be very sympathetic and considerate about the higher services. That is natural. But you must also consider who are paying this amount. I do not like to deprive a single man of anything he has got; but we must realise who is paying these taxes. By one stroke of the pen these Government officials have been exempted from this surcharge in income-tax. Is it fair that these people should be exempted while all others are as a matter of fact suffering? Everybody, except the salaried official, is getting reduced earnings: otherwise what is the reason for Government getting reduced revenues? It is because every individual citizen has suffered in his earning capacity. That is why the income of the nation has become reduced and the country is in the position of a bankrupt. It is also true that the salaried officials have suffered nothing because their salary is fixed. They are the only people who have not suffered, while the agriculturist, the trader and the manufacturer have all suffered: the agriculturist and the manufacturer get less for their products than before, but the salaried people continue getting their full amount. Can any one deny the fact that the income of tax-paying Indians has suffered more than ten per cent? Then, why this sympathy for these few high salaried officials? That is the question I ask in all earnestness. Why should not these gentlemen who are getting a scale of pay much higher than anywhere else in the world, in this strenuous time, contribute their quota to the treasury to help India in these hard times? So, I say, if it is to be a block cut, let it be a block cut of 10 per cent. for all. The Finance Member said that the Lee concessions form part of the pay of some of these officers. If they form part of the pay, then what logic is there in holding that this portion of pay, which has been specially provided for them, should not have the usual cut of 10 per cent? I hope the Finance Member will explain why, if the Lee concessions really form a part of the pay, they should not bear at least this 10 per cent cut like other cuts in salary.

The Finance Member was very kind towards the poor salaried officers who get less than Rs. 40 a month. I may say in passing that the Retrenchment Committee was not a select committee—it was an open committee and as a matter of fact I would have been very glad if the public had attended its meetings and seen for themselves how we were striving. We came to the conclusions as we did, for the best of reasons. Therefore, I say that some of us argued that there should be an exemption of the lowest salaried people, I mean those who are in receipt of mere living wages like Rs. 40 or Rs. 60, and I am glad that the Honourable the Finance Member has accepted our suggestion in a way, but I am told that all the railway officials and postal workers who are strenuously working throughout the year are not getting the benefit of the exemption. This step has been taken, I understand, with a view to save the police from the cut of salaries, this sympathy has come from the Government only with a view to saving the police from the cut.

Then coming back to the Budget position again, I find that a surplus of 4 crores and odd has been provided. Can anybody tell us why there is a surplus in this very hard time? Is it because the Government are afraid that the civil disobedience movement may be revived at any time and cost them more money, or is it apprehended that more police might be necessary? Why should provision be made, even in such bad years as these,

for a surplus Budget out of additional taxation of one year alone? These are some of the many grounds for which, I think, this House should consider that the period of taxation covered by the Finance Bill should not be extended beyond the usual period of 12 months. I say again it may be necessary to revise it even earlier than 12 months, but there is no reason whatsoever for extending it unusually to 18 months.

Perhaps the House will excuse me if I deal in a little greater detail with the Retrenchment Committee because that forms the major portion of this scheme. The Honourable the Finance Member said that the General Purposes Committee would have an opportunity to sit with the financial representatives of the Local Governments to discuss the question of general retrenchment, but so far as I know, up till now we have had no opportunity to do so. I understand that in that Committee, there was a proposal for getting back to the old scale of pay, I mean the scale that obtained before the war, and the financial representatives that met in conference were agreeable that the old scale was quite sufficient for the provincial men, but when the question was raised about the I. C. S. officers, difficulties were raised. I do not know how far the information we have got about this is correct, because, as I said, we have so far had no opportunity to meet the financial representatives of the Local Governments and discuss the question, but apparently there was no reason given for not convening a joint meeting. One reason that was given out, I think, was that the representatives had no chance to consult the Local Governments, and so they could only offer their private or personal views. I shall be glad if the rumour is contradicted, but there is no doubt whatever there was pressure both from above and from below. We know that the pressure will be very strong now with the formation of the National Government in England with a strong man, with the Great Moghul sitting there, —we blame the Great Moghuls, —but I do not know if ever the Great Moghul went against the wishes of Wazirs and their financial advisers. The rumours that we have heard may be correct or incorrect, but we know that, as a subsidiary branch of the British administration, —we are feeling it every time—this Government are not free to go their own way even where, according to the financial convention this House and the Government agree there should be no interference from the Secretary of State.

I shall now deal with some of the remarks made by some Honourable Members about the various Retrenchment Sub-Committees. In the first place, I should like to point out to the House that, though in the papers it has been shown that the suggestions of the Retrenchment Committees have been accepted, if not *in toto*, at least in a large measure, yet it is all a mere eyewash. My friend Sir Muhammad Yakub tried to show that in the Army Committee they suggested certain cuts, and when you read the speech of the Finance Member, you find that at least 90 per cent. of their suggestions have been accepted, while as a matter of fact what has happened is that some reductions which were not touched by the Committee have been added up to the retrenchment, while some of those items which have been recommended by the sub-committee have been rejected, and the total has been shown as Government having accepted almost all suggestions. The same thing has happened with regard to the Director General of the Indian Medical Service and the Public Health Commissioner. If you look to the percentage, I think you will find that the percentage is almost the same, but what has happened? As a matter of fact, we did

[Mr. S. C. Mitra.]

not want that there should be a Director General for medicine. Our contention was, that it being a provincial transferred subject, there was no necessity to have an elaborate staff in the Government of India, in fact it means no credit to provincial autonomy if everywhere the provinces are interfered with by a staff here. As a matter of fact, the main function of the D. G., I. M. S., is to look after the appointments of a few recruited I. M. S. officers from the Army service. They are recruited by the Army authorities; then some of the officers are transferred to serve in the provinces. Here a register is maintained by the office of the D. G., I. M. S., under the very high sounding name of co-ordination and supervision, and a huge staff consisting of a Director General on Rs. 3,500, a Deputy Director General and an Assistant Director General with a large ministerial staff under these people is maintained. Then, to duplicate the work, there is another Public Health officer, whose duty is mostly to attend functions held outside India, and as soon as he has got sufficient experience, by reason of his being a sufficiently senior man, he retires to an English village, and the whole experience acquired by the man at our cost is lost to the country. We suggested that it would be far better that provincial officers with a lesser number of years in service should be sent abroad, so that their experience might benefit the whole of India; but the result is, though in the grant itself you find that 90 or even 100 per cent. of the recommendations under Medicine and Public Health have been accepted—really of course there is a reduction by reducing the grant from the Research Fund by a further lakh. Grants for the Pasteur Institute, X-Ray Institute, Medical Research, Reserve, etc., have been reduced by a further cut of about Rs. 44,000 and so on. Though laymen might think that the recommendations of the Retrenchment Committee have been accepted, really all the beneficial part of it has been taken away, while the portion that was considered as redundant by the Committee has been maintained. So I again repeat that this House should have an opportunity to examine how far the recommendations made by the various Sub-Committees have been accepted, and before all those matters are closely examined, it is idle to prescribe taxation for another 18 months, knowing for certain that every item of income is uncertain and the expenditure side may also be said to be uncertain.

Sir, I am reminded of one of your many speeches wherein you emphasise that the Government should see that the national dividend increases. It should be the first concern of every Government to see that the question of unemployment is solved. Even the richest countries like America and England cannot escape the effects of this unemployment, even though the individual income there is several hundred times higher. But this Government think that the only duty of a Government is to rule with a firm hand; their only point is to see that there is no retrenchment on the Army or the police, as if the purpose of a good Government is only to rule and to have only one department, the department in charge of my Honourable friend Sir James Crerar. In every civilised country there is provision for old age pensions; there are several different kinds of arrangements for the relief of the poor, and it is the duty of the Government to arrange for those things. But here they think that their one duty is to rule with a high hand, and the effect is that the Government cannot expect any real co-operation when they are even in dire necessity. My Honourable friend Mr. Moore said, speaking of the taxation on machinery, that we always take the opposite view. When there was a talk of reducing

the taxation on machinery, we opposed it because we thought that it was facilitating English machinery, while if additional taxation is proposed we argue in the contrary way. As a matter of fact, we may tell you that if we really thought that there was a clash of interest between the Britishers and ourselves, we should not have come here. We are here because we realise that there is a great field for co-operation. In fact, even Mahatma Gandhi himself has said that there is chance of India giving Imperial preference by statute if we are once assured that the British Government here are looking after our real interest. They say they are the trustees of the dumb millions; but they should also know that these dumb millions are half-starved millions. What is their income? It is 3½ annas a day, at the highest calculation, if you take the average income at Rs. 70 per year. If you take away the larger incomes, then it will be less than three annas a day. I have great sympathy for the Official Benches, for the high salaried officials. I can realise that a cut of ten per cent. all of a sudden is very hard, but how can they forget where this one pice comes from? The Honourable the Finance Member says that the salt tax is a very convenient tax. It is so if you look at it from the standpoint of collection. It is an inelastic thing; it is a necessary of life; and nobody can escape the tax on it. If the only object of Government is to raise money, it is all right, but I appeal to my friends in the European Group, let them consider what difference this one pie in a pound makes. Do they know the practice in this unfortunate country? Our village people go to the mart twice a week. They purchase a seer of salt. These pies are not available anywhere except in the banks. If they have to pay anything they have to pay in pice and not in pies. The surplus will go to the middleman; he will derive benefit from it. The poor man who earns not more than three annas a day pays one pice for salt, one pice for sugar, and then as regards cloth—my Honourable friends over there have said so much. The people who will be affected most by this in my province are what are known as *Julahas*, a section of people in Eastern Bengal who weave the higher counts. Our Indian mills are producing coarse cloth with short staple cotton. These poor people have their own handlooms, and they weave with long staple. If the price of cotton is increased, that will also be a burden on the poor people. I am afraid some Honourable Muhammadan Members have decided to vote for the additional salt duty. People who represent rural constituencies ought to know the effect of this additional tax. Of course, Members on the Government Benches may say it is one-hundredth of a shilling or one-thousandth of a £100 sterling; but that does not matter. If you once raise the price by a single pie, the effect is that the poor man pays one pice. So you must be careful when you put any tax on the necessities of life in a starved country. Your responsibility is great. I know the constituencies are not wide awake; unfortunately they do not even know how some of their representatives vote. But the time will come, when out of necessity they will have to do it. Our friends here have been saying during these ten years in this House that the military expenditure can never be brought down to less than 50 crores of rupees. They said so not once or twice, but several times. But, Sir, necessity is the mother of invention, and this very Government have brought down the military expenditure to Rs. 46½ crores. I tell you, if there is any trouble anywhere they will bring it down to Rs. 40 or 35, or 28 or 29 crores as it obtained in pre-war days when the price level was exactly the same as it is now. Sir, I have gone through these papers and I find that there is no reduction in the Army expenditure on the rations,

1814

LEGISLATIVE ASSEMBLY.

[11TH NOV. 1931.]

[Mr. S. C. Mitra.]

though it is argued here that the prices of foodstuffs have gone down and that is the main reason why the salaries should be cut. I wish that more Indian Members could see through the intricacies of this Government and how it is working. Really it is a machinery, and it works in such a way that it is beyond the capacity of any single man to get out of it. I know there are men in the Treasury Benches with the very best of intentions. They are as well-intentioned, as clever and intelligent, and some of them are as patriotic as any on this side of the House, but they form part of a machinery. I will give you one illustration as regards the scales of pay. Here, in this big Secretariat, it is not that there is a basic pay and they get a certain percentage when they work here. The pay of all the Secretaries is fixed at Rs. 4,000 a month, similarly, the pay of the Joint Secretaries, the Deputy Secretaries, etc., is all fixed. Do you know what is the result of this? Let me give a concrete case. I think it was Mr. Haig or somebody else. He officiated even as an Executive Council Member, getting Rs. 6,000 and odd. Then I think he was on the Reforms Committee, but when he went away, these posts were filled. When he came back he would have to go to his province. What is the position there? I am given to understand that the seniormost Civilian in the district draws only Rs. 2,500. The District Magistrate is the head of the district administration there without any guidance whatsoever, and he has to meet critical situations. The highest pay he gets is Rs. 2,500. But if he comes to the Secretariat here and remains here in the chain he gets three times his pay. It is an absurd system, but it has obtained for long and it still continues. I go back to my former point. These retrenchment measures should be thoroughly threshed out by this House either by a

1 P.M. Select Committee or the whole House going into committee, or by any other step which the House settle for themselves. In the meantime the Honourable the Finance Member should not press for the taxation proposals beyond the allotted time for a year. If necessary he may even come up earlier, but in no case should it be extended beyond its natural period. Sir, I move that clause 2 be omitted.

Mr. M. Maswood Ahmad (Patna and Chota Nagpur *cum* Orissa: Muhammadan): I support the motion of my Honourable friend, Mr. Mitra, wholeheartedly. I had also given notice of such an amendment. I am not one of those who oppose the Government in season and out of season, and I admit that Government are in financial trouble and my forecast at the time of the Railway Budget became true, and the Honourable the Finance Member has come before the Assembly to want more money for balancing the Budget. But, Sir, I have no hesitation in saying that the Honourable the Finance Member has gone too far, and without taking the trouble of scrutinising item by item, he has made a desperate attempt to raise all the taxes and not only this much. He has created new items for fresh taxation and wants to extend this increased taxation to the financial year ending 31st March 1933. Sir, in my opinion this is a premature and uncalled for attempt. If Government are in need of money, they are at liberty to try to get the Finance Bill passed, but they must restrict this Bill for the remaining period of the year ending 31st March 1932 only. By that time Government will get the opportunity of testing the effects of this Bill and at the same time they will be in a position to know the real situation of the finances.

Sir, you know firms and mills are very busy in England now. Old firms which were closed a year or two ago have restarted their business. Fresh big orders have been placed by India. The number of unemployed in England has gone down. These factors show that imports in India will increase very soon. I think there will be no need of extending such an unbearable tax for the next year also.

Sir, at present it is very difficult to say what will be the effect of this enhanced rate of taxes. Some enhancements may prove a failure. Some may prove unbearable. Government should wait to see the result, and after six months' experience they will be in a position to decide which items they should extend and which one they should not.

The same Assembly which they are asking today to pass this measure will remain in session after three months also. I cannot understand why Government are in fear of the next session. If they want to get the benefit of some Members absent, that is, of those Members who have gone to London on their invitation to attend the Round Table Conference, it is not appreciable. It will decrease Government's position in the public eye and they will lose their confidence. Already we have a grievance that the Government have nominated fresh recruits in place of their absentees to maintain their strength, and this will be the other grievance if the Government will try to extend the measure for the next year also, in the absence of some representatives of the people for whose absence they are themselves responsible. Sir, I do my duty and warn the Government that this will be condemned by generations still unborn. If this is not the idea of the Government they should restrict this Bill for the current year only, and they should bring a new and better measure in the ordinary course in the month of February 1932 for the year ending the 31st March 1933. I want to assure my Honourable friend Mr. Mitra that no Mussalman will vote for any unjust measure. We have full sympathy with the poor, half-clothed and starving people of India. With these words I support the motion of my Honourable friend Mr. Mitra.

Pandit Satyendra Nath Sen (Presidency Division: Non-Muhammadan Rural): I rise to support the motion moved by my Honourable friend Mr. Mitra. Of the various Bills that come before this Honourable House, this emergency Finance Bill has a peculiar character—of being belated and premature. From the peculiar nature of this Bill one is induced to think that the belatedness is sought to be compensated by the prematurity. This Bill is belated in regard to the remaining portion of the current year and premature in regard to the coming year. About the peculiar character of this Bill, I am reminded of an office clerk who when leaving office early was challenged by his office master who said "Well, Mr. So and So, you are going home early" and the prompt reply was "Yes, Sir, but I came late". In the present case also one part of the Bill is belated and the other part is premature and the two are intended to balance each other. This Bill is sought to be extended up to the end of the next financial year. From our experience of the last months, we see that most of our calculations have been falsified and there is no knowing what will be the condition of the country during the coming year. Already some items such as jute, coal and tea have begun to appreciate and there is every likelihood that the condition of the country will be greatly improved in the next year. What is the good then of being too wise, in more than a superfluous degree, by extending the scope of the Bill to the end of the next financial year?

[Pandit Satyendra Nath Sen.]

Sir, in a country where most of the people do not provide for the next month or even for the next day, the Honourable the Finance Member wants to provide for this year, for that year and for the following year. In his speech delivered in Simla, the Honourable the Finance Member said:

"If these forecasts are fulfilled, then even if there is no improvement in the economic position, the Finance Member, when he presents the Budget for 1933-34, will find himself in possession of a surplus of 5.23 crores and he will be able to make a substantial easing of the burdens."

Sir, as I have already said, the condition of our people here is such that there is not enough provision for their needs even for the next month, so this measure is one which is more than can be justified or encouraged. Sir, I should request Honourable Members to concentrate their attention especially on this point, because if this amendment is carried, two-thirds of the mischief will be removed, mathematically speaking. (Laughter.) There is another aspect of the question. If these prohibitive taxes are allowed to continue, it will be very difficult for the future legislators to remove them from the Statute-book. Our experience is that when a tax comes, it comes to stay; and our apprehension is that it will be the case in the present instance also. Sir, I ask, in how many ways do the Government want to fleece the poor people of this country? Instead of cutting down the high and princely salaries of Government officials adequately, they are causing hardship to the people in several ways.

Sir, if I may be allowed to make a few observations on the method of retrenchment that has been adopted, I should say at once that it is open to two serious objections. The first objection is that the scale of cut adopted is not a graduated one. Or, if you want to call it a graduated one, it is not graduated in the right way but just in the reverse way, because it is proposed that the cut should be inclusive of the income-tax surcharge. It comes to this that in the case of the men on high salaries the ten per cent. will come down virtually to six or seven per cent. only; in other words, the principle that is going to be followed is, "the higher the salary, the lesser the actual cut." Sir, I am here reminded of a saying which is prevalent in our part of the country, namely, "*Uta boojhilay Ram*"—"Oh, Ram, you have understood my prayer just the other way". The recommendation was for a graduated scale, but the scale adopted, though graduated no doubt, is graduated in the wrong way. Sir, the second point is that higher cuts should have been adopted in the case of men on higher salaries rather than serving many small people with notices for the termination of their services. Sir, by doing so, the sanctity of Government service has been violated. Many people encumbered with families consisting of women and children have been stranded, and they find nothing but darkness all around. Personally speaking, Sir, I am for the retrenchment of salaries—not of posts. If any post is found to be superfluous anywhere, that post should be abolished for the future not just now unless the permanent incumbent can be provided elsewhere.

Sir, to return to the topic of taxation, Government are going to impose on the people various taxes, direct and indirect. Salt, cotton, paper, motor car, and so on and so forth: no item has escaped the vigilant attention of the Finance Member. Not a day passes without our getting notes of wailings from various quarters. Sir, the measures are too drastic to

be taken in advance. Eighteen months' time is too long a period for us to commit ourselves to the taxation scheme of the Government. Let us see how the system works during the first six months, and if necessary the measure may be extended up to the end of the next year. Sir, with these few words I beg to support the motion moved by my Honourable friend.

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

The Assembly re-assembled after Lunch at Half Past Two of the Clock. Mr. President in the Chair.

Mr. Muhammad Azhar Ali (Lucknow and Fyzabad Divisions: Muhammadan Rural): Mr. President, in the last session at Simla we were apprised of the fact that the Prime Minister of England would help India in India's credit. We were all jubilant and we thought that if India's credit ever goes *put*, the English Prime Minister and the English people will come to our help.

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): You were living in a fool's paradise.

Mr. Muhammad Azhar Ali: As my Honourable friend, Sir Muhammad Yakub, says, we were perhaps living in a fool's paradise. But even if we were not living in a fool's paradise then, since the introduction of this Budget, we are in a greater fool's paradise than ever before. Sir, our impression then was that if the industrialists or agriculturists of India ever felt any difficulty, the Government of India and the British Government would help Indian banks through the English banks. But we find that several Indian banks have become bankrupt. We find that the agriculturists do not find any help anywhere. We find that the Imperial Bank of India does not come to the help of the landlords in the provinces. The landlords have absolutely no place to go to, when they have to pay land revenue. When the industrialists want to start mills or to recoup the present condition of the industry, they do not find money in the Indian market. That was the situation, then. What is the situation now since the introduction of the Budget? It has become more tragic. Ever since this Budget was introduced, we are reading in Indian newspapers that the conditions of India are becoming worse and worse. No source of taxation has been left out. All kinds of taxes have been imposed on the heads of Indians. If the object is to crush India, if the object is that the present depression in India should continue and increase, I may warn the Government that the situation will go from bad to worse. Public opinion, so far as we gather from the papers, is absolutely against the introduction of the present Budget with the proposed items of taxation. We find that the salt tax has gone up again, that a super-tax has been introduced, and that the poor people of India, as well as the industrialists, are made to suffer. Our Finance Member said the other day that Indians should follow to a great extent the politics and the affairs of England and other places. I submit that if the Government in England had proposed a

[Mr. Muhammad Azhar Ali.]

Budget for two years, continuing up to 1933, then it would be justifiable to introduce this Budget as well. If not, Sir, why should this new system be adopted for India alone? Sir, we find that in England the delegates to the Round Table Conference are being played with. Here in India too we find that we are being played with with this jugglery in figures at every step. The other day we were crying about the ratio of 18d. not being consistent with Indian conditions. Our rupee has also been now linked with sterling—another tragic feature of the currency in India. Sir, in the provinces too the landlords and the tenants are being played with. Thus my submission is that in every walk of life where we Indians come in contact with the present system of Government, we find that we are being played with. There is no stabilising of our currency and other business of the country. Sir, it is only by retrenchment that we can make conditions in India better. I think that is the only way in which we can meet the budgetary conditions. The Railway Department has sent away thousands of people; the Postal Department is sending away thousands of people. The Army Department was a closed book, but now it is said that it has been opened to Indians, although I find that if it has been opened, it has been opened in a niggardly fashion and in a most meagre way. The cry of Indians is that it is not through taxation that conditions will be bettered, but only through complete retrenchment of the British Army of occupation in India. Again, Sir, raw materials are being taxed, and cotton producers are thinking that they will suffer very much. These being the conditions, I think the Government of India ought to take stock of all these things and try their best to meet the prevailing conditions.

Mr. S. G. Jog (Berar Representative): Sir, I am very thankful to the Chair for the opportunity that has been given to me. Somehow I was rather unfortunate in not getting an opportunity when the general discussion was going on on the Finance Bill. One stands at an advantage in taking part in the general discussion, where it gives one the right or prerogative to say many things, either relevant or irrelevant, reasonable or unreasonable, sense or even nonsense, sometimes more nonsense than sense. I am very sorry that I could not avail myself of this valuable right of taking part in the general discussion. I must congratulate the Chair for having granted the right to me, even though not in the general discussion of the Finance Bill. I think I need not be sorry for having lost the opportunity in the general discussion. At the outset I must make it clear that my association with the Finance Member in the Standing Finance Committee has created a soft corner for him in me. I must also congratulate my Honourable friend Sir Lancelot Graham, who is generally unyielding and unbending, that on this occasion he has given us an opportunity of moving the amendments to clause 2 first.

An Honourable Member: And the Chair also.

Mr. S. G. Jog: And the Chair also. I will first deal with the constitutional question raised in the general discussions by a constitutional lawyer of great repute, I mean, my friend Sir Hari Singh Gour. The other side of the House probably treated it with contempt—felt that there was nothing in that issue. Although I do not hold that reputation of a great constitutional lawyer, still I have got something to do with law, and I for one cannot understand how a Finance Bill extending over a period of 18 months can be introduced legally. Apart from the constitutional

question, there are other questions of propriety also. We are introducing a Finance Bill at a time when you know for certain that many Members are busy with important issues—I mean in the Round Table Conference. Government on their side have asked those people—I do not know whether voluntarily or under compulsion on the part of Members—asked those people to resign and have replaced them by other people. There is no such thing done on this side of the House. On the contrary, an attempt, either deliberate or otherwise I do not know, an attempt has been made to send a few Members on this side to work on Committees such as the Orissa Committee. It was only the other day I gave notice of a short notice question, and I must congratulate the Honourable Member in charge that he received notice of that question. I have suggested in that that an arrangement should be made to get the Members of the Assembly who are working on the Orissa Committee to come here and vote on such an important measure which the Government have introduced. With such steps as the Government are taking, I am afraid the Government have played a foul game with the House. They have increased their strength and diminished our strength.

As regards the Finance Bill that has been introduced, the Finance Member has often used his pet phrases and has given a warning to this side of the House to face facts and realities. We on this side of the House are all aware of these stock phrases of the Finance Member. We on this side of the House always mean business and are always ready to face facts and realities. We are oftentimes sentimental and say we would look at the Budget from that point of view. I extend my sympathies to the Finance Member, who has had to deal for the last so many years with deficit Budgets, and probably it is no wonder that he has lost his balance of mind. He is very solicitous about maintaining the financial equilibrium, monetary equilibrium, but in doing so, he has forgotten that he has got to maintain his balance of mind also. In framing a programme of taxation, he has to see that it affects all equally; it must be just and it must be equitable. I will take only one item and draw the attention of the House to it and challenge the Honourable Member. I must congratulate the Finance Member on the exposition of his theory with which I am in entire agreement. I shall read from his own speech as to the theory which he expounded for applying the principles of retrenchment. He gave two or three conclusions:

“These are:

First, that any cut must be general and on a fair basis.

Secondly, that it should be of a temporary nature not extended beyond the need of the present exceptional emergency. Its justification is in the need for a common sacrifice in a national emergency. Although it may be said that the subordinate ranks have gained from the low level of prices, there is as yet no proof of a substantial fall in the cost of living of many classes of Government servants.

Thirdly, that it should not in any way affect pension or provident fund rights.”

Later on:

“For the general Government services we think that the limit of exemption should ordinarily be about Rs. 40—perhaps a bit higher, perhaps a bit lower. I ought, however, to mention that special considerations may have to be applied to a great commercial undertaking like the Railways, but the maximum will not be exceeded in any case.”

[Mr. S. G. Jog.]

I am in entire agreement with the theory that he has expounded, but I am surprised to find that, when applying these theories or when translating them into action, the Finance Member has bungled to a great extent. Let us see how far his proposals are fair, just and equitable. Whatever may be said on the other side, I find throughout the whole programme of taxation and the general proposals his solicitude for protecting the higher services. Whenever the question of the higher services comes in, I think he has found it very convenient to ignore and reject his fair mind and his fair principles. In the case of the higher services he says that there should be a 10 per cent. uniform cut. As regards the other services, it has been said in all their meetings and in all the associations that such a flat rate is no good in the interests of the subordinate staff, and a number of resolutions have been passed to that effect. I think the resolutions must have reached the Finance Member. I do not know whether he has cared to read them or whether he has thrown them into the waste-paper basket. In some of the meetings over which I had the fortune or the misfortune to preside, I told them that everything fair would be done in the interests of the subordinate staff. To my great surprise, the very next day I found a communiqué was issued that in the case of the Postal and other departments, even the minimum of exemption of Rs. 40 was not to be observed in those cases. I ask the Finance Member on what basis this can be said to be fair, on what basis it can be said to be just, and on what basis it can be said to be equitable. Is this the legacy which the head of the Postal Department, who is a member of this Assembly and who is on the verge of his retirement, is leaving to his subordinates? What action has he taken to support and protect the interests of his subordinate staff in his department, of which he has the honour to be the head. Did he plead the cause of this subordinate staff and say that the minimum exemption of Rs. 30 or Rs. 40 should be applied to these poor people? Is it the care which the Finance Member is showing for the poorer classes? Is he not partial in his attitude towards the higher services? Is the 10 per cent. paper arrangement which is shown there, working at 10 per cent.? Even that 10 per cent. he says should include income-tax, but must not include the Lee and other concessions. Excluding all these things, the 10 per cent. cut is to be applied to them. Does it stand to reason that a 10 per cent. cut is being applied to that along with others? Is it a uniform cut that is being applied to the higher services? Has not the whole of India been clamouring for a very long time that India cannot afford to bear the burden of these higher services? What has been done in his own country? Have they applied this sort of flat and uniform rate there? What is he doing here? Why should not the principles that are observed there and the principles that are put in practice there be applied here? I will read out to you the procedure followed there in the application of these cuts in salaries:

"Upon analysis it will be found that the effect of the cut is largely counteracted by this proposal. In other words, it means that in actual fact the real incidence is not a 10 per cent. for these grades, but something less in proportion to the salary. This may be graduation, but it is graduation the wrong way round, for the higher the salary, the greater the benefit. It is, thus, a direct violation of the principle of equality of sacrifice so strongly urged by the Finance Member. It is in marked contrast to the policy adopted in England where ministerial salaries below £2,000 per annum are to be reduced by 10 per cent. : from £2,000 to £5,000 per annum by 15 per cent. and those of £5,000 and over by 20 per cent."

The Finance Member may say that we are not bound to follow the procedure followed in England, and that the circumstances out here are different from those obtaining in England. Let us see what is being done in other countries:

"In Australia the cuts range from 20 per cent. in respect of salaries of £1,000 and under, to 22½ per cent. on salaries between £1,000 and £2,000 and 25 per cent. on salaries over £2,000. Again, Italy is introducing cuts of 10 per cent. in the salaries of clerical and business staffs while managerial and directorial incomes are being subjected to a reduction of 25 per cent. Sir George Schuster is flying in the face of what is universally conceded as fair and just and of the joint recommendations of various Retrenchment Committees, who suggested a graduated cut ranging from 3½ per cent. to 20 per cent. In doing so he stands disclosed as an apologist for a body of pampered Government servants, to the neglect of the interest of those in lower grades."

In face of what is being done in all other countries, I do not see any reason why we should not follow their example. In spite of his solicitude for the poor people, which probably is only in words and not in action. I see no reason why we should not follow the example of other countries. Apart from this question of cuts in salaries, I had no association with these Retrenchment Committees, and many of the proposals which they have made are yet to be closely scrutinised and subjected to severe criticism, and it is only then that we shall be in a position to know how exactly we stand, how much gap we have to fill up and how much can be done by way of retrenchment and what will be necessary to fill up by taxation. We have not reached that stage as yet, and in the midst of all this, the Finance Member springs a surprise upon us by introducing a Finance Bill extending over a range of eighteen months, for which I do not think there is any parallel elsewhere. I have already said that it is not fair to this Legislature, and that the Finance Member is playing a sort of foul game for reasons which I have already submitted. I want to know the reason for this necessity of taking such long range action, when movements are so rapid in India and not only in India but throughout the world. There is a financial crisis. The currency question is not solved yet; the gold question is still in the melting pot; in fact in the whole world everything is unsettled; and under these circumstances there is no propriety in taking such long range action and forcing the hands of this House and of future people by springing upon this House this measure which we on our side are not prepared to support.

I am prepared to give the Finance Member credit for long range if he is quite accurate and correct in his calculations. It is very natural that during the last few weeks, probably on account of his fight with the Secretary of State, his mind is perturbed. But under the circumstances I see no reason why we should take the responsibility of taking up a Finance Bill ranging over a period of eighteen months. As regards his own calculations, let us see how the calculations of the Finance Member came out to be true or even made a near approach to accuracy. Of course I do not blame him for this; the world forces and the financial depression and crises are such that calculations are bound to fail. What we thought last week probably will have to be changed this week, and what we think now will probably have to be changed next week. Under these circumstances there, I see no reason why the Finance Member should stick to such a Bill, which ranges over a period of eighteen months.

[Mr. S. G. Jog.]

As regards his last year's calculations, according to his own statement, it is this:

"To sum up, the total deterioration in our income and expenditure is:—

- 11.33 crores in tax revenue,
- 5.48 crores on commercial departments,
- 2.29 crores on general Finance headings,
- 23 crore under extraordinary receipts,
- 23 crore under other heads including civil expenditure.

As the Budget provided for a small surplus of 1 lakh, on the basis of the present estimates, there will be a net deficit of 19.55 crores."

The Finance Member is fond of calling this a picture, and truly it is a horrible picture to present. What is the result of all his calculations? Where then is the propriety of making such calculations if it is such a hopeless failure—such a wide gap between the estimated income of a surplus of one lakh and an actual deficit of 19½ crores? If for no fault of his, the calculations have failed, why then commit this impropriety of springing upon this House a Bill which is of a most extraordinary and unprecedented character for no rhyme or reason?

There is one more point I would like to make and it is this: as regards the retrenchment proposals, some Members of the Standing Finance Committee made a proposal that the recommendations of the Retrenchment Committees required the close scrutiny of this House, and we were entitled to an opportunity of discussing them before we came to any final decision. There are many things probably which will require very close scrutiny and examination; we will have to see how far they meet the requirements of the case and we have also to see whether there is any hardship involved in those recommendations. Those recommendations may be faulty in some respects, and to that extent I think the House is entitled to have a close scrutiny or at least some discussion of them. This suggestion has been made by my Honourable friend, Mr. Gaya Prasad Singh, and I feel bound to support it.

Another tactical suggestion which I would like to make to the Finance Member, if he is prepared to accept it—I do not of course commit myself or the Members on this side of the House—which would make the opposition milder, if he agrees, is that he should introduce the Bill only for the period of three or four months left in this year and leave the twelve months of the next year untouched. We will be meeting again in two months, and we will then be able to see what the world situation is, what the financial proposals should be then, what will be the sort of returns we are getting from the several taxes, and we will be able to closely examine all these things, and then judge carefully what taxation is essential to meet the needs and to maintain the equilibrium of the Budget. We will be meeting in two months again, and I say there is no particular hurry. If the Government accept this proposal, I think the Opposition on this side will be prepared to consider their other proposals on their merits.

For the various reasons which I have given, I am bound to support the amendment that this Bill should be given effect to only till the 31st day of March, 1932, and therefore I support the amendment.

Sirdar Harbans Singh Brar (East Punjab: Sikh): Sir, I rise to support the amendment so ably moved by my Honourable friend

3 P.M.

Mr. S. C. Mitra. This clause is a very important clause in the Bill, because it takes away the right of the Legislature to discuss proposals for every year, and because it adds an additional burden of about 39 crores during the period of 18 months when we do not know exactly what will be the results if the recommendations of the various Retrenchment Committees are carried out to the farthest limits, and I believe many Honourable Members would agree with me when I say that we are not on this side of the House prepared to put such a huge additional burden on the poor taxpayers who are half clad and half fed, and also on the teeming millions who live in the villages, without first exploring all the avenues and effecting all possible retrenchments. So far as I have been able to go through the memoranda supplied by the Honourable the Finance Member on the position of the Government as regards the acceptance of the proposals of the Retrenchment Committee, I find that all high salaried officials have been retained; I mean such proposals have either not been accepted or have been put in the category of that well known phrase "under consideration", and these considerations as those of the capitation charges may remain "under consideration" for years sometimes or for decades. Wherever it has been a question of cutting down a clerk, a babu, a mali or a chaprassi, the proposals have been promptly accepted and given effect to, with the result that thousands of poor, ill-paid people have been thrown out of employment, while recommendations which would have brought about real economy, by abolishing certain posts have been kept untouched. For instance, I see that the Retrenchment Committee was unanimous about the abolition of the posts of the Director General of the Indian Medical Service and of the Public Health Commissioner, but no action has been taken by Government in regard to this recommendation. The Public Works Department Committee recommended the abolition of the Superintending Engineer in Baluchistan and suggested the appointment of only one Executive Engineer in the whole province, and no action has been taken on this, while three Deputy Collectors getting about Rs. 200 each have been sent away because they happened to be Indians. Many other proposals of that nature, involving very minor economies but very distressing effects on the employees, have been carried out, while proposals which would have resulted in real economy with very little distress have all been put into the waste-paper basket or in the category of "under consideration", which may remain for another decade.

Sir, the Government would not agree with us as regards the extravagance of the system, but I should expect them at least to recognise the authority of His Majesty's Prime Minister in England as regards the extravagance of Government. That gentleman is the Prime Minister for the third time, and now as the head of the National Government, representing the whole of the British nation, has put in black and white the following as regards the extravagance of the Government of India:

"Nobody who has seen India and the conditions of Indian Government will deny that there is a great extravagance. The European service is extravagant, the conditions under which it rules are extravagant, the cost of Simla, Ootacamund and other hill stations the expenditure on official residences and other paraphernalia is extravagant."

Now, Sir, about the charge of the Army in India, the representatives of the people in the Assembly for the last ten years and more have been

[Sirdar Harbans Singh Brar.]

crying themselves hoarse to the effect that it is too high a burden to be borne; that it is more an Imperial charge rather than a charge on the Indian nation, but the Government have not agreed with us. Here is the Prime Minister of England who admits the correctness of our assertion. This is what he says:

"Nine-tenths of the charge of the Army in India is an Imperial charge. Canada, South Africa and Australia should bear it as much as India. It is a piece of most bitter cynicism to find the Imperial doors of our colonies shut in the faces of these poor people who bear such an inordinate share of the cost of Imperial maintenance and at whose expense these Dominions are protected from the fear of war.

The personal extravagance of our rulers and officials can be seen by the eye".

We know that it was the Indian troops who were taken to South Africa, it was the Indian troops who fought the Imperial battles in China, and it was they who fought so gallantly in France and Gallipoli; and the assertions of His Majesty's Prime Minister clearly uphold the point of view of the elected representatives of starving millions of India; and it is time, if the Government are honest, that they paid due heed to this matter and reduced the expenditure of the Army to those limits to which the taxpayer wants it to be reduced. I do not deny that a soldier may be justified in demanding a pay slightly more than, or say even five times more than that of an ordinary man, but what we have to bear in mind as the representatives of the people who have to pay them, is to consider not what he is justified in demanding but what we can pay or what we could afford to pay. With that end in view, I suggested on a former occasion, and here again the suggestion has been repeated by the Deputy President, I believe, that as long as we are not able to officer the Army and at least we are able to be soldiers in the Army,—and our record in this matter is certainly very creditable compared to the armies in the whole world,—and the whole of the British troops should be sent back and the country should be relieved of at least some crores on that account, and if this is done, a large portion of new taxes will not be necessary at all. The Simla move, as even the Prime Minister has admitted, should be dispensed with as far as the Secretariat is concerned. Of course, we do not grudge the Viceroy and the Executive Councillors their annual move to the hills, but why should they go bag and baggage with all their paraphernalia, especially when there is a Secretariat here built at such a huge cost? Why should not a large portion of the Secretariat be kept down in Delhi, who would be able to occupy the residences built by Government for them, and the cost of going up and coming down can be saved, and that comes to about $\frac{1}{4}$ th of a crore.

As regards Indianisation, I may again quote a sentence from His Majesty's Prime Minister. This is what he says:

"The personal extravagance of our rulers and officials can be seen by the eye. When there is no personal extravagance, every Englishman employed to do work for which an Indian is fitted is a burden upon the Indian taxpayer".

I think, Sir, when the whole country is suffering on account of depression in trade and industry and when there is trouble on account of financial stringency, the truth of the statement of such an experienced and authoritative statesman like the Prime Minister of England should be taken note of and the process of Indianisation must be expedited as speedily as possible as suggested by the various Retrenchment Committees.

Sir, I personally believe that this clause extending the operation of the Finance Bill for a period of 18 months is not based on purely financial grounds. My view has always been that almost 99.9 per cent. of Governmental activities, financial or otherwise, are always guided by political considerations. I said on the 30th September last in Simla that the Press Bill was also designed for that purpose, not to meet an immediate need but to meet a danger ahead. The Government can foresee, as every statesman on these Benches can foresee, the failure of the Round Table Conference. Sir, that Press Act has been placed on the Statute-book, but so far it has not been utilised. Similarly, Government are thinking that a great national struggle is ahead as soon as Mahatma Gandhi returns after a failure of the Round Table Conference. The Government know that the Congress will start again a mass civil disobedience movement, and they are arming themselves with all power and authority to combat and suppress that movement. The Press Act is kept for that purpose, and they want supplies ahead from us, because when Mahatma Gandhi returns in a month or two and the Congress launches upon civil disobedience, we may not be in a mood to provide the Government in March with this huge sum of Rs. 39 crores to fight that movement. They are not now accepting all the retrenchment proposals of the different Sub-Committees because they want to keep a margin for additional police and magistracy and for additional measures to fight that battle to a finish. It is at that time that they will carry out the majority of these proposals to save more money for those particular purposes, and I think that the representatives of the people, the representatives of an already overburdened country, the representatives of the half-naked and half-fed Indian millions outside this Chamber will not be justified in agreeing to an extension of the period to 18 months. If there is an emergency, all right. Carry out the maximum of retrenchment beforehand, then whatever minimum remains, we will grant you for these four months. By that time we will know the conditions more clearly whether these additional taxes give you all the revenue required, and if it need be, you can again bring up proposals to meet the situation. By keeping the Army expenditure at that inordinate figure of Rs. 46 crores for next year,—at present it is Rs. 51 crores, because this year there is going to be no retrenchment,—and maintaining all this Lee loot money has been wasted on this huge capital. If you look at the Central vista, any person, even the Monarch of an European kingdom will envy it, and this city is only used five months in the year built at an expense of Rs. 15 crores just for the pleasure of having a delightful city. I have seen the French Government, they do not go to Nice and have fine buildings for summer just as you have got in Simla. Nor even do His Majesty's Government go to Bournemouth in the severe winter. Here you have power in the shape of ordinances, and extra legislation and certification, and you can bleed us white. That should not be your attitude. Now that you say you are sincere to give us self-government and Dominion Status in a short time to come, you should be more honest and you should carry out the wishes of the people in as great a measure as you possibly can, and not merely whitewash the thing by saying, "We have seen all these things. Unless we touch men under Rs. 40 a month in the Posts and Telegraphs Department and the Railways, our figures will not give a large yield. If we adopt a graduated cut, we do not get enough money". All that is humbug. Australia is in a much better position than ourselves in this country, and the average income per

[Sirdar Harbans Singh Brar.]

man there is much higher than here, and yet they have carried out a cut of 25 per cent. on incomes over £1,500 a year. Why should not that apply to India? No, because the people have no voice, they have no authority. They can talk a lot in the Assembly. But there is certification if you refuse supplies and they can collect the money from the people. Sir, even the *Statesman*, more pompously known as the "Friend of India", after a period of acting editorship when it supported Sir George Schuster, has, since Mr. Watson came back from England and took charge of it, condemned the Bill in most emphatic terms.

"The debates on the Emergency Budget in Delhi have concentrated on two points: (1) the failure according to the critics, to economise sufficiently and so reduce the necessity of heavier taxation, and (2) the lack of imagination shown in merely making a percentage addition to existing taxes without discovering new sources of taxation. The Budget, in our view, is open to both criticisms."

Again:

"Nor does the process of slow strangulation end there. The trader who is losing his business pays income-tax on diminishing returns every year and new circles of poorer wretches have to be dragged into the income-tax Act to cover the deficit. The drying orange is squeezed till the very pips squeak."

That is the description of the Budget by Mr. Watson, the Editor of the *Statesman*.

This Finance Bill is condemned on all sides, and as I have pointed out, until we know the exact figures to the very £ s. d. accepted by the Government of the retrenchment proposals of the different Sub-Committees, unless we are satisfied that retrenchment has been carried out to the fullest possible extent, unless we feel that no person is paid from the Indian ex-chequer more than we can afford to pay him, and unless we feel that what was done by the Inchcape Committee and was undone by the Lee Commission is again restored to the Inchcape standards, we do not feel justified in voting any additional taxation, and much less for a period of 18 months. With these few words I support the amendment moved by Mr. Mitra. When the Government came to us last year and asked us to join with them in carrying out retrenchments, when they wanted to associate us with them in order to take us into their fullest confidence, it is only just and fair on their part that they should now accept the unanimous recommendations of all the Sub-Committees in their entirety and so meet us openly with both hands of co-operation. It is no good asking us alone, "Please be kind, please be just and consider our proposals on their merits alone". Well, during my short experience of only one year, I have never seen those 26 gentlemen on the Benches opposite ever considering any proposal on its merits. With what fairness and with what justification can they expect that from us, and does it lie in the mouth of the Leader of the House to demand it from us, when those 26 Members at least, if not the 14 additional to them, always go to the lobby following the Leader, irrespective of whether a proposal on merits is good or bad. It is their duty to support the Government, to fill the pockets of Government with additional sources of revenue, and it is our duty, as the representatives of the people who have to pay the taxes, to refuse to agree to a single pie of additional taxation which will bring a burden on the poor tax-payers, and it is our duty as the official Opposition to oppose it. With this end in view, I support the amendment.

Mr. C. Brooke Elliott (Madras European): A clergyman friend of mine told me recently that often when he had not chosen a text when he went on the pulpit he spoke on any theological subject that came into his head. Sometimes at the end of his sermon, he invited the congregation to wonder what his text would have been, if he had one. That is rather like the situation today. The real feeling about the "cuts" in official salaries in some gentlemen's minds is, "Off with their heads". They are not satisfied with mere cuts. Now, do let us come back to reality in the short time for debate that probably remains. The text on which we have all got to preach is clause 2 and the Mover of the amendment says, "Wipe it out". Make the period only six months. The position is a very familiar one. I feel that my Honourable and learned friend must have often argued like this in a criminal appeal. He has had a client who has been sentenced to say 18 months' hard labour and he has tried in appeal to reduce it to 6. That in effect is the nature of the appeal he has made; but on the other hand there are times when, as we all know, the interests of the prisoner require that the sentence should not be shortened but should be a reasonably long one. I am a child in these matters and my friends may probably be able to bring forward better arguments, but that is the best argument that I can think of. The point is this. Supposing the prisoner said, "Well, if you cannot reduce it to 6, then make it 9 or 12 and so on to 18 by gradual steps", that would be a most unsatisfactory thing to do. We really come back here to two bedrock points. First—are we all agreed that there must be a balanced Budget? There was no division on the Bill and we all accepted last week that this Budget must be a balanced Budget, however much we may detest it in detail. I detest additional taxation as cordially as anybody can. You may, however, detest certain measures that the doctor prescribes for you; but if you want to get back to health, you have got to face up to taking his treatment. Suppose you carry this amendment. You come back to next April (and the 1st of April is a peculiarly appropriate date) and you will find yourselves with a deficit of 19½ crores. What will have happened? You will at once find you have upset the balanced Budget. I do not think my Honourable friends have really seen the dilemma in which we are placed. When the House passed the motion last week, they accepted the position of a balanced Budget and they have now got to face up to it. Does anybody suggest that in the next five or six months we should increase taxation to such a point that next April we should arrive without a deficit? Certainly not. (An Honourable Member: "Follow your Madras Resolution.") I am following the Madras Resolution, which is that you must have a balanced Budget. (Interruptions.) I really cannot answer more than one questioner at a time. I am standing by the Madras Resolution. If you come to the 1st of April next or the 31st of March, which is a happier day, you find yourself with a deficit of about 10 crores. What is going to happen to business in the meantime? Trade will be in a state of turmoil. Everything will be upset. There will be no certainty. Yet business people need stability, first. If you accept the principle of the balanced Budget—and it is too late now not to accept it—you must necessarily accept the position that you have got to make reasonable provision according to the Budget plan. That is the only difficulty. It seems to me that it is better to have the evil that you do know, than evils which you don't. I am simply speaking in the interests of the country itself, and

[Mr. C. Brooke Elliott.]

particularly in the interests of trade; and the best way of all of balancing your Budget is to increase your export and consequently later on your import trade. There is no question about that at all. (An Honourable Member: "How is it possible to increase the exports?") That is for the business men to consider, but it has already started. I simply take my stand on this proposition—that you must have a balanced Budget.

Now the next point is this. A great deal of valuable time and money have been spent already in this special session. The whole object, as I understand it, of calling a special session is in order that the public may know the best or the worst, and endeavour if possible to find a better solution: Yet Honourable Members would again impose upon themselves a great deal more of hard labour next March discussing these matters all over again. I shall not be here, but there will be a re-discussion here, after three or four months, of all the points that have been so fully and earnestly debated upon in this session. It seems to me that that action will upset matters greatly. It is true that people in Madras hope that it might be possible to have more retrenchment and less taxation. But so far, with great respect, I have not listened to any speaker who has produced a better plan than that proposed by the Finance Minister. There are points here and there with which we may disagree. If you have a bit of cheese, it does not matter very much if one political mouse slightly nibbles at it; but if you have a whole army of mice nibbling at the cheese, you will soon find that the Finance Ministry is left without any Budgetary nourishment at all. That is the real difficulty. Once you start nibbling at it in this way, where is the end going to be? We are agreed that there must be a balanced Budget. That is the common basis of agreement which was accepted by the House last week without a division. Therefore it is necessary to accept this section two, as part of the medicine which Dr. Schuster is prescribing for us. I only hope, and I honestly think that his diagnosis has been on the whole pretty sound. We are now well towards financial convalescence and I certainly hope that, now that we have started convalescing, we shall not have to call in the doctor again next February or March. With these words, I submit that the amendment should not be carried.

Maulvi Sayyid Murtuza Saheb Bahadur (South Madras: Muhammadan): Sir, in supporting the amendment so ably moved by my Honourable friend, Mr. Mitra, I have to meet certain arguments put forward by the European representative of Madras, the province from which I come. (Hear, hear.) Sir, he laid stress on one point, that is, balancing the Budget. Well, the whole House is agreed on this point, that unless we are in a position to balance the Budget, the stability of our country and of the Government cannot be kept up. So we should necessarily balance the Budget. But the method resorted to by the Honourable the Finance Member does not find favour with us. (Hear, hear.) Our friend, the European representative from the Madras Presidency, said that the European Association of Madras was very keen on balancing the Budget, but he has not studied the latter portion of the resolution in which they said that the balancing of the Budget should be effected by retrenchment and retrenchment alone. (Hear, hear.) Mark the words, "retrenchment and retrenchment alone".

Mr. C. Brooke Elliott: I think we said "retrenchment mainly".

Maulvi Sayyid Murtuza Saheb Bahadur: Look to the actual wording of the resolution. Any way, they certainly meant by retrenchment especially, or mainly by retrenchment at any rate. Sir, it has been pointed out by the previous speakers that the country has already been bled white and so is not in a position to put up with any additional taxation. (Hear, hear.)

Sir, there is one important point which many of us have dwelt upon. If the Finance Member and other Members of the Government could make up their minds to put up a strong case in favour of the curtailment of military expenditure and military expenditure alone by conducting correspondence with the Secretary of State, this difficulty could be tidied over very easily. I would invite the attention of my Honourable friend, Sir George Schuster—about whose sympathy for Indians there cannot be any question (Hear, hear.)—and also of the Assembly to the opinion expressed by one of my Honourable friend's predecessors, Sir William Meyer, who was the Finance Member of the Government of India during the war time. He opined, Sir, that the military expenditure should, after the war, be not more than Rs. 25 crores. (Hear, hear.) And what do we see now? Instead of reducing it to 25 crores, we have an additional expenditure of 20 crores in that direction. (Hear, hear.) Now there is an increase, instead of a decrease, of 87 per cent. in military expenditure alone! Now, Sir, as regards civil expenditure also, there is a great margin for retrenchment, as has already been pointed out by so many of the previous speakers. Sir, from the speech of the Prime Minister, the House was informed that the legitimate charge for military expenditure to the extent of 9/10ths will be the home charges; only 1/10th, i.e., 1/10th of 46½ crores which means 9 crores and odd, would be the legitimate charge on the exchequer of India. Even granting it is 50 crores, it cannot exceed Rs. 10 crores. The Government pride themselves on having brought it down to 46½ crores. Then as regards the non-acceptance of the Retrenchment Committee's recommendations regarding particularly a graduated system of cuts, I have to observe that the Finance Member said that by adopting their recommendation, they would incur a loss of Rs. 25 or 26 lakhs. But Government are not prepared to do away with the Lee concessions, which amount to six times as much as that!—a crore and a half! (Hear, hear.) So, Sir, we are strong on this point that, unless we are satisfied that retrenchments will be effected as recommended by the various Sub-Committees, we will not be in a position to know what the real amount comes to. So there is no justification for having a Budget covering a period of a year and a half. That is why we make this modest request, that it should cover a period of only six months and not 18 months. With these few remarks, I resume my seat.

Mr. Lalchand Navalrai (Sind: Non-Muhammadan Rural): Sir, I rise to support this amendment. Clause 2 requires that this Finance Bill should be extended to the 31st March, 1933. Sir, the amendment aimed at is that this clause be omitted. I give my whole-hearted support to this amendment. Sir, when the general discussion on this Bill was going on, I raised first the constitutional point with regard to the legality of the Bill covering a period of 18 months. Sir, I challenged anyone to vindicate the legality of that, and to throw more light on the point. I said since then that the Leader of the Treasury Benches and the Finance

[Mr. Lalchand Navalrai.]

Member made an attempt, but I think a lame attempt, to prop up their defenceless case on this point, and I expected that at any rate the Law Member would throw some light on this question, which is certainly a question of great constitutional importance. If it is constitutionally illegal to bring in a Bill for a longer time than the currency of the Budget, a longer time than the period for which the Budget is prepared, then I submit that that objection alone would decide this amendment too. But I find that shelter is being taken by the Treasury Benches on this point under one plea only, and that is that it is an emergency proposal and must be accepted. In other words, I would put it to the Treasury Benches thus. They say that the Bill is an emergent Bill; law or no law, pass it. I submit that that would be an extremely unreasonable attitude to take up. While we hold on our side that the Bill is not legally before the House, they on the opposite Benches only console themselves that on account of an emergency it is correct to bring this Bill before the House. Sir, while that is the position, I expect that the Law Member will at some time during the course of the debate give us his own view on this point. Then the second question is whether this Bill, which is now asked to be extended to the 31st March, is reasonable or not. Sir, besides the question of constitution, I say it is absolutely premature to pass this Bill at this time up to 1993. I will explain clearly what I mean by the word "premature". Sir, what is the position now? The Government say that there is a deficit. We on our side say that we are not convinced of it. Then the Government ask us to accept their version that there is a deficit, even though no facts and figures have been placed before us to show that it is really about 19 crores of rupees of deficit in this year and there will be another 19 crores deficit next year. So, then, to start with, we have got no basis for finding out the deficit. Therefore I say this Bill is premature and should not be passed until full facts are laid before us.

Take the second point. The fundamental principle is being accepted that before taxation is levied, other sources of revenue should be exhausted for meeting the deficit if there is any. On that point, there is one constructive or practical proposal which ought to be definitely considered by the Treasury Benches. They have themselves now placed it before us and that is the proposal for retrenchment. May I ask if they are in a position now, at this moment, to say definitely, not merely by guess or forecast but definitely, what they will get from retrenchment to meet this deficit? They are not in a position. The Retrenchment Committees that were appointed were appointed not with a view to tax us but to find out sources of retrenchment by which Government could meet the deficit. It may be that on account of depression there may have been some deficit. But the deficit is not so much that retrenchment alone cannot meet it. Therefore, I ask, "Is the Honourable the Finance Member ready with facts and figures to place before us?". At least up to now he has not been. He has only made a guess and said that Rs. 890 lakhs would be what he would get from retrenchment. I say it will be much more. He should only wait to see what it comes to. Has he waited for the retrenchment reports? Has he allowed the Retrenchment Committees to finish their reports? No, Sir. The reports that we have got are what they call interim reports. Part I we have got. I do not know how many more parts there will be—may be two, may be more. There

are no materials in the possession of the Finance Member and he is asking us to bind ourselves up to March, 1993. That is wholly unreasonable. The reports not being before us, we are not in a position to say how much we may have to make up by taxation. I was not present in the House during the last Budget time when these Retrenchment Committees were appointed. But I have come to know that they were formally appointed through the House. There was a Retrenchment Committee to sit and decide everything. It has not even had reports prepared. The Sub-Committees were appointed through that Committee and these Sub-Committee reports have not yet been considered by the Retrenchment Committee. The Sub-Committees were not appointed with the object of sending their reports direct to Government. The reports have to be considered by the whole Committee. That is why I say it is premature. The reports of the Sub-Committees have not yet been considered by the Retrenchment Committee. Not only that. I claim that the reports must come before this House, and this House must be satisfied that the retrenchments proposed are correct; if not this House should be free to suggest more retrenchment. I expected that, before the Finance Bill was taken up for consideration, two or three days would have been given to the House to consider these interim reports. It has been the practice too that whenever committees are appointed through the House, their reports come before the House for consideration, and until these reports are considered by this House, how are you in a position to say that people should be necessarily taxed? (An Honourable Member: "Were these Committees elected by the Members of this House?") On that point I was very cautious to say that they were formally elected or rather selected from the House. I am told that the Honourable the Finance Member, having consulted Leaders of Parties and got certain names, put them to the House formally and the Members were so appointed. But my point is, even these Members have done work, they are doing work, and allow them to do work and then consider their work and say whether retrenchment is sufficient or whether you want new taxation.

The next question is this. The Finance Member has given us a figure of his estimate of retrenchment. May I put to him a direct question? Has he considered the retrenchment that has yet to be made in the security services, in the services of those public servants who are appointed and are under the protection of the Secretary of State and Parliament? Will not that give us a large amount to be added to this retrenchment figure? I submit that to hold on the interim reports what the retrenched revenue would be and then pass taxation of this nature is entirely unreasonable and uncalled for.

I would ask the Honourable the Finance Member to consider again whether he is right in saying that the cut should be uniform and not graduated. It is a great mistake to do this. The fundamental principle is—it is recognised everywhere—that a wage earner should have a living wage. You have to consider the wage of every public servant whose pay is being cut. In doing so, you have not taken that fundamental principle into consideration. Taking into account this fundamental principle, I would submit that the uniform cut that has been proposed is absolutely wrong. Let us see the conditions elsewhere, even in England. Is the cut there graduated or uniform? I submit that in England the cut is graduated from 5 per cent. to 20 per cent. This is the information that I have

[Mr. Lalchand Navaraj.]

got, but I am open to correction on this point from the Treasury Benches. The cut there ranges from 5 per cent. to 20 per cent., and they have refrained from making any cut from a man drawing £200 a year, that is to say, Rs. 200 a month. Has that been done here? Here the great mercy that the Honourable the Finance Member has proposed is that there should be no cut from the pay of a man drawing Rs. 40. Again I do not forget that even this policy is not uniformly pursued, and that the principle is not extended to the Railways and the Post Offices. I cannot understand why. Those men are drawing just as much as the others. Their living wage is on the same scale and yet the Finance Member accepts that retrenchment done in that manner. The Police and their favourites, the C. I. D., have not been touched as has been referred to by other Members, and I think sufficient for the day has been said of them. The Honourable the Finance Member says that the cut should be uniform; it should be 10 per cent., uniform. On the other hand, it is quite plain that even the Government of India have accepted graduated retrenchment. His Excellency the Viceroy has allowed himself to be retrenched to the extent of 20 per cent., Honourable Members of the Government to the extent of 15 per cent. and coming down there is a promise, or at any rate an assurance, or may I say at least a hope, that the security services will also have to be retrenched by 10 per cent. Is not all this a graded retrenchment? On that question of whether it should be graded or uniform, we are not yet uniform and such are the questions which ought to be considered first and then if a case is made out that money is still required and it could not come by means other than taxation, I do not think the Members on this side of the House will be unreasonable not to accede to that request. The Treasury Benches are not even accepting the report of the General Purposes Sub-Committee. That Sub-Committee has recommended that the cut should be graded, and then what is the argument of the Finance Member? The argument is, "I will get less by it". Is that an answer? Why was the Committee appointed? The Committee have proposed a cut in a particular manner which does not affect the poor man. It is rather affecting all equally. A 10 per cent. uniform cut is not equal at all. The Finance Member says by following the report of the General Purposes Sub-Committee he would get only Rs. 102 lakhs by graduation, whereas by the so-called uniform cut he would get Rs. 128 lakhs, a difference of only Rs. 26 lakhs. He is not accepting the report on this account as perhaps he cannot find these Rs. 26 lakhs from elsewhere. I suggest to him to make a larger cut in the higher officers' salaries and he will get Rs. 26 lakhs and more, or wait till the Secretary of State sanctions the cut in those security services, the heaven, born services as they are called. The Honourable the Finance Member, for whom I have got much regard, has been acting in a gentlemanly way (Laughter), but he should show more gentlemanly nature and feel for the people who are being over-taxed, because it is the taxes which will decide the work and worth of the Honourable the Finance Member. Sir, he has put in an assertion and I must say in that assertion he is incorrect. He says he is making a uniform cut. I say that it is not a uniform cut at all. On the contrary it is the reverse. The higher officers will have a lesser cut than the lower officers. I think it has been said several times in this House that that is going to happen and let me now prove it concretely. Take for example, a man drawing a salary of Rs. 5,000 a month. The cut that is going to be

made will be inclusive of income-tax. We must therefore first find out what is the income-tax that officer will have to pay. It will come to 9½ pies per rupee, i.e., 5 per cent. income-tax. Deducting therefore the income-tax the cut comes to only 5 per cent. Then take the case of a man drawing only Rs. 168-10-8, per month that is to say, an income of Rs. 2,000 a year. Let us see what this percentage comes to. The income-tax that will be deducted will be 1½ pies per rupee or ¾ per cent. Therefore the cut comes to about 9 or 9½ per cent. A man who draws Rs. 168-10-8 will have a cut of 9½ per cent., whereas one who draws Rs. 5,000 has only a cut of 5 per cent. Is this fair? Consider it from any point of view. Then, Sir, one more matter has yet to be considered. The Government should not assume that the curtailment that has to be made or should be made is only by the cut in salaries. What the Members on this side of the House and the public say is that your Government have been for years past proverbially top-heavy. In spite of the protestations from this side of the House, and by the public, the Government have maintained over-growth in administration and excessive strength of officers. You have therefore to make a retrenchment by curtailing the top officers and also the over-growth. If there are superfluous servants, whenever they may be, in any department, do away with them, but do not cut in the way in which Government are now doing. Smaller officers are being sent away and big officers are kept just happy in their places. That should not be. Now take for instance the Railways. I am talking now of the over-growth of officers and the overcrowding of the administrative heads.

(At this stage Mr. President vacated the Chair, which was taken by Mr. Deputy President.)

That staff is unwieldy, that staff is superfluous, and I say that staff is unnecessary at several places. I know there were times when in a Railway Division, there was only one D. T. S., i.e., the District Traffic Superintendent and one District Loco. Officer. These were the two officers in the Division carrying on the whole administration, and one T. S., i.e., Traffic Superintendent, sitting, for the North Western Railway, at Lahore.

The Honourable Sir George Rainy: On a point of order, Sir. We are discussing the period during which the taxation is to remain in force. I would ask whether it is relevant to raise the question as to whether the staff on the Railways, funds for which are not provided by these taxes is or is not superfluous?

Dr. Ziauddin Ahmad: Since the Finance Member has definitely said that Railways are not going to give Rs. 7 crores to the central revenue it is quite reasonable that railway expenditure ought to be diminished in order that the Railways may fulfil this obligation.

Mr. Deputy President: While it will be in order for Honourable Members during the discussion on this clause to indicate in broad outlines that more retrenchment could be affected, I think it will not be in order for Honourable Members to go into the details of retrenchment.

Mr. Lalchand Navaraj: Sir, these are not details: if I were to go into details, I would have to be on my feet at least for three days. (Laughter.) I am only giving one or two instances to illustrate my point. I have already put in my main points: the first is that this is constitutionally wrong; the second is that it is premature and unreasonable; and how am I going to support my points of view if we do not give any concrete instances? The Honourable the Finance

[Mr. Lalchand Navalrai.]

Member gets up and says that no constructive proposals have been made by the non-official Members but here the Honourable the Leader of the House gets up and objects to concrete instances. I will certainly not go into details, but I will touch one or two points to bring home in a positive manner the fact that there has been over-growth and that they have even been appointing officers only to favour them and even getting appointments created for their favourites. To resume the thread of my argument, I ask, how many officers now do we find in a Railway Division? A Divisional Superintendent; under him a D. T. O., a D. C. O., a D. R. O., a D. P. O., and more

Mr. Deputy President: The Honourable Member has given a sample of his constructive proposal and he can go on with his general argument. I do not think the Honourable Member will be in order in developing points of detail.

Mr. Lalchand Navalrai: This is only evidence of the constructive proposal that I am adducing. I was only finishing off: if I had stopped short at this point, it might have been assumed that my argument was wrong. I must therefore say that at present there are so many officers doing the same work which was done by one or two. (Opposition cheers.)

Coming now to the Army, a few words will be enough because all the Members have condemned the cut that the Government propose to make in the Army expenditure—the cut of about Rs. 4 crores only. That is absolutely nothing; and on that point I may say that we are not in a position to know at present how much is going to be retrenched from the Army finally. I think the Army can be curtailed to a great extent—I need not state the number of the Army officers to be curtailed. As regards the pay, so far as I was able to follow, it was said that there would be no cut in the pay of an Army officer who draws Rs. 200. Compare it with what is proposed to be done in the civil departments. I see no reason for the difference. I read the other day—I do not know if it was a correct report—that while the Round Table Conference members were discussing the Army question, it was said by a responsible officer that the Army lives in India for occupation. I cannot understand why if they live in India for that purpose their pay and expenditure should be paid from the Indian Exchequer.

As regards the civil side retrenchment, I would suggest that one of the Members of the Viceroy's Executive Council can be safely spared and I do not think the Government will come to a standstill if one Member goes away. We shall save Rs. 80,000 a year by that.

An Honourable Member: Who should go away?

Mr. Lalchand Navalrai: I think it is for the Government to decide as to who should go: any distinction I make will be invidious.

Then, so far as the Secretaries to the Government of India are concerned, see how their number has gone up. Formerly there used to be in the departments, a Secretary, and an Under-Secretary. Now, you have Additional Secretaries, Additional Deputy-Secretaries and Assistant Secretaries and so on and so forth.

Coming now to the Public Service Commission, I think there is room for curtailment in their number. At present there are five Members, and I think two or three will be quite sufficient to carry on the business of the Commission. Our friend, Sir Abdur Rahim, said that in other parts of the country there is only one man doing the work. It can be so done here also.

Then there are so many other departments. I do not know what they are doing really and why they are being paid so much. Take for instance the Imperial Council of Agricultural Research. I think I will leave it to the Finance Member and the other Members of the Government to go into the propriety of that question or let them appoint a committee from the Members on this side of the House and see what decision they come to.

Coming to the Indian Stores Department you find that there is an over-growth there too.

The Central Board of Revenue has two Members and one Secretary. Formerly the work was carried on in the Finance Department, with perhaps one more Under-Secretary; and now if they revert back to that old system I believe the Government can get on very well with that work.

As regards the Railway Board, I read the report and found that the appointments of two of the Members will be kept in abeyance. I could not understand that: I thought two Members had been curtailed and their salary saved: but subsequently when I pondered over the word "abeyance" I found that two Members were not reduced but they were on leave in England and they perhaps were asked to remain there for some time until they were called. This is the way retrenchment is carried out in the case of officers.

As regards the Income-tax Department, there are five Assistant Commissioners in Bengal. I am not in a position to say anything about Bengal—whether five officers are necessary: but I know about Bombay. In Bombay there are 6 or 7 such officers. Is it really necessary that six or seven Assistant Commissioners should remain in that Department? How many were there before, I ask? I think a reply to that should come from the Treasury Benches, but I do not think there were six or seven before.

Then, Sir, take the case of the Income-tax Officers. I am told there is an Income-tax Officer who draws Rs. 1,500 to Rs. 2,000 by an increment of Rs. 100. These are some of the ways of extravagance of Government. So far as the Income-tax Department is concerned, I reliably understand that there is not much work for them in Bihar and Orissa. Central Provinces and Assam, but perhaps the Government Benches will enlighten us on this point also. At any rate, when we sit together we can certainly examine all these points carefully. What I am at present asking is, give us time and opportunity to go into these questions and to make out a case for you that there is abundant room for further retrenchment to meet your demands; give us an opportunity to discuss the whole thing on the floor of the House, and then if necessary bring forward your Bill.

(At this stage Mr. President resumed the Chair.)

In supporting this amendment, therefore, I commend it by saying that Government have not made out a case for this Finance Bill, even

[Mr. Lalchand Navalrai.]

for six months, and to extend it beyond or to get our sanction for it for 12 months more is to say the least heinous. With these words, I support the amendment.

Mr. C. S. Ranga Iyer: Sir, now that my friend, Mr. Brooke Elliott, has returned, I am grateful to you for having called upon me to speak in his presence, because the only provocation for me to rise to-day was his speech in which he was too modest to represent his own constituency. I see my friend, Mr. Brooke Elliott, violently shaking his head, and after shaking his head he has resumed taking notes. Sir, it is always very interesting to hear the Honourable the European Member from Madras. He speaks with great eloquence, he also speaks with a great deal of humour, and even when he enters into a controversy with the Opposition Benches, I can say that he does not leave any sting behind; I can say that he leaves a very good impression even though his arguments are sometimes unconvincing. On this particular occasion, Sir, when he said that the Budget had to be balanced and the only way to balance it was in the manner in which the Finance Member had decided to balance it by extending the scope of the operation of this Bill till the 31st day of March, 1933, I thought my friend was perhaps not wholly representing the viewpoint of the Europeans of Madras. At any rate, Sir, the method of the Honourable the Finance Member to balance the Budget was taken exception to by him in a previous speech, and we would rather be guided in this matter by the observations of Mr. Brooke Elliott the other day in regard to the balancing of the Budget than his observations to-day.

Mr. C. Brooke Elliott: No division was challenged on the previous motion and the principle was therefore accepted.

Mr. C. S. Ranga Iyer: My friend says that no division was challenged and the previous motion on the consideration of this Bill was carried and therefore the principle was accepted. What, may I ask, is the principle of this Bill?

Mr. C. Brooke Elliott: An 18 months' Budget.

Mr. C. S. Ranga Iyer: My friend says 18 months' Budget. That is not the principle of the Bill at all; that is only the programme of this Bill.

Mr. C. Brooke Elliott: There is a difference between programme and principle and I was thinking that programme should be based on principle.

Mr. C. S. Ranga Iyer: I perfectly agree with my friend when he says that the programme must be based on a particular principle and that principle, Sir, was enunciated in the following resolution which was adopted by the Madras European Association:

"That this meeting is of opinion that the proposals for increased taxation in the Bill to supplement the Indian Finance Act of 1931 and a surcharge of customs duties will be disastrous to the trade and commerce of the country at the present time, and so far from providing the increased revenues anticipated are calculated effectively to decrease them by diminishing the sources of taxation."

This resolution must be read along with another resolution which was unanimously adopted by the European Association and to which my friend from Madras lent his cordial support. That resolution reads thus:

"This meeting is of opinion that while it is essential for the credit and well-being of India that the Budget should be balanced, the estimated deficit should be mainly met by retrenchment."

There comes something in the nature of a principle as to how to balance the Budget

Mr. C. Brooke Elliott: At that time we did not know what retrenchments were going to be made; we have now had a large instalment; we discussed it, and we still press for more. We still stand by the principle. But I do not want to interrupt the Honourable Member.

Mr. C. S. Ranga Iyer: I welcome the interruption. It is such a pleasure to answer the Honourable Member. I am afraid he will have to answer for his attitude here in regard to the resolution when he goes back to Madras to his own constituency. I think it has been inconveniently worded so far as the part he has played in this House to-day is concerned. The resolution says "not wholly by retrenchment"; it says mainly by retrenchment. The resolution goes further and it calls attention to the growth of expenditure in the civil and railway administration of the Government of India in recent years in spite of the large devolution of responsibility to the provinces since the reforms and urges the setting up of a searching inquiry into the departments and agencies of the Central Government with a view to effecting drastic economies and reducing expenditure to the minimum necessary for the efficient carrying out of its essential functions. And my friend, Mr. Brooke Elliott, in seconding the resolution said:

"For if the European Group of ten in the Assembly voted together—and he anticipated no difference of opinion among them—and joined hands with the Opposition in the Assembly it was obvious that there would be strenuous opposition for the Government to face."

Mr. C. Brooke Elliott: We did not ask for a division on Saturday because we were wiser by then, and so we all got together.

Mr. C. S. Ranga Iyer: My friend's humour does not help him to get out of the position. He truly says that if the European Group joined hands with us and a division was challenged, we would have carried the day, and therefore I would remind my friend of his words that when we press some amendment or another to a division I expect my friend to go to the lobby with me.

Mr. C. Brooke Elliott: With pleasure when we can find a better scheme. Mr. Mody's scheme is one!

Mr. C. S. Ranga Iyer: I have not completed the quotation. My friend said:

"For if the European Group joined hands with the Opposition in the Assembly, it was obvious that there would be strenuous opposition for the Government to face and the Government would be defeated on a number of the present proposals."

[Mr. C. S. Ranga Iyer.]

Sir, looking at the face of the Honourable the Chief Whip of the Government, I do not think that he is very much embarrassed by Mr. Brooke Elliott's threat delivered in distant Madras. He would rather judge by his attitude to-day and hope that there would be no such embarrassment for the Government on a number of proposals, because the European attitude in this House has been more that of the Leader of the European Group and less that of Mr. Brooke Elliott's speech in Madras. Mr. Brooke Elliott himself has rather been impressed by the atmosphere that prevails on the European Benches and has embraced a policy which is not calculated to embarrass the Government. Sir, if only my friend over there carefully goes through the speeches that were delivered by the Chairman and the other speakers of the European Association, he will find that they suggested some other method of balancing the Budget. They, for instance, Sir, as I shall presently show, did not make an alternative Budget, but they made certain suggestions which are very useful and which my Honourable friend over there, in fairness to him I must state, certainly referred to on a previous day, but now that he finds that there is an idea on the part of the Opposition to press certain amendments to a division, he is strongly rallying, as his attitude to-day shows, to the side of the Government. But, Sir, we would rather like him and the European Group to stand more or less by us if they can,—at any rate he ought to in view of the attitude taken by the Madras European Association. In their opinion the new duties would be disastrous to trade without increasing the revenue. Drastic economies should be effected in expenditure by the Central Government. Further reductions were necessary in military expenditure. (Mr. C. Brooke Elliott: "Hear, hear"). I am glad that my Honourable friend, Mr. Brooke Elliott, says "Hear, hear", and I hope he will persuade Government to bring down the military expenditure much further.

Mr. C. Brooke Elliott: I pressed for it last week in my speech.

Mr. C. S. Ranga Iyer: My Honourable friend did say so in his speech but we have not had so far an assurance from the Honourable the Finance Member that they are going to reduce the military expenditure further than they have done. I know the difficulties of the Honourable the Finance Member in this matter. He is not responsible to this House, and the constitution is in the melting pot. Until a new constitution is in force he has to go by the dictates of a Government divided from us by more than half the world. That again is the utter helplessness of the position in which we are placed. For so many years we have been urging the reduction of military expenditure, and unless the Government make up their mind either to get the money for the British Army in India from the British Exchequer, or to reduce the military expenditure, it would be very difficult indeed to carry on the administration of the country. This is a matter on which I am glad that the European Association in Madras and its representative here have taken a strong attitude. I am glad also that my Honourable friend, Mr. Moore, did not completely deny in his speech that the British Army in this country and the Army on the North West Frontier have been kept also for imperial considerations. He tried to explain the other day in his interesting and very logical speech,—he tried to argue that imperial considerations meant certainly the defence of India. I agree, but imperial considerations also

meant something more than the defence of India. Imperial considerations meant Canadian considerations. Supposing, for instance, in the next war the United States of America and England espouse opposite sides, what will happen? Will not the Indian Army I ask be sent to Canada even as it was sent to the fair fields of Flanders? That is the whole position in a nutshell.

Mr. Arthur Moore (Bengal: European): May I point out to the Honourable Member that, whenever Indian troops are employed, and have been employed outside India, as for instance when a brigade was sent to China for a short time a few years ago, that was not charged to India? (Some Honourable Members: "Who maintains them?")

Mr. C. S. Ranga Iyer: Sir, I hear a number of voices from this side, "Who maintains them?" If the Honourable Member only knew as to who maintained them, perhaps he would not have interrupted me. I am not at all saying that India is going to maintain this Army in Canada when war breaks out in the world and the United States take one side and England takes another side. I know that Canada will pay for the maintenance of the Indian troops when the Indian troops are engaged in Canada, but the whole case is we are not dealing with abnormal conditions when troops are moved from this country. We are to-day dealing with the maintenance of a very big Army in India for imperial purposes. My Honourable friend the other day when I interrupted him did not have the ordinary courtesy to concede that there was some sense in what I said. He insinuated that there was no sense in it. I would ask the Honourable gentleman who, as the editor of a newspaper ought to be better informed, and as the leader of a group ought to be a little more polite,—I would suggest to the Honourable gentleman to read some of the literature on the subject, to read for instance the letter of Lord Randolph Churchill to the Treasury, to read the opinion of responsible Englishmen as to the injustice of making India bear the imperial burden when she cannot afford to bear it. How have we been made I ask to bear that burden, in this beastly Budget of the Honourable the Finance Member, the beastliness of which nobody knows better than the Honourable the Finance Member himself, because we are living in beastly times? Sir, by asking the poor people to pay for it,—to pay for a British Army in India, to pay for an Imperial Army on the North West Frontier, for what? For Imperial purposes. That, Sir, is the point that I want to make from this side of the House. I admit that the Honourable the Finance Member is faced with a very great difficulty. He is not responsible to this House. We have no control over the financial or the budgetary or other matters. He is responsible to England, to Great Britain, and "His Excellency the Commander-in-Chief", as my Honourable friend, the Deputy President, rightly prompts me, "is not responsible to him". He is responsible to the War Office in England. That will be the position, until the constitution is changed. And I do not say one word against the Honourable the Finance Member's inability in this matter because it would be unjust and unfair to him. And when I say it is a beastly Budget, I say he realises it as much as anybody on this side; we are living in beastly times, nobody likes these beastly times. Sir, the editor of a newspaper called *Indian Finance* told me in Simla "It is a ghastly Budget", and I told him that its ghastliness was realised much more by the Honourable the Finance Member as one could judge

[Mr. C. S. Ranga Iyer.]

from the delivery of his speech, for he spoke with pain. Nobody likes this Budget, but let it not be understood for a moment that the Opposition does not realise the difficulties in which the Honourable the Finance Member is placed. For instance, we are not rejecting the Finance Bill. There has been no obstruction from this side to throw out the Finance Bill. We fully realise the difficulties in which the Honourable the Finance Member is placed, but we expect a better attitude from the Leader of the European Group, as good an attitude as the European members in Madras took in this matter. Because that is the only way in which we can strengthen the hands of the Government to fight the British Government to get the military expenditure reduced. Unless you get the military expenditure reduced what happens? The people have got to pay. Income-tax comes down to a thousand rupees. I say it is monstrous to ask men getting less than Rs. 90 a month to accept a 10 per cent. cut in pay. It is simply impossible to live in this country on Rs. 80. I do not for a moment say that the cut does not fall heavily on the Honourable Members sitting over there and the members of the superior services. I am quite willing to concede that they have got two establishments to keep, one in this country and another in England to educate their children. I do not for a moment deny that they have come on a contract. There is the sanctity of the contract which I at any rate will be the last man to violate. I do not for a moment say that you should repudiate the pledge which you gave them when they entered the service, but I do say, "Reduce the military expenditure". That is what I want. I am not arguing about a graduated cut, though that would be the right thing so far as the underpaid people are concerned. The big men have got to pay more and the men at the bottom have got to pay less, but we have the answer of the Finance Member, supplemented by the answer of the Honourable the Railway Member, that unless you have the 10 per cent. cut and unless that cut goes down to the bottom, you cannot get enough revenue, and I think that it is better that there should be a ten per cent. cut than that you should send people away to the wilderness. I wish that this cut had gone even a little lower if necessary than that people should have been dismissed. Some of them are being dismissed at present, and if the Honourable the Finance Member and the Railway Member are in a position to tell us how many have been sent out, we shall be able to know how much addition they have made to the problem of unemployment in this country. It is a matter that the Government of India should seriously take up with His Majesty's Government, and unless England pays for the maintenance of the Army in this country or agrees to reduce the military expenditure, I think we will be going deeper and deeper into the ditch. That is also the opinion of the Madras European Group. I need not read quotations from the speeches that have been delivered at their meeting, but it is very nice to note that they are beginning to move with the times and they have begun to realise that there is no other way out of the difficulty.

Then the Honourable the Finance Member ought to give us a fuller explanation on another aspect. I admit he has explained before, but judging from the speeches that have been delivered to-day, his explanation does not seem to have wholly satisfied the Opposition as to why the operation of section 2 of the Indian Finance Act of 1931 should be extended to 31st March, 1933. The constitution is not going

to be suspended as it has been suspended in Ireland. There is no party of obstruction in this House. The Finance Member could have come to us next session and placed before us further facts in his possession and asked us to pass the Finance Bill. At any rate that is the opinion that has been expressed so far. Whatever the political crisis in this country might be, so far as this House is concerned, constituted as it is at present and responsible as it feels under certain circumstances, there is no danger of the House taking an impossible or unreasonable attitude. Therefore I wonder why the operation of this Bill should have been extended up to the 31st March, 1933.

Sir, it has been said that the reforms are expensive. They are proving more and more expensive. The reforms have proved more expensive than many people thought. It is the fault of the reformers themselves. I remember, Sir, when the Swarajist Opposition in this House wanted to fix certain salaries at a certain level, the Government took very strong exception to it. The result was that they could not bring down the salaries that they wanted to bring down and I suppose the Government then thought that the proper thing for them to do would be to enable Indians to keep up the same standard of living that the Europeans do. I personally thought so at the time, for I plead guilty to the charge which my Swarajist friends brought against me at the time that I at any rate did not agree with them in bringing down the salary of the President from Rs. 4,000 to Rs. 3,000. It was a very close shave—that voting—and my absence from this House saved, I think, the salary of the Chair and kept it at Rs. 4,000. I am mentioning this incident to show that the Opposition wanted to effect retrenchment. The Government were living then in plentiful times and they never thought that times would be so narrow. Sir, the proper cure against the expensiveness of the reforms was suggested by the most ferocious agitator for reforms, namely Mahatma Gandhi. He said that the salaries must not be more than Rs. 500. I understand the spirit in which the Indian agitators ask for this, I use the word "agitators" in the sense in which I use it generally, (Laughter) meaning men who reasonably agitate for the extension of the reforms. If the spirit in which these agitators have been asking for the reduction of salaries begins to animate the Government, I am certain that the reforms in future will be less expensive than they have proved hitherto. I do not want to make a very lengthy speech but this being my first speech during this debate, I thought I might permit myself these observations which are relevant to this occasion.

I have only one more remark to add. Must there be an exodus of troops to the hill stations during this lean period? I am always very careful when I have got to make any observation about the troops.

Sir Muhammad Yakub: If the Honourable Member has read the report of the Army Retrenchment Committee, he will find that they have made this recommendation and probably it has been accepted.

Mr. C. S. Ranga Iyer: I may tell the Honourable gentleman that I have studied no Retrenchment Committee's report. All I have read carefully is the Finance Member's speech and the Finance Bill and until the Honourable the Leader of the Independent Party produces his report, though I think his belated report will not be of very much use to us then, there was no use in reading these reports bit by bit. I would read them

[Mr. C. S. Ranga Iyer.]

all together. I may further tell the Honourable gentleman from Moradabad that some of the Retrenchment Committees are not worth the expense that the Government have incurred on them. I may still further say that if an expert committee had been appointed, it would have done the work more expeditiously and better than the Retrenchment Committees have done. I may lastly say that the unnecessary prolongation of the production of one of the Retrenchment Committees' reports—I do not know whether it is going to be produced at all—is a reflection on the competence of the gentlemen who work on that Committee. They ought to have produced the reports in time. There is no use in producing facts and formulas after the flood. They should have produced their facts and formulas before the floods but after the Government have arrived at certain conclusions, Sir Abdur Rahim's Committee's report is going to be placed in our hands. It might very well find its way to the waste-paper basket because the Government are not going to change the opinions and conclusions which they have formed on the subject. I do not for a moment reflect on the Committee on which my esteemed friend, Mr. Shanmukham Chetty, sat. I have not studied that report, but I have had the benefit of a discussion with the Honourable the Deputy President and I know its conclusions. That is a businesslike report that has been worth discussing especially because it came in time.

As for the Army Retrenchment Sub-Committee's report, I have read the memorandum on that subject which the Honourable the Finance Member supplied, and if my Honourable friend, Sir Muhammad Yakub, is pleased with some of the recommendations of that report, I am very glad that he is pleased with them; and if my reference to the exodus of troops is one of the recommendations of that report, I am also glad that that recommendation is there, but I do not know whether it has been decided by the Government that the troops must not go to the hills. As I was saying, the reports that are not ready of the Retrenchment Sub-Committees could really be thrown into the waste-paper basket; and possibly my friend, Mr. Brooke Elliott, who is not in his seat just now, would have suggested to the Government to buy more waste-paper baskets than one. (Laughter.) I was not suggesting anything unkind about the Army Retrenchment Committee's recommendations regarding the exodus of troops. My inquiry was, have Government decided not to send troops to the hill stations? When I made that suggestion, I did so with great hesitation because His Excellency the Commander-in-Chief, whose opinion in this matter finally counts, will have to be consulted. The health of the troops must deserve consideration. But I am only making the suggestion whether it will not be possible to stop the exodus, not only of the troops but also of the Government, excepting of course some of the important members of the Government. I think if the exodus expenses can for one or two years be brought down to the minimum, it being confined to the bigger men, perhaps we might be saving some money. This is a matter which has not so far been urged by the Opposition and I thought I might refer to it.

Sir, with these observations I once again put it to the Finance Member to consider the suggestions that we have made from this side of the House and also to consider whether he could not forego further taxing the poor people in regard to salt. I will take an opportunity of speaking

on this at a later stage. I would also suggest to him—though I find a motion of the Honourable Mr. Shalidy on the paper—whether it will not be possible altogether to forego the increment in regard to postcards by finding some other source to tax, instead of the poor people who use postcards. This is a matter of great importance, but I shall take it up at a later stage.

Mr. Arthur Moore: Sir, I understood my Honourable friend, Mr. Ranga Iyer, to bring some charge of personal discourtesy against myself. The Honourable Member himself is on all occasions so scrupulously fair to his opponents, so anxious to avoid insinuation and innuendo, and so careful in the use of quotation, and so restrained in his language (Hear, hear) that if I was betrayed into any discourtesy to him, I ask him to accept my apology. (Mr. Ranga Iyer nodded.) He discussed a question, Sir, the relevance of which to the motion to reject clause 2 was not, I admit, entirely apparent to me. I should just like to make one observation,—if I can do so in some collection of phrases which will not offend the susceptibilities of the Honourable Member. When you consider that Canada, a country with a very few millions of population and a tremendous land frontier, living alongside of an immense country with a population and wealth many times her own, relies entirely upon the friendship between two English-speaking peoples, and does not herself attempt to defend that frontier, it still does not appear to me entirely reasonable to suggest that peace is maintained on that frontier by the troops on the North-West Frontier of India, or that they can possibly enter into the consideration. There may be imperial considerations elsewhere. We have known occasions when Indian troops have been used in the defence of the Empire outside India; but I think my Honourable friend is perhaps a little unfortunate in the particular instance which he has selected. *viz.*, Canada.

Now I will turn from that to the motion to reject clause 2, and there my Honourable friend made great play with the argument that my colleague, Mr. Brooke Elliott, after he had read the Retrenchment Committee's reports and discovered the action which the Government proposed to take upon them, had acknowledged that a good many of the things which he himself had desired and on which he had expressed strong opinions, were now being done for him, and therefore he had revised his attitude towards the Budget. About that, I can only say that, when my Honourable friend also takes the trouble to read these reports, which he told us he has not yet read, is it not possible

Mr. C. S. Ranga Iyer: But I have read your comments on the Retrenchment Committees' reports.

Mr. Arthur Moore: . . . is it not possible that he too may revise his attitude towards the Budget? About the general attitude of this House towards the Budget, I will say this, that I detect a real bond of union between the various sections of the Opposition and ourselves in our dislike of this increased taxation (Hear, hear). I confess to not finding the same unity amongst the various sections of the Opposition when it comes to suggesting alternative proposals, but surely the justification for voting for what we do not like, the one justification for voting for what we do not like, is that this is a national emergency, and that we do want to balance the

[Mr. Arthur Moore.]

Budget (Hear, hear). If it is a national emergency, and if we want to balance the Budget, then it does no good to reject clause 2. If you reject clause 2, you are faced with a deficit next March. The only arguments that I have heard to-day, seem to me to cancel each other out. Mr. S. C. Mitra took the gloomy view. He said, in effect:

"What is the good of bringing in this Budget now when the Round Table Conference will probably break down, and you will have civil disobedience all over again, and you will want much more money than this, and probably you will have to come to us and ask for a lot more?"

Well, that is certainly an extremely pessimistic line to take, and I hope this gloomy prognostication may prove unjustified. But I noticed that Mr. Maswood Ahmad and Pandit Satyendra Nath Sen who spoke immediately afterwards took exactly the opposite line, and they practically said:

"Everything is going to be all right, trade is going to boom, so let us gamble upon another extra ten crores and balance the Budget in next March."

Well, much as I should dislike to see Mr. Mitra's gloomy prophecy fulfilled, I cannot bring myself to hope, or to begin to hope, that these optimistic prophecies can possibly be fulfilled, or that there is the smallest chance of the Honourable the Finance Member finding himself with a surplus next March. He can only balance his Budget and realise a surplus in the end by budgeting now till March, 1933. And I would put it this way. The Round Table Conference is now discussing an advance to self-government on the basis that India is a nation. What is the test of a nation? Is it not that when we are threatened with disaster, threatened by forces from outside which we cannot control, we sink our differences and sacrifice ourselves. And does anybody suggest that we are not facing a world-wide economic blizzard? Does any one suggest that even if the Government of India and the Honourable the Finance Member had been a great deal wiser and a great deal foreseeing, we would not have had to face this economic blizzard, or that it is not part of a world depression? If we grant that, and if we grant that we are faced with what other nations are faced with, that our credit is threatened, that we too have been experiencing a flight from the rupee, as England has been experiencing a flight from the pound, then what is the test of a nation? The test of a nation is the test that England has successfully passed. Where are those now who went to the polls asking the English people to refuse to pass the test? Did the working man listen? They told him his dole would be cut, that this would happen to him and that would happen to him. He would not listen, because the country is a nation. And we here, Hindus, Mussalmans, Sikhs and Christians, Indians and Europeans, we hope surely that we are a nation in the making. Is not that what we have got to work for? Why should things be so different in India from what they are in England? Why are we, the moment our pockets are touched, beginning to cry out and say, "Not this, not that; do this and that but do not touch us?"

Mr. D. K. Lahiri Chaudhury (Bengal: Landholders): I am unwilling to interrupt the Honourable Member, but I would ask him one thing. What portion of the revenue is spent in England on the Army?

Mr. Arthur Moore: I do not think that the Honourable Member's question is relevant at all. (An Honourable Member: "Because it cannot be answered".) The point is, are we or are we not faced with a national emergency? I cannot see that there can be any answer at all except that we are faced with a real national emergency, and this is our time and our opportunity to show the world that we are a nation in the making.

(Mr. N. N. Anklesaria then rose to speak.)

Mr. President: How long are you likely to take?

Mr. N. N. Anklesaria (Bombay Northern Division: Non-Muhammadan Rural): I shall take about three-quarters of an hour, Sir.

Mr. President: In that case I will adjourn the House now. I should like however to make one remark before adjourning the House. Honourable Members are aware that when the House was adjourned from Simla to Delhi for the consideration of this important measure it was made quite clear that it was essential that the consideration of the Finance Bill should be completed by a certain date. The matter is of the utmost importance, and though Honourable Members are perfectly entitled to have their full say on these important issues, I cannot but appeal to them to exercise a little self-denial in the matter of addressing the House. Though the Chair is entitled to accept closure in terms of the Standing Order, it is always reluctant on such an important occasion like this to bring the discussion to a close. I must however say that it appears to me that we have practically fully discussed this amendment, and if closure is asked, say at about 12-30 tomorrow, I propose to accept it. The Chair is bringing this matter to the notice of the House in order that Honourable Members may be prepared to vote on this one amendment tomorrow morning after more than a day's full debate.

Mr. N. N. Anklesaria: I shall be briefer in that case, Sir.

Mr. C. S. Ranga Iyer: May I say one thing? I have had a talk with the Chair in Simla on that matter and I can only say this much that I do not think that the debate over this Finance Bill will be extended over a single day beyond the allotted official days for the Assembly to vote this Bill. I do not think that the Chair wants that we should finish it this week

Mr. President: Certainly not.

Mr. C. S. Ranga Iyer: . . . because this is an important motion, and I may say that we would not adopt any dilatory tactics at all.

Mr. President: The Chair has clearly recognised that the subject is so important that it lends itself to speeches from all sections of the House. I merely wish once again to draw the attention of Honourable Members to the urgency of coming to decisions. What those decisions may be is in the hands of the majority. The House will now adjourn till 11 o'clock tomorrow.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 12th November, 1931.

LEGISLATIVE ASSEMBLY.

Thursday, 12th November, 1931.

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

QUESTIONS AND ANSWERS.

REPORTED DESPATCH TO THE SECRETARY OF STATE ON INDIANISATION OF THE ARMY.

1254. *Mr. Gaya Prasad Singh: (a) Is it a fact that a despatch was sent about October 1931 by H. E. General Sir Philip Chetwode, or by Government, to the Secretary of State, on the Army problem, coupled with a threat from the Army Council in India of resignation, if the pace of Indianisation in the Army were to be speeded up?

(b) If so, was the despatch placed before the Army Retrenchment Sub-Committee for consideration of the proposals contained therein?

Mr. G. M. Young: (a) No, Sir, the statement is unfounded in every particular.

(b) Does not arise.

Mr. Gaya Prasad Singh: What is the correct statement then, Sir?

Mr. G. M. Young: There is no material in my Honourable friend's question, out of which a correct statement could be evolved.

COST OF THE OPIUM DEPARTMENT.

1255. *Mr. S. O. Mitra (on behalf of Mr. A. Das): What is the total cost of running the Opium Department in the whole of India and what is the return?

The Honourable Sir George Schuster: I lay on the table a statement giving for three years the figures that the Honourable Member requires.

Statement showing the revenue and expenditure of the Opium Department of the Government of India during the years 1929-30 to 1931-32

	Revenue.	Expenditure.			Net revenue.
		Purchase of opium.	Establishment and other charges.	Total.	
	Rs.	Rs.	Rs.	Rs.	Rs.
1929-30 (Actuals)	3,04,10,000	37,01,000	11,80,000	48,81,000	2,55,29,000
1930-31 (Revised estimates.)	2,62,60,000	63,83,000	11,41,000	75,24,000	1,87,36,000
1931-32 (Budget estimates.)	2,15,58,000	62,27,000	11,36,000	73,63,000	1,41,95,000

LEE PASSAGE CONCESSIONS GRANTED TO SUPERIOR AND NON-SUPERIOR SERVICES.

1256. *Mr. S. O. Mitra (on behalf of Mr. A. Das): (a) Has the attention of Government been drawn to the article "equality of sacrifice" published lately in the *Leader*?

(b) How many free passages to Europe have been awarded from April 1st to December 1930 and 18th January to 30th September, 1931, under the Lee passage concessions to superior and non-superior services of the Railway and other departments?

(c) What is the total cost incurred for the same?

(d) What was the necessity for awarding such concessions to non-superior services when there was already a huge deficit in the Railway Budget?

Mr. A. A. L. Parsons: (a) Yes.

(b) and (c). Government do not propose to call for all the information asked for as it would entail an incommensurate amount of time and labour, but information as to the number of passages granted to employees of non-superior services of Railways for the periods referred to has been called for and will be supplied to the Honourable Member in due course.

(d) The privilege was granted as Government considered that the class of employees concerned were reasonably entitled to it. The new rules replaced certain other rules regulating the grant of free passages to subordinates which were in force at the time.

SEPARATE ELECTRIC SUPPLY FOR ARMY QUARTERS IN CERTAIN TOWNS.

1257. *Mr. S. O. Mitra (on behalf of Mr. A. Das): (a) How many stations in India are supplied with separate electricity-generating sets for the Army quarters when there is already an electric supply for the town?

(b) What is the cost at each station per unit of electricity supplied to the Army quarters and what are the rates charged?

(c) What is the prevailing rate of electric supply in those towns to the general public?

(d) Have Government considered the advisability of cutting down the expenses of separate sets and taking electric supply from the town company?

Mr. G. M. Young: I am endeavouring to obtain the information required and will communicate with the Honourable Member later.

RECRUITMENT OF STAFF IN THE OFFICE OF THE CONTRACTS DIRECTORATE, ARMY HEADQUARTERS.

1258. *Sardar Sant Singh: (a) Is it a fact that the Contracts Directorate, Army Headquarters have been exempted from the Public Service Commission? If so, since when?

(b) Will Government be pleased to lay on the table a statement showing the total number of staff of the Directorate and the number of Hindus, Muslims, Sikhs, Christians, Anglo-Indians and other communities as it is at present and also as it was in the year before exemption?

(c) Is it a fact that at the time when such exemption was obtained from the Public Service Commission there were two Sikhs on the staff of the Contracts Directorate? How many are there now?

Mr. G. M. Young: (a) Yes. April 1923.

(b) A statement showing the present position is laid on the table. Before 1928 the staff of the Contracts Directorate formed part of that of the office of the Master General of the Ordnance in India.

(c) The answer to the first part of the question is in the negative. There is now one Sikh on the staff.

Communal Composition of present establishment of the Contracts Directorate.

Hindus	53
Muslims	8
Europeans—Anglo-Indians	6
Sikh	1
Indian Christians	4
Other communities	..
Total	72

RECRUITMENT OF STAFF IN THE OFFICE OF THE CONTRACTS DIRECTORATE, ARMY HEADQUARTERS.

1259. *Sardar Sant Singh: (a) How many new recruits have been taken for temporary and for permanent vacancies since the exemption of the Contracts Directorate, Army Headquarters from the Public Service Commission and to what community does each of the recruits belong?

(b) Is it a fact that no Sikh has been taken? If so, why?

Mr. G. M. Young (a) A statement is laid on the table.

(b) It will be seen that the recruits include one Sikh.

Statement showing the number of persons recruited to the Contracts Directorate since April, 1926 and the communities to which they belong.

	Hindus.	Muslims.	Europeans and Anglo-Indians.	Sikhs.	Other communities.	Total.
Temporary	19	5	2	1	1	28
Permanent						

RECRUITMENT OF STAFF IN THE OFFICE OF THE CONTRACTS DIRECTORATE, ARMY HEADQUARTERS.

1260. *Sardar Sant Singh: (a) Is it a fact that candidates possessing qualification of B. Com. only can be taken to fill up vacancies in the Contracts Directorate, Army Headquarters?

(b) How many out of the present staff possess this qualification?

(c) Were all the vacancies since exemption from the Public Service Commission filled by B. Coms.? If not, why not?

(d) Is it a fact that an Anglo-Indian was taken on the staff with no qualifications in preference to Sikh graduates; if so, why? Was the Anglo Indian a B. Com.; if not, why was this preference given?

(e) Is it a fact that the Sikh representation in these particular services is very poor? If so, how do Government propose to make up the deficiency?

Mr. G. M. Young: (a) No.

(b) and (c). Do not arise.

(d) The answer to the first part of the question is in the negative. The other parts do not arise.

(e) It is presumed that the Honourable Member refers to Contracts Directorate. Government do not think that any action is required.

RECRUITMENT OF THE MINISTERIAL STAFF OF GOVERNMENT OF INDIA OFFICES.

1261. *Sardar Sant Singh: Will Government be pleased to state if all the candidates who passed the Public Service Commission examination this year for recruitment to the ministerial staff of the Government of India have been absorbed; if not, how many of them are on the list?

The Honourable Sir James Orerar: If by "passed" the Honourable Member means those who obtained sufficient marks in the competitive examination to secure them the places advertised for competition, my information is that all such candidates have been provided with permanent posts subject in some cases to the possibility of retrenchment.

CONVEYANCE ALLOWANCE PAID TO CLERKS AND OFFICERS IN DELHI.

1262. *Sardar Sant Singh: What is the rate of conveyance allowance granted to the staff of the Government of India while at Delhi? Why was such an allowance originally sanctioned? Do Government contemplate reducing this allowance in the case of low-paid clerks as well as in the case of high-paid officers; if so, what is the percentage of reduction of allowance in the case of both the classes of officers?

The Honourable Sir James Orerar: I would refer the Honourable Member to my reply to starred question No. 906 on the 24th September, 1931.

PAY AND ALLOWANCES OF THE INDIAN CIVIL SERVICE AND CONCESSIONS RECOMMENDED BY THE LEE COMMISSION.

1263. *Sardar Sant Singh: (a) What is the time-scale of pay of the Indian Civil Service?

(b) What allowances are admissible to officers of the Indian Civil Service both Indian and European?

(c) What concessions were sanctioned under the Lee Commission's recommendations?

(d) What were the grounds which led to the appointment of the Lee Commission and later on the acceptance of their recommendations? Do those grounds still exist or have they changed? If the latter, do Government contemplate reconsideration of the whole question of withdrawing the concessions based upon the recommendations of the Lee Commission?

The Honourable Sir James Orerar: (a), (b) and (c). I would refer the Honourable Member to my reply in this House on the 24th September, 1931, to parts (a) and (b) of Bhai Parma Nand's question No. 907.

(d) The grounds for the appointment of the Lee Commission and its genesis are clearly explained in paragraphs 7—11 of Chapter I of the Lee Commission's Report, to which I would refer the Honourable Member. The grounds on which the concessions recommended in the Report were sanctioned still exist and there is no intention of withdrawing or curtailing them.

ABOLITION OF THE OVERSEAS ALLOWANCE.

1264. *Sardar Sant Singh: (a) Will Government kindly state whether the candidates taken from the British universities for appointments in India do not know that they will have to serve in India? If they know it, what is the justification for the grant of overseas allowances? Will Government kindly state why Indians serving in India are granted overseas allowances?

(b) Do Government propose to take necessary steps to do away with this overseas allowance?

The Honourable Sir James Orerar: (a) The reply to the first part of the question is that candidates are aware of this. The system of Overseas pay for officers of non-Asiatic domicile was adopted on the recommendation of the Islington Commission's Report as a measure of compensation for the extra expenditure which officers serving outside their own country have to incur, and was granted to Indian officers of Asiatic domicile then in service equally with Europeans, because prior to its introduction they actually drew the same emoluments as their European colleagues. Indians recruited to All-India services from England after a certain date, which varies for different services, are not entitled to Overseas pay.

(b) No.

ALLOWANCES ATTACHED TO THE POSTS OF SECRETARIES AND UNDER SECRETARIES IN THE GOVERNMENT OF INDIA SECRETARIAT.

1265. *Sardar Sant Singh: (a) What special allowances are attached to the posts of Secretaries and Under Secretaries in the various departments of the Government of India Secretariat?

(b) Since when did these allowances come into existence?

(c) Do Government propose to abolish these allowances in view of the present financial stringency?

The Honourable Sir James Orerar: (a) and (c). I would refer the Honourable Member to my reply in this House on the 24th September, 1931, to parts (d), (e) and (f) of Bhai Parma Nand's question No. 907.

(b) The special pay drawn by Indian Civil Service Under Secretaries to the Government of India took effect from 1st December, 1919.

ISSUE OF BUILDING COMPLETION CERTIFICATES IN NEW DELHI.

1266. ***Sardar Sant Singh:** (a) Will Government be pleased to state the procedure governing the issue of building completion certificates in New Delhi?

(b) Who permits the water connections?

(c) Is it a fact that previously the Superintendent, Health Section, used to allow the water connections?

(d) Is it a fact that according to the present system the Superintendent, Health Section, submits his report to the Land and Development Officer after inspection?

(e) Is it a fact that the said Land and Development Officer keeps such cases pending for months together?

(f) Are Government aware that by this delay on the part of the Land and Development Officer much inconvenience is caused to the house-builders in New Delhi?

(g) Do Government propose to remedy the said inconvenience to the house-builders in New Delhi? If not, why not?

Sir Frank Noyce: (a) and (b). On receipt of a report from the Superintending Engineer, Health Services, that the sanitary and water installations are ready for test purposes, the Land and Development Officer instructs the Executive Engineer, Services Division, to provide a temporary sewer and filtered water connection. A completion certificate is issued by the Land and Development Officer when the lessee or his agent has completed the building in accordance with his lease and when the Superintending Engineer, Health Services, reports that the tests are satisfactory and installation approved.

(c) Yes, the Superintending Engineer, Health Services, still allows water connections.

(d) Yes.

(e) The reply is in the negative.

(f)—(g). Do not arise.

PROMOTIONS TO LOWER GRADE GAZETTED APPOINTMENTS ON THE NORTH WESTERN RAILWAY.

1267. ***Sardar Sant Singh:** Will Government please place on the table of the House a list of the persons—Hindus, Muslims, Sikhs, Europeans or Anglo-Indians with educational qualifications—whose names were considered for promotion to lower grade gazetted appointments, marking the persons selected, on the North Western Railway?

Mr. A. A. L. Parsons: Government regret that they are not prepared to do so.

APPOINTMENT OF SIKHS TO THE OFFICE OF THE DIRECTOR GENERAL, INDIAN MEDICAL SERVICE.

1268. ***Sardar Sant Singh:** Will Government please refer to the question No. 869, dated the 25th September, 1929, by Sardar Kartar Singh and question No. 717 by Sardar Harbans Singh Brar, dated 22nd September 1931 and the replies given thereto, and state:

(a) whether it is a fact that there is now no Sikh employed in a permanent vacancy in the office of the Director-General, Indian Medical Service;

(b) whether the office of the Director-General Indian Medical Service, asked for the services of two Sikhs from the Public Service Commission;

(c) whether the Public Service Commission in the absence of the qualified Sikhs, authorised that office to recruit unqualified Sikhs from outside till passed candidates were available, if so, what action that office took on that letter;

(d) whether that office received any representation from the Secretary, Khalsa Youngmen's Association, in March last, urging the representation of Sikhs in that office; if so, what action was taken by the office on that representation;

(e) if it is a fact that unqualified Muslims are taken against permanent vacancies; if so, what the hitch is in doing the same thing in the case of Sikhs;

(f) whether Government have taken any action on the representations of the Sikh Members on the floor of this House and the representation of the Khalsa Youngmen's Association; and if not, the reasons for such omissions; and

(g) whether Government propose now, when the matter has already been brought to their notice more than once, to take any action to secure the representation of Sikhs in that office; if not, why not?

Sir Frank Noyce: (a) and (b). Yes.

(c) Yes. An unqualified Sikh was employed for a short period in the current year.

(d) Yes. The Public Service Commission was addressed, as stated in the reply to (b) above.

(e) Yes, as a temporary measure. When found possible and under similar circumstances this will be done in the case of Sikhs.

(f) and (g). The Honourable Member will realise that whilst my Department is always willing to give sympathetic consideration to representations from any quarter of the House, it has to follow the accepted policy of Government in this matter. That policy does not require that there should be one or more Sikhs in every office, and it is not possible at present when the office in question is undergoing retrenchment on an extensive scale, to take special steps to secure the representation of a Sikh.

COMMUNAL INEQUALITIES IN THE STAFF OF THE FOREST RESEARCH INSTITUTE, DEHRA DUN.

1269. *Sardar Sant Singh: (a) What is the total strength of the gazetted officers of the Forest Research Institute, Dehra Dun?

(b) How many of these belong to the minor communities, i.e., Sikhs, Muhammadans, Anglo-Indians, etc.?

(c) How is it proposed to redress the communal inequalities in the staff of the Forest Research Institute?

(d) Do Government propose to keep in mind the interests of these communities when proposals for retrenchment are considered?

Sir Frank Noyce: (a) 39.

(b) Sikh 1, Muhammadans 4 and Anglo-Indian 1.

(c) The Honourable Member is presumably referring to the gazetted staff only. When a vacancy occurs, the question of the way in which it should be filled is considered on its merits with due regard to the character of the post and the qualifications required for it, in order to determine whether the post requires such highly specialised qualifications as to make it desirable that it should be removed from the purview of the policy of redressing communal inequalities.

(d) Yes.

CONDITIONS FOR HORSE-BREEDING IN THE SARGODHA CIRCLES.

1270. *Sardar Sant Singh: (a) Is it a fact that the special conditions for horse-breeders provided in Sargodha Remount Circles are that a tenant is bound to sell the progeny at any time before it has attained the age of 18 months to Government and if Government have not purchased such progeny up to that age the tenant is at liberty to dispose of it as he thinks fit?

(b) If the answer to the above question be in the affirmative, is it a fact that the local Army Remount Officers insist on purchasing the progeny over the age of 18 months against the will of the grantees?

(c) Is it a fact that the departmental rules provide that the "seal" permission to sell is fixed on the certificate of the progeny and that such seal is fixed even after the progeny has attained the age of 18 months? Are Government aware that this puts the grantee to an unnecessary inconvenience?

(d) Will Government kindly lay these rules on the table and state under what authority this rule has been made?

(e) Is it a fact that when the department does not purchase progeny below the age of 18 months from a grantee such fact is considered as a disqualification in the grantee for not supplying good progeny to the department?

Mr. G. M. Young: With your permission, Sir, I will answer questions 1270, 1271 and 1272 together.

I have called for the information and will communicate with the Honourable Member when it is received.

Sardar Sant Singh: Will the Honourable Member place the information on the table, so that the answer may be printed?

Mr. G. M. Young: I will place on the table the information required in answer to question No. 1271 when it is received, and that in answer to question 1270(c) when it is received, if there are in fact any such departmental rules as the Honourable Member refers to.

Dr. Ziauddin Ahmad: All the Members of the Assembly would like to know the answers to these questions. Will the Honourable Member therefore place the replies on the table and not send them to the Honourable Member privately?

Mr. G. M. Young: Yes, Sir. I realise that, and that is why I am prepared to place the information on the table.

CONDITIONS FOR HORSE-BREEDING IN THE SARGODHA CIRCLE.

†1271. *Sardar Sant Singh: Will Government kindly lay on the table the number of the grantees who are reported against for keeping a mare incapable of bearing foals fit to become remount for the Army for the last 12 years? How many of these reports resulted in convictions and punishment of the grantees?

ALLEGED VICTIMIZATION OF HORSE-BREEDERS BY ARMY REMOUNT OFFICERS IN THE SARGODHA CIRCLE.

†1272. *Sardar Sant Singh: (a) Are Government aware that since the questions that were put in the Assembly about the Army Remount Officers of Sargodha Remount Circle Department the latter have reported against the residents of Chak No. 117 S. B. for being warned; if so, why?

(b) Is it a fact that some of the persons complained against this action?

(c) Is it a fact that one Gurtek Singh of the same Chak has been reported against as being unfit for Surbrah Lambardari of that Chak on account of his activities against the department?

(d) Is it a fact that the mares produced by him for branding have been rejected on the same ground? If not, what are the reasons?

(e) Do Government propose to take immediate steps to stop this state of affairs?

APPOINTMENT OF GUARDS IN THE MULTAN DIVISION OF THE NORTH WESTERN RAILWAY.

1273. *Sardar Sant Singh: (a) What is the number of guards in the Multan Division, North Western Railway, and how many of them are Sikhs?

(b) How many of these guards were demoted to the relieving clerks in May last? How many of them were Hindus, how many Sikhs and how many Muhammadans?

(c) Is it a fact that the Divisional Superintendent, Multan Division, North Western Railway issued a telegram on the 6th March, 1981, cancelling the demotion of all guards that had taken place in February last and laying down the rules that none of the guards of this Division would be considered in connection with the guards of every Division?

(d) Is it a fact that if the instructions of the Divisional Superintendent, Multan Division were followed European guards would also be affected? Why are these instructions being ignored?

†For answer to this question, see answer to question No. 1270.

(e) Is it a fact that this rule has not been held in view? What demonstration in May last was made?

Mr. A. A. L. Parsons: With your permission, Sir, I propose to reply to question Nos. 1273 and 1274 together.

I have called for the information from the Agent, North Western Railway and will communicate with the Honourable Member on its receipt.

Mr. President: A short notice question from Mr. Jog.†

(The Honourable Member was absent.)

The Honourable Member gives notice of a short notice question and is not present to put it.

RETRENCHMENT AND REDUCTION OF GUARDS IN THE MULTAN DIVISION OF THE NORTH WESTERN RAILWAY.

‡1274. ***Sardar Sant Singh:** (a) Is it a fact that the Agent, North Western Railway in a letter No. 633-E.G., dated 3rd March, 1931, laid down certain instructions in carrying out retrenchment? What are these instructions?

(b) Were those instructions carried out when retrenchment of the guards in the Multan Division was made; if not, do Government propose to take steps to remove the grievances of those who have been demoted to lower posts than they were eligible to under the said instructions?

(c) What is the next lower job to guards? Have these lower jobs been given to the demoted guards?

THE INDIAN FINANCE (SUPPLEMENTARY AND EXTENDING) BILL—contd.

Mr. President: The House will resume further consideration of the amendments on the Finance Bill.

Mr. N. N. Anklesaria (Bombay Northern Division: Non-Muhammadan Rural): Sir, I find myself in a somewhat awkward position in connection with the present discussion. The present motion before the House puts clause 2 for discussion *en bloc*, and it affects more than one proposal of the Finance Member. While I support some of the proposals of the Finance Member, I hold differing views from his on others, and if I support or oppose the present motion, I trust I shall not be taken as supporting what I would oppose and as opposing what I am prepared to support. The duration of the Bill is sought to be restricted up till March next on several grounds. The first ground is that it is unconstitutional for the Finance Member to bring in a Finance Bill extending to eighteen months.

†(a) Is it a fact that the Orissa Boundary Committee will have its sitting during the Assembly sessions?

(b) Is it a fact that one of the Members of the Assembly and also a Member of the Council of State are working on that Committee?

(c) Are Government prepared to take steps to see that the Orissa Committee starts its work after the Assembly sessions?

(d) Do Government propose to facilitate the attendance of these two Members for giving their votes on the Supplementary Finance Bill when it comes for voting?

‡For answer to this question, see answer to question No. 1273.

I have listened to the speeches of Honourable Members on the other side, but I have sought in vain for any reason on constitutional grounds being adduced in support of the view propounded and I have also looked up the Government of India Act, and I have not been able to find anything which would support the contention that the Honourable the Finance Member is restricted to bringing in a Finance Bill extending only for the duration of a year. The second ground for restricting the duration of the Bill is alleged to be that the proposals of the Finance Member are premature. The only way in which I can characterise this contention is that it is an absurd contention. It is admitted, I think, on the other side of the House most definitely that the economical crisis is upon us, and when the crisis is upon us, is the Finance Member of the Government of India to sit with folded hands and look on? I cannot possibly understand how, after having admitted that the crisis is upon us, it can be contended that the proposals of the Finance Member are premature.

Thirdly it is said that the proposals are improper. I propose to examine this ground at some length. When criticism is offered as regards the duration of the Bill, the fact is absolutely lost sight of that if the duration of the Bill is restricted up to March next, the amount of uncertainty which would invade all business transactions and all business men would be simply appalling. By your indulgence, Sir, Honourable Members have talked of retrenchment proposals. I do not propose to go into them, because I find in this Finance Bill not a word about retrenchment proposals: it could not possibly be so, and I shall therefore restrict myself to saying that I am wholeheartedly in agreement with what fell from my friend, Professor Sen, that if retrenchment proposals are to be given effect to, so far as possible the pay should be retrenched rather than the posts. Most of our low-paid clerks belong to the lower middle class, men of very respectable families, considering all things; and if they are thrown out of employment and unable to secure any other job, the consequence would be that they would starve. The caste system imposes certain restrictions as regards the vocations which they may pursue, and here in India a man out of employment has not the dole to fall back upon. He has no poor relief system to look to and if he is unemployed and remains unemployed, the only thing that he does is to starve. The low-paid Indian clerk, by the traditions of his civilisation, scorns to live on charity and scorns to beg, and rather than beg he will kill himself and kill his dependants. That I am not overdrawing the picture will be found from the reports of several suicides, several instances in which clerks out of employment have killed themselves and their dependants rather than see them starve and be able to do nothing for them. I would therefore appeal to the Finance Member that, in giving effect to the proposals for retrenchment, he will bear in mind this particular aspect of the question.

Sir, I come from a constituency which is the most important cotton producing tract in India, and among my friends and voters I count the biggest income-tax and super-tax payers of the country. Therefore the proposals of the Finance Member, especially the proposals regarding the cotton duty and regarding income-tax, have great interest and grave concern for me. I would therefore offer a few remarks concerning both these proposals if I can have the indulgence of this House to do so.

[Mr. N. N. Anklesaria.]

First, as regards the cotton duty. For a number of years, for more than twenty years, the cotton mills of India have been showing an increasing tendency to spin finer counts, and therefore it is necessary that they should have the raw material for spinning finer counts at their doors, and this "Satanic" Government for the last fifteen years and more has been trying to give to the Indian millowner a long staple cotton at his door. They are spending thousands of rupees on experimental work for increasing the length of the staple, and in my division they have been able to increase the length up to one inch. All cottons of 7/8th of an inch and above are longstaple cottons. With the help of the Government we in our division have been able now to produce about 350,000 bales of long staple cotton annually, and the efforts of Government have also enabled the Punjab to give us a much bigger figure of 450,000 bales. Now, during the space of the last 15 years from one million bales of long staple cotton we have been able to increase our annual production of long staple cotton to more than 2 millions of bales. Now, Sir, as you know, India has been a producer of short staple cotton. We have almost a monopoly of the production of short staple cotton. Of course, that short-staple cotton has not got a world market, because it cannot enable the millowners to spin the finer counts. Therefore, the market for short-staple cotton, except of course for mixing purposes, being restricted, we have been encouraging the production of the long staple cotton; but unfortunately for our cultivators, several countries like Egypt, America and Uganda have been importing long staple cotton into India and competing with our long staple cotton cultivator. Consequently, it is affecting very adversely the price which our cultivator is getting, and for the last two or three years, the cultivator has been appealing to Government to do some thing to enable him to get his proper price, and at last in his present proposal the Honourable the Finance Member has responded,—very meagrely no doubt. Unfortunately, however, as soon as he has responded, certain Indian gentlemen calling themselves patriots have come forward to deprive the Indian cultivator of the little mercy which the Finance Member has been able to extend to him.

Mr. H. P. Mody (Bombay Millowners' Association: Indian Commerce): Shame.

Mr. N. N. Anklesaria: I hear the word "Shame" from the representative of the Bombay Millowners, and I congratulate him on his independent way of thinking. Let me tell him that it is some of the millowners, at least two of them whom I know, who have been the authors of the anonymous pamphlet by which a sort of propaganda is being carried on to, I say, deprive the poor cotton cultivator of the little mercies which the Finance Member has extended to him. I say, Sir, that my friend the Deputy President,—I am sorry he is not here, I had told him that I was going to speak something against him,—I say my friend the Deputy President in his very brilliant speech, when he came to talk about the cotton duty, said that he would oppose it not in the interests of the millowners, but in the interest of the poor agriculturist. I think, Sir, it is Le Rochefoncauld who said, "Self interest teaches us many languages, among others the language of disinterestedness". Well, I see my friend Mr. Chetty is here now. (Laughter.) When he talks of disinterestedness,—I am sure every one of us believes him, but interest refers not to

one's own interest only, it refers also to the interest of our friends, and when my friend was making his observations I found those observations having strange resemblance to this anonymous pamphlet which the previous morning I found the Secretary of the Nationalist Party distributing to Members of this House. Sir, if you will read this pamphlet you will be struck with the vividness of the imagination of its author as regards the facts and his infinite belief in the gullibility of the Members of this House as regards the arguments. I say it is a pamphlet which discloses a mentality which all Honourable Members should try and disapprove of. The pamphlet gives four grounds in support of its contention that this cotton duty should not be imposed. It says that the foreign cotton, especially the East African cotton, does not compete with the Indian long staple cotton; secondly it says that it will kill the poor Uganda cultivator, thirdly that it will . . .

Mr. President: Order, order. I do not wish to interrupt the Honourable Member, but I should like to point out that he will have another opportunity of dealing with the question of cotton duty at as great a length as he likes when the amendment comes up for discussion. On the present occasion I do not think he should continue his arguments on this aspect of the question so elaborately.

Mr. N. N. Anklesaria: Very well, Sir, I will finish in a few minutes. I would only say here that the first ground is inconsistent with the second. If the Indian cultivator does not compete with the Uganda cultivator, the Uganda cultivator will be absolutely unaffected. As regards its effect on the interests of the millowners, the millowners have been represented here by a very able representative and from his mouth I heard not a word in support of the contention of the other side . . .

Mr. H. P. Mody: You will hear it this afternoon.

Mr. N. N. Anklesaria: I think, Sir, when he has got this Government to impose a 30 per cent. duty on cotton goods only last year and thereby cut the lungi of the poor cotton cultivator by 30 per cent. he should be fair to the cultivator when the Government impose a duty of half an anna per pound on cotton goods. Then, Sir, it is said that it will benefit Lancashire. I ask, if it benefits Lancashire, what harm there is. Is not Lancashire a part of the British Empire of which India also is a part? And I say if in benefiting the Indian cultivators who, of course, form the bulk of the Indian population, you also benefit Lancashire, that is a consummation devoutly to be wished for and not to be criticised in a spirit of cavil.

Now, I come to the income-tax proposals of the Honourable the Finance Member. The Honourable Member said that the reason for imposing this taxation is that we have got an unbalanced Budget. There has been a plethora of literature on the subject of unbalanced Budgets since the economic crisis started, and competent authorities are agreed that an unbalanced Budget is not the cause but a mere symptom of the disease afflicting the body politic. Sir, a doctor who treats merely the symptom of a disease and not its cause will be called by people a quack and not a doctor at all. I do not say that the Honourable the Finance Member is a financial quack, far from it. He has realised the situation and he has formulated retrenchment proposals which are far-reaching and which will

[Mr. N. N. Anklesaria.]

greatly tend to put the finances of India on a sounder basis. But I am afraid, it is my humble view, that these taxation proposals will work the other way.

Mr. G. Morgan (Bengal: European): On a point of order, Sir. Is my Honourable friend relevant in his argument at the present time, which comes under clauses 7 and 8. It is only clause 2 which is under discussion? Clause 2 refers to the rates for last year being extended for a further year, and not to the new rates which have been proposed by the Honourable the Finance Member.

Mr. N. N. Anklesaria: My point is this. The question before the House is whether the income-tax proposals should be restricted up till March next or should be extended up to the period suggested by the Honourable the Finance Member.

Mr. President: How is this elaborate explanation in regard to details relevant to the one issue before the House? I have allowed the discussion to proceed on the lines that it has done so far, on the ground that it can be reasonably contended that the actual financial needs of the Government of India may be substantially curtailed by further retrenchment so that it may not be necessary to extend the taxation proposals beyond the 31st March, 1932. That is the reason why I have allowed the discussion to proceed in the manner it has. I have already appealed to the Honourable Member not to go elaborately into the question of cotton duties, and I again appeal to him not to go in great detail into the question of income-tax but as far as possible to restrict himself to the issue in clause 2, namely, whether the taxation should be extended beyond the 31st March, 1932, and anything which arises out of that issue alone will be relevant to the present discussion.

Mr. N. N. Anklesaria: I take the hint, Sir.

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): It is not a hint; it is a ruling of the Chair which must be obeyed.

Mr. N. N. Anklesaria: What is there to frighten one in a deficit Budget? We had a series of deficit Budgets from 1919 to 1924, and we have been able to survive them. India is not the only country which has got a deficit Budget, as the Honourable the Finance Member himself stated the other day. I say therefore that the proposals as regards income-tax in order to balance the deficit Budget had better be postponed till the real necessity for them arises. I am unable to develop my argument in the way I should like to, because I promised to you, Sir, to finish my remarks in fifteen minutes.

Mr. President: The Honourable Member has spoken for 25 minutes already.

Mr. N. N. Anklesaria: I will close by associating myself with the graceful tributes which my Honourable friends Sir Hari Singh Gour and Mr. Mody paid to the Honourable the Finance Member. At Simla when the Ordinance was promulgated and immediately cancelled, a Member of the Council of State told me, "Schuster will do more good to India than Gandhi if he is allowed to it". (Some Honourable Members: "Question.")

You may question, but I am merely stating a fact. Sir, I shall not say anything further except to thank you for the indulgence you have extended to me.

Rai Sahib Harbilas Sarda (Ajmer-Merwara: General): Sir, the whole of yesterday we heard the cry that the Budget must be balanced. The Honourable the Finance Member said the Budget must be balanced, and the cry has been echoed by the occupants of those Benches (pointing to European Group) that the Budget must be balanced. Nobody disputes that. All say that the Budget must be balanced.

But what is meant by balancing a budget? What is a budget? A budget, roughly speaking, is a statement of income and expenditure in relation towards each other, and a balanced budget means that the expenditure does not exceed the income. If the income exceeds the expenditure, there is a surplus and the Honourable the Finance Member looks very happy. If expenditure exceeds income, then there is a deficit and the only way to make up that deficit is to beg, borrow, or steal. If the Honourable the Finance Member goes round with a beggar's bowl nobody will give him alms, because nobody now-a-days encourages spend-thrifts. The alternatives left to him are borrow or steal. We would not borrow, because he does not want to repay, and then his credit is not very high just now. Therefore the only course left to him is to steal, and perchance he believes that stealing in the case of a public man for a public cause is no crime. Have not many of the prominent British politicians said that the standard by which to judge the conduct of a nation or its rulers is not the same as the standard by which you judge the private conduct of individuals? The private conduct of an individual is measured and judged by certain accepted principles of morality, by certain ethical standards; but when you judge the conduct of a nation or its rulers, that is another matter. The system of politics and the system of morality obtaining in England are based on certain principles which were not evolved or created independently by that country as they were in India and Greece. England took its ethics and aesthetics from Greece, and its politics from Rome. It has certainly improved a great deal on those systems and it has developed them fully so as to serve its own interests. Many of us perhaps remember that the great Greek philosopher Plato, in his "Republic", says that no man is authorised to tell a lie, but a statesman in charge of the affairs of his nation is competent to do so, just as no man is authorised to administer poison to another man, but a doctor may in certain circumstances do so. Some of the Western nations have built up political systems in which the breaking of a law of morality is no crime. And just as there are two standards to judge the conduct of a private man and the public conduct of a man in relation to State affairs, so evidently the Finance Member has two consciences, one conscience as a private gentleman and another conscience for the conduct, as Finance Minister, of the great State of India. Just as he has got two consciences, he has also got two budgets. He has got his private budget and he has got the Indian Budget. He knows what his own income is. He knows that Rs. 80,000 a year is his salary and he knows that the income from his private investments is so much; and he takes precious good care to see that his expenditure does not exceed the combined income from his salary and his private resources. That is the principle on which he frames and administers his private budget, but when he comes to framing

[Bai Sahib Harbilas Sarda.]

the Budget of the Government of India, these principles go to the wall. If he finds that his private income is not sufficient to meet the expenditure which he wishes to incur in a particular year, if he finds that he wants to spend two lakhs or five lakhs, while his income is only a lakh and a half, he would not in all conscience go to his neighbour, Sir B. L. Mitter, and rifle his safe. Nor would he think of taking away the annas and pies of his poorer neighbour on the other side of his residence. He would think of nothing else but cutting down his expenditure. He knows that if he exceeds his income, he will have to bear the brunt. Here the case is different when dealing with the Indian Budget. If the expenditure exceeds the income, the Indian people are there to draw his extra money from. The whole of India is at his command. But I am quite sure, Sir, that if he were a free agent, a man of perfect honour that he is, he would never think of stealing other people's money but he would see that the expenditure remains within bounds. But he is not a free agent, which we wish he were. He belongs to a subordinate branch of an Imperial administration. The Honourable the Finance Member, in fact the Honourable Members sitting on the Treasury Benches are all honourable men; as we find Mark Antony saying in Shakespeare's Julius Caesar and we know that if they were free agents they would treat India differently from what they are doing now.

One point which the Honourable the Finance Member stressed when he introduced this Bill was that we must face facts and not be led away by sentimental reasons. What facts does he want us to face? Has he ever given thought to the fundamental fact which stares with a fixed, brazen, mocking look in his face, a fact which presents to the world the sorry spectacle of India, which was once the richest and most prosperous country on earth, having been reduced to abject poverty, where 40 millions of its inhabitants do not know how to get two meals a day. This fact and other facts of like nature will continue in their menacing aspect to make it more and more difficult for the Honourable the Finance Member to balance his Budget unless and until he facts them squarely and fairly and cuts down the civil and military expenditure of the country by 50 per cent., and limits his annual demands to 50 crores a year. Till then the spectre of facts will mockingly ask him, "Are you prepared to do so" and will continue to ask him the question until the answer is in the affirmative.

Another fact which the Honourable the Finance Member stressed is that there should be equality of sacrifice for all. Equality of sacrifice indeed! We on this side welcome this doctrine of equality of sacrifice by all concerned. But is there any sacrifice at all on the part of some of those concerned? Will the Honourable Member call it sacrifice, if instead of drawing Rs. 80,000 a year, he after deducting the surcharge on income-tax, has to sacrifice 4,000 a year and draws only 76,000? Is that any sacrifice? Does it mean anything more than this that he in that particular year will be able to save a little less than he ordinarily saves? But what of those who get Rs. 85 a month and have to maintain their parents, wife, children and brothers? They are barely able to make the two ends meet. If five or ten rupees are taken out of their pay, they will either have to go without a warm coat in winter or without a meal during the next month, or will perhaps have to deprive their children of their couple of pice on the Diwali and Dahsra festivals. Will the Honourable the Finance Member

have to go without a meal sometimes or without a great coat which he may want to have this year, if instead of Rs. 80,000 he gets Rs. 76,000 a year? Where is the equality of sacrifice? The equality of sacrifice demands that, if one man is deprived of an essential necessity of life, other men also are put in the same position to undergo the same sacrifice. Then only can one call it an equality of sacrifice. I appeal to the Honourable the Finance Member that in framing his Budgets and in considering the cuts that are proposed, he would remember these facts.

Sir Muhammad Yakub: Sir, the debate on this clause of the Finance Bill has drifted into a sort of general discussion, (Hear, hear) and I congratulate you very much on the patience which you have exercised in allowing the debate to continue in the way it has done. Sir, the chief points which are at issue in this clause are, whether the Finance Bill, which has been introduced by the Honourable the Finance Member in the present session, should be limited to March next, or whether it should be extended till March 1933: and I think it would have been better if Honourable Members had restricted themselves to this and this point alone (Hear, hear). Sir, a legal objection has also been raised about this clause which I think has not yet been elaborately dealt with, nor has it been answered on behalf of the Treasury Benches. So far as the general aspect of the question is concerned, I think, considering the general depression of trade in the country and the uncertainty in which the tradesman as well as the general populace in the country are labouring under, it is, from the common sense point of view, better that they should not be kept in a state of uncertainty, and that the people of the country should have as much certainty and stability as possible. Now, taking this fact into consideration, I think it would be in the interests of the tradesman as well as of the consumer that they should know what taxes they are going to shoulder during the next 18 months and what prices the consumer would be liable to pay during that period.

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhammadan): May I ask the Honourable Member to ask the Honourable the Finance Member whether he is prepared to give an assurance to this House that within these 18 months he will not come up for additional taxation? That is the point.

Sir Muhammad Yakub: I think the Honourable the Leader of the Opposition has not yet spoken and I think he will be able to put his question in a better way, when he gets his chance of speaking himself, than myself (Laughter). My only contention is that it would be better for the tradesman as well as the consumer that they should have some certainty at least and should know what taxes they will have to pay and what prices they are likely to have to pay during the next 18 months, and I think this will be in the interest of the country as a whole.

Mr. Gaya Prasad Singh: Why not for two years?

Sir Muhammad Yakub: What I am chiefly concerned with at present is the legal aspect of the question. Although, Sir, I think there is nothing definite in the law forbidding the Finance Member from producing a Finance Bill for more than one financial year, yet, so far as I can judge, the general trend of law seems to me to be this that the Finance Bill should be presented each year along with the Budget of the current year.

Mr. S. C. Mitra: Annually.

Sir Muhammad Yakub: We do not find anything very clear, but so far as I have been able to find, in the Manual of Business, section 150, chapter 13, page 52, is this:

"(1) A statement of the estimated annual expenditure and revenue of the Governor General in Council shall be presented each year to the Assembly on such day or days as the Governor General may appoint."

So the words "annual expenditure", and again the words "shall be presented each year to the Assembly", go to show that the Finance Bill should be presented annually with the Budget before the House.

Again, Sir, in May's "Parliamentary Practice", page 539, we find the words:

"The consideration of the financial statement for the year made by the Chancellor of the Exchequer".

Mark, the words "for the year" are used there. (Sir Hari Singh Gour: "Hear, hear"). Then, again, the following words occur:

"as the consideration of the taxes for the service of the year is the province of the Committee".

Then, again, they say,

"The Resolutions which form the usual basis of the Chancellor of the Exchequer's statement are the resolutions for the continuance, during the financial year, of the customs duty upon tea and of the income-tax duty as these duties are the only duties not at present made permanent by statute."

Then, further on, they say:

"In the procedure adopted by the Committee for the imposition of taxation, the following distinction is generally, if not uniformly, drawn: taxes applicable to immediate exigencies of the public income which are recommended from year to year, and temporary and other taxes imposed to obtain the minimum source of revenue are considered by the Committee of Ways & Means."

So in all places where we find a reference made to the Budget and to the Finance Bill we find the words "annually" and "for one year only". From this I infer that the general trend of law on this point shows that the Finance Bill ought to be presented every year along with the Budget of the country; and therefore, although, in my humble opinion, the Finance Member is not prohibited from framing his Finance Bill in the form in which he has done just now, for 18 months this passing of the Finance Bill by the Assembly will not relieve the Honourable the Finance Member of his duty to present a Finance Bill again in March next along with the Budget of the year, and also it will not deprive the Assembly of the right of expressing its opinion on the taxes which they will have to pay under the Bill (Laughter).

Sardar Sant Singh: Can we not reject that Finance Bill?

Mr. President: Order, order.

Sir Muhammad Yakub: I am not expressing my view with such great authority as my Honourable friend, the Manu of the present day, Dr. Sir Hari Singh Gour, can express his view before the House, but on going cursorily through the law on this point, I have ventured to express my view on this point. Sir, with these remarks, I conclude.

Mr. B. R. Puri (West Punjab: Non-Muhammadan): Sir, I am practically the last man in, and I am very grateful to the Chair for having allowed me an opportunity to address the House. Sir, the great Shah Jehan, who has left a very rich legacy of architecture for posterity to admire, was described by a historian as a man who was "envied by some, flattered by others, but loved by none"; and when I look in front of me at the Honourable the Finance Member, I think to myself how well, the cap fits him. That he is envied by some there is no doubt on account of the vast powers which he wields. There is one man in the country, Sir, of whom we should be afraid; it is not the Home Member but the Finance Member. Sir, with all his armoury of penal statutes and Press Acts, the Home Member is not half so mighty as the person who has got the purse and the conscience of the Government in his pocket, and that is the Finance Member. Flattery

after all is only another form of envy. As to his being loved, 12 Noon. let me be plain spoken; so far as we are concerned, there is not much love lost between him and us. So far as his own colleagues are concerned, I think they also must be cursing him in their real mind because he is out to curtail their salaries as well, so that, mighty as he might be, he is the most despised person at the present moment in the country. I hope he will take it in the right spirit. That, however, is only one way of looking at it. But if we look at it from another point of view he is perhaps the one man in the country who is entitled to all the sympathy we could show him. His position is really very onerous, and no other holder of a portfolio under the Government has got such onerous duties to perform as the Finance Member. On the one hand he comes to us, and he comes year in and year out, and sometimes in between the two sessions, always with demands which we cannot meet. His demands are always fabulous, exaggerated and not to our liking, and we turn them down naturally. He goes back to the Government and says, "These people are unable to pay; would you please therefore readjust things in such a manner so that I may be able to put forth my demand reasonably before the country?" The Government say, "Squeeze them; after all, we are not the sons of the soil; we are merely birds of passage; as long as we are here, why not make the most of it? Make hay while the sun shines. We have got the power. Why not use it?" So that, the poor Finance Member has to run from pillar to post like the shuttlecock which is hit on one side and again on the other. That is his true position. No doubt, as a kind hearted and honest Englishman, he has his sympathies with the people who inhabit this unfortunate country. But his position is that of great helplessness. He appreciates our position, he knows our *bond fides*, and understands the honesty of our purpose. But his advice is probably not listened to by those who are in power. Therefore, his position is really one of great difficulty and one of great delicacy. Of course this is all in confidence. The Honourable the Finance Member may not own it. Indeed he may get up and disown this position. But the real truth no doubt will come out when the history of the present times comes to be written, the history of the downfall of the British Empire in India, with copious quotations from a book, "Reminiscences of a Finance

[Mr. B. R. Puri.]

Member", by Sir George Schuster. We will wait till the real facts are disclosed. At the present moment they are determined to carry out a certain policy however unsound and unpalatable to this section of the House.

Sir, there is one good feature about a Finance Bill which appeals to me in particular, and that is, when a Finance Bill is presented before the House, it gives us an opportunity of feeling like multimillionaires. We talk in crores and we can give away crores if we are in a mood to do that. But, Sir, what a delusion and a mockery! The session begins with trumpets, Members are summoned from various parts of the country; papers are circulated; debates take place; long speeches are delivered, the Government are criticised, exposed, and even defeated. But what is the value of all this excitement? What does it really come to? All this so-called victory, assuming that we did achieve it, is converted with one stroke into a defeat by the obvious weapon which the Government have at their command. By one act of *certification* all these lengthy speeches, all these so-called pleadings, the various arguments, legal and otherwise, are thrown to the winds, and the net result of all this excitement finally is smoke and thinking else. If this the reality of the situation, then why waste good money in such thoughtless pursuits? Is it not a farce, and a very expensive one, if the Bill is to be ultimately passed anyhow by the powers, extraordinary and exceptional, which the Government possess? Is it not in those circumstances an utter waste of time and money?"

Coming now to the demand of the Honourable the Finance Member, I have noticed that the particular feature of it which has appealed to my Honourable friend, Mr. Arthur Moore, is its extreme simplicity. He has told us, "After all what is extraordinary or unusual about this demand? It is quite simple. He only wants about 40 crores, and that too by a surcharge on salt or customs and so on. Could there be any simpler demand than this?" My answer to it is equally simple. I would like to ask him through some kind friend who would convey this to Mr. Arthur Moore—for he is not in his seat—that if he had the ill-luck of meeting somebody in the dark on some out of the way road who put a revolver against his head and said: "Mr. Arthur Moore, hands up, I want all you possess", could there be a simpler demand than this? (Laughter.) This sort of simplicity having a special attraction for Mr. Arthur Moore I wonder how would he like it? But if, on the other hand, that unwelcome visitor were to formulate his demand in a somewhat different manner and were to say, "Mr. Arthur Moore, I am hard up; I want money very badly; I want you to retain half for yourself; out of the remaining half I will allow you to retain 3/5th for unexpected contingencies; but the balance, 2/5th, you should at once make over to me," the demand being somewhat complicated will have no attraction for Mr. Arthur Moore, and he would reject it and would prefer the simpler demand (Laughter). Sir, the present position is aptly illustrated by the particular example which I have placed before the House—the Honourable the Finance Member's position is that of a *professional robber* who meets me and puts the revolver, the dagger of certification against my head and says, "Hands up, I want all you possess". Now, on the score of simplicity we should thank the Honourable the Finance Member, because he could not have formulated a simpler demand than that. But if on the other hand, his demand was more reasonable, if he were to say, "I will not rob you of everything

you possess; after all you have got to feed your children, you have got to live; and therefore I will leave a moiety for yourself and I shall be quite content with the half", up would get Mr. Arthur Moore as his champion and say, "This demand is unthinkable; we would prefer the other which is certainly on the score of simplicity a better demand than this".

Now, the only course that is open to us under the circumstances is that, not having any solid voice, not having any real remedy in our hands, all that we are capable of doing is to sound a note of warning to the Government that the rate at which all these financial demands are being wrung out of the people would ultimately end in disaster, and that this road would lead to a place which is spelt with four letters beginning with "h".

Let us see what the Finance Member wants. As a matter of fact we know what he wants. The real question is why he wants this. The Honourable the Finance Member's position before the House is this. "That I have got a very expensive household to run, and you have got to find me money." That is his simple proposition. Our position if anything is simpler and that is we have not got money. You are running this household on extravagant lines. Therefore please first set your house in order then come to us with a legitimate demand and we shall meet you more than half way. That is our answer to the question. Now, if we had any real power in our hands, the Finance Member could not insist on his position, could not enforce his own position upon us. As things stand at present, they have got the power on their side. They could force any measure upon us; they could make us pay through our nose, and under the circumstances it is a case of might is right, and therefore logic and reasons practically find no place here. Then comes to the rescue of the Finance Member, the Honourable the Leader of the House and in a fatherly spirit he says, "Look here, children, your credit is at stake; unless you vote this demand you would lose all the trade and you will lose all your good name". Sir, our answer to that is that the choice lies between death and solvency. Where is the good of giving out to the world that our resources are enough to meet our expenses when they in fact are not? Why not adopt a more honest course and proclaim to the world that we have been running our household on a scale which we find we cannot keep up. That would be a far more honest way of doing things rather than bluff the outside world and obtain trade by false pretences. That is not a course which is either morally or politically expedient. But here comes on the scene my old friend and esteemed colleague, Mr. Brooke Elliott. He always comes to the rescue of the Government with his legal formulae, in fact for all practical purposes in the absence of the Law Member, he acts as an emergency Law Member to the Government of India. Now, he has got the habit of translating everything into a legal formula and I would like to answer him in the same coin. My Honourable friend, while dealing with this subject, said that we are practically stopped from considering the Bill on its merits, because in reality the plea that we are urging before the House amounts to asking for the mitigation of the sentence; therefore we cannot challenge the conviction. The conviction is there. We are merely asking the indulgence of the Court to reduce the sentence from the given term to a shorter term. Well, Sir, in reply I would like to remind my friend that as a lawyer he ought to know that, in a petition for enhancement of sentence, the merits of the case are automatically reopened. Here is a case where an ordinary, normal, usual sentence of twelve months is being sought to be enhanced to eighteen months. Therefore, in legal parlance, and translated

[Mr. B. R. Puri.]

into a legal formula, it would amount to this, that there is a petition for enhancement before the House of a sentence and although the conviction may not have been otherwise challengeable the enhancement petition automatically reopens the merits of the case and the conviction can be attacked on merits.

Mr. C. Brooke Elliott (Madras: European): May I say, Sir, that when I said that, I was not speaking strictly in terms of the Criminal Procedure Code?

Mr. B. R. Puri: You were not talking in terms of the Civil Procedure Code either.

Mr. C. Brooke Elliott: Nor in terms of the Civil Procedure Code.

Mr. B. R. Puri: The next champion of the Government is my Honourable friend Mr. Arthur Moore. He says, "Here is a golden opportunity for us to prove to the outside world that we are a nation." He says we ought to realise what a wonderful opportunity we have been given and that we should not allow this golden opportunity to slip by. "Let us vote in favour of the Finance Bill and we will then be recognised by the rest of the world as a responsible nation." If we were a nation, probably Mr. Moore might be making an inquiry outside the lobby as to who was making a speech inside: he would not be sitting here. We would be minding our own business without his assistance then, Sir, when there is any demand put forward on behalf of the country, we are always met with the argument, "You people are disintegrated, ununited: Hindus cannot agree with Muhammadans, and Sikhs cannot agree with either: the Parsis, represented by my friend, Mr. Anklesaria, sing a still different tune from the rest." We are met with this reply by Mr. Arthur Moore, and others of his views, who say "You people deserve nothing." And perhaps rightly too, I do not deny it. But is it fair that we should be told that we are something which to his knowledge he knows we are not? He is attributing to us a position which he ought to know is not true. But for the purposes of the occasion he is trying to seduce us into a certain belief so that by those methods we may concede what we have no right to concede as a nation. Unless there was a united people, united from the political point of view, it would be a misnomer to describe the people of this country as constituting a nation. Therefore all that talk and all that camouflage is beside the point.

Sir, I would refer briefly to the item with regard to the Army. I am not going into the figures or any details: I will just make a passing reference to it. Now, Sir, it is well that we understood what is really the purpose and function of the Army in this country; obviously to protect the country from foreign invasion. Now it appears that with certain Honourable Members who have spoken on behalf of the Government, it has been put forward more or less as an argument that so far as the Army is concerned, it should be left untouched because the consequences of curtailing the Army might be disastrous to the country. Let us seriously examine this proposition. If the object of the Army is to protect the country from foreign invasion, then I take it that the position which is being placed before us is somewhat as follows: that we are about to take a most dangerous step in this direction, namely, to impair the efficacy or utility of the Army or to cut down the number and strength of the Army; and because we are

doing that we would be courting trouble in the sense that half a dozen powers in the world are ready to set sail towards India the moment we threw out this Bill: and that the moment this Bill is thrown out, there will be a regular race among the different powers and whoever will reach this country by sea, land or air will be the conqueror of India. But if, on the other hand, we take the sound advice of the Honourable the Finance Member, then these powers will disband their armies, dismiss their Generals and ask their soldiers to go back to their homes, otherwise they will set sail at once for India. The champions of this theory fail to appreciate that while we are being forced to cut down our Army, which is far beyond our legitimate requirements on account of financial stringency: the other Powers are in no happier position. This financial depression is not peculiar to India, it is a world-wide trouble, every nation is afflicted by it. Sir, this false bogey is being put up before us lest we may touch the Army—the bogey of foreign invasion. We have heard jokes, but this joke will take a lot of beating, that if we were to curtail and reduce the strength of our Army, we would be incurring a serious risk of having an invasion made upon this country by foreign powers. I say we are crippled at the present moment by financial stringency but so is every other Power. Therefore no Power is at the present moment likely even to conceive or entertain an idea of invasion upon this country, simply because we have thrown out a Bill or we have made a big reduction in the item of expenditure for the Army.

The other possible function and purpose of the Army is to prevent an internal revolution taking place. So far as that is concerned, so long as the present amicable relations between Hindus and Muhammadans continue, the Government need entertain no fear on that score. Let them quietly sit there as spectators and enjoy the fun, while one is set against the other and is cutting the throat of the other. So for this purpose too we do not really need any Army. For riots between the Hindus and Muhammadans *inter se* your Police supplemented by a handful of soldiery will be more than enough. That is the real situation regarding the Army.

Then why are these false and arbitrary reasons being pressed? Simply because the Government of India cannot afford to place before us the real reasons. They are not prepared to place before the country the true state of affairs which has brought us down to the present crisis. They know that these are arguments manufactured for the occasion in order to prop up their case. I submit the only panacea for these recurring ills lies in a more humane and honest policy for the Government of India to pursue, and that is that they should overhaul their house thoroughly and curtail every conceivable item of unnecessary expense; and once they do that, they will find us more than willing to grant them all reasonable demands which come from the Government side.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, we from this side of the House repeatedly assured the Honourable the Finance Member that we share the responsibility of Government in maintaining the credit of the country. We have given practical proof of this assurance by not opposing the consideration of the Bill. We gave further proof of this assurance by withdrawing the motion for circulation and the reference of the Bill to a Select Committee. But when we sympathise with the Finance Member, we naturally expect that he will also sympathise with us by not taxing the country beyond its limits. I never heard any argument in favour of a Finance Bill for 18 months.

[Dr. Ziauddin Ahmad.]

The only argument that was brought forward by one or two speakers was that we want some kind of stability in taxation so that the merchants may know what their liabilities are, but my friend Sir Muhammad Yakub himself gave the reply to this criticism when he said that, according to law, there must be a Finance Bill at the end of every year, nay he went one step further and said that even the present Bill does not absolve the Finance Member from presenting another Bill in the month of March. So this very fact clearly shows that there cannot be any stability in taxation according to the Government of India Act

Sir Hari Singh Gour: If this Bill is passed, there cannot be another Finance Bill in March, except for additional taxation.

Dr. Ziauddin Ahmad: I was really quoting the argument of my friend, Sir Muhammad Yakub, but the very fact that Finance Bills are presented year after year clearly shows that there cannot be any stability in taxation. That is really my point. I should like to hear from the Honourable the Finance Member as to what are his arguments in favour of this 18 months Finance Bill, and I would like him to give us very clear replies to the questions which I am mentioning now one by one, and I would request him to kindly make a note of the points I raise.

My first point is that the retrenchment proposals have not been given effect to. We do not know very clearly how much money can be saved by means of retrenchment. Some of the Retrenchment Committees have not yet reported and their proposals have not been considered. I do not want to detain the House for very long, but I will briefly mention something about one Retrenchment Committee, on which I had the honour to serve, I mean the Railway Retrenchment Committee. This Committee only considered a very trifling portion of the expenditure connected with the Railway Board, and there they showed a saving of about 75 lakhs, but we never considered the whole question of the running lines, where they incur enormous expenditure. The expenditure on the running lines comes to about 53 crores, and over and above that we have got 11½ crores, and our Retrenchment Committee could only scrutinise expenditure to the extent of about 2 crores. It is very desirable, therefore, that the Government should appoint a fresh committee, either themselves or through the General Retrenchment Committee, to examine and see how far we can effect a saving in the remaining portion of the expenditure of about 62 crores. As I said, the other Sub-Committee has not yet reported, and so we do not know what our financial responsibilities will be on the 31st March 1932. Unless therefore we clearly know what the expenditure will exactly be till the next financial year, how can we vote taxation in advance? That is my first point.

My second point is this. We gave the Finance Member new taxation amounting to something like 15 crores last year. Now the report which has just been published of the sea-borne trade gives a list of certain commodities which are on the law of diminishing returns. Therefore it is very desirable that we should wait till the end of the year to see how many commodities are on the law of diminishing returns and how many commodities are such on which new taxation is possible. Therefore, the increase of taxation, as my friend clearly knows, does not necessarily mean an increase of income. It is only in certain commodities that increase of

taxation means an increase of income; while in other commodities increase of taxation means a diminution of the total income; and therefore I think we ought to wait till the end of the year and find out what are the commodities which obey the law of diminishing returns and what are the commodities which obey the other law, and then only should we fix up only such commodities which can bear fresh taxation. And just about the middle of the year to impose fresh taxation without any discrimination is, I think, not very desirable. Therefore, I ask this question: is it or is it not desirable to wait till the end of the year to see which are the articles on which fresh taxation can be levied? This is my second point.

My third point is this. The condition of export is slowly improving, as was hinted by several speakers. The condition of the jute trade is also improving, and if the condition of these trades improve, then by waiting we shall be able to know what is the welfare of the people and give more money if need be according to the flourishing condition of these particular trades.

My fourth point is this. We do not know exactly, and nobody can foretell—I want to know whether the Finance Member can himself foretell—what will be the general financial situation of the world next March. We were sitting here in March, 1931, and nobody could foresee what would be the condition in September, 1931; nobody could even dream that a new Finance Bill would be necessary in the month of September. So the conditions are so rapidly changing in the world that it is not desirable to frame a Budget for 18 months, but we should have a Finance Bill only for 6 months and watch conditions in the world. It is quite possible that we may require still greater taxation if the conditions become worse; at the same time it is equally possible that it may not be necessary to have this burden of taxation next year. So I think it is not desirable to foresee the conditions of the world 18 months ahead.

The next point is that the Finance Member has not given us any opportunity to discuss with him the question of fresh sources of income. I wanted to develop these points in my first speech, but of course that was not really the proper occasion to do so, and if we had the time, we could certainly suggest to him new sources of income by means of which he could increase the revenue without taxing the people, and I will mention two or three things in the course of the debate when this question arises.

The next point I should like the Finance Member to note is that the volume of taxation has certain reference to the price index. I am not in a position to give a formula on this point because nobody has really carefully considered it, but this my Honourable friend will admit, that if the index price goes down, then the country cannot pay the increased taxation. Certainly, the index price can never be in the inverse ratio of the increased taxation; it must have some kind of ratio, but it should be a direct one, and it will not be possible for us to do it. I tried to formulate a formula connecting the bulk of taxation with the price index. The data before me only refers to this country and I did not have the opportunity to see some of the things in respect of other countries; I think if we have the data for all these countries, it would be quite possible to connect the taxation by means of the index price, but one thing is absolutely certain, that when the prices are going down, you cannot have increased taxation, because such things are sure to bring on misery in the world.

[Dr. Ziauddin Ahmad.]

That was my sixth point, and there are only two more points. My seventh point is this. I wanted to develop it in my first speech, but I could not do it, and I hope I may have some other opportunity of developing it. It is this, that any attempt to regulate the stability of exchange is frivolous, is useless, and is ruinous to the country. Manipulations by means of Reverse Council Bills, manipulations by means of deflation, and manipulations by means of increased rates of interest are really ruinous to the country. What you must have is stability of prices, and when one has succeeded in establishing the stability of prices, the stability of exchange will follow. Suitability of exchange is not the cause, but it is the effect of the stability of prices, and I think that if the Honourable Member takes up this particular thing, then the necessity of borrowing, the necessity of our having to pay very high rates of interest, and selling at a very high rate these Treasury Bills and Reverse Council Bills will entirely disappear.

I do not want to detain the House, but as salt is explicitly mentioned in this particular clause, I will only say this about it. I quite agree from the point of view of political economy that this is the most convenient commodity for taxation. It is an inelastic commodity; it is a commodity which everybody uses, and therefore from the point of view of theories of political economy, this is the most convenient commodity for taxation. But there is a great deal of history behind this tax. Since I was a child I have been hearing all this time complaints made by politicians against this particular tax. There is a great deal of political literature behind it, and I may tell the Honourable the Finance Member in the end that the people do not exist for the theories of political economy, but that theories of political economy should be framed for the convenience of the people.

Some Honourable Member: Let the question be now put.

Mr. President: I accept the closure. The question is that the question be now put.

The motion was adopted.

The Honourable Sir George Schuster (Finance Member): I have been told in the course of this debate by my Honourable friend Rai Sahib Harbilas Sarda that I have a dual personality. I also feel on rising now to reply that there is some duality in the task put upon me. On the one hand, I have been asked by you, Sir, to be as brief as possible in my reply, and on the other, I have just received from my Honourable friend Dr. Ziauddin Ahmad a request to give him detailed answers to eight points which he has put to me. I trust that my Honourable friend will not think that I am treating his points lightly if I do not deal fully with all of them. But I might take his speech as a peg on which to hang a few remarks at the outset.

One of the points with which I have to deal is this question of uncertainty as to the possible results of further retrenchment. My Honourable friend who spoke last has just put to me the point that we have not given full effect to all the recommendations that we have received, and further that we are likely to receive a number of further recommendations, the financial effect of which this Assembly is not yet in a position to estimate. Now, as my Honourable friend has asked me to take a careful note of what he has said, I would like to ask him on his side to take a careful

note of what I have said, and he will be in an easier position than I am in this matter because what I have said is on record and the substance of the Government's proposed action is fully given in the memoranda which my Honourable friend has already had several days to study. I think that if he will go through those memoranda he will find that we have decided to give a very substantial effect to the proposals of the various Retrenchment Committees. But as regards the future my Honourable friend has happened to select an instance which gives me a very good opportunity to explain the general position which I have had to take up in this matter.

The Honourable Member has referred to the Sub-Committee, on which he himself is serving,—the Sub-Committee on Railways,—and he has said that that Sub-Committee has only covered a very small portion of the Budget, has only submitted recommendations for economies, amounting I think he said to Rs. 75 lakhs, and that there is a vast margin for further saving which demands further enquiry, possibly enquiry by an expert committee. I admit that the position as regards the railways has not yet been fully examined, but I would remind my Honourable friend of two points. First of all, the Railway Board themselves, who got first off the mark in this race for retrenchment after the last session—the Railway Board themselves have already introduced an extremely drastic programme of retrenchment, and as I informed the House the other day, their figures for economies already achieved, or rather the result of measures already introduced will represent as regards ordinary retrenchments a saving of about Rs. 5½ crores in a full year, and as regards cuts in pay, a saving of something between Rs. 2 and 2½ crores. That is to say, a total of retrenchment of nearly 7½ crores, which I maintain is a very substantial amount. That is the first point I want to make. The second point that I want to make still better illustrates my general position. If my Honourable friend will turn back his memory to the speech which I made in introducing the Finance Bill in Simla, I think he will recollect that I made it clear to the House that our view on the Government side was that, taking into account the economic condition of the country, whatever economies we might be able to effect on railways would not put us in a position to draw, or to be able to count on drawing, any contribution to the general revenue from the railways for the next year. Now, Sir, that is the broad position which I want the House to accept.

Dr. Ziauddin Ahmad: That is a point on which I wish to join issue with the Honourable the Finance Member.

The Honourable Sir George Schuster: My Honourable friend is perfectly at liberty to join issue with me on that matter, but I would remind him that it is we who have to carry the responsibility for the estimates, and it is we, and I say so without any spirit of pride or any criticism of my Honourable friend's qualifications,—it is we who are in the best position to judge of what is likely to happen. And I put it to the House as emphatically as I can that if we were to frame our estimates on the expectation that we are likely to get next year any contribution to general revenues from railways, we should be grossly misleading the House and failing in our own duty.

Now, Sir, I am glad of having had the excuse to refer to that particular matter because, as I have already said, it very well illustrates my position. We have had, and I have always admitted it,—we have had to paint the

[Sir George Schuster.]

picture that we put before the House on this occasion in very broad lines, with broad and sweeping strokes. We have not been able to finish out the details with that meticulous accuracy which one would desire, but I maintain that the picture painted in those broad lines and with those broad strokes is a true picture of the situation, and it affords the justification for the proposals which we are putting before the House. Honourable Members will remember that the point I made in speaking on the second reading of the Bill was this, that, although there was room, I freely admitted it, for alterations in our estimates of what we should be able to achieve by retrenchment, the variable margin was not sufficient to justify us in putting before the House any expectation that we should be able to depart substantially from our financial programme. That is the position which is very well illustrated by the example from the railways which my Honourable friend has taken.

Having dealt with this point, I hope my Honourable friend will excuse me if I do not on this occasion deal fully with all the rest of his points. A good many of them will be touched upon in the general remarks which I now have to make. I will continue on this question of retrenchment for a few moments because it is one of the relevant arguments in this whole discussion. Those who have stuck to the point, the point of this motion, and I gratefully acknowledge the efforts of those who have done so, perhaps a minority of the speakers, those who have stuck to the point have argued the case on two or three grounds. There is the ground of merit and the technical or constitutional ground. On grounds of merit or common sense the general argument has been that we are premature in our proposals, that the whole of the conditions are uncertain, and that we have no right to ask the House to commit themselves for 18 months in this period of uncertainty. One of the factors of uncertainty is the factor to which I have referred, the factor of retrenchment. It has been said that we have made no sufficient allowance for the possibility of further retrenchment. I have already made my main point in that connection, but in the course of the discussion certain statements have been made, and I think I am justified in taking the time of the House very shortly in emphasising once more the really drastic nature of the retrenchment which we have effected. My Honourable friend, Mr. S. C. Mitra, who moved this motion in a very full and sincere speech, took us to task for not having followed the example of the British Government. He said, I think, that in the case of the British Government they had dealt with their programme by measures which relied to the extent of two-thirds on retrenchment and only one-third on taxation. May I remind my Honourable friend of what are actually the facts? It will be simpler if I confine myself to their estimates for 1932-33, and I need not bother the House with giving them the estimates for 1931-32, because the proportions are approximately the same in each case. For 1932-33, the British Government estimated their Budget deficit at 170 millions and they proposed to balance it in the following way. By economy cuts 70 millions out of 170, by altering the Sinking Fund provision 20 millions and by fresh taxation 81½ millions; that is to say, they took over 101½ millions from taxation and raids on the Sinking Fund and only 70 millions from economy cuts. But I must carry the comparison a little further in order to illustrate the true position. The British Government have certain types of expenditure which they can cut down by a stroke of the pen without in any way affecting

their administrative organisation, and the greater part of their economy is made by cuts of that kind. That is to say, they are taking half a million from unemployment grants, and 35·8 millions from unemployment insurance, of which about 25 millions comes from reducing the benefits and 10 millions comes from increasing the enforced contributions by the employers, which strictly speaking might have been added to the burden of taxation. In addition to that, they get £7,860,000 from raiding their Road Fund. Out of those measures which I have mentioned they get a total of £44,160,000, and out of genuine economies comparable to those with which we have had to deal, they have only been able to effect savings of £26 millions, on a Budget which, setting aside expenditure on public debt, is something like £500 millions, the percentage therefore is something like 5 per cent., whereas Honourable Members will recollect that I was able to demonstrate that we, taking the two years together, will have reduced our administrative expenditure by something like 16½ per cent. I venture to say that that comparison fully supports the argument which I put before the House, that our economy measures represent a real and genuine effort and one which we can place before this House with every confidence, that at least so far as was possible we have done our duty.

Now, Sir, there are certain other points which have been made about retrenchment with which I cannot deal fully, but again in justifying my confidence that we are putting fair proposals before the House, I would like to refer to certain remarks which have been made about the dilatory nature of the retrenchment proceedings. I think it was my Honourable friend Mr. Ranga Iyer who suggested that we had wasted time, and that if we had appointed an expert committee the whole matter would have been dealt with much more expeditiously. Now, I should like the House to appreciate one of the difficulties in which Government have been in this question of retrenchment. On the one hand we are criticised by those who say that we have not gone fast enough. On the other hand I find a still greater weight of criticism on the side of those who ask what justification have the Government for introducing retrenchment measures before they have received the reports of the various Retrenchment Committees? I recognise that the Retrenchment Committees have been working at high pressure, that they have not wasted time, and I have been one of those most anxious to give them full time for their task, but the fact remains that we are here now in the middle of November, with our time also fully pledged until the beginning of December, and the General Purposes Retrenchment Committee has not yet been able to review the whole of the field. I make no criticism of them for that result, but I put it forward as a justification for the Government having to come forward with their own estimates of what is possible and asking the House to deal with them on that basis. And again as regards the percentage of effect which we are giving to those recommendations, there again I think that we can face every challenge which is put to us. I told the House, that in the case of the Inchcape Committee the Government accepted something like 68 per cent. of their recommendations as regards the civil administration,

I P.M. and I was able to say that, in our case, judging by the amounts involved, we were giving effect to 90 per cent. of the Committee's recommendations. Moreover, Sir, I would remind the House that we have been courageous enough to take a somewhat unusual procedure in this matter. In the normal course, in the case of normal Governments where politicians are in control, when it comes to the question of retrenchment, they do, normally, refer matters to an expert committee—

[Sir George Schuster.]

a committee of people who have practical experience of the business of office organization and of the conduct of the normal sort of business with which a Government has to deal. The politician, in that case, may be said to call in to himself the advice of experts. In our case, we none of us claim to be politicians; but we do claim to have some knowledge of business methods and of the handling of Government administration. I do not say that my Honourable friends opposite are not experts; but I think that they figure rather as politicians: and in contradistinction to the normal case of the politician calling in the expert to advise him, we, in our case, claim to be experts but have turned for advice to the politicians.

Sir Abdur Rahim (Calcutta and Suburbs: Muhammadan Urban): May I ask one question as regards this point? Did not my Honourable friend ask the departments to make 10 per cent. cuts in expenditure but that they responded by proposing only 2 or 2½ per cent.? Are not *they* experts?

The Honourable Sir George Schuster: If my Honourable friend would have allowed me to complete my remarks, I think possibly he would not have put that question. As regards that particular question, the point to which he has referred was the preliminary request which was sent out by the Finance Department immediately after the last session, and the object of which was to try and get, before the Retrenchment Committee met in May, some indication of what a ten per cent. cut would involve. But, if I might complete what I was going to say, I was going to say that, although that rather inverted procedure which I was describing had been severely criticized, I venture to think that it proved eminently successful, and that we have found the politicians of great value in insisting upon a proper inquiry into this whole matter. I referred to the rather unusual nature of the proceedings as a further point to emphasize the point that I was making that, although we have followed a rather unusual procedure, and although we have by appointing these committees, admitted a certain amount of delay, nevertheless the results have been very substantial; and I maintain—and anyone who likes to look at the time table of what had happened in the case of the Inchcape Committee can verify this—I maintain that the results have not only been satisfactory but extremely expeditious. Sir, I put that forward. . . .

Mr O. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): May I just inquire whether it is not the case that the report of the General Purposes Sub-Committee has not been published so far and that, when published, it will be of no use whatever for the purposes of this Finance Bill till March 1933?

The Honourable Sir George Schuster: I entirely repudiate my Honourable friend's suggestion that the further reports of the General Purposes Sub-Committee, when published, will be of no use. Certainly they will be of considerable use. As regards the further margin

Sir Abdur Rahim: May I point out another fact? We gave the figures before the 1st of November—I think about the 30th of October—to my Honourable friend. We completed the inquiries, and we gave the figures to him as requested by him.

The Honourable Sir George Schuster: Sir, I have given way several times to my Honourable friends opposite, and I trust they will not interrupt me further, or it would be impossible for me to conclude my remarks.

My Honourable friend is entirely misunderstanding the purport of my remarks. The House knows perfectly well the circumstances in which the conclusions of the second interim report of the General Purposes Sub-Committee have come before us and the circumstances in which I placed my own figures before the House. I explained them fully in replying on the debate on the second reading of the Finance Bill. I think the House, if they followed my remarks, would have been convinced that the margin, the difference, between what we have proposed and what might be the result of the further recommendations of the General Purposes Sub-Committee was not sufficient to justify us in counting on being able to make any substantial alteration in our general financial plan. That is the sum and substance of what I have to say on this question of retrenchment, and having emphasized that point again, I will leave the question of retrenchment till further opportunities for discussion arise.

Then, Sir, there is a second point that has been made, that the whole of the economic position is now so uncertain that we are not justified in putting a financial plan before the House. The uncertainty has been pictured by different speakers in different colours. Some have anticipated further worsening, others have anticipated improvements. Now it must be obvious to everybody that on all occasions when budget estimates are presented there is a certain amount of uncertainty. One has to look forward for 12 months. No Finance Member ever knows what the monsoon is going to be, or how conditions are going to go in the whole world: there is always a great element of uncertainty, and I maintain that that particular form of uncertainty is not greatly increased by the fact of your taking your view forward for 18 months instead of for 12 months. But at present, we are working under a quite abnormal uncertainty, something quite different to that which we usually have to face. We must all accept that fact. I make no secret of it, that it is possible that all our estimates may prove very wide of the mark, but I shall be in just the same position next March, and we shall gain nothing at all by waiting. However optimistic one may be about the future, if one really studies the factors which are underlying the present situation, no one can hope that by next March we should be able to say that "All these factors of uncertainty have disappeared, the whole world is now once more on sure ground and we can go forward with confidence and make our plans with complete certainty as to how things are likely to turn out". That factor of uncertainty is one which we cannot possibly eliminate.

I might perhaps refer very shortly to one other reason which was given for not approaching the House now, although it was only mentioned by one speaker, so that I can imagine that that reason does not carry very much weight with the House. It was said that the British Government speaking through the mouth of the Prime Minister, had promised the Government of India financial assistance of some kind if it should be needed. It was asked, "With that promise behind you, why need you go forward with these drastic proposals for taxation?" Now, Sir, the speaker who made that suggestion went on to suggest that that promise was not a reality. I want to say as distinctly as I can that that promise is a reality. (Loud Applause.) But let us all be very clear in our minds as to how advantage should be taken of it. I do not imagine there is a single man in this House—in whatever quarter of the House he sits—who would like the position that India should go and ask for help from another Government because India has not had the courage to face her own troubles, by

[Sir George Schuster.]

her own measures (Hear, hear); and I for one believe that we would be totally unjustified in asking the British Government for help unless we had taken every possible step to put our own house in order. Sir, that consideration to which I am now referring is not an argument for not proceeding with our taxation proposals, but it is the strongest possible argument for going ahead.

Now, Sir, I come to the central point of this motion. I have been asked by my friend, Sir Muhammad Yakub, to go in detail through the legal side of the case. But, Sir, on that point, I have no case to meet. No argument has been put up, no case has been argued from the other side to show that there is anything illegal or unconstitutional in what we propose.

Mr. Lalchand Navalrai: Is the burden upon us?

The Honourable Sir George Schuster: I think the burden is most certainly upon Honourable Members of the Opposition who oppose a particular measure on a particular ground,

Mr. Lalchand Navalrai: We are on the defence.

The Honourable Sir George Schuster: On that point my Honourable Colleague, the Leader of the House, gave the House certain information and quoted some passages from the Report of the Statutory Commission, which were statements of fact as regards the constitutional position. I do not think that I need go into that question in detail again. It is sufficient for me to inform the House that we have examined most carefully the legal position and we find that there is absolutely no shadow of a case for those who argue that what we are doing is unconstitutional.

There is another kind of argument. My Honourable friend who spoke last, Dr. Ziauddin Ahmad, said that he had never heard any argument explaining why we were adopting this procedure. I will do my best to fill that lacuna in his information. Sir, we have two main objects in view in putting forward our proposals in this form. We have to consider first the effect on Government revenues, and secondly the effect on the Government's credit and its general financial stability. Now, as regards the effect on revenues, I would ask Honourable Members to take account of the fact that the greatest part of the revenue which we estimate from our proposals will come from customs duties and excise duties. I think it must be clear to everybody that if we were to impose customs and excise duties for a period of 5 months, the effect on our revenue would be disastrous. Salt revenue, to take one article for example, would probably cease altogether. With that uncertainty, every one would try to live on his stocks, avoiding taking over new stocks liable to the temporary higher duty. Exactly the same applies to customs import duties. It is no exaggeration to say that if we had tried to put forward duties of a temporary nature designed only to operate for 5 months and liable to revision after 5 months, the effect on our revenue would have been, as I have already said, disastrous. Quite apart from that, as my Honourable friend Sir Muhammad Yakub himself pointed out, the disturbing effect, on all those who are doing business, of that uncertainty would

have been one of the worst things that we could possibly have done to business at the present time. I put it to the House with absolute confidence, and I am sure they will appreciate this, that so far as the Customs and Excise portion of our programme is concerned, we could not possibly have put forward a plan designed only to bring in duties at a certain rate for 5 months. As regards the income-tax proposals, if my Honourable friends had made their case on the ground of income-tax, it would have been, treated by itself, rather more difficult to meet. But that brings me to my second ground which is this. We felt that it was absolutely necessary to tackle the position. One of the speakers has already said, we knew the position, we foresaw the position and if we had not come forward to tackle it, we should have been failing in our duty. How could we tackle it? It was too late to recover the deficit on the 6 months that had already passed. But we felt, as we knew sufficiently what the situation was likely to be to be able to frame proposals, we had to introduce proposals which would provide a balance for the next 18 months. We maintain that nothing less would have been financially sound, and as I said in my speech the other day, in doing that we were following the example of the British Government. The British Government have done in principle exactly what we are doing. They have said they must provide a plan to the end not of the current financial year but of the next financial year. No other programme will ensure budgeting stability, and unless you can ensure that budgeting stability, you cannot hope to maintain the general financial stability of the country. That, Sir, is the reason why we have acted as we did. We fully recognise that in taking this action we are doing something unusual. We are departing from the ordinary practice of the House. We are not violating in any sense the provisions of the constitution, but we are departing from what has been the ordinary practice of the House, and we maintain that the justification for that departure is the totally exceptional nature of the position, the justification which, as I have already said, has guided the British Government in their similar line of action. But, Sir, the departure is far less in principle than my Honourable friends opposite would have led the House to suppose. What are we doing now? We are, a few months before the end of the current financial year, asking the House to pass a Finance Bill for the next year. We are not coming forward with a second Finance Bill in the same financial year. The Finance Bill is always passed before the end of one year and before the beginning of the year to which it applies. It is passed in March. The next year begins on the 1st of April. We are following that same procedure, but doing so a few months in advance of the beginning of the next financial year. There is nothing unconstitutional in that, and the difference is a difference in degree and not a difference in principle. I think my Honourable friends do not quite appreciate that fact. But if we wanted to act otherwise, there is nothing in the constitution to prevent us from bringing forward a Budget and a Finance Bill every month, and if I am to be guided by that absolute certainty of my estimates which Honourable Members seem to presuppose as the condition justifying a Finance Member from introducing any provision, certainly then I should have to introduce a Finance Bill every month in future. That I think every one would admit is a *reductio*

[Mr. George Schuster.]

ad absurdum. I need not labour the point further. I think that all those who stand back from this position, who take a view unprejudiced by the need for political opposition, will see that in the actual circumstances with which we are faced, looking forward to all the uncertainties which are affecting our position—and I would include in that, political uncertainty also, uncertainty about the constitutional future as well, because I am sure Honourable Members who are in business will realise how that is linked up with our financial position and how it is increasing the difficulties of making provision for the future—taking into account all those uncertainties, we could not allow ourselves to be in uncertainty about our fixed determination to secure budgetary stability and a budgetary balance, and the only way in which we could do that at the present moment is by being honest with the House and telling them what we think of the next year. If we tell you that we think that things will improve next March and therefore we are going to hold our hands, we shall certainly be deceiving you with an optimism in which we ourselves do not believe. Our duty on the contrary is to come before you and say, "This is what we think necessary; this is the honest course. This is what is required in order that India should keep her place." That, Sir, is what we are doing and that is the course which I ask the House to support. (Applause.)

Mr. President: The question is:

"That clause 2 be omitted."

The Assembly divided:

AYES—48.

Abdoola Haroon, Seth Haji.
Abdur Rahim, Sir.
Aggarwal, Mr. Jagan Nath.
Azhar Ali, Mr. Muhammad.
Badi-uz-Zaman, Maulvi.
Bagla, Lala Rameshwar Prasad.
Bhuput Singh, Mr.
Chandi Mal Gola, Bhagat.
Chetty, Mr. R. K. Shanmukham.
Chinoy, Mr. Rahimtoola M.
Das, Mr. A.
Gour, Sir Hari Singh.
Gunjal, Mr. N. R.
Harbans Singh Brar, Sirdar.
Hari Raj Swarup, Lala.
Ibrahim Ali Khan, Lt. Nawab Muhammad.
Isra, Chaudhri.
Jha, Pandit Ram Krishna.
Jog, Mr. S. G.
Krishnamachariar, Raja Bahadur G.
Lahiri Chaudhury, Mr. D. K.
Lalchand Navalkai, Mr.
Laladhar Chaudhury, Seth.
Maswood Ahmad, Mr. M.
Mishra, Mr. B. N.

Mitra, Mr. S. C.
Mody, Mr. H. P.
Muazzam Sahib Bahadur, Mr. Muhammad.
Murtuza Saheb Bahadur, Maulvi Sayyid.
Parma Nand, Bhai.
Patil, Rao Bahadur B. L.
Puri, Mr. B. R.
Rajan Bakhsh Shah, Khan Bahadur Makhdum Syed.
Ranga Iyer, Mr. C. S.
Reddi, Mr. P. G.
Reddi, Mr. T. N. Ramakrishna.
Sadiq Hasan, Shaikh.
Sant Singh, Sardar.
Sarda, Rai Sahib Harbilas.
Sen, Mr. S. C.
Sen, Pandit Satyendra Nath.
Singh, Kumar Gupteshwar Prasad.
Singh, Mr. Gaya Prasad.
Sitaramaraju, Mr. B.
Sukhraj Rai, Rai Bahadur.
Thampian, Mr. K. P.
Uppli Saheb Bahadur, Mr. Ziauddin Ahmad, Dr.

Ahmad Nawaz Khan, Major Nawab.
Allah Bakh Khan Tiwana, Khan Bahadur Malik.
Anklesaria, Mr. N. N.
Azizuddin Ahmad Bilgrami, Qazi.
Bajpai, Mr. A. S.
Banerji, Mr. Rajnarayan.
Bhore, The Honourable Sir Joseph.
Cosgrave, Mr. W. A.
Dassar, The Honourable Sir James.
Datta, Dr. B. D.
DeSouza, Dr. F. X.
Desanges, Mr. H. C.
Dyer, Mr. J. F.
Elliott, Mr. C. B.
Fazal Haq Pincha, Shaikh.
Fox, Mr. H. B.
French, Mr. J. C.
Graham, Sir Lancelot.
Griffiths, Mr. G. I.
Gwynne, Mr. C. W.
Heathcote, Mr. L. V.
Hira Singh Brar, Sardar Bahadur Captain.
Howell, Mr. E. B.
Ishwarsingji, Nawab Naharsingji.
Ismail Ali Khan, Kunwar Hajee.
Jawahar Singh, Sardar Bahadur Sardar.
Knight, Mr. H. F.
Lal Chand, Hony. Captain Rao Bahadur Chaudhri.

Lall, Mr. S.
Montgomery, Mr. H.
Moore, Mr. Arthur.
Morgan, Mr. G.
Mukherjee, Rai Bahadur S. C.
Noyce, Sir Frank.
Parsons, Mr. A. A. L.
Pelly, Major H. R.
Rafuddin Ahmad, Khan Bahadur Maulvi.
Rainy, The Honourable Sir George.
Rajah, Rao Bahadur M. C.
Rama Rao, Rai Bahadur U.
Row, Mr. K. Sanjiva.
Sahi, Mr. Ram Prashad Narayan.
Sams, Sir Hubert.
Sarma, Mr. R. S.
Schuster, The Honourable Sir George.
Scott, Mr. J. Ramsay.
Studd, Mr. E.
Suhrawardy, Sir Abdullah.
Sykes, Mr. E. F.
Tait, Mr. John.
Talib Mehdi Khan, Nawab Major Malik.
Todd, Mr. A. H. A.
Yakub, Sir Muhammad.
Yamin Khan, Mr. Muhammad.
Young, Mr. G. M.
Zulfiqar Ali Khan, Sir.

The motion was negatived.

The Assembly then adjourned for Lunch till Ten Minutes to Three of the Clock.

The Assembly re-assembled after Lunch at Ten Minutes to Three of the Clock, Mr. President in the Chair.

Pandit. Satyendra Nath Sen (Presidency Division: Non-Muhammadan Rural): Sir, we were given to understand that these amendments would be taken up later on.

Mr. President: Is the Honourable Member prepared to move his amendment to clause 2, No. 13?

Pandit Satyendra Nath Sen: Yes, Sir. I beg to move:

"That in clause 2, the words and figures of section 5 of the said Act and the Third Schedule thereto as amended by section 6 of this Act fixing inland postage rates for the said year be omitted."

I wish to deal with this part of this section in detail when the question of postage rates under clause 6 will come up for consideration.

Mr. President: Does the Honourable Member wish to move his amendment or not?

Pandit Satyendra Nath Sen: Yes, Sir, I move it formally.

Mr. President: All right.

Mr. Jagan Nath Aggarwal (Jullundur Division: Non-Muhammadan):

Sir, the amendment of my learned friend proposes to restrict the raising of the postage rates to the 31st of March, 1932. Now, Sir, on principle I am opposed to any increase in postage rates for the simple reason that this is a tax on one of the means of communications which affects the rich and the poor alike in this country, and the poor more than the rich, and it is very hard indeed to increase postage rates at such a time of world depression, a burden which will go down to every village and will affect the poorest of the poor. It is one of the privileges of an enlightened administration that every man should be able to have converse with those who are at a distance, with whom he has business relations, and it is this privilege which has been becoming more and more costly of late. It was not very long ago that a man could have got a postcard for a pice. That amount was doubled owing to the exigencies of the financial situation, and the postcard came to be sold at 2 pice and a letter at 4 pice. It was supposed that these rates would not remain for very long, for many a time when the annual Finance Bill came up for consideration before this House, attempts were made to bring down the price at least of the postcard, but those attempts have failed. Now we find that these rates are going to be increased by 50 per cent., making the cost of the postcard 3 pice and that of a letter 6 pice. I submit with all respect that there is hardly any justification for making these increases. The justification urged by the Government is that the Posts and Telegraphs Department is not paying its way, and being a commercial department, unless you can make both sides of the Budget balance, so far as that department is concerned, there is bound to be an increase in the postal rates. So far as that question is concerned, in the first place we have to see whether the Postal Department is really such a deficit department as is made out to be. There was a time when from the Postal Department large surpluses were absorbed by the general revenues, and now for capital expenditure in this Department a good deal is charged to the postal account for interest. That is a matter which requires some consideration. Quite apart from other things, if this department was paying to the general revenues of the country in the past, I do not see why a little loss on this score should not be borne by the general revenues. Any way, even if it is a commercial proposition, one should look at it from another point of view. The increase in postage rates may not be very desirable, because the number of letters sent and the revenue raised thereby may not be considerably decreased. You may be raising it beyond a point at which it would not be possible to get an increased revenue. In fact, the increase in this direction is far too heavy and quite unjustified under the circumstances of the case. We are told that this is an emergency measure and that the times are such that we should allow these increases. Sir, I yield to none in my desire to balance the Budget and to see that these departments should pay their way so far as they can, but the proposition which has been put forward by my Honourable friend comes only to this that, so far as the postal rates are concerned, we should have an opportunity of looking into this question again some time in March. The only effect of the proposal of my friend is that the increases proposed, whether they are ultimately passed as part of the Finance Act or not, should not automatically be extended for a period beyond the 31st March, 1932. In other words, all that we claim

is that this matter should be enquired into a little more closely when the time of the Budget comes in March next. There are very good reasons for this proposition. Postal revenue is one of those elastic items which may vary considerably, and it is just possible that the increase of this revenue during the next few months may change the opinion of the Finance Member. It is also just possible that the increase in the postal rates may lead to the anticipated revenue and it would be undesirable to continue the increased rates for next year or so, or it may be that trade and industry may revive and that we may have passed the worst of the depression and then it may be unprofitable to keep the postal rates at that high figure. Any way, postal communications are indispensable for the promotion of trade and industry in any civilized country, and I submit that this very limited proposition of my friend that the rates should not be allowed to continue beyond the 31st day of March, 1932, should be accepted, and I hope that the House will not allow the increase in postal rates to continue beyond the 31st March, 1932. It only means that we shall have an opportunity of examining the position later on.

Mr. B. Sitaramaraju (Ganjam cum Vizagapatam: Non-Muhammadan Rural): Sir, at the very outset I may be permitted to say that there is a separate amendment under which the question of postal rates is going to be discussed, and it was your ruling, Sir, that in order to enable Honourable Members of this House to discuss clause 2 of the Finance Bill as to whether it should be for 18 months or for a lesser period, that

3 P. this change should be made at the Third Reading of the Bill.

M. Therefore, I have a cut to move that the postal rates should be omitted, and so I do not propose to dwell at length on this subject at the present moment, but I will only say this, that it was a general understanding of the Government of India, at any rate when the Postal Department was first instituted in this country, that it should not be treated as merely a revenue earning department. Such being the case, on the last occasion when I offered my general remarks I said that the Post Office is the carrier of civilisation, and as such the Government of India will not be justified in allowing fiscal considerations to weigh in favour of increasing the postal rates. I have also drawn attention to the fact that on the last occasion when the postal rates were increased in 1922 by cent. per cent., it was found that there was an immediate fall in the returns both of postcards and of letters. I also mentioned that, had not that happened, the usual amount of 20 millions annual increase both under postcards and letters would have gone up to 80 millions in each case. As I wish to deal with all these points at greater length, I hope that this amendment will not be pressed to a division at this stage.

Mr. K. P. Thampan (West Coast and Nilgiris: Non-Muhammadan Rural): I heartily associate myself with what has fallen from my Honourable friend Mr. Jagannath Aggarwal. I do not know whether, in spite of the large deficit in England, the English postage on inland and foreign letters has been increased. I presume it has not. The present proposal is to increase the price of covers and postcards by 50 per cent. It works out at 1½ annas for envelopes and nine pice for the postcards. It is certainly a very high rate, probably higher than anywhere else, and I doubt whether the increase will have the desired effect. The chances are that considering the high prices, people who ordinarily go in for covers would go in for postcards and the revenue from covers is sure to fall.

[Mr. K. P. Thampan.]

Sir, with your leave, I will refer to the retrenchment that is proposed to be effected in this department. In the civil Budget omitting Posts and Telegraphs, the Honourable the Finance Member has proposed a cut of Rs. 3 crores and odd out of a total of Rs. 18 odd crores; it works out at 17.6 per cent. of the total expenses. In the Postal Department the total expenses come to about Rs. 11 crores, and the retrenchment proposed to be effected comes to only about Rs. 10 lakhs, not even 1 per cent. If the axe of retrenchment is properly applied, I am quite sure that there will be great scope for further retrenchment and more savings could be effected in the department. I shall refer to one or two cases which more than reveal the mentality of the Department with regard to their earnestness in effecting retrenchment. The other day, I do not remember who among my Honourable friends asked a question regarding the contract for carrying mails in Madras. The Honourable Member in charge of the Post Office said that the rate fixed was Rs. 10,000 or so, and when it was brought out in a supplementary question that there were people who were willing to take it up for Rs. 6,000, the Honourable Member in charge did not even care to answer or to tell us that at the time the next contract was offered they would be prepared to consider the proposal. That reveals the mentality of the Department. Sir, there is another instance with regard to the business side of the administration of the Postal Department. I remember the day when Superintendents of Post Offices used to inspect the sub-offices twice a year. Now, they are doing it only once a year. In those good old days there were no motor cars, and the Superintendents were forced to travel in bullock carts in our district. Now, we have motor cars and other conveyances for rapid transport, and inspection has been reduced by half, and in spite of these, there are more Superintendents of Post Offices. That again shows, Government have no desire to run the business on economic lines. The tendency in the Department has been to increase more and more the cost under all heads and the proper way to balance the expenditure of the Department is to effect retrenchments and cut down the cost. I therefore submit that it is most improper and unwise to increase the price of postcards and covers, the effect of which will only be a reduction in the revenue. Sir, I support the amendment.

Pandit Satyendra Nath Sen: On mature consideration I would like to withdraw this amendment, and we hope to concentrate our attention on the consideration of clause 6 when it comes before the House.

The amendment was, by leave of the Assembly, withdrawn.

Clause 2 was added to the Bill.

Mr. President: The question is that clause 3 stand part of the Bill. I will take amendments to Schedule I.

Amendment No. 95, Mr. Bhuput Sing.

Mr. Bhuput Sing (Bihar and Orissa: Landholders): Sir, the amendment that stands in my name against clause 3 of the Bill and which I beg to move is:

"That in Part I of Schedule I to the Bill amendment No. 1 be omitted."

Sir, I fail to understand why raw cotton, which was free from duty hitherto, is sought to be saddled with a duty. The other day the Honourable the Finance Member claimed that the import duty on raw

cotton would be of benefit to the Indian cotton growers. But there is considerable confusion of issues in that statement, because India does not grow long-stapled cotton for production of higher counts of yarn. In so far as the Egyptian and East African cotton is concerned, it can be said with certainty that India cannot grow such cotton of staple length or spinning value. Sir, there is another point again which I should urge here. About 60 per cent. of the cotton produced in India is exported, and unless the Honourable the Finance Member can raise the world prices of cotton, I cannot see how the proposed duty would be able to enhance the price of the local cotton. Again, Sir, admitting that long staple cotton can be profitably cultivated in India, the Government should first educate the cotton growers in this matter through their many costly agricultural research institutions and make India produce a sufficient supply for her needs and then resort to restriction of supply from abroad. There is, therefore, no protection to the Indian farmer by imposing such import duty on raw cotton coming from abroad. I should have liked the Honourable the Finance Member to have attempted to meet the very many pleas and arguments that have been set forth in their Representation to him from the East African Cotton Merchants' Association, dated the 2nd November last. I cannot for a moment feel convinced that the real significance of the new duty on raw cotton from abroad is the protection of Indian interests. To my mind it is intended to afford an indirect bounty to Lancashire and that is what easily accounts for the unusual eagerness on the part of some European organisations to support this measure. Furthermore, the following gist of a reply to a question in the House of Commons on 5th October last, as was so pertinently pointed out by the Honourable the Deputy President the other day, Sir Samuel Hoare indirectly expressed how much concern he had as the Secretary of State for India for the interests of Lancashire. This is what we get from the papers:

"In the House of Commons replying to question today Sir Samuel Hoare pointed out that the difference in the ordinary rates between British and non-British cotton piecegoods was now 6½ against 5 per cent. previously. The other mitigating factors as far as Britain was concerned were the duties on machinery and raw cotton."

Next, Sir, I place before the House what the Indian Tariff Board in respect of their Cotton Textile Industry Inquiry wrote in 1927 in their unanimous report on the subject. They say:

"We cannot but hold that one of the remedies for the present depression is to be found in some alteration in the character of production in Bombay. We consider that it is essential that Bombay should utilize to the full natural advantages it possesses in the matter of climate and of its situation in respect of imports of American or African cotton for the production of goods of higher quality than it has done in the past, that it should devote much less attention than it has done to the production of grey goods, more especially of grey longcloth and shirtings, and that it should embark on a much larger production of bleached and coloured, printed and dyed goods. In making a recommendation that the Bombay mills should produce a higher quality of goods, we do not overlook the disadvantages in regard to which these mills, in common with all Indian mills, suffer from the lack of suitable raw material. The Indian Central Cotton Committee estimate that, of the total production of Indian cotton only 320,000 bales or 16 per cent. of the cotton of staple of 7/8ths inch and over are suitable for warp yarn of counts from 30s to 36s with an additional 60,000 bales suitable for weft yarn of over 30s counts, whereas the total amount of cotton consumed by Indian mills averages slightly over 2 million bales annually."

[Mr. Bhuput Sing.]

Further they also said :

"We are of opinion that it would be to the advantage of the Bombay Mill Industry to follow the example of the Japanese Industry and to make a more extensive use of African and American cotton in order to enable it to place on the market quality of cloth superior to those it is at present manufacturing. Bombay is specially favourably situated in regard to the import of African cotton, though the advantage it has in this respect over Japan, to which in 1923-24 and 1924-25 more than half the imports of East African cotton into Bombay were re-exported has been materially reduced by the recent inauguration of a direct service between Osaka and Mombasa. The imports of African cotton into Bombay in the last three years have been 15,805, 18,479 and 68,863 bales, respectively, so that there was a marked advance in the use of this cotton in 1925-26. We have not been able to ascertain definitely how large a proportion of the East African cotton imported is taken by the Bombay and Ahmedabad Mills, respectively, but our enquiries showed that it is probable that Ahmedabad uses more of it than Bombay. It should be mentioned that the East African cotton crop ranks amongst the world's smaller crops though it is increasing with some rapidity, the estimated crop for 1925 being 3,00,000 bales against 96,000 bales in 1921."

In fact, Sir, no Government in the world taxes or prevents raw products, which feed its industry, from coming into the country. This argument becomes all the more strong when the raw product in question is such that it cannot be produced in the importing country itself. I may also point out in this connection that the Indian Fiscal Commission has also laid it down as one of the cardinal principles that the raw materials of an industry should not be taxed at all. Next, Sir, in consideration of the fact that diversification of Indian production was necessary with mixture of finer quality of cotton from abroad, and inasmuch as the Indian soil was not congenial for growing long staple cotton, it seems rather strange that the Government of India should, by such a prohibitive duty, which represents 12½ per cent. of the commodity value, ignore the recommendations of the Indian Tariff Board in the matter and set at naught the wholesome principle inculcated by the Indian Fiscal Commission with respect to what the true taxation principle should be in this matter. I submit that in the name of the cotton-growing industry in Uganda, which is an Empire venture and which has developed of late to immense possibilities and for the sake of Indian interests and the Indian stake in Uganda and Tanganyika, which make them almost Indian colonies, and for the sake of the Indian textile industry in particular, it is meet and proper that we should oppose the proposal involved in this amendment. If for revenue purposes or extreme emergency the duty on raw cotton should be retained as one of the measures for taxation, I would appeal to the Honourable the Finance Member to show his sincerity in the matter by waiving the duty on East African cotton till India is in a position to become self-sufficient in the matter. In conclusion I urge upon the House to remember that this clause only aims at the abolition of cotton from the list of articles which are duty-free. If this amendment is carried, then amendment No. 6, which imposes a duty of 6 pies per pound on cotton, should come up. But if this amendment is lost, then the other amendment, that is No. 6, should have no occasion to come up. So, I request the Honourable Members seriously to think over the situation and support this amendment. With these words, Sir, I move my amendment.

Mr. H. P. Mody: The Finance Member in his concluding speech on the consideration stage of the Bill referred to an allegation which had been made in the course of the discussion that this duty on cotton was another method of giving preference to Lancashire. My Honourable friend deprecated that

suggestion and, in vindication of the Government pointed to the various increases which have been made in the import duties from time to time during the last two years. I have had occasion several times in the past to acknowledge the valuable assistance which the textile industry has received from these increases in the import duties, and I should like to take this opportunity to repeat my acknowledgments. It may not be within the knowledge of this House that the duty of 40 per cent. on artificial silk piece-goods—with the surcharge of 50 per cent.—was probably the result of a representation made by my Association a couple of months ago, putting forward strong grounds both from the protective as well as from the revenue point of view why such a duty should be imposed, and, as I said, I should like to take this opportunity once again to make my acknowledgments to Government for the assistance that they have rendered. But, Sir, I oppose this duty on imported cotton for reasons other than those to which reference has been made by several speakers. It has been contended that the duty is calculated materially to assist the Indian cultivator. I am afraid an argument like that in this House or in any other House is calculated to sweep many Members off their feet into the Government lobby, and therefore I shall devote a moment or two to refuting that argument, and to pointing out that there is absolutely no foundation for the suggestion that the cultivator of cotton would be helped by this duty. I ask Honourable Members to apply their minds for a moment to the character of the imports of cotton which have flowed into India during the past two or three years. They will find—I will take the figures of 1930-31—that out of a total of something like 58,000 tons—I may say for the purpose of calculation that a ton would be about 4½ bales, calculated at 500 lbs. per bale—21,000 came from Egypt, 23,000 from Kenya and Tanganyika and 12,000 from the United States. Now I do not think any supporter of the duty—not even my Honourable friend, Mr. Anklesaria, who spoke this morning—is going to contend, so far as Egyptian and Uganda imports are concerned, that these have the slightest bearing on the fortunes of the Indian cultivator. They are superior types of cotton which are not grown at all in India, and not a single bale is produced in India comparable to the imported stuff

Seth Haji Abdoola Haroon: What about the Punjab and Sind-American cotton?

Mr. H. P. Mody: I would ask my Honourable friend to take my word for this, and if he does not then to take the word of somebody else in whom he has more confidence—somebody at any rate who knows something about this business

Seth Haji Abdoola Haroon: And I too know something about cotton.

Mr. H. P. Mody: I never attempt to challenge the competence of any single Honourable Member no matter what subject he is talking upon. What I was trying to say from such little knowledge that I possess of this subject, was that the Egyptian and the Uganda cotton are not comparable to anything produced in India. My Honourable friend who has just interrupted me asked, "What about the Punjab-American cotton?" I know that type, and I do not think my Honourable friend can contend that his Punjab-American cotton can spin the counts of yarn which Uganda and Egyptian cotton can spin. I now come to the cotton which comes from the United States—12,000 out of a total of 58,000. Now it may be that a

[Mr. H. P. Mody.]

portion at any rate of this cotton may compete with Indian cotton. Not all of this cotton coming from America is cotton which is used merely because Indian cotton is not suitable. It is possible that for reasons of parity and for other reasons—early shipment and the like—some American cotton may be used in Indian mills which can very well be dispensed with and for which there could be adequate Indian substitutes. But the position is that, out of 58,000 tons only a small portion of the imports are of cotton which can compete with Indian cotton. Now this subject has assumed an adventitious importance because of the somewhat heavy imports of cotton that came in last year, and for that purpose I would like to quote three or four lines from a very authoritative document, and that is a report on cotton improvement in India issued by the Indian Central Cotton Committee which I believe commands the confidence of Government, growers and the public alike; and in this report, which is dated August 1931, it is stated:

"The past season was a poor one for Indian staple cotton, and the import of foreign cotton was to a large extent meant to replace this deficiency, though the low prices were conducive to increased purchase."

In other words

Mr. N. N. Anklesaria: Will my Honourable friend read a few lines further on?

Mr. H. P. Mody: I will read as many lines as he wants.

"The production of finer counts in India is undoubtedly on the increase and will continue, and India should make some effort to supply the demand from her own fields for all but the very finest cottons."

I am not challenging the position that India should make an attempt to produce the finer types of cotton. We are concerned with the position as it exists to-day, and I want to ask my Honourable friends, the Commerce Member, the Finance Member and also my Honourable friend, Mr. Anklesaria, whether they base their support of this duty on the ground that it is calculated to affect what might take place in some distant future.

Mr. N. N. Anklesaria: You must not forget threatened Russian imports.

Mr. H. P. Mody: Now let us examine what classes of Indian cotton there are which can by any stretch of the imagination at all hope to compete with foreign cotton. Here I would like to point out that while it is admitted that it is necessary that India should produce finer cotton, and larger and larger quantities of it, that there is another side to the case, and that side has been hinted at in what I am now going to read before the House:

"Over large tracts of rain-fed India the early-maturing, high-yielding, high ginning, short staple, hardy cottons indigenous to the area will compete successfully against any attempt to introduce a long-staple type. But there are other areas like the Central Provinces and Berar for which a staple cotton may be found which will give the growers immediate increased profits. What effect will an increase in the supply of staple cotton, and a decrease of short staple cotton have on the prices of these two

commodities? Is it desirable that India should enter the field as a large-scale producer of cotton which competes with American cotton and by so doing give up producing over a large area the cotton of which she has a virtual monopoly?"

I would just like to add in this connection that so far as I am aware, there is no type of cotton in India which can spin successfully 40 warp yet; there are types which can successfully spin 40 weft but as you want both warp and weft finer, the cotton that has been imported has become necessary.

Sir, I could understand somebody basing his support of this duty on the ground that, on account of these large imports, whether India produced these types of cotton or not, in some way or other the prices of Indian cotton have been affected and the interests of the cultivator have suffered. But I ask, as a matter of fact, if that has happened, and I say, Sir, with the utmost confidence that it has not. The end of August figures of the stocks in India of all types of cotton were amongst the lowest in the last few years, and that in a period during which there have been heavy imports of foreign cotton. If it were the case that the influx of large quantities of foreign cotton affected the off-take of Indian cotton, one could understand the arguments that have been advanced. But in view of the fact that the stocks of Indian cotton went down to a very low figure in a year of heavy imports, I do not think it can lie in the mouth of anybody to say that the foreign imports have been at the expense of Indian cotton. Another vital test in this connection is, "How far have the premia which the better types of cotton obtain in India suffered on account of these imports?" Have Navsari, Cambodia, Punjab, American and other types fetched lower premium than they used to on account of the fact that so much superior cotton has come into this country from abroad? So far as the figures which I have obtained go to show, I do not think that in the past season, the premia obtained for the better types of cotton have suffered. As a matter of fact, there is so much of demand for these better types of cotton on the part of Indian mills that I cannot think anybody would import these superior types of cotton so long as Surats and Cambodias and Navsaris and other types of cotton in India are available.

I would now briefly deal with some of the positive objections which I have to this duty. I would like to disabuse the minds of my Honourable friends of any idea that this duty is being merely opposed by the interests represented by the Bombay Millowners' Association. I have got here a few telegrams which go to support the case put up by my Association against the duty. There is a telegram from an Association which though it has come into existence only for the last three or four years, is one which you, Mr. President, will know very well, and that is the Bombay Shareholders' Association, of which you, Sir, were once the distinguished President. The Bombay Shareholders' Association are opposed to this duty on imported cotton. Last night I received a telegram from Mr. Jamshed Mehta, Chairman of a meeting of the Indian mercantile community held at Karachi also opposing this duty and supporting the representation of my Association. Then there is the Baroda Millowners' Association, and a body which I think might possibly carry a little more weight with some of my friends on the Treasury Benches and that is the Upper India Chamber of Commerce, who have a representative here, and who have wired to me, that they are opposed to this duty and that they support the case made out by the Bombay Millowners' Association. Then

[Mr. H. P. Mody.]

there is the Indian Merchants' Chamber of Bombay and the East India Cotton Association, and one or two other bodies. There is also a telegram, which has been just handed to me, from His Highness the Aga Khan which runs:

"Import duty Uganda cotton ruin Indians there. Besides duty against recommendation Commission Fiscal being on raw material. Will adversely affect most Indians in Africa my followers."

Kunwar Hajee Ismail Ali Khan (Meerut Division: Muhammadan Rural): May I know to whom this telegram is addressed?

Mr. H. P. Mody: My Honourable friend here (Sir Muhammad Yakub) has just handed it to me. I presume it was addressed to him, unless he purloined it from somewhere.

My second objection to this duty is that it goes against the recommendation of the Fiscal Commission which is against taxing raw commodities, particularly if there is no question of protection involved. I do not think my Honourable friend, the Finance Member, has based his duty on grounds of protection.

Then, Sir, I would like to say that its effect on the textile industry will be very injurious. The Textile Tariff Board, over which my Honourable friend, Sir Frank Noyce, presided, with distinction, and which made a very admirable survey of the whole field of Indian textile operations—I must not be understood as saying that I support everything that my Honourable friend has said in his Report and in its recommendations, but I am free to admit that it is a most valuable document so far as the textile industry is concerned,—recommended that the industry in India should go on to the production of finer and finer counts. I would like to tell the House how far the industry has succeeded in putting into operation the recommendation made by the Textile Tariff Board. In 1927-28 counts of 40s. were produced to the extent of 11 millions lbs.; in 1930-31 they were 31 millions. Above 40s. the production in 1927-28 was 11 millions, in 1930-31 it was 27 millions. This year's figures will be even larger. We have gone on to finer and finer counts because we found that the coarser types were a drag on the market and if we hoped at all to replace the finer types of piece-goods coming from abroad, from Japan and particularly from Lancashire, we had to turn to the manufacture of finer counts. We have made notable progress. Are we going to have a set-back to that progress? Is the industry to be forced to go back because of this duty to coarser counts? I do not think that there can be any other but one answer to that question. But my Honourable friend, the Finance Member, will probably say "What about the surcharge on import duties?" He has said that this surcharge more than offset the half anna duty on raw cotton. I am not going to quarrel about words, but I certainly dispute the statement that it will more than offset it. It will just about balance, with perhaps a trifling disadvantage on our side. But there is this consideration, that even if it is the case that the half anna import duty on cotton is offset by the increase in the duty on imported piece-goods, the price of cloth will go up. That is an important factor irrespective of whether Lancashire's capacity to compete with us is affected one way or the other. There is no denying the fact that with the half anna duty on imported

cotton, the price of the finer cloth must go up correspondingly and to that extent, the marketing of finer cloth must be affected. As regards yarn, the duty of half anna is not offset by the increase in the import duty, and an increase in the price of the finer counts of yarn made by Indian mills must follow to the prejudice both of mills and of the hand-loom weavers who use their yarn.

There is just one more point, and that is, a rather curious result seems to have arisen from the duty which has been levied. Cotton coming from certain Indian States also has been subjected to this half anna duty. I have before me here the orders issued by the Collector of Customs.

"Cotton imported from any port in Kutch is dutiable under the present tariff. Importations from any port in Kathiawar except the ports of Bhavnagar are also dutiable unless it is proved to the satisfaction of the Collector of Customs that the cotton imported from any such Kathiawar port has been produced in Kathiawar."

Many complaints reached me in Bombay that cotton coming from the Indian States was subjected to this duty of half anna per pound. I do not know, Sir, whether it was the deliberate intention of the Finance Member that such cotton should be taxed; but if it was not, I submit for his consideration whether he will not do away with this anomaly.

I would here like to make a suggestion, a suggestion which, I hope, will not go the way of the hundred and one suggestions which have been made in the course of the last four or five days. My suggestion would be that if my Honourable friend's object is to get a little revenue, not too much though, and if his object is also to protect the Indian cultivator without affecting a national industry, he should bring forward some measure calculated to tax imported cotton under an inch staple. It would be I think fairly easy to determine that. In any case if he gave an exemption in the case of cotton from Egypt and from Uganda, which is admittedly above an inch staple, I think he would be taxing just that type of cotton which entered into competition with Indian cotton.

One more point, Mr. President, and that has relation to a remark which my Honourable friend, the Finance Member, let fall in the course of his concluding speech the other day. He sort of hinted—I do not know whether I could construe it as a threat—that the millowners must guard against any raising of the price of cloth. Might I point out to my Honourable friend and to my friends on this side of the House, that so far as the price of cloth is concerned it is the lowest in the last 16 years. From 1921 the duties on imported cloth began to go up, and successive rises in duties have taken place, and yet to-day the price of cloth is the lowest it has been in the last 16 or 17 years. Large sales of cloth were effected during this very week, during the Dewali week, and they were at a price which did not even give an economic return to the mills, and that in spite of the fact that since Britain went off the Gold Standard the price of Indian cotton has gone up by Rs. 50 a candy, which means one anna per pound. In spite of that increase in the price of cotton and in the changed outlook, to-day mills in India are realising a price which is not even an economic price, and which is certainly lower than the price which the consumer has known for many many years. Therefore let my Honourable friend assure himself and take the opportunity of assuring others that so far as the mills are concerned, there can be no question of profiteering for at least as far ahead as I can see.

[Mr. H. P. Mody.]

Sir, for the various reasons which I have placed before the House, I hope that this side of the House—and I trust the boundaries of this side of the House will extend a little further than they did this morning—will stoutly oppose this duty on cotton, and that my Honourable friend, the Finance Member, will see his way to come forward with a measure less open to objection.

Mr. N. N. Anklesaria: Sir, I congratulate my Honourable friend, Mr. Mody, on his attempt to make out a case which in truth and reality does not exist. The Honourable the Mover of this motion spoke about Sir Samuel Hoare talking about this duty benefiting Lancashire. As I said in the morning, if this duty benefits 28 millions at least of the cotton cultivators in India and if at the same time it benefits Lancashire, what is the harm. I am very glad to note that my Honourable friend, Mr. Mody, quite definitely eschewed all arguments of prejudice about Lancashire destroying the mill industry of Bombay or this duty destroying the Uganda cotton cultivator. The main arguments of Mr. Mody were that the Indian cultivator, whom it is sought to benefit, will not be benefited. Now, I may remind him that the Finance Member is not so very kind to the Indian cultivator as he is supposed to have been. The duty of half an anna per pound is not levied by the Finance Member for the protection of the Indian cotton cultivator. It is merely a revenue duty and it should not be a complaint that the Finance Member has levied a small duty instead of a bigger protective duty which he ought to have levied in the interests of the cotton cultivator of India; that should certainly not be a complaint. The argument that the Indian cultivator is not going to benefit because he does not compete with a foreign importer, as I said in the morning, is inconsistent with the argument that you would be ruining the foreign importer. If the Indian cultivator does not compete with a foreign importer, the foreign importer of course is absolutely unaffected by this duty. At present, as Mr. Mody pointed out, the imports of foreign cotton, are not on such a huge scale as may be thought in some quarters. But we have all heard of the five-year plan of Russia and we have all heard of the Russian threat of dumping the markets of the world with their raw products. In fact only three days ago I read in the *Times of India* that thousands of tons of cotton were being dumped in the European markets by Soviet Russia, and you can very well imagine the plight of the cotton cultivator of Gujerat, of the Punjab and other parts of India if Russian cotton is dumped into India. Then, my Honourable friend, Mr. Mody, said that the mill industry would be harmed. I have tried to understand him, but I am sorry to say that I fail to realise any reality about this argument. It is true that for a few years the millowners of Bombay and Ahmedabad may have to compete on unequal terms with Lancashire and other foreign countries, but in the long run, by having the raw material at their own door instead of importing it from 5,000 to 6,000 miles away, they are sure to benefit and compete with foreign importers of the finer cotton goods on better terms, more effectually and more efficiently than they would be in a position to do if the cultivation of the long staple cotton were discouraged as it is sought to be discouraged. What the cultivation of long staple cotton can possibly do for India will be seen from an example of what it has done for a small State about forty miles away from my place, the State of Rajpipla. About eleven years ago in Rajpipla, which was growing short staple gogari cotton, a very stringent

law was passed enforcing on the cultivators the growing of long staple, and it has been calculated that, within three or four years, Rajpipla doubled its wealth. I do not know what my Honourable friend, Mr. Mody, meant by saying that there are two opinions about encouraging long staple cotton in preference to the short staple cultivation. It is undoubted that cultivation of the long staple cotton would give a world market to Indian cotton, while the cultivation of the short staple cotton would restrict the market for Indian raw cotton to India, Japan and China, the three countries which produce cloth from short staple cotton. Would my Honourable friend prefer a world market for our long staple cotton, or would he prefer a restricted market for our short staple cotton? My Honourable friend has said that he has received telegrams. Very possibly he has: but if interested persons send him telegrams it is obvious that that should have absolutely no weight with Honourable Members of this House.

Then an economic argument was taken from the anonymous pamphlet of which I spoke in the morning, viz., that economic science teaches that you must not tax raw commodities. In the first place, in actual practice, much of economic theory has to be subjected to practical considerations. Free trade England is now coming round to preferential tariffs, and I think the Fiscal Commission, so far as India is concerned, has recommended discriminatory protection for our industries, and the same economic science which teaches that you must not tax raw products, also teaches that a nascent industry must be protected. The long staple cotton industry is a nascent industry of India and therefore ought to be protected. As I told you in the morning, we have made very good progress in the production of long staple cotton, and if you want that progress to be continued, it is incumbent on this House in the interests of the country and the cotton cultivator, to see that the cotton cultivators receive the encouragement that is their due.

As I said, the criticism against this proposal for a cotton duty is an absolutely interested criticism. It is a sordid attempt of some so-called Indian patriots to rob the poor cotton cultivator of Guzerat, Punjab and other parts of the country of the little mercy which the Honourable the Finance Member has seen fit to extend to him, and I hope that this House will treat this attempt with the contempt it deserves.

The Honourable Sir George Rainy (Member for Commerce and Railways): I do not propose, Mr. President, to delay the House or to speak at any great length upon this question. But I was anxious to say a few words and to make my own position clear. I take it that the gravamen of the charge brought against Government over this duty is that it involves a departure from what is their declared policy that, as far as possible, the raw materials of industry should be admitted free of duty. In addition, my Honourable friend, the Mover, has drawn attention to what was said by the Textile Tariff Board in the year 1927 on the subject of increased spinning of the higher counts as being a very desirable development in the interests of the mills in Bombay. Now, I do not suppose that any one of any school of economic thought would deny that cheap raw materials are a distinct stimulus to the development of industries, and that therefore it is an object which should always be kept in view by any sensible government or administration to avoid as far as possible increasing unnecessarily the cost of the raw materials of any

[Sir George Rainy.]

industry. I do not think there will be any dispute about that. But the real question is somewhat different. The real question, I think, is this—whether in certain circumstances this particular consideration may not have to give place to other considerations which, for the moment, are of greater importance and must determine the action which a government or a legislature may wisely take. The circumstances which have led to the proposed duty now under consideration are of course perfectly well known to every Member of the House. The Financial emergency is a very serious one. It is a time when all possible sources of increased revenue have to be explored; and since the imports of raw cotton went up substantially during the year 1930-31, and even to a greater extent during the first six months of the current year, that obviously suggested that here was a possible source of additional revenue which could not be ignored. But at that point two new questions arose. On the one hand we had to consider whether the effect of the duty might be prejudicial to the industry using that material to such an extent as to render the imposition of the duty undesirable, and on the other hand whether the duty might not have on other classes of the community such compensating advantages as might fairly be taken in the balance as against any injury inflicted on the cotton manufacturing industry. Now, my Honourable friend, Mr. Mody, has frankly admitted that, against any injury which he fears may result from the imposition of the duty, there are certain things to be set off on the other side. In the first place there is the increase in the duties on British goods from 15 to 25 per cent., and on non-British goods from 20 to 31½ per cent., and again there is the new duty on artificial silk. He went further and admitted that the new surcharge of 25 per cent. of the duty previously in force did

4 P.M. in fact balance the new duty on raw cotton, though he was not prepared, however, to admit that it did more than balance it. I believe, Mr. President, I could put figures before my Honourable friend which would show that the surcharge on the particular classes of goods likely to be made entirely from imported cotton would rather more than counterbalance the effect of the additional duty. The calculation that I have made is based on a statement entitled "Annexure E" on page 277, of Vol. II of the Tariff Board's Report, and I think I am right in saying that it was a statement placed before the Board by the Millowners' Association of Bombay. According to that statement one hundred pounds of raw cotton are required to make a hundred pounds of cloth, and on that basis the cost of the raw material is compared with other costs. Now, as nearly as I can make out, using the figures in that statement, by the duty on raw cotton the cost of the cloth made from it would be increased to the extent of a little over 3 per cent., whereas the duty on similar cloth imported from abroad has gone up on the actual figures by 5 per cent.

Mr. H. P. Mody: Those are not my figures. I have worked them out too.

The Honourable Sir George Rainy: My Honourable friend has no doubt his own figures, I have had those I have given checked by another and independent method of calculation which leads to the same result, but I preferred to put before the House a calculation based on the figures supplied by the Millowners' Association itself. Therefore, on my showing, the industry is a little better off with the surcharge plus the duty on raw cotton in the manufacture of goods made from the finer counts than it

was before, and according to my Honourable friend's own theory, it is at any rate no worse off. Therefore, what it comes to is this, that what my friend has to complain of is, not that we have done anything to retard the increased manufacture of higher counts, but that by imposing the duty on raw cotton we have deprived him of the additional stimulus which he would have got from the surcharge if the duty on raw cotton had not been proposed. I think it is important to get clear about that; my friend is complaining not so much of an injury inflicted upon him but of the fact that he does not receive the advantage which he hoped he might receive.

Mr. H. P. Mody: What about the increased cost?

The Honourable Sir George Rainy: The next point I want to make is this. Whatever the position may be as regards the class of goods manufactured from long stapled cotton,—that is only a small part of the output of the cotton mill industry in India,—I think that any one who listened attentively to what my Honourable friend said in his speech would recognise that that was so, because I should like to acknowledge the moderation and temperance with which he stated his case. The very utmost that the industry could possibly complain of is, as I have said, that a desirable development would be unable to proceed quite so rapidly as in other circumstances perhaps it might have done. On the other hand, we have to set off the advantage to the cultivator. I do not propose to go into that in any detail but merely to say this. It does not in the least follow, because more than half of the cotton crop of India is exported and therefore no import duty can benefit the industry as a whole, it does not in the least follow that the duty may not be of very distinct benefit to a particular section of the cotton cultivators, and when my friend says that he presumes no one would say that the competition of imported cotton had kept down the price of Indian varieties, I would merely remind him of what my Honourable friend, the Finance Member, said on that subject that the effect of the duty, according to his information, had been to raise the prices of the Indian variety which, I think, comes to very much the same thing.

That really concludes what I wish to place before the House. This matter in regard to the question of this duty is one which I felt bound, associated as I have been on several occasions in this House with the removal of duty on raw materials for industries, to consider with the utmost care, and it did seem to me,—and this is the view I wish to urge upon the attention of the House,—that, taking the proposals of the Government as a whole, there was no substantial and real objection to this duty, because with the surcharge on the duty on manufactured goods, it did not seem to me that the industry would be substantially worse off than it was before, even in the particular classes of goods made from imported cotton, whereas it would be substantially better off in all the other classes of goods which it makes. In these circumstances, and the financial emergency being what it is, I have no hesitation in coming to the conclusion that this is perfectly proper proposal to make and one to which we are entitled to ask for the support of the House.

Mr. R. K. Shanmukham Chetty (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): Sir, I am glad that my Honourable friend, Sir George Rainy, has really clarified the issue, and by his exposition of this duty has explained the object that the Government have in view in making this proposal. I am very glad that he did not attempt

[Mr. R. K. Shanmukham Chetty.]

to make out a case that the imposition of this duty would in any material manner benefit the grower of Indian cotton. I am particularly glad of his speech for this reason, because many Honourable Members on this side of the House were inclined to support this duty solely on the ground that it would benefit the grower of cotton in India. Let us analyse the justification that my Honourable friend, the Leader of the House, attempted to give in support of this proposal. He says the Government wanted additional revenue. Therefore they looked into the figures relating to the import of various commodities; they discovered that the import of cotton into India had grown in recent years; and they therefore came to the conclusion that here was a possible source of revenue to the Government. I am glad that my Honourable friend made it perfectly clear that, so far as he was concerned, he based his justification on the ground that this duty will not do any positive harm to the Indian mill industry, and that, it would act as an offset to the protection which the textile industry gets as a result of the surcharge that has been proposed. Let my Honourable friends observe that like an honest Scotchman, my Honourable friend, the Leader of the House, did not in the least try to mislead the House and make them believe that the imposition of this duty will in any way benefit materially the grower of cotton in India.

The Honourable Sir George Rainy: I should rather prefer it if my Honourable friend would quote me in my own words. What I said was this. Although it might not benefit or could not benefit the industry as a whole, it did not follow that it would not benefit very appreciably particular parts of it or particular sections of it.

Mr. R. K. Shanmukham Chetty: My Honourable friend agrees that it will not benefit the grower of cotton in India as a whole, but that it might possibly be beneficial to a certain section of cotton growers in India. Well, Sir, I am prepared to join issue with him on that point. In this connection he told us that according to the information of the Honourable the Finance Member the imposition of this duty has raised the price of certain varieties and there again I would like to join issue with the Honourable the Finance Member if he still sticks to that opinion. It has been pointed out by my Honourable friend, Mr. Mody, that a great deal of the cotton imported into India, especially from Uganda and Egypt, is of a variety which is not grown in India. It clearly follows therefore, if that is a fact, and I maintain that it is a fact, that the imposition of duty on one class of commodity will not benefit another class of commodity which is entirely different from the one which is taxed. My Honourable friend, Mr. Mody, pointed out that a great deal of the cotton that is imported into India, practically the whole of the cotton that comes from Uganda and Egypt is cotton of a staple of one inch and over which I maintain is not grown to-day in any part of India.

(At this stage Mr. Anklesaria made some remark which was not audible at the Reporters' table.)

My Honourable friend, Mr. Anklesaria, who attributes motives to other people, is talking a good deal of nonsense when he says that that kind of cotton is grown in India. There is no use trying to mislead the House like that. If my Honourable friend can prove to me that in any part of India we grow to any appreciable extent cotton of the staple of one inch and more, then I am prepared to agree that I am wrong and my Honourable friend is right.

Mr. N. N. Anklesaria: I am prepared to take up the challenge. You will find the figures at page 14 of the Report of the Indian Central Cotton Committee of 1931. Broach cotton,—that is my place—produces one inch . . . (Some Honourable Members: "Over one inch") . . . and the amount is 350,000 bales

Mr. H. P. Mody: Is that over one inch or just one inch?

Mr. N. N. Anklesaria: One inch.

Mr. R. K. Shanmukham Chetty: I am glad that my Honourable friend gave those figures which will strengthen my argument. My Honourable friend says, according to the very good authority that he has quoted, that the quantity of cotton of one inch staple grown in India is 350,000 bales . . .

Mr. N. N. Anklesaria: My Honourable friend interrupted me when I was giving the figures. Punjab and Sind-Americans—the Punjab produces over one inch — $1\frac{1}{16}$ inches—450,000 bales. That is over one inch.

Mr. R. K. Shanmukham Chetty: The total quantity of cotton produced in India is over 6 million bales, and out of these 6 million bales, the amount of cotton of staple one inch—I will take exactly one inch—grown in India is 350,000 bales.

Mr. N. N. Anklesaria: No, no. You are mistaken.

Mr. R. K. Shanmukham Chetty: My point is, to spin finer counts of yarn, that is, counts of 40s warp and over, we require the Uganda and Egyptian cotton, the like of which is certainly not grown in any part of India. I contend that, though we in our own part of the country grow a very good variety of cotton, called the Cambodia cotton, though we have got a very good variety of cotton which comes from my Honourable friend's constituency, from Navsari, and though we have got another good variety of cotton called the Punjab American and Sind American, still the fact remains, and it is elementary knowledge to any cotton spinner, that no Indian cotton can spin any counts of over 40 warp. I am sure that my Honourable friends in this House cannot challenge that statement. If that is a fact, then it follows that for the quality of cotton necessary to spin counts of over 40 we have to import cotton from abroad and that cotton we get from Uganda and Egypt. It might be that the imposition of this duty may in the remote or the near future help the cultivator of this long-stapled variety. But simply on the possibility that in some remote future long stapled cotton can be grown in India, is this House prepared to tax a raw produce which is essential for the spinning of the finer counts of yarn in India?

Seth Haji Abdoola Haroon: We have already given protection to many industries in India. (An Honourable Member: "Non-existing industries".)

Mr. R. K. Shanmukham Chetty: It is a different argument. If really anything can be done in India to encourage the growth of long stapled cotton of the Uganda and Egyptian variety, then I for my part would be prepared to levy an import duty on cotton, not merely of half an anna per pound, but if it comes to that, even five annas per pound. But before the Government takes the serious step of taxing a raw produce, which

[Mr. R. K. Shanmukham Chetty.]

is essential for the spinning of certain counts, they must take expert advice on the matter. I contend that a body like the Indian Central Cotton Committee is such an expert body. I have been told that some time back the Indian Central Cotton Committee expressed its opinion that in India it is not possible in the Indian soil to grow to any appreciable extent cotton of the type that comes from Uganda and Egypt . .

Mr. N. N. Anklesaria: Why should we waste lots of money in encouraging the cultivation of the long staple?

Mr. R. K. Shanmukham Chetty: I therefore contend that the cotton which is imported into India being of a type which is not grown in this country, a tax on such a commodity will not by any stretch of imagination benefit the grower of cotton in India. Therefore, let my Honourable friends be absolutely clear on this point. If they are voting for this motion in the belief that it will in any way increase the price of Indian cotton, then they are entirely in the wrong. My Honourable friend the Finance Member mentioned the other day that according to his information there was a rise in the prices of Indian varieties. Now, the only way in which the effect of this duty can be judged is to find out whether the premium paid on Navsari and Cambodia cotton has been increased after the imposition of this duty.

Seth Haji Abdoola Haroon: The Punjab and Sind-Americans have increased by Rs. 1-8-0 to Rs. -2.

Mr. R. K. Shanmukham Chetty: I would like to have from my Honourable friend some figures to show whether the premium given to Navsari and Cambodia cotton, which are really two varieties of long stapled cotton, has been increased after the imposition of this duty, and if that cannot be proved, my argument stands that the imposition of this duty does not in the least benefit the Indian grower. Sir, that argument therefore can be left aside.

My Honourable friend, Mr. Mody, proved that the imposition of this duty would detrimentally affect the Indian textile industry. He quoted the Tariff Board's recommendation asking the Indian mill industry in Bombay and Ahmedabad to spin finer counts of yarn. He has also pointed out that as a result of the import in greater quantities of this finer type of cotton and as a result of the textile industry in Bombay and Ahmedabad taking the advice of the Tariff Board, the spinning of counts of 40s and over has increased from 23 millions in 1927-28 to nearly 60 millions in 1930-31. For the last three months of the current year alone the amount of yarn spun of 40s and over is 19 million pounds, which means there will be 76 million pounds for the year. From this my Honourable friends can judge that the Indian textile industry has very greatly benefited by the use of cotton from Uganda and Egypt and has successfully competed with Lancashire in the manufacture of finer counts of yarn and finer types of cloth.

Apart from this there is one other consideration which I would ask my Honourable friends to bear in mind. My Honourable friend, Mr. Anklesaria, repeatedly referred to an anonymous pamphlet. If my Honourable friend will look into his pamphlet, he will find it is not anonymous but that it is published by the East African Indian Merchants' Association. The imposition of this duty, apart from affecting the Indian textile industry, and apart from the fact that it will not benefit the Indian cotton grower, will have the effect of injuring the interests of the Indian settlers in an-

other part of the Empire. My Honourable friend, Sir George Schuster, himself very well knows the conditions in East Africa and he knows perfectly well that the ginneries in Uganda are mainly controlled by Indian merchants there. In this pamphlet it is mentioned that out of a total of 193 ginneries, Indians own 150 ginneries. Naturally when their own mother country uses this variety of cotton, it gives a great encouragement to the Indian settlers in Uganda, and the result of that is very patent. In 1928, Uganda exported 35 per cent. of its cotton to India, 9 per cent. to Japan and 56 per cent. to the United Kingdom, and to-day what is the position? In 1930, Uganda sent out 80 per cent. of its cotton to India, only 5 per cent. to Japan and only 7 per cent. to the United Kingdom. It is clear from this that our countrymen, who are settled in Uganda and who have got control of the cotton trade of the country, have now prospered as a result of the Indian mills using this variety of cotton. I ask whether in addition to giving a blow to your own textile industry, in addition to the fact that you are not helping the Indian agriculturist, you are going to strike a blow at your own countrymen who are settled in another part of the Empire. Look at this from any point of view. This duty cannot in the least be justified. The real justification of this duty is contained in the speech of my Honourable friend, Sir George Rainy. It offsets the advantage that the Indian textile industry gets as a result of the surcharge on the textile duties. That, Sir, translated in other words would mean that it wants to place Lancashire in a better position to compete with India in spite of the imposition of the surcharge. That, Sir, is the real position. The other day I quoted the authority of the Secretary of State for India in support of this contention. It may be that my Honourable friend, the Finance Member, was not actuated by this motive, but certainly every one can see that this is the direct result of this proposal. I would ask my Honourable friends not to be under any misapprehension about the effects of this duty and to walk with us into the lobby in rejecting this proposal.

Mr. Arthur Moore (Bengal European): Sir, I had no intention of intervening in this debate because I have no particular enthusiasm for the tax, though I was prepared to vote for it because the Finance Member wants it for revenue purposes. But listening to the debate with a sufficiently open mind, I could not help coming to the conclusion that the cultivator is not getting a fair deal from the Opposition. I would first like to mention one broad ground of their arguments, that while you may have tariffs on manufactured goods, you must not have a tariff on raw material. That doctrine which has been taught by urban economists and is being acted upon by urban legislatures all over the world, is one of the most dangerous factors in world unrest, and is likely more than anything else in the end to provoke world revolution. In every country you are getting increasing opposition between town and country. I do not say that tariffs are right. I do not say that tariffs can be justified unless they ultimately lead to freer trade, but I am quite sure that if the cities of the world and the manufacturing industries of the world are going to take the line that they are entitled to protection for their goods, but that those who produce the raw material out of the soil are not to be entitled to protection and if they are going continually to depress those people, who are the very people who should in the end be their best market and buy their goods, then they are all over the world increasing difficulties and producing an economic sore.

Mr. H. P. Mody: The whole question is—are they protected?

Mr. Arthur Moore: The doctrine itself is unsound. Now, Mr. Chetty, if I may say so, took a very aggressive line with Mr. Anklesaria and he suggested that he was talking nonsense when he said that long staple cotton was grown in India.

Mr. R. K. Shanmukham Chetty: Long staple cotton of the type of Uganda and Egyptian cotton.

Mr. Arthur Moore: If I may say so, that was a postscript. We heard first of all of "one inch and over". Then we heard that it must be confined to over one inch. I think that Mr. Anklesaria successfully proved not only that there was quite an important outturn of cotton of the staple of one inch, but he also proved that there was some cotton of more than one inch. And yet my friend, Mr. Chetty, did not withdraw, though I think that the House realised that Mr. Anklesaria had made his point. But there is another argument of Mr. Chetty's which seemed to me, if I may say so, fundamentally unsound and directly contradictory of another argument that I have very often heard from that quarter of the House. He assumed that because you could not possibly grow cotton in India of the same quality as Uganda and Egyptian cotton, therefore there could be no competition. Well, that seemed to me to be a very curious argument. Have we not often been told that if you make the good article dearer, people will be compelled to content themselves with a slightly inferior grade? Has Mr. Chetty ever heard of that argument?

Mr. H. P. Mody: But if you want a horse, you cannot do with a mule. (Laughter.)

Mr. Arthur Moore: Mr. Mody's suggestion that there is no border line between the high and the low counts is one we can hardly accept. Of course I do not profess to be an expert like Mr. Mody when he says that the high counts only begin at 40. We are now asked to believe that unless people can get—is it 40, or is it over 40?—unless people can get over 40, they won't be content with 40, and they won't be content with anything near 40. Mr. Chetty's argument is that the line is absolute and that the question of price will not enter into it, or so I understood him. He argues that there is no competition possible, that people will take the Uganda and the Egyptian cotton and that they are quite disinterested as regards the price. Well, I do not think that that argument holds water, and Mr. Chetty glosses over the fundamental fact that, by this Budget, cotton is getting, for revenue purposes, the benefit of a fresh tariff. The surcharge is a windfall to the millowners, after we have seen—as Mr. Mody frankly admitted—a great many blessings showered on them already by Government. Well, that is a part of the admitted policy of India, of discriminating protection in order to protect Indian industries. This is not the place to reopen the question of the cotton duties. We must accept that. But, when they get a lucky windfall, when the Finance Member, for his own purposes, is compelled to go even better,—shall I say?—than the wildest dreams of Bombay's avarice, and to give them an unexpected tariff, I wonder that they have, shall I say the courage or the nerve, to come to us and say that, although it is quite true that they are getting this extra benefit, there is also in the budget one little flaw which makes it not as much of an extra benefit as it might have been. Therefore, they think that that other particular little stroke of revenue which the Finance Member was also proposing to impose for himself must be deleted, and even the argument that somebody else, namely the cultivator, may also be allowed to benefit from a tariff windfall which has come to him by accident, they brush aside. (Applause.)

Sir Abdur Rahim: Sir, a great deal of controversy has raged round this proposal in the Finance Bill, but it seems to me that there is no foundation for the suggestion that this duty is intended to protect the cultivator of cotton in India. I am not familiar with the facts regarding the long and the short staple cotton, but this much is clear that the cultivators of cotton have not asked for protection, so far as this House has been informed. If the cotton growers in India needed protection and had asked for it, then I could understand that there was a case in support of which my Honourable friend, Mr. Arthur Moore, has spoken, but no such protection has been asked for.

Mr. Arthur Moore: I admitted that it was a revenue tax.

Sir Abdur Rahim: That is exactly the point I am making. It is a pure and simple revenue tax.

Sardar Bahadur Captain Hira Singh Brar (Nominated Non-Official); May I inform the Honourable Member that in the Montgomery District in the Punjab we are growing various lengths of staple cotton. . . .

Dr. Ziauddin Ahmad: Up to two inches?

Sardar Bahadur Captain Hira Singh Brar: I think so. But may I inform the Honourable Member that it was never tried and therefore cotton of that kind could not grow. If it is a paying concern, we could of course grow that cotton as well.

Sir Abdur Rahim: My point is this, Sir, that it is a purely revenue measure, it is admittedly a revenue measure, and there is no question of protection of growers of cotton in India. If there had been any need for any such protection being given, one could understand it. In that event a case could have been made out, an application would have been made to the Government, and I suppose the matter in the usual course would have been inquired into by the Tariff Board, but no such application has ever been made. That brings us to the position that we must treat it entirely as a revenue matter and not as a duty intended for the protection of the cotton growers in India. I take it, therefore, that the case which my Honourable friend, Mr. Chetty, sought to make out has been made out; that is to say, there is no need for protection of the cotton-growing cultivators at all. We must look at it merely as a revenue measure, and judging it in that light, we have got also to consider whether such a measure is likely to injure the interests of the manufacturers or not. There can be no doubt whatever that there is a large industry which will be very much crippled if this duty is imposed, nor can there be any doubt in the mind of any person in this House that, to that extent, in that proportion, manufacturers outside India will be benefited; and, as Mr. Chetty has rightly pointed out, our own countrymen in East Africa and Uganda, who are growing this class of cotton, will be very much handicapped; their industry will be crippled. On the other hand, there is nothing to show that any class of cultivators in India itself will be in any way injured.

Mr. O. S. Ranga Iyer: Sir, like the Leader of the European Group, I also had no intention of speaking either; and if I speak now, it is only because the Leader of the European Group thought it necessary to controvert some of the arguments of my Honourable friend, the Deputy President. Sir, it is a merciful thing occasionally to find the Leader of

[Mr. C. S. Ranga Iyer.]

the European Group emerging as the guardian of the depressed classes (Laughter). Sir, 40 years ago, and very frequently in the beginning of this century, the European Groups, in and out of the Legislative Councils, spoke of the educated classes as "a microscopic minority"—a phrase which we have not been hearing for some time. They were then, Sir, the self-appointed guardians of the villagers and cultivators of this poor country. When, therefore, the Honourable the Leader of the European Group sought to pose as the greater supporter of the cultivators in this country than ourselves, and charged us with not having the interests of the cultivators at our heart, I thought, Sir, he was treading not on rather familiar ground, but rather slippery ground. Sir, some of us represent here in this House the interests of the cultivators. I myself represent a rural constituency, and on this side of the House there are many representatives of rural constituencies. Most of the Honourable gentlemen on this side of the House represent the cultivators: and when the Honourable the Leader of the European Group, who does not represent the cultivators but represents an interest which is not the "interest" of the cultivators (*A Voice*: "Inimical to the interests of the cultivators.")—my Honourable friend, Mr. Gaya Prasad Singh, whispers to me the words "inimical to the interests of the cultivators"—I do not put it so strongly, I say it is not the interest of the cultivators,—when he comes and tells us that we are not at all thinking of the cultivators I can only say that his argument is very weak, because he is going against well-known facts. Sir, how are we striking against the cultivators? He has said that my Honourable friend, Mr. Anklesaria, had made such a wonderful case, apparently not so much by his speech but by his ejaculation when Mr. Chetty was speaking. As a matter of fact, the interruption of my esteemed friend was in the first place not sufficiently audible and in the second place not necessarily lengthy. He was perfectly aware that Mr. Chetty was in possession of the House, and the gentleman that he is who interrupts the least except where necessary, the proper parliamentary interruptor, I do not blame him if he could not make out a case, and he cannot be very happy over the case that the Honourable the Leader of the European Group tried to make for him. It was a case, Sir, of one feeling sometimes, "Save me from my friend". Sir, what did the Honourable the Leader of the European Group say at last? It would seem as if the long staple cotton is grown in this country as much as wheat and rice. It would seem as if there were cultivators of long staple cotton from the Punjab to Cape Comorin, and therefore Mr. Chetty was standing up as an enemy of these cultivators of long staple cotton; he was not a patriot; he had no business to say what he said. But if only he had listened to my friend, the Deputy President, he would have known that my friend to my right very clearly showed in his closely reasoned speech,—and his speeches are always closely reasoned,—he very clearly indicated that he would put a prohibitive duty if it was necessary on foreign long staple cotton imported into this country, if there was sufficient long staple cotton grown in this country. The point is that the Honourable the Leader of the European Group did not listen to his speech but relied on the interruption on which he tried to build a speech. That is not a safe way of argument, and if this tariff wall, however low it may be, is raised to-day, it does not help the cultivator of long staple cotton in India, but it helps the competitor across the seas, of the indigenous millowner and manufacturer. Sir, let us not get away from the fact that the competition between India and foreign countries importing articles of fine counts is a

real competition. We are at a great disadvantage in this country in regard to the growth of the long staple cotton. England and other manufacturing countries, including the United States of America, are at a great advantage as compared to us. So far as England is concerned, England imports duty free the Egyptian cotton, whereas in India, under the new dispensation of the Honourable the Finance Member, cotton from Egypt is not to be imported under the same conditions under which it is imported into England. Sir, as a matter of fact, any one who read the Finance Member's Budget proposals might have thought at first sight that he was trying to put India under an advantage by his surcharge duties on imported cotton goods, but unfortunately, what he seemed to give with one hand, he was taking away with the other. For, we are not getting the advantage. It is neutralised by this additional import duty on cotton that our manufacturers get from Uganda and Egypt. The import duty of half an anna per pound, as shown by my friend, the Deputy President, works out as equivalent to Rs. 24-8-0 per candy. Sir, I would ask the Honourable the Finance Member not to put on this additional duty, because it is not the cultivator who is helped but it is the employer and the employee who are hindered. The Honourable the Leader of the European Group was talking of world unrest and world revolution. Sir, I do not think in terms of the world. Not having the great universal vision of the Honourable the Leader of the European Group, I think of my country. Perhaps patriotism is narrow as compared with universalism. I would rather think of Indian unrest, though I do not like to use the word Indian revolution. I do not see it and what I do not see I will not say. There is Indian unrest, and if from an economic point of view, we are to examine the question,—the economic point of view seemed to weigh with the Honourable the Leader of the European Group,—if the economic point of view is to be a real consideration no one will contribute to the increase of unemployment in this country. No one will contribute to add to the difficulties of the millowners. After all, imagine how many cultivators go and work in the mills? How many children of the cultivators are working in the mills? Our workers in the mills are drawn from the country, and therefore, if only the Honourable the Leader of the European Group had really the interests of the country people at heart, he would most certainly not have accused Members on this side of the House of not having the interests of the children of the cultivators at heart. Sir, the Honourable the Leader of the Independent Party has already replied to other aspects of the speech of the Honourable the Leader of the European Group. I will only say that I would expect him on occasions like this not to cast an unnecessary reflection on the representative character of the Opposition, which under the Montagu constitution represents large rural areas. If he reads the Montagu Report, he will find that Mr. Montagu deliberately disturbed "the placid, pathetic contentment" of the masses.

Mr. Nabakumar Sing Dudhuria (Calcutta Suburbs: Non-Muhammadan Urban): Sir, before I set forth the grounds for which I support the amendment, I feel it my duty to bring to the notice of the Chair that the Bill which has been placed in our hands is more or less of a puzzle to me, as it is so confusedly drafted that I have much difficulty in understanding all its provisions. There was ample scope for making the Bill clearer and better arranged. The intentions underlying the provisions of the Bill might have been perfectly clear to my lawyer friends in the House, but to an ordinary layman like myself they have proved a great stumbling-block all along.

[Mr. Nabakumar Sing Dudhoria.]

Now, to come to my point, although it has been claimed that the import duty on foreign cotton is intended to protect the Indian growers, it is very difficult to support that contention, because out of a total production of 70 lakhs of bales, India hardly consumes 35 lakhs of bales and the balance has to be exported. The price which the entire cotton crop can, therefore, secure is the price that is realised in world markets for its exportable surplus. This elementary principle of economics readily follows from the fact that cotton cannot have two prices, one for home consumption and the other for export in one and the same country. Navasari in the Bombay Presidency is the only place, so far as my information goes, which grows the best cotton in India, but the best Navasari variety cannot spin over 30 counts. I am not aware of any other place where similar or better quality of cotton is or can be grown for commercial purposes. So until the Government bring forward more and fresh facts and figures showing the extent of long staple cotton crop in India, or particular tracts which are congenial as regards soil, situation and climate for the growth of such kind of cotton, I shall have to take it for granted that the longer staple cotton of the Egyptian or East African variety cannot be largely grown in this country.

Next, Sir, such a tax on a raw material is more the exception than the rule in all civilised manufacturing countries in the world. Both the Indian Fiscal Commission and the Taxation Enquiry Committee have laid it down in unmistakable terms that taxes on raw materials required for local manufactures should be wholly discouraged. Again, Sir, I have great difficulty in reading aright the possible implications of the new duty unless it be an indirect attempt to afford a bounty to Lancashire. Perhaps it has been found that the free influx of finer quality of cotton from East Africa has enabled the Indian mills to turn out finer counts, which were so long the special province of Lancashire. It is popularly thought that by imposing this import duty on raw cotton the Government on the pretext of securing some additional revenue, was handicapping the Indian textile industry with a view to enable Lancashire to secure cheaper cotton. Therefore the new duty is not calculated to assist the Indian growers, though at first sight it may appear to do so; it is calculated to impose an unnecessary handicap on a growing Indian industry and afford indirectly an undeserved support to Lancashire. In view of these considerations, Sir, I beg to support this amendment.

(Sir Hari Singh Gour and Mr. T. N. Ramakrishna Reddy rose to speak.)

Mr. President: Are you likely to be long, Sir Hari Singh?

Sir Hari Singh Gour: I do not think I shall finish by 5 o'clock.

Mr. President: Are there many speakers who still want to take part in the debate?

Some Honourable Members: Yes.

Mr. President: The House will now adjourn to 11 o'clock tomorrow.

The Assembly then adjourned till Eleven of the Clock on Friday, the 13th November, 1931.

LEGISLATIVE ASSEMBLY.

Friday, 13th November, 1931.

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

QUESTIONS AND ANSWERS.

DATES OF TRIAL, ETC., IN THE MEERUT CONSPIRACY CASE.

1275. ***Mr. S. C. Mitra:** Will Government kindly state:

- the date when application was made for the issue of warrants against persons charged under section 121-A, in what has come to be known as Meerut conspiracy case;
- the date or dates when these persons were arrested;
- the date when the enquiry commenced with the opening address of the Crown Counsel;
- the date when the enquiry was finished and the committal order was passed by the enquiring Magistrate;
- the date when the trial commenced at the Sessions Court;
- the date when the Prosecution closed its evidence; and
- the date when the accused began to make their statements?

The Honourable Sir James Orerar: (a) The complaint in regard to the case was laid on the 15th March, 1929, and warrants were issued on the same date.

(b) Twenty-nine of the accused were arrested on the 20th March, 1929. The dates of arrest of the remaining accused are not readily available.

(c) The enquiry in the Court of the enquiring Magistrate commenced on the 12th June, 1929.

(d) The enquiry closed on the 16th December, 1929, and the Magistrate passed orders on the 14th January, 1930.

(e) 31st January, 1930.

(f) 17th March, 1931.

(g) 18th March, 1931.

EXPENDITURE INCURRED IN CONNECTION WITH THE MEERUT CONSPIRACY CASE.

1276. ***Mr. S. C. Mitra:** Will Government kindly state the approximate expenditure incurred by the Government of the United Provinces in connection with the Meerut conspiracy case under the following heads uptill 30th October, 1931:

- the salaries paid to the enquiring Magistrate and the Sessions Judge, per month, exclusively in charge of this case;

- (b) the expenditure incurred for the maintenance of the ministerial staff of the enquiring Magistrate and the Additional Sessions Judge;
- (c) the expenditure incurred for the accused in the jail;
- (d) expenditure for conveying the accused from the jail to the Court and back; and
- (e) expenditure for treating the accused requiring the help of specialists as dentists, etc.?

The Honourable Sir James Orerar: The arrangement with the United Provinces Government is, as I explained in my reply to question No. 268 asked by Lala Hari Raj Swarup on the 2nd February, 1931, that expenditure on all matters connected with the case which are dealt with by the ordinary machinery of the United Provinces Government is met by that Government, all other charges being met by the Central Government, in accordance with this arrangement, items (a) to (c) of the question are met by the United Provinces Government.

(d) and (e). I have called for the information and will communicate it to the Honourable Member in due course.

EXPENDITURE FOR COUNSEL FOR THE MEERUT CONSPIRACY CASE.

1277. ***Mr. S. C. Mitra:** Will Government kindly state:

- (a) the expenditure incurred per month as fees for the Crown Counsel and his Junior in the Meerut Conspiracy case;
- (b) the expenditure incurred per month as fees for the Junior Crown Counsel when he was in charge of the case after the death of Mr. Langford James and before the present Crown Counsel was put in charge;
- (c) the total expenditure incurred as fees for the two counsels since the date of their appointment at the beginning of the case up to 30th October, 1931?

The Honourable Sir James Orerar: (a) The Crown Counsel is paid a fee of sixty gold mohurs or Rs. 1,020 per diem and his junior one of five gold mohurs or Rs. 85 per diem.

(b) The Junior Crown Counsel held sole charge of the prosecution case from the 23rd March to the 12th May, 1930, during which period he was paid an enhanced fee of ten gold mohurs or Rs. 170 per diem.

(c) Rs. 2,88,470.

EXPENDITURE INCURRED IN CONNECTION WITH THE MEERUT CONSPIRACY CASE.

1278. ***Mr. S. C. Mitra:** Will Government kindly state:

- (a) whether it is known to them that during the last Budget debate in the United Provinces Council objection was taken by the Members to the Province being saddled with the expenditure of the Meerut conspiracy case;

- (b) whether it is known to them that to mark their protest the Council refused to vote the salary of the Additional Sessions Judge trying the case;
- (c) under what item of expenditure have the Government of India in their estimates included the expenses of this case as far as they are borne by the Government of India;
- (d) which Government has borne the travelling and halting charges of the witnesses called by the Prosecution;
- (e) the total amount paid to the witnesses;
- (f) the number of witnesses called from (i) Calcutta, (ii) Bombay, (iii) Lahore and (iv) the United Provinces; and
- (g) the total expenditure incurred so far in the case and the likely expenditure till the disposal of the case in the Sessions Court?

The Honourable Sir James Orerar: (a) and (b). I have seen the debate.

(c) The expenditure is provided for in Demand No. 32—Home Department—C—Intelligence Bureau.

(d) The Government of India.

(e) The total amount paid to witnesses and assessors up to the end of September, is Rs. 59,767-13-6. It is not possible to separate the payments to witnesses from those to assessors without an unwarrantable amount of labour.

(f) I regret that I have not the information available.

(g) Rs. 12,17,630 up to 30th September, 1931.

NUMBER AND PAY OF CHAPLAINS IN INDIA.

1279. ***Rao Bahadur B. L. Patil:** (a) What is the total number of Chaplains in the whole of India by Provinces?

(b) How many of them are military and how many civil, if any?

(c) What is the range of their pay respectively?

(d) How many of them are Indians, if any?

(e) What is the total cost annually incurred towards the pay of the Chaplains, military and civil, if any, respectively?

The Honourable Sir George Rainy: (a) and (b). The Service known as the Indian Ecclesiastical Establishment consists of 156 Chaplains made up as follows:

Church of England in India (now called the Indian Church) . . . 138

Church of Scotland . . . 18

Of the 138 Chaplains of the Indian Church, which number includes the leave reserve, 98 are meant for service at mainly military and 40 at mainly civil stations, but all these Chaplains minister both to the military and the civil population within their respective charges. There is thus no division into military and civil Chaplains. They are allotted to Dioceses,

which are not coterminous with the civil areas of administration, as follows:

Dioecese.	No. of Chaplains.
Calcutta	17
Madras	18
Bombay	18
Lahore	41
Lucknow	24
Rangoon	7
Nagpur	13

Of the 18 Chaplains of the Church of Scotland, eight are for duty with Scottish regiments and six are for ministration to civil congregations in the Presidencies of Bengal, Madras and Bombay and four constitute the leave reserve.

(c) All Chaplains on the Indian Ecclesiastical Establishment are civil officers. Their rupee pay ranges from Rs. 600 to Rs. 1,050 a month, and sterling overseas pay from £15 to £30, per mensem.

(d) None.

(e) The total expenditure on account of the pay of all Chaplains of the Indian Ecclesiastical Establishment during the year 1929-30, the latest year for which figures are available, amounted to approximately Rs. 15½ lakhs. As I have already stated, Chaplaincies of the Indian Church are not divided into civil and military and it is not possible therefore to give separate figures.

RETRENCHMENT IN THE INDIAN ECCLESIASTICAL DEPARTMENT.

1280. *Rao Bahadur B. L. Patil: (a) What is the range of pay of the Royal Army Chaplains?

(b) Has the Indian Ecclesiastical Department (Bombay) ever considered the question whether the system and cost of the Royal Army Department is more economical?

(c) If not, are Government prepared to go into that aspect of the question by appointing a suitable committee of enquiry or throwing it open to the Army Sub-Committee of the C. R. A. Committee?

(d) Have Government considered what retrenchment could be effected in the Indian Ecclesiastical Department?

The Honourable Sir George Rainy: (a) Precise information is not in the possession of the Government of India, but I will try to get the information for my Honourable friend.

(b) The question whether a separate 'Army Chaplains' Department should be established in India, has been considered, but the proposal was found to involve many difficulties and was likely to lead to an increase in expenditure.

(c) Does not arise.

(d) Yes. The matter is engaging the attention of the Government of India.

NUMBER OF BISHOPS IN INDIA.

1281. *Rao Bahadur B. L. Patil: (a) What is the total number of Bishops in British India maintained under the Indian Ecclesiastical Department?

(b) Is it necessary to maintain the present number?

The Honourable Sir George Rainy: (a) Seven, of whom four are treated as senior Chaplains, paid as such and included in the total number of the Indian Ecclesiastical Establishment mentioned by me in reply to a previous question.

(b) Yes. I ought, however, to mention that the successors of the present incumbents of these sees will not be members of the Indian Ecclesiastical Establishment, and as each vacancy occurs, there will be a saving to Government, since the grant which will be paid to the Indian Church for the episcopal supervision of the Government Chaplains will be less than the salaries at present drawn by the Bishops.

RECRUITMENT OF NON-BRAHMINS IN THE INCOME-TAX DEPARTMENT IN THE BOMBAY PRESIDENCY.

1282. *Rao Bahadur B. L. Patil: (a) Have the Government of India issued circular orders with regard to the recruitment of a sufficient number of Non-Brahmins in the Income-tax Department of the Bombay Presidency?

(b) Have Government ascertained that the said circular orders of the Government of India have been carried out every year?

(c) If so, are Government aware that they are practically a dead letter?

The Honourable Sir George Schuster: (a) There are no such orders, but there are general instructions to the effect that Heads of Departments should ensure that every community is adequately represented in the Government service.

(b) and (c). The Commissioner of Income-tax, Bombay, reports that the instructions referred to are not a dead letter, but that the claims of minority communities are always considered when suitable candidates are forthcoming.

STRENGTH OF CERTAIN COMMUNITIES IN THE INCOME-TAX DEPARTMENT IN THE BOMBAY PRESIDENCY.

1283. *Rao Bahadur B. L. Patil: What is the present strength of the following communities in the Income-tax Department of the Bombay Presidency (excluding Sind) in respect of the posts of (i) Income-tax

Officers, (ii) Inspectors or Examiners and (iii) clerks in each of the three "Divisions" according to the following table:—

Community.	Brahmins.	Non-Brahmins.		Others.
		Lingayats.	Non-Lingayats.	
Income-tax Officer				
Examiner or Inspector				
Clerks				

The Honourable Sir George Schuster: I have called for the information that the Honourable Member requires and will communicate it to him when I receive it.

APPOINTMENTS IN THE INCOME-TAX DEPARTMENT IN THE BOMBAY PRESIDENCY.

1284. ***Rao Bahadur B. L. Patil:** (a) Will Government be pleased to state how many posts of Income-tax Officers, Examiners or Inspectors and clerks were filled up in the Income-tax Department in the Bombay Presidency (excluding Sind) during the years 1928, 1929, 1930 and 1931?

(b) How many of them are (i) Brahmins, (ii) Non-Brahmins (and Lingayats separately) and (iii) others?

(c) How many Non-Brahmins (and Lingayats separately) applied for the respective posts in each year to the Commissioner and Assistant Commissioners?

The Honourable Sir George Schuster: I have called for the information and will communicate it to the Honourable Member when I receive it.

RECRUITMENT OF ADDITIONAL STAFF TO THE INCOME-TAX DEPARTMENT IN THE BOMBAY PRESIDENCY.

1285. ***Rao Bahadur B. L. Patil:** Is it a fact that Government are about to recruit additional staff in the Income-tax Department, Bombay Presidency (excluding Sind), owing to the expected increase of work on account of the taxable minimum being lowered to Rs. 1,000?

The Honourable Sir George Schuster: It is possible that some increase of staff may be found necessary, but no precise proposals have yet been framed.

APPOINTMENTS TO THE SUPERIOR MILITARY ACCOUNTS SERVICES.

1286. ***Lala Hari Raj Swarup:** Will Government be pleased to state the number of appointments made to the Superior Military Accounts

Service during the last 10 years, giving the sources of recruitment, the community to which the officers appointed belonged and the pay, plus allowances, given on appointment? When was Indianization of this service sanctioned?

The Honourable Sir George Schuster: A statement is laid on the table giving the detailed information asked for. The Indianization of the Superior Service of the Military Accounts Department was sanctioned with effect from 1st April, 1922.

Statement showing the appointments made to the Superior Service of the Military Accounts Department during the last 10 years and giving the sources of recruitment, the community to which the officers appointed belong and their pay and allowances on appointment.

Serial No.	Name.	Sources of recruitment.	Community.	Pay and allowances.
1	2	3	4	5
				Rs. per mensem.
1	Mr. J. R. Seal	Appointed by the Secretary of State.	European	600 plus P. A. 100 plus O. P. 150.
2	" A. Mc. C. Stevenson.	Do.	Do.	300 plus O. P. 150.
3	" H. S. Cumber	By promotion from the F. D. (M. F.)	Do.	1,200 plus O. P. 150.
4	" J. W. Lewis	By promotion from the Subordinate Service of the M. A. D.	Anglo-Indian	900.
5	The Hon'ble T. Sinha.	Appointed by the Secretary of State.	Indian Christian	350.
6	Mr. J. C. Brommage	Do.	European	450 plus O. P. 150.
7	" G. M. Turner	By promotion from the F. D. (M. F.)	Do.	1,150 plus O. P. 150.
8	" V. R. Kalyanasundram.	By promotion from the Subordinate Service of the M. A. D.	Hindu	850.
9	" H. A. Windsor	Do.	European	900 plus O. P. 150.
10	" V. Natesan	By direct recruitment on the results of the competitive examination.	Hindu	350.
11	" L. M. Ghatak	Do.	Do.	350.
12	" Brij Narayan	Do.	Do.	350.

Statement showing the appointments made to the Superior Service of the Military Accounts Department during the last 10 years and giving the sources of recruitment, the community to which the officers appointed belong and their pay and allowances on appointment—contd.

Serial No.	Name.	Sources of recruitment.	Community.	Pay and allowances.
1	2	3	4	5
				Rs. per mensem.
13	Mr. A. R. Langlands	Appointed by the Secretary of State.	European	950 plus O. P.
14	" R. Jagannathan.	By direct recruitment	Hindu	150. 350.
15	" B. S. Narayanswami.	Do.	Do.	350.
16	" K. R. Menon.	Do.	Do.	350.
17	" Bhawanishankar Rao.	Do.	Do.	350.
18	" R. T. Waugh.	By promotion from the F. D. (M. F.).	European	1,200 plus O. P.
19	" E. Paulie.	By promotion from the Subordinate Service of the M. A. D.	Anglo-Indian	£30. 800.
20	" Ghulam Abbas	By direct recruitment	Mohammadan	350.
21	" H. I. Macdonald.	By promotion from the F. D. (M. F.).	European	1,250 plus O. P.
22	" W. J. Greenaway	By promotion from the Subordinate Service of the M. A. D.	Do.	£30. 900 plus O. P.
23	" R. N. Hazari.	By direct recruitment	Hindu	350.
24	" M. M. Azam.	Do.	Mohammedan	350.
25	" A. Subrahmanyan.	Do.	Hindu	350.
26	" J. H. Brown.	By promotion from the Subordinate Service of the M. A. D.	European	900 plus O. P.
27	" F. J. Woolmer	By promotion from the F. D. (M. F.).	Do.	£30. 1,300 plus O. P.
28	" Jagdishwar Dayal.	By direct recruitment.	Hindu	350.
29	" S. A. Siddiqi.	Do.	Mohammedan	350.
30	" S. Jayasankar	Do.	Hindu	350.
31	" R. G. Grimson	By promotion from the Subordinate Service of the M. A. D.	European	900 plus O. P.
				£30.

Statement showing the appointments made to the Superior Service of the Military Accounts Department during the last 10 years and giving the sources of recruitment, the community to which the officers appointed belong and their pay and allowances on appointment—concl.

Serial No.	Name.	Sources of recruitment.	Community.	Pay and allowances.
1	2	3	4	5
				Rs. per mensem.
32	Mr. Batuk Singh.	By direct recruitment.	Hindu	350.
33	" J. R. Hope.	By promotion from the F. D. (M. F.).	European	1,150 plus O. P.
34	" M. Shoaib.	By direct recruitment.	Mohammedan	£30. 350.
35	" A. Sebastian.	Do.	Indian Christian	350.
36	" Soojan Singh.	By promotion from the Subordinate Service of the M. A. D.	Sikh	900.
37	" F. W. Reed.	By promotion from the F. D. (M. F.).	European	1,200 plus O. P.
38	" R. Narayanswami.	By direct recruitment.	Hindu	£30. 350.
39	" K. S. Krishnaswami.	Do.	Hindu	350.
40	Capt. J. McC. Clive, I.A.	Appointed in India from the Indian Army with the approval of the Secretary of State.	European	900 plus O. P.
41	Ms. L. S. R. G. Davies.	By promotion from the Subordinate Service of the M. A. D.	European	£30. 900 plus O. P.
42	" Phulchand.	By direct recruitment.	Hindu	350.
43	" Mumtaz Mirza.	Do.	Mohammedan	350.
44	" W. C. S. Speirs.	Do.	Anglo-Indian	350.

Extract from the Finance Department Resolution No. 1590-Accts., dated the 23rd March 1923.

2. The recruitment in England of officers for the Superior Staff of the department will be stopped in special cases and vacancies will ordinarily be filled by the direct appointment of Indians and by the promotion of members of the Subordinate Accounts Service. Assistant Financial Advisers, Military Finance, and Superintendents employed in the Military Finance Branch of this Department will also be eligible for promotion to the Superior Staff.

REDUCTION OF APPOINTMENTS IN THE CIVIL AND MILITARY ACCOUNTS SERVICES.

1287. ***Lala Hari Raj Swarup**: Is it a fact that it is the decided policy of Government to reduce the number of appointments of the Superior Civil Accounts Service by a corresponding increase in the number of the officers of the subordinate service of the civil accounts; if so, will the decision apply to the Military Accounts Department also in the interest of economy in expenditure?

The Honourable Sir George Schuster: The reply to the first part of the question is in the negative. The second part does not arise.

APPOINTMENTS IN THE MILITARY ACCOUNTS DEPARTMENT.

1288. ***Lala Hari Raj Swarup**: (a) Is it a fact that members of the Military Finance Secretariat Staff also share the appointments of the Superior Accounts Service of the Military Accounts Department?

(b) If so, will Government lay on the table rules bearing on the subject? Have not the Military Finance Secretariat staff already their cadre of senior appointments to look to, like the staff of the other secretariat offices and why do they get this additional preferential treatment?

(c) Will Government also state whether they are prepared to consider the question of appointment to the Superior Accounts Service being made from the Military Accounts Department Subordinate Officers' Service in future if vacancies are filled up?

The Honourable Sir George Schuster: (a) Assistant Financial Advisers and Superintendents of the Military Finance Secretariat staff are eligible for such appointments, and appointments are on occasion made from this source.

(b) An extract from Finance Department Resolution No. 1590-Accts., dated the 28th March, 1923, bearing on the subject is laid on the table. Assistant Financial Advisers in the Military Finance Secretariat have no prospects of further promotion in their own cadre, while Superintendents are eligible only for promotion to the rank of Assistant Financial Adviser. The inclusion of Assistant Financial Advisers and Superintendents in the Military Finance Secretariat as a source of recruitment for the Military Accounts Service is analogous to the inclusion of Superintendents in the civil branch of the Financial Secretariat as a source for recruitment to the General List of the Indian Audit and Accounts Service. One of the main objects of broadening the basis of selection was to tap a source of recruitment from which officers with valuable experience have been secured for the Superior Service.

(c) In view of the answer to part (b) the Government of India do not propose to restrict promotion to the Superior Service of the Military Accounts Department to gazetted officers of the Subordinate Service.

COMPULSORY RETIREMENT OF GOVERNMENT SERVANTS.

1289. ***Lala Hari Raj Swarup**: (a) Will Government be pleased to state whether it is a fact that Government servants, who have put in 25 years' or more of service, will be made to retire henceforth?

(b) If so, will there be any exceptions under the rule?

(c) Will Government be pleased to state the circumstances under which old men having experience will be retained in Government service without any communal or social discriminations?

The Honourable Sir George Schuster: (a) to (c). Departmental instructions have been issued regarding the selection of personnel for retrenchment. Government's general policy is to discharge first of all those whose work has proved unsatisfactory; and next those who have attained the age of 55. Exceptions to this order will be made only when there are strong public reasons for the retention of individuals over that age.

SUPPLY OF DEBATES OF THE LEGISLATIVE ASSEMBLY TO DISTRICT BOARD AND MUNICIPAL LIBRARIES.

1290. ***Lala Hari Raj Swarup**: (a) Will Government be pleased to state the number of District Town Libraries to which copies of the proceedings of the Indian Legislative Assembly are being supplied?

(b) Do Government propose to see that these proceedings are regularly supplied to all District Board or Municipal Libraries of District Towns of India?

The Honourable Sir George Rainy: (a) District Town Libraries are not supplied with copies of the Legislative Assembly Debates free of charge.

(b) In order to give wide publicity to the proceedings of the Legislative Assembly, the Debates are sold at the uniform rate of annas five per copy, which is substantially below the cost of production, and it is open to District Board and Municipal Libraries to purchase the Debates at this rate. The Government are therefore already bearing the difference between the cost price and the sale price on each copy of the Debates sold and they do not propose to take action in the manner suggested by the Honourable Member.

RULES FOR CONFIRMATION OF EMPLOYEES IN GOVERNMENT OFFICES.

1291. ***Mr. B. Sitaramaraju** (on behalf of Mr. S. G. Jog): Is there any rule under which confirmation of Government employees, whether in the Army Headquarters, State Railways, the Secretariat or elsewhere, can be cancelled, without the employees being proved unfit?

Mr. A. A. L. Parsons: As a general rule a Government servant is not reduced to a lower grade or post unless on account of misconduct or inefficiency, but this does not prevent the cancellation of confirmations in the course of rectification of an error which may have been made.

Mr. Lalchand Navalrai: Is the Honourable Member aware that the confirmation of Traffic Controllers on the North Western Railway has been cancelled?

Mr. A. A. L. Parsons: If the Honourable Member will turn to the next question on the paper, he will see that I have been asked for details with regard to an alleged cancellation of that confirmation.

CANCELLATION OF CONFIRMATION ORDERS OF CERTAIN ASSISTANT TRAIN CONTROLLERS ON THE NORTH WESTERN RAILWAY.

1292. ***Mr. B. Sitaramaraju** (on behalf of Mr. S. G. Jog): (a) Is it a fact that confirmation orders of fifty-one Assistant Train Controllers of the North Western Railway, who were confirmed on the 1st January, 1931, have now been cancelled some nine months after the issue of the orders, with a stroke of the pen, under the following reasons:

- (i) that the confirmation was a Divisional arrangement,
- (ii) that the Assistant Controllers have not been fixed in new grades in force from the 14th September, 1929, and
- (iii) that they have superseded senior men?

(b) As regards part (a) (i):

- (i) Are the Divisions allowed to engage Assistant Controllers on Rs. 300 per mensem temporarily against permanent vacancies? If so, when were such orders issued? Will they apply to men who joined before this date?
- (ii) In the case of these 51 men, how many were taken with the approval of the Agent and how many by the Divisions without the approval of the Agent?
- (iii) Who confirmed these men, who cancelled the confirmation and under what circumstances?
- (iv) Will the confirmation of men put to work temporarily against newly created vacancies owing to additional sections added with the approval of the Agent and subsequently confirmed before the 1st January, 1931, be treated alike or will a differential treatment be given to them, and, if so, under what reasons?

(c) As regards part (a) (ii):

- (i) Is it a fact that the new grades are in force from the 14th September, 1929?
- (ii) Is it a fact that the Karachi Division had charged pay of some men at the rate of Rs. 200 per mensem according to the new scale and a reference was made to the Agent who decided that they be given Rs. 300 per mensem the old scale, and the men joined after the issue of the new grades were given? If so, how does the new scale apply to all the 51 Assistant Train Controllers?

(d) As regards part (a) (iii):

- (i) Is it a fact that the Agent had issued a circular in 1927 asking senior men to qualify themselves in "Control" work, otherwise preference would be given to the men with "Control" experience for the higher jobs? If so, did anyone come forward? If not, what claims have such men got?
- (ii) Have any men confirmed before the 1st January, 1931, superseded senior men in "Control"? If so, have their confirmation orders also been cancelled; and, if not, what are the reasons for the same?

Mr. A. A. L. Parsons: I have called for information from the Agent, North Western Railway and will communicate with the Honourable Member on its receipt.

REDUCTION OF RENTS OF HOUSES OCCUPIED BY CLERKS IN SIMLA.

1293. ***Mr. B. Sitaramaraju** (on behalf of Mr. S. G. Jog): In view of the ten per cent. cuts in the salary of clerks, are Government aware that most of them have already leased their houses in Simla for 1932 at rents prevailing this year? Do Government propose to reintroduce the House Accommodation Act and force landlords to reduce rents?

The Honourable Sir Joseph Bhoré: (i) Government have no information.

(ii) Government do not propose to introduce such legislation.

UNSTARRED QUESTIONS AND ANSWERS.

PAYMENT OF DEATH CLAIMS BY THE POSTAL INSURANCE FUND.

157. **Mr. Arthur Moore:** Will Government be pleased to state:

- (a) whether it is a fact that owing to the payment of death claims by the Postal Insurance Fund without requiring that representation to the estate of the deceased shall be taken out, there is a loss to the revenue to the extent of two per cent. of the amounts so paid; and
- (b) whether it is proposed to bring the Postal Insurance Fund into line with the practice of Life Insurance Companies, who for their own protection require the proof of title which the law provides for?

The Honourable Sir Joseph Bhoré: (a) It is a fact that representation to the estate of deceased policy holders is not always insisted upon. In doubtful cases indemnity bonds with two sureties are taken. The loss to revenue is roughly estimated at two per cent. as stated in the question.

(b) The reason for not insisting on the production of legal evidence is to make payment to the beneficiaries usually Government officials on small salaries as prompt and as easy as possible, in order to avoid hardship to the classes who avail themselves of the benefits of the Post Office Life Insurance Fund. While there does not appear *prima facie* to be any very strong reason for departing from the existing practice, I will examine the question.

PROPOSED ABOLITION OF THE POSTAL WORKSHOP AT ALIGARH.

158. **Kunwar Raghbir Singh:** (a) Will Government be pleased to state whether there was a profit of Rs. 1,35,974 in the last nine years in the Postal Workshop at Aligarh, United Provinces? If so, why it is proposed to be abolished?

(b) Are the articles supplied by the workshop sold at rates lower than market rates or higher?

(c) Will Government please state whether the loss of Rs. 28,000 shown is after the set off of profits or not; if not, why not?

(d) Do the heads of Circles buy articles from the workshop or make local purchases; if so, why?

(e) Is it a fact that articles made in the workshop are supplied by the Indian Stores Department? Are they bought cheaper? Is the supply in time? If not, why is the supply not made from the workshop direct?

(f) As the workshop supplies articles promptly to heads of Circles, are supplies from other agencies equally prompt to the Department?

(g) If the workshop is bound to be closed, what has been done to provide for its employees?

The Honourable Sir Joseph Bhore: The information asked for is being collected and will be furnished to the Honourable Member.

THE INDIAN FINANCE (SUPPLEMENTARY AND EXTENDING) BILL—contd.

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muham-madan): Sir, the Honourable Members on this side of the House have been pressing the claim for the remission of the export duty on raw cotton. The Honourable the Leader of the House admits that a duty upon raw cotton, or indeed upon a raw material, is ordinarily unjustifiable, but in the present case he supports the duty because, as he said, the Government of India want money and they have been casting about for all possible sources of revenue and found that raw cotton imported into this country would bring in a fair return, and therefore they wish to levy a duty upon that article. Sir, we on this side of the House require a much stronger case to circumvent that principle, and Honourable Members on the Treasury Benches should recognise that unless a strong and exceptional case is made out for the taxing of raw produce imported into this country necessary for the maintenance and protection and development of its industries, we on this side cannot agree to such an article being taxed. The Honourable the Leader of the House in a somewhat cryptic statement said that such a duty might benefit some section of the agricultural community. Sir, I wish, therefore, to take up the two points that emerge from the discussion,—in the first place, whether this duty is justifiable in view of the development of our textile industries which have taken within the last three or four years to weaving finer counts, and secondly, whether this duty would benefit any section, however small, of the agricultural community in this country. Taking the first point, namely, the benefit to the industries, the Honourable the Leader of the House admits that if this duty is not put on, it would benefit the textile industry, but his point is that the textile industry in this country would neither be better off nor worse off for the levy of the duty in view of the 25 per cent. surcharge levied upon imported textiles. Sir, I wish to place before Honourable Members of this House one consideration, and it is this. Raw cotton, from which the mills in this country weave the higher counts, costs about Rs. 200 per candy, and the duty of 2 pice per pound, or we will say roughly speaking one anna per seer, would work out to about Rs. 12-8-0 per Rs. 100 worth of cotton. Now, let Honourable Members place before themselves the following case. Lancashire imports the same cotton—for the matter of that, Japan does the same—as we do

in India. The prime cost, apart from the freight, which is common to both, would be to Lancashire and Japan Rs. 100, whereas with the Rs. 12-8-0 added by way of import duty, the cost to the Indian mills for the same article would come up to Rs. 112-8-0. The Indian mills, therefore, start with the raw commodity valued at Rs. 112-8-0, whereas the overseas mills start with the same commodity costing them Rs. 100. To that extent, it is a serious handicap to the development of the finer counts in this country.

Another point that Honourable Members must remember is that the finer counts in this country have begun to be spun only within the last two or three years, and the mills in this country, so far as these counts are concerned, may be said to be promoting or developing a nascent industry. That being the case, the mills in this country require protection against foreign competition. That protection can only be forthcoming if an inquiry is made, and after inquiry Government are satisfied that the mills require protection, but that of course is a different consideration. Apart from protection, the Indian mills at the present moment would be seriously handicapped by reason of the fact that the raw produce will cost them Rs. 112-8-0 against Rs. 100 to their overseas competitor. I do not think that I need elaborate this point because the conclusion is obvious.

I now turn to the second point, namely, would this duty help any class of agriculturists in this country? Honourable Members cannot forget that this Budget is to expire on the 31st March, 1933, in other words, it has a life of 18 months. The next cotton sowing in this country would be in the month of June next year, and the crop will be reaped in November and December. Consequently, there will be only one crop next year that will be covered by this Budget. We have therefore.

Sir Frank Noyce (Secretary, Department of Education, Health and Lands): May I ask the Honourable Member to explain how the duty would not help the crop which is reaped early next year? The only crop that has so far come on on the market, to the best of my knowledge, is the Punjab crop, and as you go further south, you get the other crops,—Broach, the Central Provinces crop, and Cambodia and Western and Northern. As far as I can see, there are bound to be two crops to be affected by this duty.

Sir Hari Singh Gour: So far as the Central Provinces and Berar cotton crop is concerned, the Honourable Member may take it from me that it has been a complete failure this year on account of excessive rain. So far as the other provinces are concerned, the first picking generally takes place in the month of October, the second picking a little later, and the third picking about a month later still. Therefore, the sowing having taken place in the month of June, how is this Budget going to benefit anybody at all this year? Do you mean to say that the agriculturist in this country consulted some Government astrologer and asked him, are you going to levy an import duty on long stapled cotton, and in anticipation of the Government Budget, which was published in September last, he has begun to sow higher counts in the month of June? Is that what my Honourable friend Sir Frank Noyce suggests? No.

The Honourable Sir George Schuster (Finance Member): May I ask my Honourable friend on what authority he stated that this duty will

[Sir George Schuster.]

not remain in force after 31st March, 1933? May I point out to him that the customs duties are normally retained from year to year.

Some Honourable Members: So it is a permanent duty.

Sir Hari Singh Gour: Sir, the cat is out of the bag. I am glad for that interjection. It has fulfilled all my forebodings that this is only the thin end of the wedge, and Members on this side of the House, whoever dreamt of any remission of taxation on the expiry of the 18 months, are foredoomed to disappointment.

The Honourable Sir George Schuster: May I point out to my Honourable friend that I was calling his attention to a distinction between the customs duties, which normally are not voted every year, and the income-tax which normally is voted every year?

Sir Hari Singh Gour: Do I understand the Honourable the Finance Member to suggest that this emergency Budget with all its proposals avowedly intended to have effect for the next 18 months, is going to be perpetuated? Has he not been reinforcing his argument from time to time by reference to the fact that, however unpalatable may be the taxation, national emergency is the best justification, and that they are temporary taxes. But now we are told in the same breath, what justification have Members on this side of the House to assume that these taxes will be remitted after 18 months? Well, Sir, I know too much of the departments of the Government, associated as I have been as a Member of this House with taxation proposals of the Government for the last 11 years. I know it too well to my cost and the cost of those whom I represent, that these taxes, once levied, remain to stay in spite of the promises of a succession of Finance Members from the Treasury Benches. I would therefore ask Honourable Members to seriously ponder over their decision given the other day, when they vote for further supplies in response to the demands of the Government.

Now, Sir, passing on to the main point of my discussion, I wish to point out to Honourable Members that even assuming for the sake of argument that this Budget had a life of more than 18 months and that the Finance Member, with a mental reservation which he has now disclosed, intended to make these taxes more permanent than the Finance Bill presented to the House would justify—let us see as to how they would benefit the agriculturists of this country. Honourable Members had been referred to this brochure issued by the Indian Central Cotton Committee on the Cotton Improvement in India. From that book Honourable Members will find that out of 70 lakhs of bales of cotton we produce in this country, the long stapled cotton that we have so far produced works out to 1,05,000 bales, which means one inch and over, the maximum being 1 1/16 inches. Honourable Members will further find that of this 1,05,000, which is a drop in the ocean, the long stapled cotton which is 1 1/4 inches—there is no production at all in this country. We have been told that some efforts are being made in the Punjab, the Central Provinces, and southern India for the production of long staple cotton, and in this very pamphlet Honourable Members will find at pages 3 and 4 reports from the various provinces and I will only give you three or four short passages from there:

"Sind-American.—The Punjab-American 4-F type (staple about 1 inch) is now grown over 65,000 acres. Trials with Egyptian and American types are in progress."

In Cambodia and southern India we have the following report:

"Cambodia.—Unirrigated Cambodia has an average staple of 6/8 inch. Irrigated Cambodia is much superior, having a staple of about 1 inch. Two selections—Co. 1 and Co. 2—have recently been given off but Co. 2 is the one now being pushed. The area covered by these improved types is about 35,000 acres. A seed extension scheme is being financed by the Committee."

In the Central Provinces we have the following:

"At first work was directed towards providing the ryot with a high yielding type, and Roseum was the result. Recently a new selection (Verum 262) having a staple of over 7/8 inch has been made. The whole of this tract will, it is hoped, be grown with this variety or further selections from Verum within a few years."

Now let us turn to the Punjab:

"Punjab-American.—4-F. (Staple 7/8 inch) and 289-F. (Staple 1 inch full) types are now under cultivation and cover an area of 2 million to 1 million acres. These two types, however, suffer from the defect that they are susceptible to the peculiar climatic conditions which cause the periodic 'failures' of the American crop in the Punjab. Work is in progress to find a type immune to such conditions, and several promising strains are being tested by the Cotton Research Botanist and his staff."

The sum and substance of these reports is that experiments are being made in the three most eligible provinces of this country where there is a possibility of growing long staple cotton, but that the experiments have not so far been entirely successful, and even if they were successful, the only cotton that is likely to be grown in the near future in these favoured climates is cotton of the average length of 7/8ths of an inch, one inch and 1 1/16th of an inch, which is far short of what is grown in Uganda and Egypt, and which the Indian mills import for the purpose of finer counts. That being the case, I fail to understand how any one can seriously contend that this measure will directly or indirectly benefit the agricultural communities or any section of the agricultural community of this country. I am perfectly certain that if the Government of India were of the opinion that the levy of this revenue duty would benefit any section of the agricultural community, they would have immediately instituted an inquiry and referred the matter to the Tariff Board for report, as they have always been doing whenever they have in view the fostering of an indigenous industry. That they have not done so makes me think that so far as the staple cotton of this country is concerned, it is at the present moment in far too an experimental stage to have developed into a nascent industry calling for protection, and in the Finance Bill and in the speeches that were delivered in support of it there was no reference whatever made to any protection, intended or implied, to the agricultural classes of this country. I therefore submit that there is no justification whatever for holding that this duty would, even in a subsidiary manner, benefit the agricultural community of this country. The two main planks upon which this argument is intended to be buttressed and poised have fallen to the ground. In the first place the argument that it would not seriously injure the mill industry of this country is an argument to which I have referred. That it would to the extent of 12½ per cent. handicap the Indian mill industry in competition with foreign industries admits of no doubt. In this connection I have only mentioned Lancashire and Japan, but I have forgotten to mention that vast continent of cotton producing country, the United States of America. It also produces long staple cotton, and with their genius

[Sir Hari Singh Gour.]

for mass production they have entered the field of cotton competition. They are importing, as everybody knows, fine cloth of long staple yarn in increasing quantities. To them long staple cotton is obtainable *in situ*. To them, with their vast financial and other resources, there is an advantage which the mill industry of this country cannot obtain. I therefore submit that if you really want that this country should be self-contained, as it is the ambition of every one in this House that it should be, you must encourage the textile industry of this country. If you are anxious that the agriculture of this country should be improved, this is certainly not the measure to improve it. I have been reminded by my friend Mr. Chetty of the telegram received from His Highness the Aga Khan as to how it would affect the Uganda Indians. In this pamphlet, issued by the East African Indian Merchants' Association, you will find that it is stated that Uganda has now practically become an Indian colony. On page 4 we find it stated that, according to the latest census report, Indians outnumber Europeans, including Government officers, by 8 to 1, while excluding Government officers, the ratio would easily exceed 20 to 1, but whether it is 8 to 1 or 20 to 1, our Indian brethren overseas have established a lucrative industry in Uganda, the soil and climate of which are far more favourable than the soil and climate of India to the growth of long staple cotton. Are you or any of you prepared to penalise them by levying an import duty of 12½ per cent. upon their goods? We have often been told in this House that there is such a thing as imperial preference, trade within the Empire, and that all trade within the Empire must receive equal and fair treatment. Uganda is part of the British Commonwealth. It is a part of the country where Indians have a special interest. Are you prepared, by the levy of this tax, to divert their trade from India to other countries, to countries that will compete with you and extinguish your growing industry? I submit, that is a question which you cannot forget. It is a question that none of us can forget. I therefore submit that this is one of those cases in which all representatives of the people should combine in resisting this import.

(Mr. R. K. Shanmukham Chetty rose to speak.)

Mr. President: The Honourable Member has already spoken.

Mr. R. K. Shanmukham Chetty (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): I would like to crave your indulgence to make a statement by way of personal explanation.

Mr. President: You must restrict it to a personal explanation only.

Mr. R. K. Shanmukham Chetty: Yesterday Mr. Moore took me to task for using rather harsh language towards my friend Mr. Anklesaria and my Honourable friend Mr. Moore further contended that Mr. Anklesaria had proved the point on which I had challenged him, and he therefore regretted that I had not withdrawn the word that I had used. I thought over the matter and I thought to myself that if the figures given by Mr. Anklesaria in answer to my challenge were really correct, I should this morning take an opportunity of withdrawing those words.

I therefore referred to the very book which Mr. Anklesaria relied on in taking up my challenge and proving his figures. I have got here the uncorrected official report of my speech and of the interruption.

The Honourable Sir George Rainy (Member for Commerce and Railways): May I submit, Sir, that this is of the nature of a reply to the debate? It is not a question of personal explanation.

Mr. R. K. Shanmukham Chetty: Sir, it is a matter of personal explanation in a sense because I took it upon myself to use rather strong words and I was taken to task for not withdrawing my words, on the ground that Mr. Anklesaria had proved his case.

Mr. President: Is it in the nature of a reply to the criticisms that were passed against you? I want the Honourable Member to restrict himself strictly to a personal explanation.

Mr. R. K. Shanmukham Chetty: Sir, I took it upon myself to use strong language and I do not want that my friends should remain under the impression that, in spite of my challenge having been taken up and proved against me, I did not withdraw my words. Sir, I will simply quote the facts. In answer to my challenge whether we grew to any appreciable extent cotton of the staple of one inch and over, Mr. Anklesaria said:

"You will find the figures at p. 14 of the Report of Imperial Central Cotton Committee. Broach cotton (that is my place) produces one inch cotton. The amount is 350,000 bales. . . . The total trade estimate is 350,000 bales but of which Navsari, which is one inch staple and over, is only 48,000 on an average."

Again, he quoted another startling figure of 450,000 bales of Punjab-American, of which I find that the staple. . . .

The Honourable Sir George Rainy: May I once more remark, Sir, that this is not in the nature of a personal explanation?

Mr. President: I entirely agree. The Honourable Member is trying to reply to criticism that was passed against him. In the course of a debate it is usual, if a reply is to be given then any Honourable Member who has not taken part in the debate should take up the matter and try to answer such criticism, but in making a personal explanation this cannot be done.

Mr. R. K. Shanmukham Chetty: Because I was accused of being discourteous and of not withdrawing my words?

Mr. President: Quite so. The Honourable Member has made that clear,—that he did not do so because his view of the facts was different. The Honourable Member, I repeat, has made it clear, that he did not withdraw his words because his reading of the facts is different to that which had been put forward on the other side. (Hear, hear.)

Seth Haji Abdoola Haroon (Sind: Muhammadan Rural): Sir, I want to say a few words about this subject of cotton. Sir, I have some little experience of the subject because I am one of those in Karachi who are selling cotton in the Karachi market. Sir, I do not want to go into the merits of the duty and other things, but I want to inform this side of the House that by this duty the Punjab and Sind cultivators might gain something and I want to explain that matter to the House. Sir, I had definite experience of conditions last year. As regards whatever cotton we received of the American staple from the Punjab and Sind, unfortunately in that year the foreign cotton came in in big quantities from foreign countries.

[Seth Haji Abdoola Haroon.]

On account of that, we were unable to sell the staple of the American cotton. There is only a difference as compared with the ordinary cotton of about Rs. 1-8-0 to Rs. 2 per maund in Karachi, at 80 seers to the maund. Sir, usually we call that staple 4F in the Karachi market. We were selling that cotton, that 4F, at a difference as compared with the ordinary cotton of about Rs. 4 or Rs. 5, but last year, on account of the big quantity imported, the millowners in India did not purchase that American cotton, and we were compelled to sell that cotton to Japanese exporters and they paid us very low price. After this enhancement of the duty, I find today that in the Karachi market we are getting Rs. 4 to Rs. 5 more than the price of ordinary cotton. I do not know whether that suits this side of the House or not. I am not going into the question whether the mill industry will suffer or not, but as a layman I can say that a mill can produce from one pound of cotton about 8 to 10 yards of finer cloth. I do not know whether I am correct or not, but I have seen some piece-goods imported from America, made from fine cotton, and I find that from one pound 8 to 10 yards of cotton cloth can be produced. Sir, if I calculate that and the price of that cloth at about 8 annas per yard, I find that 200 yards would be worth Rs. 100, and that requires a cotton of about 20 to 22 lbs. (Inter-ruption.) I may be wrong because I am not an expert. If that is so, then the mill industry will have to pay about only 12 annas per Rs. 100 worth of goods which they make in India; and according to my calculation, Sir, hardly $\frac{1}{2}$ per cent. or 1 per cent., one may say, is the duty which they have to pay to the Government. Sir, as regards the East African cotton growers and gin factories, I do not want to say anything, but my position is this, that if they find that my figure is correct or that my experience is right, then it is the duty of all of us to support first our own cultivator in India and then I must support the East African gin, manufacturer of cotton, etc. With these words, Sir, I resume my seat.

Mr. R. S. Sarma (Nominated Non-Official): Mr. President, the experts have spoken on this amendment, and I want to say a word as to how a layman looks at it; and in exercising one of the very valuable privileges of a Member of this House, viz., the privilege of wasting a portion of good public time, I feel heartened and also protected by the remark my Honourable friend, Mr. Mody, made yesterday, in reply to an interruption from my Honourable friend, Seth Haji Abdoola Haroon, that no Member of this House was incompetent to deal with any subjects he liked on the floor of this House. Sir, the truth, the whole truth and nothing but the truth was uttered by my Honourable friend, Mr. Arthur Moore, yesterday afternoon when he said that, from the trend of the debate on this question, he felt that the cultivator was not having a fair and square deal in this House. (Hear, hear.)

Mian Muhammad Shah Nawaz (West Central Punjab: Muhammadan): But who cares for the cultivators in this House, to tell you the truth?

Mr. R. S. Sarma: Sir, I can very well understand the passionate defence of this amendment by Mr. Mody, who represents the Bombay Millowners' Association in this House. I can also well understand the very aggressive manner and the warmth with which the Deputy President supported this amendment, and it is not surprising to those who know his association with the newly formed cotton mill in Coimbatore. But certainly it is very difficult to appreciate the attitude of those Members of this House who pose as the representatives of the cultivators of this country in this

matter. Sir, it was definitely made clear by the Finance Member, as well as by the Leader of the House when he spoke yesterday, that there was no question of giving direct protection to the cotton cultivator in this country. This cotton duty was purely a revenue measure, just as the surcharge upon imported cotton piece-goods was itself a really revenue measure, but incidentally as the surcharge happened to be also in the nature of some protection to the mill industry in India, I take it, Sir, that this cotton duty is also incidentally, while it is a purely revenue measure, a matter of some protection to the cotton cultivator in this country. It may be, Sir, that because of this incidental and indirect protection which the cotton cultivator gets, he will be in a position, if not tomorrow, at least in the near future, to be able to produce long staple cotton and finer cotton, which will be to the benefit not only of the cotton cultivator himself in the years to come but also of the mill industry. From this point of view, I think, Sir, that all reasonable men will give their support to the Bill and oppose the amendment. Sir, the Honourable the Deputy President wound up his speech in a very passionate peroration and warned Members of this House not to be swept into the Government Lobby by the bogey of the cultivator being given protection by this measure. I want to give a counter-warning to the Members of this House not to be swept into the lobby with Mr. Mody and Mr. Chetty in the belief that this is going to ruin the cotton industry in this country.

Mr. T. N. Ramakrishna Reddi (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): Sir, from the speech of the Honourable Member who has just sat down the House would get the impression that the interests of the agriculturists have not been sufficiently voiced by the Members and that all those who spoke so far spoke on behalf of the mill industry, and that it is only the Honourable the Leader of the European Group who espoused the cause of the agriculturist. Sir, my excuse for taking part in this debate is to disabuse the House of any such idea. Sir, I am a ryot and an agriculturist and I represent agricultural interests, and I come from a part of the country which has got large tracts of black cotton soil where cotton is grown abundantly, and so I am expected to represent the interests of the agriculturist to the same extent, if not more than, my Honourable friend Mr. Arthur Moore claims to do. Sir, I am one of those who believe that the salvation of India lies in its industrial development. India is purely an agricultural country and if it has to take its place at all in the comity of nations, it must develop its industries along with its agriculture. Sir, the development of the mill industry in India augurs well for the welfare of the agriculturist in this country. Further, this mill industry reacts favourably on the agricultural interests. But for the development of the mill industry in India, there would not have been so much scope for the absorption of the cotton grown in this country. It gives an impetus to the development of cotton growing in this country. Now, Sir, till now the mills have been producing only coarse cloth, up to the year 1927 and the whole trade in finer imported cloth was in the hands of Great Britain and to some extent in the hands of Japan. They had enjoyed virtually a monopoly of the trade in the finer variety of cloth. As the mill industry was concentrating its attention only on the manufacture of coarser cloth, the Indian cultivator was producing only short staple cotton. That is why we find there is growth of short staple cotton in India and we have not been producing long staple cotton to any appreciable extent even to this day. Sir, the Cotton Textile Committee, which made a thorough investigation into the textile industry in this country, recommended to the Bombay

[Mr. T. N. Ramakrishna Reddi.]

and Ahmedabad mills that they should adapt their mills to the production of the finer kinds of cloth if at all they were to make any headway. They also expressed the view that at that time, there was not sufficient production of long staple cotton in the country and the mills had been very much handicapped by this absence of long staple cotton, and they advised the importation of Uganda, Tanganyika and South African long staple cotton. The mills took advantage of this recommendation and most of them have adapted themselves to the production of finer cloth, and they have to a very large extent taken away the monopoly of Great Britain in this country in the matter of the supply of finer cloth. Hence we find the necessity of importing South African long staple cotton. The rapidity with which Indian mills have adapted themselves to the production of finer counts of cloth is illustrated by the fact that in 1927-28 India was importing only 78,119 bales, whereas in 1928-29 they imported 1,07,747 bales, in 1929-30 1,34,533 bales and in 1930-31 1,79,473 bales of cotton. Further, in about 1927-28 they were producing only about 23 million pounds of fine yarn of over 40 counts, whereas they are now producing over 60 million pounds. Thus we can see the rapidity with which the Indian mills have captured the monopoly of Great Britain and Japan and they have effectually driven out their monopoly from India. One wonders whether, if this tax is imposed on long staple cotton, it is not to get back that monopoly which has been taken away. If this process of importation of long staple cotton is continued, in a short time the Indian mills might completely capture the monopoly of Great Britain and Japan, Sir, the Honourable the Finance Member has done well for the country by levying a surcharge of 25 per cent. on the customs duties on the textile imports. But by proposing this import duty on raw cotton he is taking away with one hand what he has given with the other. So, it is in the interests of the country that this raw

12 Noon. cotton, long staple cotton, which does not compete with the Indian cotton should not be taxed,—should be left without import duty, so that the mills of India may successfully compete with foreign countries. On this ground also, Sir, I have no hesitation in supporting this amendment. Further, India is producing raw materials. It has been exporting raw materials to foreign countries. I find that India is exporting raw cotton to Japan to the extent of 1,704,258 bales. Japan is importing the largest quantity of raw cotton from India. So also India is exporting short staple cotton to various other countries. If we impose this duty, they may retaliate by imposing a duty on Indian cotton imported into other countries. In that way also we are not to be benefited by this duty. Then, as has already been stated, we have been importing large quantities from Uganda and Tanganyika. The whole of this cotton produced in those countries is in the hands of Indians, our countrymen; out of 193 ginneries, in Uganda, as has been pointed out in the pamphlet issued by the South African Cotton Merchants' Association 148 ginneries are owned by Indians and 12 other ginneries are worked by Indians, and they are exporting to this country 88 per cent. of the total cotton grown in that country. In the interests of the industrial development of this country and in the interests of the Indians settled in Uganda and Tanganyika and also in the interests of the agriculturists themselves, this duty ought not to be levied. It is an elementary principle of economics that there should be demand before supply; demand creates supply and not *vice versa*. If you kill this industry, or if you handicap the development of the mill industry in this country, which is now producing finer cloth, you are doing a disservice to the country by giving

advantage to its competitors. You must create a demand for the long staple cotton and you can do so only when the mills have taken up the manufacture of the finer varieties of cloths in larger quantities. Now, there is not large cultivation of long staple cotton here. If this industry is developed, if the mills take to producing finer qualities in larger quantities, the agriculturists will naturally take to the cultivation of long staple cotton instead of short staple cotton, and there is plenty of time for us to impose this import duty on raw cotton in order to protect the agriculturists in this country. Now, Sir, I find that there is no necessity for imposing this duty and I have no hesitation in supporting this amendment.

Mr. B. B. Puri (West Punjab: Non-Muhammadan): Sir, the issue before the House according to my view, is very simple, and I do not think that it admits of any lengthy argument. The position, Sir, as I understand, is this that in order to produce a finer quality of cloth we require cotton of a longer staple than we are growing in this country at present, and therefore we must import that raw material from somewhere. Hitherto we have been importing that material from Uganda and from Tanganyika in very large quantities and we have thus been able to start an industry which could not otherwise be started on account of the raw material not being available in this country. If this prohibitive duty were put on the imported raw material, the result would be that this industry would disappear and we would be driven for the finer quality fabrics to resort to Lancashire goods and other foreign goods—a position which would not be profitable so far as this country is concerned. Sir, I find that in the course of the debate one of the main points raised was, whether we are growing the cotton of that necessary staple in this country or not, and it has been a moot point. It appears that while on the one hand my Honourable friend Mr. Chetty maintained that in this country we do not grow a sufficient quantity or any appreciable quantity of the cotton of that staple which is necessary in order to bring out finer cloth, it is maintained on the other hand by my Honourable friend Mr. Anklesaria that the necessary quantity of cotton of that staple is in fact produced in this country. That controversy went on yesterday and it was to a certain extent again revived this morning. Sir, I shall endeavour to make clear to the House what the real facts are with regard to this particular matter, i.e., whether it is a fact that this country is growing a sufficient quantity of cotton of that staple or not, which is now being imported from Uganda and Tanganyika. As I understand it, Sir, Mr. Chetty's position was that we were not growing that staple in this country and Mr. Anklesaria maintained the opposite position. The matter took an acute form and Mr. Anklesaria at one stage during the debate accepted the challenge that he was in a position to prove that the cotton which we are now importing from Tanganyika and Uganda was in fact produced in this country, and the figures which he placed before the House were from the pamphlet issued by the Indian Central Cotton Committee. He drew the attention of the House to the figures given on page 14. He informed the House, referring to Broach cotton, that the Surat-Navsari cotton was available in this country to the extent of 350,000 bales and this 350,000 bales of cotton was of more than one inch staple. I would ask the House to kindly note the figures which were definitely and clearly put before it by Mr. Anklesaria. He had this pamphlet in front of him and he was supposed to be quoting the figures from this pamphlet, and referring to it he placed with all seriousness these figures

[Mr. B. R. Puri.]

before the House—that Surat-Navsari cotton of one inch or more than one inch staple was grown in this country to the extent of 350,000 bales.

Mr. Arthur Moore (Bengal: European): In the absence of Mr. Anklesaria, may I point out, Sir, that the Honourable Member is completely misrepresenting Mr. Anklesaria's argument. As I understood him, Mr. Anklesaria's point was that whereas Mr. Chetty said that no long staple cotton was grown in India, Mr. Anklesaria's point was that there was an infant industry and that a little long staple cotton was grown. He even damaged his own statement by reading out the wrong figures. His real point is strengthened by the fact that in one area 98,000 bales of long staple cotton were grown and there is an infant industry to be protected.

Mr. B. R. Puri: The first essential, I take it, of good advocacy is that one should be master of one's facts. This promiscuous advocacy, I think, is likely to do Mr. Anklesaria more harm than good. For the information of my friend Mr. Arthur Moore, let me quote the exact figures and the actual words used by Mr. Chetty in the course of his speech and also the exact words and the figures used by Mr. Anklesaria to enable my Honourable friend Mr. Moore to see what were their respective assertions. In the course of his speech, Mr. Chetty, as reported in the official report, is supposed to have said—(this is the uncorrected copy, but it is fairly correct)—

“(At this stage Mr. Anklesaria made a remark which was not audible at the Reporters' table). My Honourable friend, Mr. Anklesaria, who attributes motives to other people is talking a good deal of nonsense when he says that that kind of cotton is grown in India. There is no use trying to mislead the House like that. If my Honourable friend can prove to me that in any part of India we grow” (and here I would ask Mr. Arthur Moore to hear carefully)—“to any appreciable extent cotton of the staple of one inch and more, then I am prepared to agree that I am wrong and my Honourable friend is right. . . .”

Mr. Arthur Moore: “One inch and more”. Will you quote the figures for one inch only?

Mr. B. R. Puri: If you will allow me to go on, I will quote every figure which you want and some more figures which you will probably not relish. I will not leave out any portion which might be favourable to your case, I will read every bit of it. Now, at this stage of Mr. Chetty's speech, Mr. Anklesaria interrupted and the words he used were as follows; and I want again here particularly to invite Mr. Arthur Moore's attention to the precise language and words and figures used by Mr. Anklesaria who is supposed to have said:

“I am prepared to take up the challenge. You will find the figures at page 14 of the Report of the Indian Central Cotton Committee of 1931. Broach cotton,—that is my place—produces one inch (Some Honourable Members: “Over one inch”). . . . and the amount is 3,50,000 bales.

Mr. Anklesaria's figures, as given here in this Report, are that Navsari produced 350,000 bales of cotton of one inch. If Mr. Arthur Moore is satisfied that that is the correct position as stated there in the Report which was taken up by Mr. Anklesaria, I will only request him to compare these figures with those given in the Cotton Committee's Report on page 14. Page 14 shows that Surat-Navsari cotton of one inch staple was only 98,000 bales average growth, and not 350,000 bales as given out before this House deliberately by Mr. Anklesaria. I trust after this simple comparison of figures Mr. Arthur Moore will be satisfied that the position which was

being placed before the House by Mr. Anklesaria was, to say the very least, palpably misleading.

Now the matter did not unfortunately end there. It appears that Mr. Anklesaria was determined not only to give a wrong figure in connection with the province from which he hails, but he involves my province also. He now comes to the Punjab and again repeats his previous performance. Mr. Anklesaria according to the Report proceeded to give his figures and said:

“My Honourable friend interrupted me when I was giving the figures”.—(He makes out that he is the aggrieved party!)—“Punjab and Sind-Americans—the Punjab produces over one inch—1½ inches—450,000 bales. That is over one inch.”

So, according to Mr. Anklesaria, the Punjab produces cotton of over one inch staple to the tune of 450,000 bales; and the book out of which he is quoting these figures is the identical book that I have. Let us see what the book says on the same page, page 14:

“Punjab and Sind Americans—450,000 bales total, out of which cotton of one inch and over staple is 2,000 bales.” (Opposition Laughter and Cheers.)

If after this Mr. Arthur Moore is still of the opinion that Mr. Chetty was trying to place before the House misleading figures, but that Mr. Anklesaria came to its rescue and tried to save us from being misled, I think Mr. Arthur Moore might reconsider the figures by a fresh reference to this book.

That being the position, so far as the main point is concerned it does not admit of very lengthy argument as I submitted in the beginning. I was only concerned in making it perfectly clear to the House that if at the present moment the country is unable to produce cotton of the necessary staple which is essential in order to produce finer counts, we are bound to import that cotton from elsewhere; and if we can secure that raw material from within the British Empire, namely, from Uganda, I think the interests of those people, who incidentally happen to be Indians, imposes a twofold duty on us both in our own interest as well as in the interests of Indians who have migrated out of this country and are growing cotton in Uganda the whole of this industry being in their hands and who are our kith and kin, and that we should oppose this tax and save our own infant industry.

Some Honourable Members: The question may now be put.

Major Nawab Ahmad Nawaz Khan (Nominated Non-Official): Sir, one of the previous speakers read out what purported to be a cablegram from His Highness the Aga Khan saying that the duty on cotton if imposed would ruin cotton growers in Uganda and Tanganyika. We do not know whether this was really sent by His Highness the Aga Khan, or whether it was sent by somebody else, because I have had this sad experience sometimes in my life of telegrams being sent by somebody else and not being genuine. I want to be quite sure on this point, because I would like the gentleman who received it originally to send a cablegram and ascertain if the first telegram was really sent by His Highness the Aga Khan and get it confirmed; so that we may be clear on the point. . . .

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): May I interrupt for a minute? The cablegram from His Highness the Aga Khan was received by me. I have shown that telegram to many Honourable Members of this House.

An Honourable Member: Will you please read it?

Sir Muhammad Yakub: It was a perfectly genuine telegram delivered by the post office, and if the post office in India which is under the administration of my Honourable friend, Sir Joseph Bhore, deliver forged or bogus telegrams, I am not responsible for it: otherwise it was a perfectly genuine and correct telegram from His Highness the Aga Khan.

Some Honourable Members: Will you please read it out?

Sir Muhammad Yakub: It was read out by Mr. Mody yesterday.

Major Nawab Ahmad Nawaz Khan: I do not claim to know all the post office rules, but so far as my knowledge goes, I think any person can send a message to any other person, provided he pays for it. I have also known cases in which messages have been sent fraudulently, of course after making due payment for such messages, and the Telegraph Department have always accepted such messages, because they have no means of knowing whether the telegram is genuine or not. All that they are concerned about is the proper payment for the message which they have to despatch. But I am not going to pursue the matter to which reference has been made by my Honourable friend Sir Muhammad Yakub.

Now, Sir, in support of the amendment, very fine and eloquent speeches have been made supported by facts and figures, but so far as I have been able to follow the discussion, such speeches were all made by the mill-owners or their friends, who have a direct or indirect interest in mills, and no effort has been made to put before the House the viewpoint of the agriculturist. I think in the course of the debate it was not mentioned and proved by facts that if this amendment is accepted it will benefit the poor agriculturist. I know very well that all those who are directly or indirectly interested in trade will surely support their friends and are surely bound to support their interests and oppose the duty, but those who are agriculturists themselves or who support the agriculturists will oppose the amendment and support the duty on cotton. None of the Honourable Members who have supported the amendment have been able to show any convincing proof that the increase of duty is not good or useful for the agriculturists, while those who are supporting the duty have shown that it will be very useful to the agriculturists. I know very well that those who have a direct or indirect interest in trade and the textile industry will not support the Bill, while the agriculturists are bound to support it. But, Sir, there are many Honourable Members in this House who are neither agriculturists nor traders, and I appeal to those Members to kindly oppose the amendment and help the agriculturists. They should have more sympathy for the poor agriculturists than for the rich millowners and the traders.

Nawab Major Malik Talib Mehdi Khan (North Punjab: Muhammadan): Sir, I had no intention of taking part in this debate, but the turn the controversy has taken has compelled me to participate in it. At the very outset I may remind my friends that merely to say that an Honourable Member is a representative of the rural classes, without taking any interest in their welfare, is not fair and it cannot give him a claim to pose as their champion.

The controversy unfortunately has started between the textile industry and the agricultural. It is an undoubted fact that agriculture is the largest

industry in India; it represents 80 per cent. of the population if not more of this country. Originally India had its indigenous cotton varieties of short staple only, but when it found that it could not compete with the better varieties of the world, it took to growing the long staple variety. Sir, we have been making an experiment in the Punjab for the last 15 years. We tried several varieties, but eventually decided to grow what is called 4F. which is 7/8ths of an inch long in staple. It was also discarded to give place to another more improved variety which is called 289-F. It has got a staple varying in length between 1 inch and $1\frac{1}{16}$ inch. The figures for its outturn and the area under cultivation have already been mentioned in this House, and I do not propose to recapitulate them. I must, however, impress upon every Honourable Member of this House that a real effort has been made in India to improve its cotton variety, and unless and until some encouragement is given to the grower to carry on the work, he will not be able to achieve a full measure of success in this direction. I take the liberty to say that he has not received the treatment which he deserved from the Government even; and on the other hand they do not see whether he fares better when dealing with his own people. Some people, our own brethren, for the sake of a very small difference in staple, are taking to utilising foreign cotton at the sacrifice of what they find in their own country. The grower's finances, Sir, as every one knows, are at present at the lowest ebb; his stocks are exhausted; the prices he can get in the bazar for his commodities do not pay his expenses. He had a ray of hope due to a slight rise in the price of cotton very recently, and naturally it was attributed to the enhancement in the duty or the levying of it, but that hope has not been realised, because a very strong opposition is put up by my friends, the mill magnates of Bombay, Ahmedabad and other places. We hear from every platform and read in every newspaper that there is a very large number of persons who are very unpatriotic because they use foreign cloth. May I ask my friends, the same persons who dub us as unpatriotic, whether they utilise Indian thread for making the articles they give us for wearing? We use the finished article, whereas they use the raw material; thus we are in the same boat, and we cannot tolerate their calling us unpatriotic when they are more so themselves. Another reason advanced by my same friends is that if the duty is allowed, our brethren in Uganda will suffer. There is a proverb in Persian which means that a dog which is present is better than a brother who is absent. If a little encouragement is given by the Bombay magnates to the growers, they will very soon have what they want in the way of long staple cotton. Till then cannot they be satisfied with turning out a material which they want the Indians to wear, namely, coarse *khaddar* or semi-coarse *khaddar*?

Dr. Ziauddin Ahmad: Do you promise to wear it?

Nawab Major Malik Talib Mehdi Khan: Yes, if we cannot get any other better and cheaper variety.

Let me give an illustration of what I mean. In India horses had deteriorated in constitution and quality, and when it was discovered that they could not serve the purposes of the country, the Army Remount Department came to the rescue and encouraged a new breed by importing good sires giving rewards and adopting a number of other measures which helped the breeder who happened to be a zamindar in this case also. What

1932

LEGISLATIVE ASSEMBLY.

[13TH Nov. 1931.]

[Nawab Major Malik Talib Mehdi Khan.]

is the reason? We find that the breed we have got now, I cannot say the whole of it, but many of the products of that breed, can compare very well with the better breeds of other countries. The same principle, if pushed forward in the case of soil products of our country, would immensely improve the result of our labours. There is no doubt that at present the supply does not meet the demand, but it will if a little encouragement is given to the zamindars. Sir, with these few remarks I support the duty and oppose the amendment.

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

The Assembly re-assembled after Lunch at a Quarter Past Two of the Clock, Mr. President in the Chair.

Mr. J. F. Dyer (Central Provinces: Nominated Official): I would congratulate the last speaker, if I may, on bringing the debate back to the real point at issue. It is not one of statistics but of the effort that the cultivator here is now making towards rendering India self-supporting in the matter of raw cotton. It is not a question of present day actualities but rather of potentialities. So far as statistics are concerned, it is not very material whether those produced by Mr. Anklesaria were right or wrong. He happened in my opinion to spoil a good argument by bad figures, but his argument was sound. It was that we have now a nascent industry which should be helped, and the fact that he put forward statistics which were wrong does not vitiate that argument, though it may mar his speech. But the fact that he did exaggerate India's present day production of long staple cotton was in his favour in a way, because if he imagined that we had to protect a lusty child of three years, the position really is that we have to nurture a feeble infant of three months. So far our production of long staple has been very small, but it must and will be greater.

I come from a province which grows some four million acres of cotton and has several big cotton mills, but we are in the ridiculous position that for all the better work we have to find our cotton from elsewhere; either outside the province or outside India. Our position is—cotton, cotton everywhere and never a bale to spin the higher counts. That is a very bad position and one which must be remedied and which, thanks to the work started by the Indian Cotton Committee of some 15 years ago, is, I hope, rapidly being remedied. When I was travelling round with the Indian Cotton Committee in the year 1917, I remember one of the business members on that Committee characterising our local cotton in these terms, "I would much rather spin my waste". The ordinary local staple was then somewhere about half an inch. That was a matter of only 14 years ago. We now hope to produce cotton of 7/8ths of an inch, the cotton which is mentioned as *verum* 262 in the green pamphlet quoted from today. The staple is only 7/8ths of an inch, and I know that it will not satisfy the millowners of this country, but 7/8ths of an inch is a great deal better than the half inch of less than 20 years ago, and certainly those who are now studying the botany of our cotton will not be satisfied until they produce a staple of one inch or longer and will not rest until they see no further prospect of advance.

There has been a great deal of talk in this debate implying opposition between the cultivator and the millowner. As far back as I can remember officially, and that is 28 years, there has been a constant cry in this country for increasing the output of long staple cotton, and that cry has come not from the cultivator but always from the millowner, and there can be no enduring difference of interest between the two. Every bale of extra Indian long staple cotton is ultimately a benefit to the Indian millowner. He is now beginning to get thanks to the enquiries of the Indian Cotton Committee, and the efforts of the Indian Central Cotton Committee in Bombay and the provincial committees and Departments of Agriculture, what he has long asked for, and though he may think that immediately his interests are opposed to those of the cultivator, they cannot be so in the long run. If, therefore, as the Honourable the Finance Member assures us, this duty will bring in substantial revenue and if, as the agriculturist Members of this Assembly hold, it will help cotton-growers in a very difficult time to establish a struggling industry, it is very desirable for India that we support the proposed tax.

Mr. S. C. Sen (Bengal National Chamber of Commerce: Indian Commerce): I am much amused to see the battle going on between the mill-owners on the one hand, the supporters of the cultivators of cotton on the other. I come from Bengal, where I am neither interested in the mill-owners nor in the cultivators, because we do not cultivate an ounce of cotton in Bengal, but we are the largest consumers of fine cotton yarn and fine cotton goods, and therefore we are interested in seeing whether the proposal before the House will be of greater or less value to us. I find that the higher counts of cotton that come to India from outside are being saddled with a tax. That means that we shall have to pay more, not less for our daily wants. I therefore cannot enter into the discussion whether the millowner will be benefited or the cultivator will be benefited. As regards the mill industry, it will get the money out of us, so that would be a merely an academic question which is being raised, whether the mill-owner will be damnified by this proposal. So far as Bengal is concerned, we think that this proposal should not be passed, but the Government have brought this measure not for the purpose of benefiting the cultivator, but for the purpose of revenue. If there are other sources of revenue which could be got without injury to anybody, I think the Government should have its attention drawn to the facts. In the case of paper pulp they could have easily put on a duty. That would not hurt anybody. Take the case of imported coal for instance. The coal trade has suffered much at the hands of the Indian Government. I may remind the House that during the war there was an embargo on coal going out of this country. When the war stopped in 1917 the embargo was there and it was continued for five years more, although there was no reason why the Bengal coal should not go outside. The result was that Bengal coal lost many of the markets in Asia and also in Java and other places. If a tariff is now put upon coal, say Rs. 5 per ton, the Government would make more than 10 lakhs of rupees and even if the supply falls the Government would make good the loss by the increased freight on coal, because coal must be used in the mills: and the coal can either be got from Natal or from the Bengal coalfields. Under these circumstances, as there are other sources from which the Government could have got this money, I support the motion of my Honourable friend.

Mr. E. Studd (Bengal: European): Sir, I have listened with very considerable interest to the speeches that have been made on both sides of the House on this subject, and I think that, from the various conflicting views and conflicting interests voiced, I have added quite considerably to my knowledge on the subject of cotton, of the Indian textile industry and of cotton cultivation. But I must confess that amongst the speeches which have been made opposing the imposition of this duty I have not found any which, to my mind, have carried very great conviction. I listened with much interest to my Honourable friend, Mr. Mody. I knew of course, before he began to speak, the point of view that he would take; and if I may say so, I entirely agree with the Honourable the Leader of the House in congratulating him on the moderation, and fairness with which he put his case. I listened also with interest to my Honourable friend, Mr. Chetty, but I must confess that my expectations from him in this instance were somewhat disappointing, for it would seem to me as if he spoke almost knowing that he had not got a very good case. The Honourable the Leader of the Opposition attempted to show that the imposition of this duty was giving an unfair preference to Lancashire. He maintained that if this duty was imposed, the Indian mills would have to pay the equivalent of 12½ per cent additional price for their raw material whereas Lancashire, with no import duty on cotton, would be to that extent better off. But I think, Sir, he forgot the fact that, to get that cotton, assuming for the moment that Lancashire is going to get it from the same sources, that is to say, Uganda and Egypt, Lancashire, to start with, would have to pay double freight, double handling charges and double port dues. But there is a much bigger factor than that in it, for, whereas the Indian manufacturer would have, it is alleged, to have 12½ per cent. additional price to pay for his raw material, the Lancashire manufacturer, when he sent his goods into this country, would have to pay the customs duty *plus* the surcharge on the total cost of the manufactured article, that is to say, the raw material *plus* the freight *plus* the handling charges *plus* the cost of manufacture; and as I understand that, on present-day prices, 45 per cent. about represents the proportion of the cost of the raw material to the cost of the finished article, say even half, that means that Lancashire would have to pay 25 per cent. on double the cost, in other words, that Lancashire, on the same basis, is going to pay something like 50 per cent. duty. (Hear, hear.) So it seems to me that my Honourable friend's argument on that score does not hold any water. Then, Sir, he used another argument. He claimed, or professed to claim, equal treatment for all members of the Commonwealth of the Empire. If that is so, Sir, is not Lancashire just as much entitled to that equal treatment as anybody else? It does not seem to me that those two arguments will fit together. What he apparently wants is that Lancashire shall pay an extra 25 per cent. surcharge, whereas the Indian textile industry shall not pay anything extra for their raw material. I entirely agree that on general principles an import tax on raw materials is objectionable. But, Sir, we are dealing with circumstances which are not normal: we are dealing with an abnormal set of circumstances, and such circumstances require desperate remedies. Another argument which has been used against this import tax is that you have got in India a young industry which has only been going for the last two or three years in spinning the higher counts. The suggestion has been that it is going to kill that

industry; the suggestion has also been that it is going, if not to kill, at any rate very seriously to damage the industries of Indians in Uganda who are growing the long staple cotton which is required for the manufacture of those high counts. But, Sir, I have listened in vain for any elaboration of that argument, for any evidence to show that, in effect, the tax will have that result, and it seems to me that the last speaker produced a very able answer to that argument. What did he say? He said that Bengal was the greatest consumer of these fine cotton goods. He did not suggest for one moment that if the price went up on account of this duty, Bengal would cease to buy these fine cotton goods and would buy something coarser. What he said was: "We shall have to buy them, and pay the extra cost; the mill people will get it out of us". That does not seem to me as if he at any rate is of the opinion that a tax of this nature is going to kill that particular industry. It seems to me that that industry will go on. I do not see why the cotton grower in Uganda should find any less market for his produce. As far as I can see, he would still be able to sell it on just the same basis as he is selling it now. The mills will have to pay rather more for this long-staple cotton, and the buyer of these fine cotton goods will have to pay rather more for what he buys, but I submit that if a man is in a position to be able to afford to buy fine cotton cloth, he is certainly in a position to be able, in an emergency like this, to pay a little bit more for it; and therefore, Sir, it does not seem to me that there is much force in the arguments adduced against this tax. There is one point which I should like to emphasize. The main portion of the discussion has centred round the question, first of all, whether it is going to damage the textile industry and secondly, whether or not it was going to be of advantage to the cotton cultivator in India. These points have been argued by both sides, however, to the utter exclusion almost of everything else; but I should like to remind Honourable Members of one thing, and that is, that we are *not* here primarily to discuss the relative deserts of the Indian textile industry as against the cotton cultivator. (Hear, hear.) We are here in an emergency to deal with the vital question of balancing the Budget. (Hear, hear.) My Honourable friends are full of arguments as to why a particular tax should not be imposed, but they do not explain how, if that tax is not imposed, the Budget is going to be balanced; and, if they agree, as I believe they do, that the Budget must be balanced, then I think that is the question which should all the way through be kept in the forefront of this discussion. (Applause.) Personally I must confess that having heard the argument on both sides I have to some extent changed my opinion on the subject of this particular tax. I came to this debate with the same feeling that I imagine every Member of this House has got, and that is, that there is not a single thing in this Budget that we like, not even one tax that we like. The only point where we differ is as to how far we, each of us, think we should go in supporting the taxes that we do not like in order to make sure that the Budget is balanced. I submit, Sir, on the arguments which have been advanced, that this is a tax which is going to hurt people a great deal less than many of the other taxes in this Budget. It seems to me that it is going to touch people who can afford to pay a bit extra to help, in this crisis, to get the Budget balanced, and therefore I strongly support the tax and oppose the amendment.

Sardar Bahadur Captain Hira Singh Brar (Nominated Non-Official): Sir, I come from Montgomery District, a district in the Punjab where

[Sardar Bahadur Captain Hira Singh Brar.]

cotton is grown. We grow 90 per cent. of 4F instead of Mollisoni. Every cultivator there is anxious to get a higher price for the cotton he grows. The staple of 4F, as I said yesterday, is more than an inch, and there is scope for improving this. There are three reasons, Sir, for which I support this duty. The first is that there will be a greater consumption of 4F in India than at present. If this duty is imposed on foreign cotton, and if that is ousted, then the present one inch staple cotton will find more room for sale, and it will encourage the cultivators to improve the staple of the cotton grown in this country. The second reason is this. I would beg to call the attention of my own friends, the real cultivators, to the fact that if such a chance is given, and if a duty is imposed on cotton imported into India, there will be more chance to encourage our own cultivators to improve their cotton industry. That is a great thing. Unless the growers are encouraged in some way or other, they will never believe that their cotton, even if it is improved, will fetch any higher price than the 4F or the 289. I want to impress this point particularly on the Members of this House who represent the cultivators. My third reason is that the money which goes out now in buying fine cotton will go to our own cultivators in our own country. So many of our Members those who always tell us to give up the wearing of fine cloth, and to use our own coarse khaddar which is made in India, should support us. For these reasons I hope that all the Members who have any sympathy with the cultivators will oppose the amendment. How many representatives of our cultivators have got up and supported this amendment? None. But all the capitalists and the big millowners have done so. The agriculturists are always lost in this big House. They are the poorest and the weakest of all. Therefore, I earnestly request the Honourable Member to help our agriculturists. If those, like my Honourable friends from Bengal, wish to use very fine cloth, they can buy from Bombay or from their own towns cloth imported from abroad and no one will blame them. They have only to pay a little more. But then, why not improve the industry in India and encourage your own cultivators to produce the proper stuff? Why should not our Members go in for the material which is produced in our own country? We want Swaraj every day. But we do not use our own country made cloth.

Mr. Lalchand Navalrai: How would you progress?

Sardar Bahadur Captain Hira Singh Brar: If you encourage us. This is the encouragement. If you stop the outside cotton, you will make room for our improved produce. If we are not going to get any protection, there can be no improvement. For this reason only I would appeal to the Honourable Members, particularly to my Punjabi friends, to oppose this amendment. I am sure they will give their vote with us. The Central Provinces and Bombay Members also will follow and go with us in opposing this amendment.

Rai Bahadur S. C. Mukherjee (Nominated Non-Official): I move, Sir, that the question be now put.

Mr. President: I accept the closure. The question is that the question be now put.

The motion was adopted.

The Honourable Sir George Schuster: Sir, I think every one will admit that a very great deal has been said on this subject and there is very little now that I can say. We have had an abundance of speeches, both of short and long staple. (Laughter.)

Mr. H. P. Mody: And of what grade?

The Honourable Sir George Schuster: My Honourable friend's speech would obviously be suitable for spinning into very fine counts indeed. (Laughter.) If I have anything to do now, I think it rather is to pull together the points that have been made and to restate the Government's case for this measure in its proper proportions. Our case is very simple. I started with the simple and unpleasant need for revenue, and, in looking round the possibilities of raising revenue, I was faced by all those bogeys which have been raised in many speeches during the discussion of this Bill, the bogey of "diminishing returns," the bogey of "breaking backs," and all those other evils which of course one would wish to avoid. In that search we considered that the import of raw cotton was one of the few elements of trade which showed a strong and healthy growth and that from the purely financial point of view there appeared to be a good opportunity to raise revenue, to broaden the basis of taxation and to tap a new source. Purely on financial grounds, the case was very obvious and that was the primary consideration. We then of course had to consider what would be the secondary effects; although we were going to raise money, should we do harm in other directions? Well, we naturally considered first the effects on India's premier manufacturing industry, and we examined the case very carefully with a view to discovering whether this particular proposal, not considered by itself but as part of our general plan, was going to deal a serious blow to India's premier manufacturing industry. For reasons which I shall develop more fully later, and which have been covered very fully in the course of this debate, we came to the conclusion that, considering our proposals as a whole, we were quite safe in taking the line that we were not going to damage that premier manufacturing industry. Having satisfied ourselves on that, we also took into account that by this proposal we might confer a considerable benefit on an industry, which is not India's premier manufacturing industry, but the premier industry for the whole of India of every kind—agriculture. Those are the fundamental points in our consideration of the position. We came to the conclusion that the tax would succeed in its primary object of producing revenue and that it would not have on balance any bad secondary effects. On the contrary, we thought that on balance those secondary effects might be good. But I purposely do not want to over-state the case, and I do not want to stand here under any false colours; I do not want to earn the applause of my friends from agricultural districts as one who has come forward with a considered programme for the protection of agriculture. Much as I might desire to do that, to achieve that result, we cannot claim that to be the object of our measure, which was primarily to produce revenue. (Applause.)

Now, Sir, let me devote a little time to examining the question of these secondary effects. We have had before us very full calculations of what would be the effects of this measure on the cotton industry. I think I may say that the most authoritative calculations came from my Honourable colleague, the Leader of the House, and from my Honourable friend

[Sir George Schuster.]

Mr. Mody, who speaks with such knowledge on behalf of the interests of the Bombay millowners. On the one hand, the Leader of the House told us that, according to his calculations, the effect of this duty on long-staple cotton would be equivalent to an increase in price on those goods which are manufactured from that cotton of about 3 per cent. My Honourable friend from Bombay varied that estimate and said that according to his calculations the increase was 5 per cent. That is not a very large difference, and I am prepared for the purpose of my argument to accept the figures of my Honourable friend from Bombay, although I must make it quite clear to him that I myself believe that my Honourable friend on my left is right. Now, Sir, if the extra burden is 5 per cent., I would ask the House to remember that that extra burden only applies to a very small proportion of the total output of the Indian mills. There is no extra burden at all put upon that portion of their product which is made from Indian cotton,—and the vast majority of their product is made from Indian cotton of the shorter staple,—and as regards that I do not claim for a moment that our proposals will substantially affect its price. That, Sir, is the burden—5 per cent. on that portion of the product which is made from imported cotton; and as against that what do we have to put? The opportunity to raise prices by 5 per cent. on the whole of their product. That is what is conferred by the present Budget proposals. But I want to carry the case a little further than that. My Honourable friend from Bombay will, I am sure, admit that he has been fortunate as a result of our needs for revenue, and that in the Finance Bill which was passed at the last Delhi Session, as well as in the present Bill, he has had an unexpected windfall. Purely for revenue purposes a surcharge was put on the duties last March, a surcharge of 5 per cent.; and now again purely for revenue purposes a similar surcharge is imposed which amounts to 5 per cent. in the case of British goods and 6½ per cent. in the case of non-British goods. Therefore my Honourable friend and those who are interested with him in this great industry have had a windfall amounting to from 10 to 11½ per cent., and as against that they are going to have the cost of a very small proportion of their output increased by something between 3 and 5 per cent. That, Sir, I think, very clearly shows how the balance of advantage lies.

In that connection I would like to touch upon some remarks which have been made about the previous attitude of the Government, and particularly about the report of the Tariff Inquiry into the cotton industry, the Committee which was presided over by my Honourable friend, Sir Frank Noyce. It was said that in that Report my Honourable friend who was the Chairman advocated very strongly the spinning of finer counts, and the conclusion drawn from that was of course that no obstacle ought to be put in the way of the importing of cotton suitable for making those finer counts into India. But what was the position in those days? The position in those days was that there was a general duty on cotton piece-goods of 11 per cent. My Honourable friend on my right recommended that, in order to establish the industry, there was a case for a temporary protective duty on Japanese goods. He advocated the putting up of the duty for 8 years on Japanese goods to 15 per cent. In his view, for a protective purpose, no other increase was necessary. Therefore in the conditions about which he was writing he was contemplating an import duty of 11 per cent. on all goods except Japanese, and 15 per cent. on Japanese goods. And now

what is the position? An import duty of 25 per cent. on the one side and of 31½ per cent. on the other. That, I think, completely alters the whole position and makes an entire difference in the arguments which apply to this question of the import duty on raw cotton.

But there is another point in that connection to which I would call the attention of the House, and that is that the remark to which reference has been made really referred only to Bombay. In that Report it was said that the only chance for Bombay was to turn more to the spinning and weaving of finer counts. Well, Sir, Bombay is very important, but Bombay is not the whole of India; and that I think is another limiting factor on those remarks.

Sir Muhammad Yakub: That is what we have repeatedly said, that the Finance Member never took notice of it.

The Honourable Sir George Schuster: I am sure that if any speaker in this House has all his speeches passed in review, he will sometimes be convicted of inconsistency. (Laughter.) The point is this: that this cotton mill industry has been exceptionally favoured in the last few years. We, speaking from the Government side, certainly do not grudge those favours, and we are very pleased to see that they have had a very substantial result. But those favours have gone further because of revenue needs than was necessary for merely protective purposes, and if my Honourable friend wishes to come before the House *in forma pauperis* and appeal to them against this measure because of his own hard case, I really think that if he puts it on that ground he will find it very hard to convince anybody who examines the facts. I have had compiled here a very interesting chart comparing the progress of textile production in various countries. I should be very pleased to show it to my Honourable friend afterwards—and although I know he will tell me, if I give him a chance to intervene, that even if he is increasing his production he is not making any profits, still I refuse to believe that the millowners of this country would go on producing more and more goods even though they do so at a loss. Now according to the index of production, India is the one country in all the world to-day which is enjoying any sort of prosperity in the textile industry. Starting from a figure on the pre-strike basis so as to give us a reliable figure from which to start, the index of production for India now stands at 130 per cent. For all other countries, making a similar comparison it is well below 100 per cent. Japan stands at about 95 per cent.; the United States of America stands at about 92 per cent.; the United Kingdom at about 75 per cent.; and France, about whose prosperity we are always hearing so much, is now only producing about 65 per cent. of what she was producing in 1928. I think it is not an exaggeration to say that the textile industry of India is the only big manufacturing industry to-day which is working at anything like full time. As I have said, we welcome this state of affairs, but I do suggest to my Honourable friend that he has been well done and that the slight burden which this tax might cast upon him is one which he and his friends could very well bear. And before I leave this aspect of the question I would like to put one point to him. If he were to have a choice between accepting the proposals of this Budget as a whole, with its extra import duty of 5 to 6½ per cent. and this duty of half anna per pound of raw cotton combined, if he has to choose between that alternative on the one

3 P.M.

[Sir George Schuster.]

side and to stay as he is without any change in the customs duties at all, which of those two alternatives will he choose?

Mr. H. P. Mody: Do you really want to know?

The Honourable Sir George Schuster: I should be very glad to know which alternative my Honourable friend would prefer.

Mr. H. P. Mody: I would go back to the position as it existed in March.

The Honourable Sir George Schuster: I did not quite catch what my Honourable friend said.

Mr. H. P. Mody: I would rather not have this supplementary Budget with all its supposed assistance to the textile industry which my Honourable friend is referring to.

The Honourable Sir George Schuster: My Honourable friend is referring to the Budget as a whole, and that is not exactly the question I put to him. I asked him about the proposals of the Budget as they affected the duties on cotton piece-goods and raw cotton. I think the conclusion is obvious.

Now, let me turn to the other secondary result, the question of the effect on agriculture. As I have already explained to the House I have never claimed that this was a protective measure. I put it forward quite honestly and straightly as a revenue tax; and I agree with what has been said so often in this debate that all taxes are undesirable. But of all the very unattractive progeny which I have produced in the shape of taxes in this Budget, I confess that I have some affection for this little fellow—the proposed duty on raw cotton. I think, and I agree with what fell from my Honourable friends among the European Group on this subject, that there is something attractive about this proposition. It is at least some indication of hope to agricultural interests that when import duties are imposed they will not always be imposed on those articles which the agriculturist has to buy, and never on what he has to sell. That gives the proposal a sentimental attraction to me, but I think there is also some solid proof that it may be of advantage to the agriculturist. We have had a very great deal of talk on figures in this matter. I regret the talk myself because the figures about which there has been so much controversy are not in the least material to the case which I should have presented to the House. I should not have come before the House and claimed that there was a very large quantity of cotton already being produced in this country, exactly similar to cotton from Uganda or from Egypt. I shall come to that point again later when I come to give my reasons for thinking that there is some benefit to agriculture in this measure. But unfortunately the point has been raised of what is the position in India to-day as regards the production of cotton of one inch staple and over. On this matter I think my Honourable friend, the Deputy President, will agree that, according to the passage which he read out, he challenged any Member of this House to prove that any appreciable quantity—I think “appreciable” was the word he used—of cotton of that kind

was produced in India to-day. That challenge was taken up by my Honourable friend who comes from the Broach district, and he referred to a certain page in the last Report of the Indian Central Cotton Committee. Now, my Honourable friend will be the first to admit that, in reading out the figures from that page, he read out figures from the wrong column and he made a mistake. If my friend, the Deputy President, had informed me of that fact, I should have been very glad to call attention to it when I spoke to the House on the matter, because the one thing we wish to avoid is any misrepresentation of facts in the matter. But, Sir, my friend gave the page from which he was reading so that anyone could verify his statement, and it was quite clear that he had just made a mistake in taking the column from which he read. Now, the point which I want to make is that the fact that he has made that mistake in no way vitiates his position, and I am quite prepared to take up my friend's challenge, if his position is that no “appreciable” quantity of “long staple” cotton, (taking that to mean cotton of 1” and over), is produced in this country. Now, the table to which reference is made is rather a confusing one. It has one column which gives the average for the years 1915–1918. It then has another column which gives an average of the figures for the years 1925–30, and then it gives in the third column a figure for the trade estimates of what will be produced in a normal season. Well, the trade estimates given in that final column are very much higher figures than those of the average for 1925–30; but unfortunately in the final column no details are given dividing up the figures for the various varieties in the various districts, so that it is impossible to get what is estimated now as a normal production from these figures, and we have to rely on the actual average of the figures for 1925–30, which are considerably lower than what might be expected in a normal year. But taking those figures of average for 1925–30, I find that the total production of cotton of 1” and over is 224,000 bales, and I do submit, Sir, that they can hardly be described as something which is not an appreciable figure

Mr. H. P. Mody: How much over one inch?

The Honourable Sir George Schuster: I particularly do not want to over-stress the point. I only thought it was fair to my friend who spoke before on this subject to put before the House the exact facts, that there are, according to this table, 224,000 bales of long staple cotton that have been produced according to the average figures of 1925–30, and the normal expectation judging from the total figures in the final column might be expected to be something like 50 per cent. higher than that. And, Sir, this is not a fixed, but a moving figure; the production of this long staple cotton is steadily increasing every year, and I think one may take it that that figure of 224,000 is something very much lower than what might be expected as the production for the current year.

Now, Sir, on the general question of whether the agriculturist in India is likely to be benefited or not, I again want to make my position quite clear. I would not suggest for a moment that there is any chance of growing in India cotton in any large quantity of the quality of Egyptian Sakellarides, for example, probably not even of the better qualities of Uganda cotton which goes up to 1” and 1½” and slightly over. I accept that position although, looking far ahead, it may not be final. But that, Sir, is not the point. There is a very large marginal area of competition,

[Sir George Schuster.]

and with this duty to help it there is a great quantity of the Indian cotton crop which can be used as a substitute for cottons which are imported now.

Now, Sir, my friend, the Deputy President, threw out another challenge. He challenged anybody to show him that in effect prices had improved to the advantage of the Indian cultivator by this duty. That is not a very easy challenge to take up, because the period for making an effective test must be really the period when the crops from the various districts come on the market, and they do come on the markets at different times. We can get a direct line of comparison in the case of Punjab-American because the new crop is already coming on the market, the market time being from October to December. As regards Broach, January to April will be the test time, and for Cambodia, April to May. But even without full figures, we have had in these few weeks some evidence of what is the position. I read to the House in the course of one of my speeches on the Finance Bill a quotation from a letter which I had received from a very large grower of cotton in the Punjab, and he, writing to me on the 14th of October said:

"With reference to the tax on imported cotton, this is much appreciated by all cotton growers. Our Agents in Bombay and in Karachi all agree that it should enlarge the premiums on cottons such as our 289F by Rs. 12 or possibly Rs. 15 per candy. . . ."

Mr. B. R. Puri: Will the Honourable Member kindly disclose the name of that gentleman?

The Honourable Sir George Schuster: The name of the gentleman is Professor Roberts of Karnawal, who runs a very large cotton estate there. Writing again on the 28th of October, he said this:

"We have recently sold several hundred bales of 289F to various buyers at Rs. 72 to Rs. 77 on Broach. This means that my anticipated premium of between Rs. 75 and Rs. 80 is more or less assured."

Then, Sir, I have been keeping in close touch with this matter, and I will give the House some information which was telephoned from Bombay by Mr. Richie, the Secretary of the Indian Central Cotton Committee this morning. This is the information he gives:

"Cambodia at the end of August was Rs. 65 to Rs. 70 premium on Broach; Cambodia now is Rs. 75 to Rs. 80 on Broach." (That is a rise of Rs. 10 in the premium). "Punjab-American at the end of August was Rs. 8 on Broach; to-day Punjab-American is Rs. 20 to Rs. 22 on Broach." (That is an appreciation of Rs. 12 to Rs. 14). "Navsari at the end of August was Rs. 70 on Broach; to-day it is Rs. 75 on Broach. To-day Broach contract rate is Rs. 191 per candy; at the end of August the rate was Rs. 137 per candy. At Tiruppur (Madras), on September 11th, Cambodia was Rs. 216 per Bombay candy; on November 6th, it was Rs. 275."

The difference in the Broach rates at Bombay on those dates was Rs. 39; that is to say, while Cambodia had gone up by Rs. 59, Broach in Bombay had only gone up by Rs. 39. Therefore, the premium on the longer staple

cotton had improved compared to ordinary Broach by Rs. 20. Then the Report concludes:

"The great appreciation in Punjab-American as compared with Broach is attributed by prominent local firms to import duty and to short supplies of good quality."

Sir, I think those figures at least supply some evidence that this import duty has been a benefit to cotton growers generally in India, and I think they are a sufficient response to the challenge thrown out by my Honourable friend. They do make out our case, that this duty may have an important secondary advantage in the fact that it has a chance of giving substantial benefit to a large class of Indian agricultural interests.

That, Sir, I think is all that I need say on this subject. I come back to my original point. We want revenue; we have got to find the best possible way of getting it; and for those who are considering this tax it is not a question of, "take this or nothing". The question is, "If you do not take this, where else are you going to go for your money? Can you suggest any fairer and better way of raising the substantial money which this tax will produce?" Sir, my answer to that question is unhesitatingly that this, among all our proposals, is one which does tap a new source which will do no harm directly to those interests who complain about it, and one which may benefit the agricultural interest about which I have spoken. On these grounds, I oppose this amendment.

Mr. President: The question is:

"That in Part I of Schedule I to the Bill, amendment No. 1 be omitted."

The Assembly divided:

AYES 49.

Abdur Rahim, Sir.
Aggarwal, Mr. Jagan Nath.
Azhar Ali, Mr. Muhammad.
Badi-uz-Zaman, Maulvi.
Bagla, Lala Rameshwar Prasad.
Bhuput Sing, Mr.
Chetty, Mr. R. K. Shanmukham.
Chinoy, Mr. Rahimtoola M.
Das, Mr. A.
Dudhoria, Mr. Nabakumar Sing.
Dumasia, Mr. N. M.
Gour, Sir Hari Singh.
Gunjal, Mr. N. R.
Harbans Singh Brar, Sirdar.
Hari Raj Swarup, Lala.
Ismail Ali Khan, Kunwar Hajee.
Isra, Chaudhri.
Jha, Pandit Ram Krishna.
Jog, Mr. S. G.
Krishnamachariar, Raja Bahadur G.
Lohiri Chaudhury, Mr. D. K.
Lalchand Navalrai, Mr.
Liladhar Chaudhury, Seth.
Maswood Ahmad, Mr. M.
Mitra, Mr. S. O.

Mody, Mr. H. P.
Murtuza Saheb Bahadur, Maulvi Sayyid.
Parma Nand, Bhai.
Patil, Rao Bahadur B. L.
Puri, Mr. B. R.
Ranga Iyer, Mr. C. S.
Rastogi, Mr. Badri Lal.
Reddi, Mr. P. G.
Reddi, Mr. T. N. Ramakrishna.
Sadiq Hasan, Shaikh.
Sant Singh, Sardar.
Sarda, Rai Sahib Harbilas.
Sen, Mr. S. C.
Sen, Pandit Satyendra Nath.
Singh, Kumar Gupteshwar Prasad.
Singh, Mr. Gaya Prasad.
Sitaramaraju, Mr. B.
Sukhray Rai, Rai Bahadur.
Thampan, Mr. K. P.
Unni Saheb Bahadur, Mr.
Wilayatullah, Khan Bahadur H. M.
Yakub, Sir Muhammad.
Yamin Khan, Mr. Muhammad.
Ziauddin Ahmad, Dr.

NOES 60.

Ahmad Nawaz Khan, Major Nawab.
 Allah Baksh Khan Tiwana, Khan
 Bahadur Malik.
 Anklesaria, Mr. N. N.
 Azizuddin Ahmad, Bilgrami, Qazi.
 Bajpai, Mr. R. S.
 Banerji, Mr. Rajnarayan.
 Bhoze, The Honourable Sir Joseph.
 Cosgrave, Mr. W. A.
 Crerar, The Honourable Sir James.
 Dalal, Dr. R. D.
 DeSouza, Dr. F. X.
 Desanges, Mr. H. C.
 Dyer, Mr. J. F.
 Elliott, Mr. C. B.
 Fazal Haq Piracha, Shaikh.
 Fox, Mr. H. B.
 French, Mr. J. C.
 Graham, Sir Lancelot.
 Griffiths, Mr. G. I.
 Gwynne, Mr. C. W.
 Heathcote, Mr. L. V.
 Hira Singh Brar, Sardar Bahadur
 Captain.
 Howell, Mr. E. B.
 Ibrahim Ali Khan, Lt. Nawab
 Muhammad.
 Ishwarsingji, Nawab Naharsingji.
 Jawahar Singh, Sardar Bahadur
 Sardar.
 Knight, Mr. H. F.
 Lal Chand, Hony. Captain Rao
 Bahadur Chaudhri.
 Lall, Mr. S.

Misra, Mr. B. N.
 Montgomery, Mr. H.
 Moore, Mr. Arthur.
 Morgan, Mr. G.
 Mujumdar, Sardar G. N.
 Mukherjee, Rai Bahadur S. C.
 Noyce, Sir Frank.
 Parsons, Mr. A. A. L.
 Pelly, Major H. B.
 Rafiuddin Ahmad, Khan Bahadur
 Maulvi.
 Raghbir Singh, Kunwar.
 Rainy, The Honourable Sir George.
 Rajah, Rao Bahadur M. C.
 Rajan Baksh Shah, Khan Bahadur
 Makhdum Syed.
 Rama Rao, Rai Bahadur U.
 Row, Mr. K. Sanjiva.
 Sahi, Mr. Ram Prashad Narayan.
 Sams, Sir Hubert.
 Sarma, Mr. R. S.
 Schuster, The Honourable Sir George.
 Scott, Mr. J. Ramsay.
 Shah Nawaz, Mian Muhammad.
 Studd, Mr. E.
 Suhrawardy, Sir Abdullah.
 Sykes, Mr. E. F.
 Tait, Mr. John.
 Talib Mehdi Khan, Nawab Major
 Malik.
 Todd, Mr. A. H. A.
 Wajihuddin, Khan Bahadur Haji.
 Young, Mr. G. M.
 Zulfikar Ali Khan, Sir.

The motion was negatived.

Lala Hari Raj Swarup (United Provinces: Landholders): I beg to move:
 "That in Part I of Schedule I to the Bill, amendment No. 3 be omitted."

The purpose of my amendment is to replace machinery and subsequent items on the free list on which they have stood from 1921 right up to the 27th October, 1931. Throughout the world we find that in no country is there a duty on machinery and on raw materials. In this respect the Government of India are making a departure. The Finance Member when winding up the debate on the consideration stage quoted Professor Keynes' dictum that taxation should be such as to encourage production rather than restrict production. I wish to put to him this question, will this heavy duty of 10 per cent. on machinery encourage production or restrict production? I hold that this duty of ten per cent. on machinery will restrict all industrial progress in the country. On the one hand the Government say that there will be encouragement to Indian industries and on the other hand they impose duties which are likely to take away the advantages. That is, they want to take away with one hand what they are giving with the other. From day to day we find that inquiries for protection are being referred to the Tariff Board. What is the use of referring inquiries to the Tariff Board when on the one hand you impose heavy duties on machinery and on the other duties on raw materials with which the industries are chiefly concerned? The Government ask our support for the duty on raw materials because they are likely to benefit a certain section of the Indian population who are agriculturists, and much is made of that. I cannot understand how a duty on machinery will

benefit any section of the Indian people. On the other hand it is likely to retard industrial progress and the retardation of industrial progress will mean a serious blow to agriculture as well, because I feel that agriculture and industrial progress go hand in hand, and there is no antagonism between the two, although efforts may be made to create it. Besides, Sir, it is not a question of duty on machinery, and it might be said that it is a temporary measure and only meant for revenue purposes and that it will be removed as soon as the financial emergency passes, but a tax on machinery at this time means a permanent enhancement to the capital cost of all those industries which are to be set up henceforward. It means you are penalising all those people who want to establish industries after the imposition of this duty. It will not only mean a temporary increase in cost, but it will mean a permanent increase in the cost of production. It might be said that there was a duty even in India. But it was only a short duty of 2½ per cent. and lasted only from 1916 to 1922. We remember that 1922 was a year when the Government of India had to face a similar or bigger deficit, and the Government at that time decided that the duty on machinery should be removed in order to give an impetus to industry and trade, so that their estimates of income-tax and other taxes might be realised. The real need of the hour is that we should encourage and help industry and trade by all possible means so that there may be a revival of trade and industry all round and Government may be able to realise the taxes according to their estimates. If we look into the trade figures, we find that the imports of machinery into India are fast declining. It might be said that it is due to general depression and cheapening in cost. In 1929-30 the imports were 1,935 lakhs. They fell to 1,530 lakhs in 1930-31. That is, they were short by about 375 lakhs. Even during the short period of six months of the current financial year, the imports of machinery have fallen by about 195 lakhs, and if the imports of machinery go on falling in this way, the House can well imagine what a serious blow it will mean to the industrial progress of our country. When, without the duty, these imports have fallen to such an extent, we can very well say that, with the additional duty of 10 per cent., the imports will fall still further. There are various industries in which the machinery is hardly liable to cost less than a lakh of rupees, and there may be several people who would not like to spend Rs. 10,000 on every lakh. The Tariff Board only the other day reported that the sugar industry in India should be declared protective because we imported sugar to the extent of Rs. 15 crores or 16 crores a year. But a factory of economic size for sugar cannot cost less than Rs. 10 lakhs, which means that an extra duty of Rs. 60,000 has to be paid by those who wish to start sugar factories. So we can very well see that this extra duty will prevent the progress of all those industries which have been declared protective; and it will not only produce that unfortunate result, but it will hamper industrial progress all round in this country. The Honourable the Finance Member of course might say that if you are opposing every tax in this manner, then how am I to make up the deficit? Well, several proposals were made at the consideration stage, as for instance, by Mr. B. Das, by the Honourable the Deputy President and by myself, to explore all avenues of certain new taxes, but the Honourable the Finance Member rejected them one after the other after finding some troubles here and there. But, Sir, troubles are bound to arise in connection with every tax that you propose (*The Honourable Sir George Schuster*: "Hear, hear"); you have to see which way the balance of advantage lies, whether for instance by imposing a duty say on matches you can realize

[Lala Hari Raj Swarup.]

more money without disturbing that trade and industry. So, Sir, I move this amendment and request the House to carry it, because, if they carry this amendment, they will do bare justice to the people of this country. The industrial progress of the country should, we should all see, continue unhampered, and with the industrial progress of the country is bound up the well-being of agriculture. With these words, Sir, I move my amendment.

Mr. B. Sitaramaraju (Ganjam *cum* Vizagapatam: Non-Muhammadan Rural): Sir, I rise to support this amendment. I have tabled under this very head a humbler amendment, and that amendment deals with only a portion of the items covered by this amendment. I do not mean to say by the amendment I have tabled that I have any particular sympathy with the millowners of Bombay. Sir, I feel that any tax imposed upon machinery required from industrial development is a clog on that industrial development. With that idea, I intended to move that amendment, in view of the fact that the textile industry is the premier industry of our country; but if this amendment, which covers a much wider range than the one I intend to move, is carried, my purpose will not only be served, but I should feel more glad that the whole of machinery would not be taxed. Therefore at this stage I deem it necessary to intervene in the debate in order to show that it is not right on the part of Government to impose any burden which is likely to hamper the free and unfettered growth of industries in this country. It is an essential condition of the progress of those industries that there should be no clog on them. If I were to repeat any of the general remarks that have been made by the Honourable gentleman who just now resumed his seat, perhaps I would be thought guilty of having said some of the commonplaces of advocacy said to be peculiar to this side of the House. I am not going to do anything of that kind, but I am going to quote an authority which even the Honourable the Finance Member must acknowledge as an authority on the subject entitled to all due respect; it is the Report of the Fiscal Commission. At page 61 of their Report under article 109 the Fiscal Commission said:

"The supply of machinery at the cheapest possible cost has long been regarded in India as an essential condition of industrial progress, and from 1894 when the customs duties were reimposed until 1916 industrial machinery was admitted free of duty. In 1916 a duty of 2½ per cent. was imposed on industrial machinery other than that for cotton spinning and weaving mills, and in 1921 the same rate was imposed on this latter class."

Mark the following words:

"The treatment of machinery raises problems very similar to those which arise in the case of basic industries.—For the development of industries in general the free import of machinery is evidently desirable. On the other hand there are obvious advantages in the encouragement of the manufacture of machinery in India. But this encouragement should not as a rule be given by import duties. These must tend to injure the general industries of the country by raising the cost of one of the prime constituents of production. Our conclusion therefore is that when a case is made out for the encouragement of the manufacture of machinery in India, such encouragement should be given by means of bounties. We admit that there may be exceptions to such a rule. For instance, jute being a monopoly of India, it is possible that the jute manufacturing industry might be able to bear an import duty on its machinery, with a view to develop the manufacture of this machinery in India."

and so forth.

But here what the Commission specifically laid down is that even if it is a question of providing for the growth of manufacture of machinery in

the country, even in that case the Commission laid down that you should not impose any duty, and all that you have got to do is to give them bounties, but never impose any duty, because that will hamper the industrial progress of the country. Now the main justification—if we now turn to page 12 of the Finance Member's speech—for his proposal is this. He said:

"We propose to put duties of 10 per cent. on machinery and on dyes and of half an anna per pound on raw cotton. We must expect criticisms in respect of those duties, especially from the cotton mills, and I must acknowledge that their imposition may appear to be in some manner inconsistent with the previous policy of the Government. The justification must be in the need for revenue. . . ."

Sir, that is the justification which the Honourable the Finance Member pleads. He says that for revenue purposes even a tax on machinery may justifiably be imposed, but there again I submit he is wrong because the Fiscal Commission itself stated that even for revenue purposes we should never impose any import duties on machinery. I am going to read the passage in which they lay down that principle:

"As we have laid down the principle that, in order to avoid injuring industrial development, import duties should not be laid on machinery to encourage its manufacture in India, it follows that we cannot approve the principle of taxing machinery for purposes of revenue." (Hear, hear.)

The Fiscal Commission's Report is now thrown into the waste-paper basket because it is laid down there that fiscal considerations are absolutely unjustifiable in a matter of this kind. It is always recognised as an essential condition of the progress of a country—and remember that our country is very backward in the matter of industrial progress—that no machinery which would help the growth of industry should be made costlier than it need be. In these circumstances, any duty upon machinery is not justifiable. There was a time when, as the previous speaker remarked, Government imposed a duty of 2½ per cent. on machinery for revenue purposes. That was in 1916. But that did not include textile machinery. They imposed the 2½ per cent. duty on other machinery. Subsequently, in 1921 they imposed a 2½ per cent. duty on textile machinery also. The Fiscal Commission reviewed the whole situation subsequent to that and they condemned the action of Government in raising this revenue for fiscal purposes. But to-day not only are the Government of India guilty of a departure from the policy laid down by the Fiscal Commission, but they have revived and deliberately increased the old duty of 2½ per cent. of 1916 to 10 per cent. now.

There is another point from which we have to look at this matter. We as a country are not manufacturers of machinery. We purchase machinery from foreign countries for industries in which we compete with those foreign countries that produce that machinery. Therefore we are already handicapped in that we have to purchase machinery from a country with which we are competing. That being already a disadvantage, to impose an additional duty on these articles is to put this country at a further disadvantage.

The third point I would like to mention is that freight charges have considerably increased. This will add a third burden to the already burdened machinery of this country. On these three grounds I maintain that the Government of India are not justified in imposing this additional duty on machinery. In view of the fact that this amendment of my Honourable friend, Lala Hari Raj Swarup, covers printing machines as well, I would like to say a word. The Government of India appear to be particularly

[Mr. B. Sitaramaraju.]

hard on printing presses in this country. It is only the other day we met at Simla and passed the Press Act and thereby humiliated the Press. We have put the printers at a great disadvantage. The Government of India have not only humiliated the Press by passing the Press Act, but under this Finance Bill they are sought to be impoverished. The other day, one Honourable gentleman from the European Group, Mr. Elliott, remarked that it was found to be much much cheaper to get a book printed in England than to get it done locally. Sir, what a sad commentary on the merits of the Government and the condition of those printers can there be than the illustration which the Honourable gentleman gave us! Sir, I strongly support this motion and say that Government are not at all justified in putting any additional burden on machinery.

Sardar Sant Singh (West Punjab: Sikh): Sir, I do not pretend to be an authority on financial matters. Therefore I prefer to keep my peace rather than to take part in the debates on them. But on this occasion I am reminded of an argument that was advanced from the Treasury Benches when the Wheat Import Duty Bill was being discussed. We on this side tried our best for the omission of clause 3 in the interests of the agriculturists. This clause 3 exempted contracts that had already been entered into from paying the duty. The Honourable the Finance Member, speaking in support of clause 3, used certain arguments the purport of which was that those who had placed orders in foreign markets should not be taxed because they did not know that such a duty was going to be imposed upon foreign wheat. To-day we find that he is introducing this duty on machinery, but we do not find the same consideration being shown to those who have already placed their orders before this duty was brought in. The Honourable the Finance Member and other gentlemen on the opposite side of the House did extend verbal sympathy to the agriculturists which they had better shown when Wheat Import Duty Bill was being discussed. But then the moral considerations intervened to the detriment of the agriculturist. We fail to see why those moral considerations should not be extended now to those firms, companies and individuals who had already placed their orders in foreign countries for machinery and which will be entering India after the duty was imposed. I have got a clear mandate from the Indian Merchants' Association, Lyallpur, to oppose this duty on principle. Therefore, I take this opportunity of giving my support to the amendment moved by my Honourable friend, Lala Hari Raj Swarup.

Mr. T. N. Ramakrishna Reddi: Sir, I will be brief. The futility and undesirability of levying any import duty on machinery is clear from the reasons given in the Fiscal Commission's Report. If the country is to grow industrially, it is quite essential that there should be no obstruction placed in the way of the import of machinery, especially when the country has not taken to the production of machinery. Sir, this machinery includes not only the machinery for the textile industry but also for agricultural purposes, such as sugarcane machinery and others. By imposing this taxation you are hampering the agricultural enterprise of this country. In order to get the previous amendment against levying a duty on raw cotton defeated, some of the Honourable Members joined issues with the Government and spoke very vehemently and expressed solicitude for the welfare of the agriculturist. I want now to ask those gentlemen what justification there is for the imposition of this duty on agricultural machinery

and implements. They have no justification for saying that by imposing this import duty they can give an impetus to the manufacture of machinery in India, because India has not yet taken to the manufacture of any machinery, and she is not likely for some years yet to take to it. For all these reasons, I have great pleasure in supporting this amendment.

Mr. Nabakumar Sing Dudhoria (Calcutta Suburbs: Non-Muhamadan Urban): Sir, I rise to support the amendment which has been moved by my Honourable friend, Lala Hari Raj Swarup. Sir, it is an undoubted fact that a great national emergency has arisen and everybody having the interest of India at heart should leave no stone unturned to alleviate the present distressing financial situation of the Government. But in adopting measures for the realisation of this purpose we must not sacrifice prudence and sound finance. Consequently the measures that have been put forward by the Honourable the Finance Member for solving the present financial situation of the Government have more shocked the Indian public than evoked their sympathy and good-will. Next, Sir, the proposal for the levy of additional import duty on machinery contravenes all sound commercial policy. It is forgotten that at a period of serious industrial depression the levy of a prohibitive duty on machinery is calculated to accentuate the difficulties of the industrialists and arrest further the expansion of industries and thereby restrict the beneficent activities of the people. The Government destroy rather than construct by such a proposal.

The Indian Fiscal Commission laid down, amongst their recommendations, that the import of machinery should be free and such a tariff policy with regard to machinery is universally followed by every civilised country. Again, if import duties act prejudicially upon the expansion of industries, such measures are bound to produce an unfavourable reaction upon the sources of other revenue. In taxing machinery the Government go back upon those recommendations.

Again, Sir, it is a principle of sound finance that all import duties, in order to be productive of revenue, must not be pitched at too high a figure, for that is likely to be accompanied by diminished production and thus frustrate the anticipations of the increased yield. As the demand for the greater part of India's import is elastic, depending largely upon her export, it is unlikely that there would be any substantial improvement in revenue by that process. This conclusion is further strengthened by the fact that, owing to the collapse of the prices of agricultural commodities which India exports so largely, the purchasing power of the country has been so much crippled that, unless there is a substantial improvement in that purchasing capacity, the diminished consumption of imported goods is quite inevitable.

Sir, it is not by adding to the burden of taxation but by bringing about relentless economies in the civil and military administration of the country that the present crisis could have been effectively tackled. The retrenchment proposals which the Honourable the Finance Member has announced are utterly disappointing. A general cut or an universal cut of 10 per cent. for all grades of officers, irrespective of their salaries, is really most iniquitous and unjust. The cuts should rather have been on a progressive scale if they were really intended to fulfil the very object of retrenchment. There may be a policy underlying the plan followed, but the popular sentiment has to be counted as well. In not following a graduated scale in

[Mr. Nabakumar Sing Dudhoria.]

all the departments without discrimination, and in including the proposed surcharge within the enhanced income-tax rates, the Government have exposed themselves to any amount of criticism. In fact, when the Government have not yet explored the sources yet untapped, they should for the sake of only keeping alive the normal industrial activities of the country, refrain from taxing machinery just at present. In consideration of what I have said already, I beg to support this amendment.

Mr. Bhuput Sing (Bihar and Orissa: Landholders): Sir, I also join the previous speakers in supporting this amendment. In supporting this amendment I am quite apprised of the fact that a great national emergency has arisen and we have got to assist the Government in tiding over their acute financial situation. But as men of the world and as practical men, we have got to move cautiously and prudently in our ways and means for the alleviation of the distressing situation.

Sir, the proposal for the imposition of additional import duties on machinery militates against all maxims of sound finance and prudent commercial policy. It is apparently forgotten that at such a period of serious industrial depression prevailing in the country, the levy of a prohibitive duty on machinery will not only increase the difficulties of the industrialists but will also hamper further expansion of industries in the country. We have just of late been making some strides in the field of industry through the help of machinery imported from abroad, and have just been striving to achieve some place, however low and insignificant, in the industries of the civilised world, when comes this bolt from the blue, indirectly intending to scotch our industrial progress.

Next, Sir, the Indian Fiscal Commission have laid down, amongst the other recommendations, that the import of machinery should be free. Such a tariff policy with regard to machinery is in fact universally followed by every civilised country in the world. Again we must not lose sight of the fact that if import duties will affect prejudicially the expansion of industries, such duties must produce a prejudicial effect upon the sources of other revenue.

Sir, by this proposed duty on imported machinery the Honourable the Finance Member will be indirectly crippling some of the constructive activities of the nation which is struggling hard to forge ahead. Sir, I own that my country has incurred the displeasure of the Government at Home by placing her orders for machinery in the Continental countries to the exclusion of Great Britain, but when we take into consideration the comparative cheapness in price and maintenance, simplicity in design and handling, excellence in get-up and durability of life of the machinery that is imported from Germany, France, Belgium and America, we cannot but show our decided preference for the machinery of those countries. Perhaps that is the sin for which we have been taken up in this country by the Honourable the Finance Member in the present Finance Bill by such a proposal for an import duty on foreign machinery. But I may tell him that my country has shown no preference for non-British countries in the matter of purchase of machinery, either actuated by the principle of boycott of British goods or for mere cheapness. We are and shall ever be willing and ready to buy machinery from Great Britain if it will come up to the

standard, quality, specification and price required by us. But he should not deter or discourage us from going in for machinery from foreign countries by such indirect and roundabout methods. I should not have thought it worth while to launch upon this topic if the Honourable the Finance Member had disclosed to us his true aim and object in bringing forward this proposal, apart from the obvious object of collecting a revenue in this emergency. Sir, with these words, I beg to support the amendment.

Shaikh Sadiq Hasan (East Central Punjab: Muhammadan): Sir, I consider that there is a deliberate attempt on the part of the Government to smother the Indian industries. It is a very well known fact that India is not an industrial country, and the duty of the Government is to develop Indian industries. What do we find? Now they intend to impose a duty on machinery. Machinery is not made in India. So it is not in the interests of the country that they are doing this thing. I think what they are doing is in the interests of foreign countries, because by doing so they will increase the price of the goods manufactured here. The Government, I think, should take a lesson from a country like Japan. Years ago there were no industries in Japan. What did they do? They did not propose duties on machinery but on the other hand encouraged young men to go to foreign countries and learn all about different machinery, and when they came back they subsidised the mills, they subsidised the people, to build up big industries. But the Government here have never had that policy in view. Their main object has been to keep India absolutely as an agricultural country so that it may not be in a position to compete with foreign countries in industries. I will just tell you how it would affect at least one industry with which I am familiar, the carpets industry. The carpets industry used to support in India thousands of people, but very unfortunately the exchange in Persia has made their carpets cheaper in America, with the result that the carpet industry in India is losing ground. By charging a duty on machinery, the result would be that yarn would become more costly: I cannot say about dyes because that will come later on, but that would also raise the price of yarn and dyes, and the result would be that we will be quite unable to compete with Persia.

In the same way the people will have to pay more for the goods because if the machinery is costly naturally the manufacturer must put a higher price on the goods he manufactures. I think that the Government whatever they may do, ought to bear in mind one thing, that the only salvation of a country lies in its industrial development. Let them look at the millions of unemployed people who are starving in this country. Millions are starving because they have got no work to do. The function of the Government should be to find ways and means to provide them with employment. The English Government give so many things to their unemployed—doles, insurance benefits and such things. But what are the Government of India doing for those here? The one way to help them would have been to give them some sort of employment, and employment could only be given if bounties could be given on the machinery which is imported into India. Do the Government think for a minute that, by putting duties on machinery, they will be giving work to the starving millions in India? Their duty is to see how they can help them. As far as I know, and as far as the House knows, they have not devised one scheme to help these starving millions, these dumb millions; and the bureaucrats always say they are the true representatives and the true sympathisers of these dumb millions. If they had the least sympathy, I

[Shaikh Sadiq Hasan.]

consider they would find ways and means to help them, and there is no better way to help them than that they should develop industries and encourage industries in this country. I am afraid this is not the way to encourage industries. I am not going out of the way if I say that they should appoint experts in connection with machinery, because the main reason why the people are not able to introduce machinery in this country is that it is very easy to get that advice of an expert in England and much cheaper too, but here unfortunately, if a man puts up a small piece of machinery, he cannot get the advice of an expert because he has to pay very heavily, with the result that he cannot start or develop any new industry; and as I said before, machinery is not made in this country. If there had been the least chance of machinery being manufactured in this country in the interests of the country, they would have been justified in putting a duty on it; but I am positive that it will take a very large number of years before there are people who even think of manufacturing machinery. With these words, I support the amendment.

Mr. Muhammad Muazzam Sahib Bahadur (North Madras: Muhammadan): I think, Sir, that of all the items on which the Honourable the Finance Member has been pleased to levy a duty, machinery is the one which ought not to have found a place in that list. As it is, I think I can maintain without fear of contradiction that the policy of England has been to crush Indian industries rather than foster them. To me it appears that England has always taken a very keen interest in putting down our industries in every way possible. At the present moment, very large quantities of machinery are being imported into this country, and with the help of this machinery we are manufacturing many things, such as banians, socks, etc. We are getting machines for extracting oil. All that will be lost to us. At least a burden will be placed on their free import into this country. I have always thought that there were a number of other items which could have been very properly taxed, on which customs duties could have been more properly levied, but that has not been done because such a course would hamper the trade of England

The Honourable Sir George Raïny: Can my Honourable friend give me a list of those articles?

Mr. Muhammad Muazzam Sahib Bahadur: I think I will. Is it the idea of the Government of India that no machinery of any kind by which Indian industries are being kept up at the present moment, should come to this country? At least that appears to me to be the guiding spirit of the Government of India. Then, in times like these when we have got very few industries in which our young men could be employed, and when we have lots of them unemployed, if you deprive us of the little machinery which we are getting from foreign countries, I really do not know what the condition of India would be in the next few years.

Another point has occurred to me and it is this: that Government in manipulating the levy of taxes on machinery and other goods which are imported into this country always take care to put in the proper thing at the right moment. Government might have suggested the levy of a tax on machinery long ago, but they thought that if under ordinary conditions they suggested the levy of a customs duty on machinery or such like useful articles, then the result would be that that would have evoked a lot of opposition. But they wedge in the right item at the right moment when

there is financial stringency and something has to be got by taxation: the right moment has now come and the duty on machinery is now being introduced. I think that although we failed on the amendment on raw cotton—and I really do not know what the result of a division on this amendment would be—I think this amendment which relates to machinery is a far more important amendment than that on raw cotton and I hope that this will have the support of a big majority in this House.

Some Honourable Members: The question may now be put.

Mr. President: The question is:

"That the question be now put."

The motion was adopted.

The Honourable Sir George Schuster: Sir, I have not been given very much to answer in the speeches in support of this amendment, and what I have to say very largely covers the same ground, or at least embodies the same principles, as those with which I had to deal in my speech on the last amendment

Dr. Ziauddin Ahmad: Is there any benefit to the agriculturist?

The Honourable Sir George Schuster: I have already made it clear, and the view is, I think, felt in all quarters of the House that there are a large number of these taxes which we should prefer not to have to impose, and if I might select one which I should like to see go as soon as possible as soon as the revenue needs no longer exist, of all the import duties I should like to see this one go. But, Sir, on the other hand, it offers a chance of raising a very important amount of revenue, and in all the circumstances, we think it is justifiable to impose this charge as part of our general plan. I want to emphasise that point again, it must be regarded as part of our general plan. That sentence has two implications; first of all, the implication that if we do not impose this tax we shall have, for the sake of achieving our objective, to find some alternative to it, and the second implication is that it must be taken together with the effects of all the other customs import duties which we are imposing.

Now, Sir, the last speaker has made a charge against the Government that they have some sinister motive, some desire to crush Indian industry to which they hope to give effect by imposing this duty. He has suggested that the Government have taken advantage of their need for revenue as an excuse to satisfy their hidden and nefarious design. Sir, I venture to say that any one, who reviews our programme as a whole and who takes this programme which we are now putting forward in combination with measures which have been introduced in the last two Budgets, will see at once that such a charge is a gross misrepresentation. I do not think that, if I were to take my Honourable colleague, the Commerce Member, and ask him to stand in the dock beside me, considering the amount by which we together have increased the customs import duties in the last two years on articles in which India is particularly interested, I do not think that either of us could have the slightest anxiety in meeting a charge of that kind.

Now, Sir, I would like to put to the House that they must regard our programme as a whole. If we were considering how best to produce

[Sir George Schuster.]

revenue at a time like this, and if we found that the taxation levied on the import of articles for which, according to our policy, no further protection was required, was a fruitful source of raising revenue, it would, I submit, be legitimate for us,—in fact it would be the normal course—if corresponding with those new import duties we were to impose countervailing excise duties. That would have been the normal, legitimate course which, looked at from a purely financial point of view, this Government or any other Government might have followed. We have not followed that course; we have not suggested anything of that kind. We know what the national feeling is on matters like the cotton excise duties, and I think my friend, Mr. Mody, from Bombay owes a debt of gratitude to the nation—I make no claim to it on behalf of the Government—for having saved him from a sound revenue-producing measure of that kind. If that sort of measure has not been introduced, and if the claims of industry are advanced in opposition to this tax on machinery, I suggest that it is fair to regard it as a very small burden justifiable in the same way and on the same principle by which a countervailing excise duty might have been justified. It will, I believe, in many cases operate something in the same way. I understand that one of the industries which may be most severely burdened by this imposition will be the oil industry. They require a very large quantity of consumable machinery; that is to say, machinery not required on one single occasion as capital equipment, but machinery which is worn out and which is constantly being consumed. I believe that, as far as the Burma oil industry is concerned, they will probably be the people who will be most heavily hit by this tax. I had certain figures supplied to me,—I do not know whether any of my friends on the right will correct me—but the figures supplied to me seem to indicate that for the B. O. C. this tax might be equivalent to a burden of something like Rs. 13 lakhs a year. I believe that is about correct.

Well, a good many speakers at an earlier stage in this discussion have urged the point that we ought to equalise the excise duty and the import duty on kerosene. I would ask them,—speaking according to my text that we must regard this programme of taxation as a whole,—I would ask them to take into account the very special burden which is being put upon the oil industry by this particular tax. That is a subject which no doubt will be discussed more fully at a later stage. I have only brought it in now as an illustration of the way in which we think these taxes will work, as an illustration of my point that our programme must be regarded as a whole, and by taking the argument from the analogy of an excise duty, I have brought in the point as affording some indication of the principle by which we think this particular tax ought to be judged. It is, we hope, a sound revenue-producing measure. We hope by this means to get something like Rs. 52 lakhs in the current year, and Rs. 103 lakhs next year. If that is cut out, I would ask Honourable Members to exercise their imagination as to where I am to turn to fill the gap. We can think of no better method; we think in all the circumstances as an emergency measure this is justifiable, we think it is a fairly sure measure of raising revenue, and on those grounds I have no hesitation, Sir, in opposing this amendment.

Mr. President: The question is:

That in Part I of Schedule I to the Bill, amendment No. 3 be omitted.

The Assembly divided:

AYES 53.

Abdur Rahim, Sir.
Aggarwal, Mr. Jagan Nath.
Anklesaria, Mr. N. N.
Azhar Ali, Mr. Muhammad.
Badi-uz-Zaman, Maulvi.
Bhuput Singh, Mr.
Chetty, Mr. R. K. Shanmukham.
Chinoy, Mr. Rahimtoola M.
Das, Mr. A.
Dudhoria, Mr. Nabakumar Sing.
Dumasa, Mr. N. M.
Fazal Haq Piracha, Shaikh.
Gour, Sir Hari Singh.
Guhjar, Mr. N. B.
Harbans Singh Brar, Sardar.
Hari Raj Swarup, Lala.
Ibrahim Ali Khan, Lt. Nawab
Muhammad.
Ismail Ali Khan, Kunwar Hajee.
Isra, Chaudhri.
Jha, Pandit Ram Krishna.
Jog, Mr. S. G.
Lahiri Chaudhury, Mr. D. K.
Lalchand Navalrai, Mr.
Liladhar Chaudhury, Seth.
Maswood Ahmad, Mr. M.
Misra, Mr. B. N.
Mitra, Mr. S. C.

Mody, Mr. H. P.
Muazzam Sahib Bahadur, Mr.
Muhammad.
Mujumdar, Sardar G. N.
Murtuza Sahib Bahadur, Maulvi
Sayyid.
Parma Nand, Bhai.
Patil, Rao Bahadur B. L.
Puri, Mr. B. B.
Ranga Iyer, Mr. C. S.
Rastogi, Mr. Badri Lal.
Reddi, Mr. P. G.
Reddi, Mr. T. N. Ramakrishna.
Sadiq Hasan, Shaikh.
Sant Singh, Sardar.
Sarda, Raj Sahib Bahadur.
Sen, Mr. S. C.
Sen, Pandit Satyendra Nath.
Shah Nawaz, Mian Muhammad.
Singh, Kumar Gupteshwar Prasad.
Singh, Mr. Gaya Prasad.
Sitaramaraju, Mr. B.
Sukhray Rai, Rai Bahadur.
Talib Mehdi Khan, Nawab Major
Malik.
Thampan, Mr. K. P.
Uppi Sahib Bahadur, Mr.
Ziauddin Ahmad, Dr.
Zulfiqar Ali Khan, Sir.

NOES 52.

Ahmad Nawas Khan, Major Nawab.
Allah Baksh Khan Tiwana, Khan
Bahadur Malik.
Azizuddin Ahmad Bilgrami, Qazi.
Bajpai, Mr. R. S.
Banerji, Mr. Rajnarayan.
Bhore, The Honourable Sir Joseph.
Cosgrave, Mr. W. A.
Crerar, The Honourable Sir James.
Dalal, Dr. R. D.
DeSouza, Dr. F. X.
DeSaeghe, Mr. H. C.
Dyer, Mr. J. F.
Elliott, Mr. C. B.
Fox, Mr. H. B.
French, Mr. J. C.
Graham, Sir Lancelot.
Griffiths, Mr. G. I.
Gwynne, Mr. C. W.
Heathcote, Mr. L. V.
Hira Singh Brar, Sardar Bahadur
Captain.
Howell, Mr. E. B.
Ishwarsingji, Nawab Naharsingji.
Jawahar Singh, Sardar Bahadur
Sardar.
Knight, Mr. H. F.
Lal Chand, Honv. Captain Rao
Bahadur Chaudhri.

Lall, Mr. S.
Montgomery, Mr. H.
Moore, Mr. Arthur.
Morgan, Mr. G.
Mukherjee, Rai Bahadur S. C.
Noyce, Sir Frank.
Parsons, Mr. A. A. L.
Pelly, Major H. R.
Rafiquddin Ahmad, Khan Bahadur
Maulvi.
Raghubir Singh, Kunwar.
Rainy, The Honourable Sir George.
Rajah, Rao Bahadur M. C.
Rajan Baksh Shah, Khan Bahadur
Makhdom Syed.
Rama Rao, Rai Bahadur U.
Row, Mr. K. Sanjiva.
Sahi, Mr. Ram Prashad Narayan.
Sams, Sir Hubert.
Schuster, The Honourable Sir George.
Scott, Mr. J. Ramsay.
Stodd, Mr. E.
Suhrawardy, Sir Abdullah.
Sykes, Mr. E. F.
Tait, Mr. John.
Todd, Mr. A. H. A.
Yakub, Sir Muhammad.
Yamin Khan, Mr. Muhammad.
Young, Mr. G. M.

The motion was adopted.

Mr. B. Sitaramaraju: I do not propose to move this amendment because I have not got the necessary permission of His Excellency the Viceroy.

Mr. President: If the Honourable Member wishes to move his amendment he can do so. When a point of order is raised as to whether sanction is required, the Chair will decide it.

Mr. B. Sitaramaraju: Sir, I wish to move. I move:

"That in Part I of Schedule I to the Bill, amendment No. 4 be omitted."

The Honourable Sir George Rainy: I raise the point of order that the sanction of the Viceroy is required.

Mr. President: I wish the Leader of the House had explained why he thinks so. The existing rate of tax is Rs. 1-4-0. The Bill proposes to reduce it to one rupee. The amendment does not propose to impose an additional burden on the people if the tax is retained at Rs. 1-4-0. The Chair wants that point to be elucidated.

The Honourable Sir George Rainy: I am glad that attention has been drawn to that point because it requires explanation. Under the commercial agreement which India has entered into with Greece we are precluded from levying a higher duty than Rs. 1-4-0 on currants imported from Greece, and that is the source from which the bulk of the imports come. Now, when the Bill was drafted, the question was considered how it could best be arranged to avoid making a breach of our commercial agreement by the provisions of the Bill. There were two possible ways of doing it. One was to omit currants specifically from the surcharge, but it was thought on the whole better to adopt another plan, namely, to reduce the substantive duty to one rupee and leave it subject to the surcharge. A 25 per cent. surcharge on a duty of one rupee would then restore the duty to Rs. 1-4-0, the original figure. If this amendment were now to be carried, the effect would be to raise the duty including the surcharge from Rs. 1-4-0 to Rs. 1-9-0. That would be the actual effect, and it is for that reason I have raised the point of order that the sanction of the Governor General would be required.

Mr. President: The Chair thinks that the question of relations with foreign countries can form the subject of argument in debate. The question of sanction has to be dealt with on its merits. The present taxation is Rs. 1-4-0. This clause proposes to reduce it to one rupee, and later on, adds a surcharge of 25 per cent. making it Rs. 1-4-0 again. It is a question for the House to decide whether they will accept these proposals or not, but the present amendment does not increase the burden on the people, and therefore the question of sanction does not arise. I should like to read out to Honourable Members the ruling which was given on the 19th March, 1923, by Sir Frederick Whyte. The point of order was raised by Sir Hari Singh Gour and it was as follows:

"May I, Sir, in this connection inquire whether if the Government proposal is for the decrease of the tax, as for instance, under clause 2 of section 3, an amendment maintaining the *status quo ante* would be in order?"

That is exactly the case on the present occasion. The President ruled:

"The existing charge is in the Indian Tariff Act as now on the Statute Book. Therefore, that item could not be held as a proposal to increase the tax."

Therefore no sanction was required.

The Honourable Sir George Rainy: That is certainly so if this particular entry in the Schedule is taken by itself, but when the entry in the Schedule is read with clause 4 of the Bill, then it does have the effect of increasing the taxation.

Mr. President: Will the Honourable the Leader of the House explain in greater detail how he arrives at this conclusion?

The Honourable Sir George Rainy: The present duty on currants, Mr. President, is Rs. 1-4-0. Under this particular entry in Schedule 1, the duty is reduced to one rupee. If that stood alone, I should not have a word to say or had any point of order to raise. I quite recognise that an amendment retaining the existing rate would be in order, but under clause 4 of the Bill,—

"Where any goods chargeable with a duty of customs under Part II, Part IV, Part V, Part VI or Part VII of Schedule II to the Indian Tariff Act, 1894, as amended by section 3, or under any of the said parts read with any other enactment, (when the goods are assessed to duty) there shall be levied and collected as an addition to and in the same manner as the total amount so chargeable, a sum equal to one quarter of such total amount".

That applies to the part of the Schedule by which the duty on currants is imposed. Therefore if this amendment were carried, the substantive duty in the Schedule would remain at Rs. 1-4-0, but in addition there would be levied this 25 per cent. in addition. The sanction of the Governor General has undoubtedly been obtained to the surcharge, and this applies to everything else in the Bill as introduced, on the assumption that the substantive duty goes down to one rupee. It is for that reason I contend that, taking the two parts of the Bill together,—the entry in the Schedule and the provisions of clause 4 of the Bill,—the actual effect of this amendment would be to increase taxation. For that reason, I submit, the sanction is required.

Sir Hari Singh Gour: The Leader of the House might be presented with another case. We pass a certain Act levying a certain duty. The local authorities can pass another Act levying another duty and the municipality passes another bye law demanding a duty as for instance on bicycles. The net result of it could be that the subject will have to pay more duty than what we have passed. That is what is called the resultant effect of a statute, but that is not the intention of the Indian Legislature. It does not matter what the resultant effect is. If the immediate effect of an Act of the Indian Legislature is to raise the taxation, in that case and in that case only the sanction of the Governor General is required. There may be various hard cases; thus, we may pass a piece of legislation and on the top of it other authorities empowered by law may also levy surcharges, but that, I submit, would not take the case out of the jurisdiction of this House. This very point was raised, as you, Sir, have rightly pointed out, by me in 1923 when your predecessor, Sir Frederick Whyte, laid down what I submit was a correct ruling.

Mr. B. K. Shanmukham Chetty: Sir, as the point of order raised on this occasion involves a very important principle relating to the procedure of this House, I would like to say a word in support of the contention that my Honourable friend is perfectly entitled to move his amendment. There is no doubt that the effect of clauses 3 and 4 taken

[Mr. R. K. Shanmukham Chetty.]

together, along with this amendment, would result in an increase of the customs duty, but I would submit that we are now considering clause 3 and the Schedule referred to in clause 3. In considering a particular clause, this House cannot be influenced by what subsequently follows from that clause until this House has had an opportunity of expressing its opinion. If, Sir, in a previous clause, this House had passed the surcharge, then the contention of the Honourable the Leader of the House would be correct, but I contend that we are concerned only with the issues arising out of clause 3 and the issues arising out of the Schedule referred to in clause 3. The proposal of the Government is to reduce the existing tariff, and the amendment of my Honourable friend seeks simply to restore that duty, for which, as you have pointed out, Sir, we do not require the sanction of the Governor General. If, as a result of the passing of that amendment, the ultimate effect is to increase the burden on the taxpayer, then it is for the Honourable the Leader of the House to make the necessary arrangements under clause 4 in proper time, but in so far as we have not yet passed clause 4, I submit we are perfectly entitled to move amendments under clause 3.

Mr. President: The view that the Deputy President has taken is exactly the view I hold. (Hear, hear.) At present, the amendment merely proposes to restore the duty which exists at present, and therefore, no sanction of the Governor General is required. If this amendment is carried, it will be open to Government when clause 4 is reached to move an amendment eliminating the surcharge on this item. I should like to remind Honourable Members, that, the only issue is whether this amendment can be considered by the House without the previous sanction of the Governor General. The Chair holds that the House is perfectly entitled to do so. If the House decides to pass the amendment and restores the tax to Rs. 1-4, it will be open to Government to move an amendment that this item should be excluded from the proposed surcharge. The question concerns the rights and privileges of the House, and the Chair is clearly of the opinion that this amendment is quite in order. (Loud Applause.)

Mr. B. Sitaramaraju: Sir, in moving this amendment, I wish to make it clear that my object is mainly to elicit information as regards the foreign relationship of the Government of India with the country which supplies the currants. When I tabled this amendment which proposes to lower the duty, I thought there might be a discrimination which would not be justified. Since then I have had an opportunity of discussing the matter with the other side and I have come to the conclusion that there are agreements between our Government and foreign Governments on which we should be enlightened so that we may appreciate the point of view of the Government in this matter. Sir, with these few words, I move this amendment, namely:

"That in Part I of Schedule I to the Bill, amendment No. 4 be omitted."

Mr. T. N. Ramakrishna Reddi: Sir, hitherto the Government have been saying that they have to impose additional taxation in order to meet the present deficit, but here I do not see any reason why they should reduce a duty which is already there. So, for the purposes of their own revenues, I propose that there should be no reduction in the existing duty.

The Honourable Sir George Rainy: Sir, I only desire to speak very briefly upon this amendment. There is no intention on the part of Government that this duty should be reduced. Our intention is that the duty should remain exactly at its present figure. I gather that that is also the desire of my Honourable friends. They also desire that it should remain at its present figure. Of course it is possible that the House may decide, when clause 4 comes before it, that there should be no surcharge at all. I hope the House will not decide to that effect, though I cannot but recognize that there is this possibility. But I can assure my Honourable friend that, while we are anxious to maintain the position into which we have entered by the agreement with the Government of Greece, that the duty shall not be increased beyond Rs. 1-4, if, owing to the rejection of clause 4 by this House, we found we were getting the duty on currants at a lower rate, then I am quite certain my Honourable friend, the Finance Member, would be most willing and anxious to get back the revenue which had inadvertently been lost. I will not enlarge on the point—indeed there are not the materials for entering into a long argument about this question—but I should like to ask my Honourable friend whether it is really worth while making very heavy weather about a rather small point (Hear, hear). I should be quite prepared to say that if, owing to any concatenation of circumstances, it seemed likely that these currants were likely to escape the duty of Rs. 1-4, Government would be prepared to take steps to restore it.

Mr. B. Sitaramaraju: I wish, Sir, to ask for leave to withdraw the amendment.

Mr. President: The Honourable Member wishes to ask for the leave of the House to withdraw his amendment.

The amendment was, by leave of the Assembly, withdrawn.

The Assembly then adjourned till Eleven of the Clock on Saturday, the 14th November, 1931.

LEGISLATIVE ASSEMBLY.

Saturday, 14th November, 1931.

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

THE INDIAN FINANCE (SUPPLEMENTARY AND EXTENDING) BILL—*contd.*

Mr. President: Further consideration of the Finance Bill. The next amendment is Sir George Rainy's—item No. 112.

The Honourable Sir George Rainy (Member for Commerce and Railways): Sir, I beg to move:

“That in Part I of Schedule I to the Bill, after amendment No. 9 the following amendment be inserted, namely:

‘9A. In item 46D, for the figure “5” the figure “8” shall be substituted.’”

I should like to explain, Mr. President, to the House how the necessity for this amendment has arisen. Possibly some Members will remember that in the year 1925, there was a Tariff Board enquiry into an application for protection from the printing ink industry. As a result of that enquiry the Tariff Board found that there was no case for protection, but they found also that as the duty then stood, the manufacturers of printer's ink were placed at a disadvantage, inasmuch as owing to the duty they had to pay on their raw materials and the fact that the duty on printer's ink was only 2½ per cent., they were in a worse position than they would have been had there been no tariff at all. The Board therefore recommended on that occasion that, in order to bring to an end this anomalous state of affairs, the duty on printer's ink should be raised to 5 per cent., that rate being sufficient to give what they called tariff equality. That recommendation was accepted by the Government of India and was embodied in a Tariff Bill passed by the Legislature, which raised the duty to 5 per cent. Now, that position of tariff equality was to some extent disturbed by the increase in the rate of duty from 15 per cent. to 20 per cent. last March, and if the House passes the surcharge now proposed on the Customs duties in this Bill, raising what was originally 15 per cent. to 25 per cent., the position will be still further disturbed. It is true that the 5 per cent. duty on printer's ink will also become 6½ per cent., but owing to the increase in the duties on materials, as nearly as Government have been able to calculate, the effect would be that in order to produce tariff equality, a duty of not less than 8½ per cent. would be required. Now, Government felt that when this House and the Legislature as a whole had definitely affirmed the principle that in the case of this particular industry, the manufacturers were entitled to have tariff equality in the sense that they should not be placed in a worse position than they would be if there were no tariff,

[Sir George Rainy.]

it was incumbent upon Government to modify in this small point their proposals, so that the Indian manufacturer would not be prejudiced. On the whole it seemed to us that it was desirable to err, if we erred at all, on the safe side, in the sense that the Indian manufacturer should have a small margin rather than that the duty should be a little less than the proper duty. What is proposed therefore is this, that the substantive duty on printer's ink should be raised from 5 to 8 per cent., and then, if this House passes clause 4 of the Bill and puts on the surcharge, the duty would be raised to 10 per cent. That would give the Indian manufacturer a very small margin. Substantially what we are proposing is merely to retain the decision affirmed in 1925 that there ought to be tariff equality.

There is only one other point that I think I need mention. As is well-known, the general policy, as regards printing machinery and printing materials, in the past has been to keep the duties as low as possible. That is not a point which has been overlooked, nor was it overlooked by the Tariff Board in 1925 when they proposed the increase in the duty from 2½ per cent. to 5 per cent. This is what the Board said in paragraph 16 of their Report:

"If the higher duty had made a substantial increase in the cost of printing there might have been room for hesitation, but it has already been shown that the effect is negligible. The 5 per cent. duty will not amount to more than 1/7th of 1 per cent. of the cost of printing and the additional burden imposed on the consumer will not exceed Rs. 20,000 a year."

That statement in the Tariff Board's Report was based on evidence received from printing firms themselves. Therefore what I am asking the House to agree to just now does not amount to more than this, namely, so far as the printing industry is concerned, to increase the cost of printing by about 1/7th of 1 per cent. of the total cost. I think Honourable Members will agree that that is not likely to be a heavy burden. Sir, I move.

The motion was adopted.

Mr. President: The next amendment* is from Lala Hari Raj Swarup. (The Honourable Member was not in his place.) The same amendment also stands in the name of Mr. T. N. Ramakrishna Reddi. (This Honourable Member also was not in his place.) It is curious that Honourable Members who have given notice of amendments are not present to move them. Yesterday, the House decided to retain machinery in the free list. This clause imposes a duty of 10 per cent. on machinery, and unless it is deleted by the vote of the House, a very difficult situation will arise.

Sardar Sant Singh (West Punjab: Sikh): I rise to a point of order, Sir. After we have voted for retaining machinery in the list of articles admitted into India free of duty, can we discuss this item? Is it not barred?

Mr. President: It becomes in the nature of a consequential amendment. The clause in the Bill remains that the import duty on machinery shall be levied at 10 per cent. Having retained machinery in the free list, the consequential amendment must be moved and this clause must be deleted. Three Honourable Members have given notice of this amendment; none of them is present here to move it.

The Honourable Sir George Rainy: Might I suggest, Sir, that it might be postponed until we come to the end of the Schedule? In the circumstances I do not see what other course can be adopted.

Mr. R. K. Shanmukham Chetty (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): I should like to ask from you, Sir, whether in fact those amendments deleting the proposed duty of 10 per cent. under machinery have to be moved at all in the light of the decision that this House gave yesterday. My point is this. The effect of the discussion that we had yesterday and the result of the voting is that this House has definitely decided that machinery should remain on the Schedule of free duties and that a duty should not be imposed upon machinery. A definite verdict of this House has been given on that point; and therefore that part of the Schedule relating to the imposition of a 10 per cent. duty on machinery is entirely out of order, because it will raise a discussion on a point on which the House has given a decision.

Mr. President: The Chair has explained the position very clearly. Honourable Members cannot be unaware of the fact that if an alteration or amendment is made in one part of the Bill necessitating consequential amendments they are moved and agreed to. The levying of the duty, in view of the vote of the House, would not be in order; but the clause remains in the Bill and that clause has to be deleted by a vote of the House. The Chair does not wish to hear anything more on the subject. The Chair is prepared to accept the suggestion of the Leader of the House and will hold over this amendment till the end of the consideration of the Schedule.

The next amendment* stands in the name of Lala Hari Raj Swarup. (The Honourable Member was absent.)

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, this is the difficulty which we on this side of the House feel very keenly. Here are the amendments. I did not know till I came here in what order they would be taken, and I think it would have been very convenient if your decision had been communicated to us saying these were the orders, so that Members might be ready in time.

Mr. President: Honourable Members must be aware of the procedure that has been followed all these years, namely, that in regard to Schedules to any clause of the Bill the Schedule is taken first. I do not think Honourable Members have any grievance when the usual procedure which has been followed all these years is adopted on the present occasion. They can, if they take a little trouble, find out the order in which amendments will be placed before the House according to past procedure.

Dr. Ziauddin Ahmad: I have no grievance against the decision of the Chair. What I said was that the decision might have been communicated just as the proceedings.

Mr. President: It is the duty of Honourable Members to know in what order amendments will come before the House.

*"That in Part I of Schedule I to the Bill, amendment No. 11 be omitted."

*"That in Part I of Schedule I to the Bill, amendment No. 15 be omitted."

[Mr. President.]

The next amendment* stands in the name of Mr. Dudhoria. (The Honourable Member was absent.) The same amendment is from Mr. Ramakrishna Reddi. (The Honourable Member was absent.)

That concludes the consideration of Schedule I (Applause), except amendments dealing with machinery.

Mr. R. K. Shanmukham Chetty: If the amendment relating to machinery is a consequential amendment, then I would submit, Sir, that somebody on the Government side might move it as a consequential amendment resulting from the decision of the House yesterday.

The Honourable Sir George Rainy: I would suggest, Sir, that it is within the competence of the Chair, if it thinks fit,—and there is no objection to accept an amendment without notice—to permit some Member on the other side, although he has not given notice, to move it. He might ask your leave to move the amendment now.

Mr. President: I have said repeatedly during the previous session in Delhi that, with the consent of the whole House, the procedure can be varied. I accept the suggestion of the Leader of the House and call upon Mr. Chetty to move the amendment.

Mr. R. K. Shanmukham Chetty: Sir, with your permission, I beg to move:

"That in Part I of Schedule I to the Bill, amendment No. 11 be omitted."

This amendment is purely a consequential amendment, which is the result of the decision of the House yesterday. Sir, I move.

The Honourable Sir George Rainy: Sir, I do not rise to oppose this amendment. I have great sympathy with the Honourable gentlemen on the other side in the somewhat unexpected difficulty in which they found themselves, a difficulty which I myself had not foreseen. But I think it is clearly the duty of all parties in this House to act so that the House shall not be seriously embarrassed by purely fortuitous circumstances. All I wish to say as regards the amendment itself is that Government have considered what their attitude on it ought to be. What they felt was that it would not be consistent with what is desirable and proper in the regulation of the proceedings of this House that we should make an attempt at this stage or in this form to ask the House to reverse the decision at which it arrived yesterday. For that reason I have no further remarks to make about this amendment.

Mr. President: The question is:

"That in Part I of Schedule I to the Bill, amendment No. 11 be omitted."

The amendment was adopted.

Schedule I, as amended, was added to the Bill.

*That in Part II of Schedule I to the Bill, the following be omitted:

(2) Machinery, comprised in Items Nos. 59A, 59B, 59C and 59D."

Mr. President: The question which I have to put now is:

"That clause 3 stand part of the Bill."

The motion was adopted.

Clause 3 was added to the Bill.

Mr. President: Clause 4, Seth Haji Abdoola Haroon*. (The Honourable Member was absent.)

Dr. Ziauddin Ahmad: Sir, I beg to move that clause 4 be omitted. The object of the clause is to impose a surcharge of 25 per cent. or one quarter on the customs duties now payable. That is to say, 25 per cent. duty is added without any consideration whether a particular commodity can stand this surcharge or not. That is really a very novel practice. We have an uniform addition of 25 per cent. without any consideration of the fact whether a particular article is such that it can stand this additional duty. I would have very much welcomed it if the Finance Department had scrutinised the various commodities and had recommended a varying scale. Besides, this proposal to increase the customs duties by 25 per cent. all round is not consistent with the Finance Member's proposals for retrenchment. In the case of retrenchment, the Finance Member insists in saying that there should be a uniform cut of only 10 per cent.; but when it comes to increasing the customs duties, he suddenly jumps up, from the figure of 10 per cent. to the figure of 25 per cent. I should like to impress it very strongly upon him that the figures for the surcharge on customs duties should be the same as the cut which the Honourable the Finance Member may accept in the case of salaries. If he is prepared to have a 25 per cent. cut in salaries throughout, I on my part will withdraw my motion. But if he wants only a cut of 10 per cent. in salaries throughout, then is it not also reasonable that he should increase the customs duties also by only 10 per cent. and not by 25 per cent.? If a uniform increase is to be made, then the percentage should be the same as he accepts for the cut in salaries; i.e., the surcharge in the customs duties must be exactly equal to the cut which the Finance Member may be prepared to admit in the case of salaries.

Sir, we have always on this side of the House pressed for a cut on a graded scale. That is to say, the same percentage should not be applied to all salaries, from the highest to the lowest; and the same principle should be applied to the commodities. There are certain commodities in which the yield is exactly equal to our anticipation; there are other articles in which the increment is much less than what we anticipate, and there are others in which the law of diminishing returns has already applied. Therefore the principles ought to be followed that in the case of articles in which the law of diminishing returns does not apply and which can stand increased taxation, there might be an increase of 25 per cent. in the duty; that in the case of articles which cannot stand so much, they should be put under a second head and charged an increase of only 15 per cent.; in the case of articles which will pay less and where the laws of diminishing returns apply with full force, there should be no increase at all in the duties. In fact in this case the duties should be reduced. I say therefore that all the commodities in Schedule II of the Indian Tariff Act ought to have been classified under four different heads—one in which there ought to have been no increment, second in which the increment ought to have been 10 per cent., third, in which

*That clause 4 be omitted."

[Dr. Ziauddin Ahmad.]

the increment ought to have been 15 per cent., and lastly those in which there might have been an increment of 25 per cent.; and I say these percentages ought to be the same as those which the Finance Member may accept in respect of the cut in salaries. I therefore plead that the position of the Finance Member is entirely untenable. On the one side he is not prepared to accept any cut beyond 10 per cent., on the other he comes and imposes a surcharge on taxes and duties to the extent of 25 per cent.

These are my two points, and I hope that the Finance Member will modify his decision and he will adopt a graduated scale in increasing the import duties on the same lines as he will have a graduated scale in the cuts in salary, and that these duties should be classified as I have suggested: this can be easily worked out in his office. Though we have not got the same amount of information as the Finance Member, we on our side are prepared to supply him with such a list, dividing the items in Schedule II of the Indian Tariff Act of 1894 into four different classes on which the surcharge might be levied on an incremental scale.

I have heard of a story in which there was a town called Ulti Nagri ruled by a king who was called Chaupat Raja, where all articles were sold for half an anna per seer—from charcoal to chocolates the price was the same. I thought it was a mere story and that it would not have a repetition in the civilised world of today in the year 1931. But the Honourable the Finance Member has really adopted the principle of this story, in that he has uniformly increased the price of all articles by 25 per cent., without considering whether the articles were such that they could stand the increased taxation or could not. He did not take the slightest trouble to find out whether the increase in the taxation would really mean an increase in the total revenue or whether the increased duty would result in a diminution in the total receipts from customs duties on that particular article.

I therefore think that it is a really important point. I never heard of such a thing, that there should be a uniform increase of 25 per cent., and I think it would have been much better if the Finance Member had given all the details and classified the articles mentioned in the schedule on an incremental scale, and then he would have had the support of this side of the House. But for an unreasonable proposal like this you cannot expect reasonable men to come forward and give their support.

Mr. Lalchand Navalrai (Sind: Non-Muhammadan Rural): Sir, my justification for speaking on this amendment arises from the desire that has been shown by some of my constituency to place their case before this House with regard to iron and steel. The iron merchants of Karachi, who have got an association, have wired me to place their view before the House. I will read their telegram:

"Iron Merchants Association, Karachi, emphatically protest against surcharge duties imposed on iron and steel, particularly galvanised and black sheets, bars, angles, tees, cut hoops $\frac{1}{2} \times 1$ " up girders on grounds *inter alia* that, first, these articles are already covered by heavy protective duties, second, are mainly consumed by agriculturists and poor people; surcharge on protective duties makes protection indiscriminate and is highly prejudicial and detrimental to business."

This telegram, Sir, gives the reasons and also mentions the articles which should not be charged with a surcharge tax. The point which calls for

my very great support to this view of my constituency is with regard to the fact that implements are being made by the agriculturists from this material which will now be affected. The second thing which makes the case of my constituency strong is with regard to the uniform surcharge on all things made of steel. There ought to be some distinction made and a uniform tax on all materials mentioned in the clause should not be imposed. These are my grounds, Sir, for saying that the articles mentioned in the telegram I have referred to should be exempted.

Mr. B. Sitaramaraju (Ganjām cum Vizagapatam: Non-Muhammadan Rural): Sir, I am afraid I cannot support the amendment moved by my Honourable friend Dr. Ziauddin Ahmad. It is a matter in which the entire responsibility of realising the income from the customs duties ought to be placed on the Government. There seems to be a mania, almost an epidemic I should say, which has been prevailing in the whole world. Every country wants to sell, and no country wants to purchase. In these circumstances, it is very difficult to expect that the Government of India would be able to secure a very large amount under this item. But we in this country would be glad if by any of these duties, however hard they may be, we are able to restrict foreign imports, which will enable this country to promote and develop her own industries, and by which the country would be considerably benefited; but if we lose revenue, then the Finance Member will have to come again before the House, and all the statements that have been made in favour of balancing the Budget will be reduced to mere sham, because it must be remembered that our mainstay is the customs revenue. If by any action of Government the customs revenue is affected and the returns show that the anticipations of the Honourable the Finance Member have not been realised, then the country will stand to lose. Therefore, Sir, I say that this is a matter in which the Government of India should take the entire responsibility.

Sardar Sant Singh: Sir, substantially I want to oppose this amendment, but my difficulty is that in the clause as it stands there are certain articles on which I would not like a surcharge duty put on; for instance, in Part VII, article 155 relating to paper, stationery, etc., which will also be included in the surcharge. Otherwise, I am in favour of this clause being retained and these duties being imposed.

Raj Sahib Harbilas Sarda (Ajmer-Merwara: General): Sir, I have given notice to delete sub-clause (d) of clause 4 relating to dyes and colours, but as it has been ruled that any amendment which results in an increase of duty as cannot be moved unless Government sanction it, I do not want to move it. At the same time I am unable to support the motion for the deletion of this clause which in my opinion must be retained. Sir, I support the retention of this clause, and am unable to support the amendment before the House.

The Honourable Sir George Schuster (Finance Member): Sir, I think the speeches to which we have listened put me in a position of not having to put up a very serious defence to my Honourable friend's amendment, for I gather that it is not likely to receive support in any quarter of the House. My Honourable friend, as one might have expected from him, argued the case on grounds of higher mathematics. (Laughter.) I suggest, Sir, those grounds are hardly relevant in the present case. I would also remind the House that while my Honourable friend has proposed

[Sir George Schuster.]

removing all these surcharges on customs duties, I notice that he has not himself moved a corresponding amendment as regards the excise duties. Therefore, if we were to follow my friend in this matter, I think we should leave the country in a very curious position. But, Sir, I should like to take advantage of this occasion to make a few remarks as regards the Government's attitude about this uniform surcharge, and I take this opportunity to elaborate somewhat the general statement which I made in the course of a speech in the earlier stages of this discussion. References have frequently been made by various speakers to the danger that in some cases the increases in customs duties imposed by this Bill may actually have such effects as to defeat their own object. I have already pointed out in a previous speech that with certain classes of goods, notably of luxuries, there are other considerations besides revenue considerations to be taken into account, and that even if the surcharge should fail to produce more revenue, the country may in the case of certain luxuries benefit in other ways from a restriction of their import. But, apart from that, I cannot deny that in certain cases the surcharges may possibly have the effect not only of interfering with the economic interests of this country but also possibly of losing revenue. There may be a few exceptional cases of that kind. Now, the House is aware of the circumstances in which these proposals were introduced, and it is of course clear that they were in the nature of emergency proposals not carefully worked out in every detail. We stand by the main principle of the measure. We proceeded on the assumption that if we took the tariff as we found it and applied the surcharges all round, we should not upset the general balance, and we think that we were right in making this assumption so far as the vast majority of articles are concerned. But if in casting our net so wide, we have caught up a few small fishes that ought to be put back into the water, we do not intend to stick obstinately to our principle. Where it is proved to us, where we can satisfy ourselves after careful inquiry, that the effects of any part of our scheme are really detrimental both to revenue and to the genuine economic interests of the country,—I want to make those two points quite clear,—both to revenue and to the general economic interests of the country,—we propose to consider such cases,—and if we think fit, to take the necessary action by the use of the powers that the executive possesses of remitting, not of enhancing, but of remitting duties under section 28 of the Sea Customs Act. These powers are wide,—I know that many Honourable Members think that they are unduly wide,—but I would remind the House that for many years now the Government have been scrupulous to exercise them only in cases where there was some degree of urgency and where it was established that a reduction or remission would be in accordance with the accepted policy of the Legislature, and where indeed it might be necessary in order to give proper effect to that policy in connection with some unforeseen development. In the present case I can assure the House that if we act in the way which I have indicated, we shall adhere scrupulously to that principle, and if any such adjustments as I think may possibly be found desirable, have to be made, we shall take the first opportunity to submit them for the confirmation of the House by incorporating them, as has been the established practice in recent years, in a Bill for the amendment of the tariff law.

There are I think two amendments which will come before the House later on where I think it may be said that there is a *prima facie* case for

action of the kind that I have indicated. I shall explain our position to the House in connection with those amendments, but I am glad to have had this opportunity of putting as clearly as I can before the House the way in which we intend to act in this matter. I should like to emphasise, before I sit down, that the opportunity for this kind of action will only arise in the case of a very few exceptional articles, and we do not think that there will be any occasion for this kind of action in the case of any article where important revenue interests are concerned. Sir, with that explanation I oppose my Honourable friend's amendment.

Mr. President: The question is that clause 4 be omitted.

The motion was negatived.

Mr. G. Morgan (Bengal European): I beg to move the amendment which stands in my name:

"That in clause 4, after the word 'enactment' in the sixth line, the words and figures 'other than the Salt (Additional Import Duty) Act, 1931' be inserted."

Sir, this stands on an entirely different footing from other protective duties. The consumers of imported salt under the Act are compelled to pay up to a certain price which the Tariff Board called the fair selling price, but they were safeguarded against paying any higher price than that by certain provisions in the Act. Now, with the surcharge added, the machinery for applying those safeguards would be entirely upset. The additional duty, as all Honourable Members remember, was Rs. 0.4.6. per maund, and the price put down in the Act was Rs. 66 per 100 maunds. Now, Sir, by the addition of the surcharge, the additional duty would be Rs. 0.5.7½ per maund raising the price per 100 maunds to Rs. 73. Therefore, the safeguard to the consumer would be gone until it were possible to amend the Salt (Additional Import Duty) Act. The safeguard for the consumer would be done away with by this surcharge being imposed, and I trust that the Government will see their way to accept my amendment.

The Honourable Sir George Schuster: I did not realise that this particular amendment was coming on so soon, but this is a case which has some connection with the remarks that I have just made. It is a very special case,—the question of dealing with the import duty on foreign salt that was imposed by the legislation passed in this Assembly in the last Delhi Session. My Honourable friend who moved this amendment has made it clear that this was not a case of an ordinary protective duty. The policy to which the import duty was intended to give effect, was, in fact, the policy recommended by the Tariff Board, that is to say, the stabilisation of salt at a price of Rs. 66 per 100 maunds. In order to effect stabilisation, two things were necessary, first of all, to enable the Indian producers of salt to be assured of a certain minimum price which would mean that they would not be crushed out of existence. From that point of view it was necessary to put the price up, and for that purpose the additional import duty on foreign salt was imposed. On the other hand, we did not want to leave the Indian producers of salt in a position to take advantage of that protection, so as to raise the price higher than what was considered to be the fair selling price. So, in order to provide the other feature, the complementary feature to our whole plan, the Government took compulsory powers to purchase salt from Indian manufacturers at Rs. 66 per 100 maunds. In this way we have powers to

[Sir George Schuster.]

regulate the price both ways. That I think clearly indicates that the position is quite different to that which applies in the case of normal protective duties. That being so, it would really be inconsistent with our general intention if we increased the import duty on foreign salt by the operation of the surcharge. I must confess that if we had thought out the matter fully, before we introduced the Finance Bill, we should have provided against this effect, and we should have excluded the special import duty on foreign salt from the operation of the surcharge.

Now, the question arises, what is the best thing to do in the circumstances? My Honourable friend has moved an amendment which would have the appropriate effect, but, if this amendment is passed, we shall have to refund a certain amount of duty which has already been collected. The amount is not very large, I am told it is estimated at something like Rs. 30,000, but I am anxious to avoid that result, and to avoid the work that would be entailed in going over all the past transactions. Therefore, the course which Government would like to take would be by virtue of their powers under section 23 of the Sea-Customs Act, to remit, from the date the decision is taken by the House, the extra duty which the surcharge imposes. The result of what I am suggesting is this, that the House has now three courses open to it. If they accept the attitude which we would like them to accept, they would allow my Honourable friend to withdraw his amendment, in which case, as a sequel, we shall, by virtue of our executive powers under section 23, immediately remit the duty. By having allowed the matter to come before the House in this way, we shall have the satisfaction of knowing that in taking that action we shall have the approval of the House. On the other hand, if the House does not approve of that course, then they can allow this amendment to go to the vote, in which case they can either pass it or reject it. Those are the three alternatives. If they allow the amendment to be withdrawn, then we shall take executive action, but if they do not like that course, then they can vote on the amendment and either pass it or reject it. I think that has made the position perfectly clear, and if the House approves, I would suggest to my Honourable friend that he should withdraw the amendment on the assurance which I have given.

Mr. G. Morgan: I am ready to withdraw my amendment on the assurance given by the Honourable the Finance Member, if the House approves of such a course.

The amendment was, by leave of the Assembly, withdrawn.

Mr. K. P. Thampan (West Coast and Nilgiris: Non-Muhammadan Rural): I formally move my amendment that in the second proviso to clause 4, sub-clause (c) be omitted.

The motion was adopted.

Dr. F. X. DeSouza (Nominated Non-Official): Sir, I move:

"That to clause 4 the following further proviso be added, namely:

'Provided, further, that such addition of duty shall not be levied on cashew kernels.'"

Honourable Members are aware that the manufacture of cashew kernels is an infant industry which is steadily growing in importance in

Southern India. Several Honourable Members have asked me what is a cashew kernel. A cashew kernel is an article of diet which is very popular with all classes of the population in Southern India. On European dinner tables, it forms an excellent article of dessert, and I may say that in service circles it is facetiously termed "promotion" nut, because when a junior member of the service asks a senior officer to dinner, he is supposed to place a plate of this tempting delicacy in front of his senior in the hope that an over indulgence in it may quicken his own promotion. Its effect in this direction is somewhat exaggerated because a young member of the I. C. S. the other day complained to me that so far as he was concerned its effect in Bombay has been nil. This is however by the way. The cashew tree grows mostly on the west coast of India, in a belt of land about 40 miles from the sea, in the districts of South Canara, Malabar, Cochin, Travancore, North Canara and Ratnagiri. The total quantity of nuts grown in India last year was from 250 to 300 thousand bags, each bag weighing about 140 pounds. Each bag of nuts yields from 25 to 30 pounds of kernels and thus the total amount of kernels manufactured in India last year was about 8 to 9 million pounds. Till the year 1924, the consumption of cashew kernels was restricted mainly to India. In the year 1924, owing to the enterprise of an American company, Franklin Baker and Co., which is a subsidiary of the General Food Corporation, a process of packing was discovered which consists in preserving the kernels in vacuumised containers injected with carbonic acid gas, with the result that an important export business to America has grown up since that year. Before 1924, the export was hardly more than half a million pounds to various countries in Europe and practically nothing was exported to America. But the figure in 1928 shows that the American demand exceeded 5 million pounds. The European demand was more than a million pounds and the Indian demand was from 6 to 7 million pounds. I have already stated that the total production in India did not exceed 9 million pounds. The result obviously was that there was a shortage of supply in comparison with the demand. It therefore happened that the manufacturers had to look to outside countries for the supply of the raw material. The outside country that first came within their purview was Mozambique in Portuguese East Africa and from that country in the year 1930-31 140 thousand bags of cashew nuts were imported, and it is in connection with the import duty on these 140 thousand bags that my amendment is directed. Honourable Members are aware that the duty payable on this class of imports till the commencement of the financial year 1930 was an *ad valorem* duty of 15 per cent., and by the Finance Act of 1930 it was raised by an extra 5 per cent., with the result that at present duty payable is 20 per cent. Now by the present Bill, a surcharge of 5 per cent. is proposed to be imposed and thus the total duty payable would be 25 per cent. I have said that the total quantity imported was about 140 thousand bags, the cost of which would be about 5 lakhs. So the surcharge would be about 5 per cent. of five lakhs, namely, Rs. 25,000. The question this House has to consider is whether the proposed surcharge on this import duty should be sanctioned by this House or not. Now in arguing my case that it should be thrown out, I am in a peculiarly fortunate position because I have only 12 Noon.

to repeat the arguments which were addressed by the Honourable the Leader of the House the other day in the speech where he opposed

[Dr. F. X. DeSouza.]

the amendment for the repeal of the proposed levy of import duty on raw cotton. I shall take the liberty to reproduce his arguments almost verbatim. The Honourable Member laid down certain propositions of economics which were indisputable. It is true that economists have come in for very scant courtesy in this House during the last few days, one Honourable Member, the esteemed Leader of a very important party, going to the extent of saying that an eminent economist of Cambridge was—to use his classic phrase—talking through his hat, because he had enunciated a certain proposition which did not suit him. I suppose, Sir, in economics as well as in religion, if a man agrees with you, then you say he is orthodox, but if he disagrees with you, then he is heterodox. Be this as it may, the propositions which were laid down by the Honourable the Leader of the House—and which I shall repeat in the course of my argument—are indisputable. The first proposition he laid down is this, that all raw materials of industry should be admitted free of duty. I do not think this proposition can be disputed.

Mr. Arthur Moore (Bengal: European): What about raw cotton?

Dr. F. X. DeSouza: I am coming to that. Then the second proposition he laid down was, “that cheap raw materials stimulate the growth of industry”; and following the dictum of the Indian Taxation Committee, he said that if there is a duty already existing on the raw materials of industry, it should be lowered as far as possible. That again is a proposition which I think is incapable of contradiction. There were however laid down by the Honourable the Leader of the House in that speech certain exceptional circumstances under which it may be necessary to impose an import duty on the raw materials of industry and I hope to be able to prove to the House that these conditions do not exist in the case of the industry of which I am speaking. The first exceptional circumstance would be that the duty would prove, at a time of national emergency, to be a source of additional revenue. That was the case with regard to raw cotton, but in the case we are now dealing with, the surcharge will come to only a trifle over Rs. 25,000. Then the second set of exceptional circumstances which the Honourable the Leader of the House indicated was that the duty would benefit the agriculturist, and he added that in the case of raw cotton the import duty was advisable because it would benefit the grower of long staple cotton. I do not think for a moment that in the case of cashew nuts there is the slightest reason to suspect that there is a conflict between the interests of the agriculturist and of the industrialist because although it is true that the imposition of this duty has to some extent raised the price of cashew nuts in Southern India, the fact remains that the season for the growth of cashew in India is different from the season at which it can be imported from East Africa. The season when cashew grows in Southern India is in the months of April and May and the products of those months keep the workmen busy till the end of the rains, and if there was no extra supply from abroad for the month of November onwards, in the cold weather, the workmen would be kept idle; but it does happen fortunately that the season for the import of cashew from East Africa is from November onwards, so that there is really no conflict between the indigenous and the imported cashew. But assuming there was, is it a case where the interests of agriculture would be benefited if the proposed surcharge were thrown out? I do not think so, for

this reason, Sir, because the cashew tree takes about 9 to 10 years to grow and reach the productive stage, so that if the agriculturist begins to plant his tree now in the hope that it will yield the nuts about 9 or 10 years hence, he will find at the end of that period that there will be no sale for his nuts as the industry will have been diverted elsewhere, as I shall presently show.

Then, Sir, the third test laid down by the Honourable the Leader of the House with regard to the imposition of an import duty on a raw product was, “Is there any danger that by the imposition of the import duty the industry will be permanently damaged?” In the case of the cotton industry he conclusively showed that there was no such danger as the proposed duty was more than offset by the surcharge on the import duty on piece-goods, but with regard to cashew, Sir, it is quite clear that if an import duty is imposed in this country on raw cashew, as the price to the consumer in the American market will be determined by its relative nutritive value to the other nuts consumed in the country; the extra duty imposed in this country will fall not upon the consumer but upon the Indian manufacturer. There is an even more serious danger. I have said that the process of canning is a recent process for which a patent has been obtained by Frank, Baker & Co., but the duration of that patent is likely to expire shortly and I believe the process is already being used in other countries like East Africa and in the Portuguese territory of Marmagao. Now you will remember, that Marmagao is within a few miles from Mangalore, which is the headquarters of this industry. Marmagao is free from all import duties on raw produce. It is also free from income-tax or any other taxes which the industrialist has to pay in this country. (Hear, hear.) Does it require much imagination to realize that if heavy duties continue to be imposed on the raw materials of an industry in British India, the obvious thing for the industrialist is to remove his industry to the neighbouring Portuguese territory of Marmagao? I say, Sir, that the imposition of this surcharge upon the imported raw material in British India would virtually kill this industry in British India and would drive it either to the neighbouring Portuguese territory of Marmagao or to Portuguese East Africa. And what would be the affect of killing this industry so far as Southern India is concerned? Already, Sir, there are 12 factories working in Mangalore, Ratnagiri, Malwan and Cochin so far as I am aware. It employs as many as 15,000 persons. In Mangalore there are 6,000 workers in the factories and 3,000 cottage workers and during the last year . . .

Mr. K. P. Thampam: May I know what kind of work these people do in Mangalore? For what purpose are these 6,000 employed?

Dr. F. X. DeSouza: I am going to describe the process in a short time.

Mr. Jagan Nath Aggarwal (Jullundur Division: Non-Muhammadan): We have no idea of what the substance is.

Mr. Gaya Prasad Singh (Muzaffarpur cum Champaran: Non-Muhammadan): Produce a specimen of it.

Dr. F. X. DeSouza: As I said, there are 6,000 workers employed in factories in Mangalore and 3,000 cottage workers, and every year, I understand from the leading persons engaged in this industry, they distribute

[Dr. F. X. DeSouza.]

as much as Rs. 15 lakhs as wages to the workers. In return we draw a considerable amount of wealth from foreign countries. America buys finished kernel to the extent of Rs. 40 to Rs. 50 lakhs a year and Europe to the value of from Rs. 10 to Rs. 15 lakhs, so that, this industry, which is in its infant stage—it has come into existence only since 1924—is drawing Rs. 50 to Rs. 60 lakhs of foreign money into India. This is one of the articles in which India has become a manufacturing country although on a small scale.

I have been asked what the process of manufacture is and in some quarters objection was raised that after all it is not an industry at all but a re-export of agricultural produce. Sir, I venture to submit that this view of the matter involves a fundamental misconception of the process of manufacture involved.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): It should be removed.

Dr. F. X. DeSouza: In Mangalore, which is the headquarters of this industry, an oven has been installed at a considerable expense for the purpose of shelling the cashew nut and for roasting, and packing is done by means of machinery. The plant of the principal factory in Mangalore, I have been informed, cost as much as one lakh of rupees which of course for the Bombay mill magnates is a bagatelle but for a struggling industry of Konkan is a considerable amount. The workmen whom I spoke of are employed partly in shelling, partly in roasting and partly in peeling the cashew nut, and to speak of it as re-exporting of agricultural produce is entirely wrong. I understand from the leading manufacturer there that the cost of labour in preparing one pound of finished kernel is five annas. That also is the price of the raw nut, so that the cost of the raw material is 5 annas per pound and labour is another five annas. I have also been told that it takes as many as three persons' labour per day to prepare 10 lbs. of finished kernel, so that, to speak of this process as a re-export of agricultural produce seems to me to be based upon misconception. As I have said, the industry is in its infancy and there are subsidiary industries which are capable of being developed, among others being the extraction of oil from the shell. I understand—I am not an expert in these matters—that this oil will be of very great use in painting and in the preparation of a substance which is known as bakelite. Sir, I think I have advanced sufficient arguments in support of the amendment that I have proposed. I therefore move.

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhammadan): Sir, the Honourable the Mover of this Resolution would have probably obtained very material sympathy from this side of the House if he had only produced a sample of the cashew nut for the delectation of Honourable Members here, because a great many of them have been asking me as to what cashew nut is and what it is like. Sir, kaju nut, as Honourable Members on this side of the House are aware, is a very fine dessert nut. It is eaten with great gusto by the epicure. It is a nut in which trade is growing. As the Honourable Member has said, we produce in India kaju nuts

Mr. B. R. Puri (West Punjab: Non-Muhammadan): Where is kaju? This is cashew.

Sir Hari Singh Gour: It is pronounced kaju—to the extent of about 250,000 bags, and as the Honourable the Mover has said, the crop ripens in the month of April or thereabouts. The quantity that we import from Mozambique and other parts of Africa is 140,000 bags. These cashew nuts are all tinned in vacuum tins and re-exported to America, where we sell them to the value of Rs. 40 to Rs. 50 lakhs, some Rs. 10 or Rs. 12 lakhs worth being sold elsewhere in Europe. I submit that this is certainly one of the industries in which the indigenous population finds support. About 15,000 people are employed and there is a possibility of the expansion of the industry, because a process has been discovered for the extraction of oil from the shell and the industrial value of this oil is reported to be great. I therefore think that we should support the amendment on the short ground that we are in favour of the development of industries in our country. If we do not do so, what will be the result? The industry in this cashew nut is developing in the neighbouring Portuguese territory of Goa, where sufficient factories have started. As the Honourable the Mover has pointed out, these factories, on account of the absence of income and other taxes, are in a position of advantage which we in British India do not possess. Consequently, if this duty is levied, it will be an additional burden upon the industry, and the pioneers in the industry who have settled in Mangalore and other places and established factories would have no difficulty in shifting to the adjoining territory of Goa and carrying on their business there with the result that 15,000 people who make a living in these factories on the East and West coast of Southern India will be deprived of their livelihood. I therefore think, Sir, that the Honourable the Mover has made out a very strong case for our support, and I ask the Members on this side of the House to lend him their assistance.

Mr. K. P. Thampan: Sir, it is very unfortunate that I have to dissociate myself from my Leader. The question was not taken up at the party meeting and it is not therefore my fault. Sir, I represent here South Canara, Malabar and the Nilgiris, three districts which grow cashew nuts in South India. We have, as it were, the monopoly of cultivating it. It is said that the quantity of nuts produced in our place is not sufficient to meet the entire world demand. I have not got the statistics with me here, but I am sure that the indigenous supply which is quite sufficient to meet the demand of the whole of India is several times more than the imported supply. The nuts are peeled, roasted and canned for the purpose of exporting to America. I am told there are 15,000 people employed in this business. In the first place, I do not believe it; even so, most of these men will find employment if the industry is restricted to the local nuts. No doubt some of these people may be thrown out of employment, but their number will not exceed a few hundreds. Those people will then divert their energies outside the factories and expand the cultivation of the nuts. One-third of the whole districts of Malabar and South Canara is lying waste; and the cashew trees grow almost spontaneously. At present, owing to the reduction of the price of these things, merchants are not in a position to sell their stock. This proposal of raising the duty will have the effect of increasing the price of the local produce.

[14th Nov. 1931.]

Sir Hari Singh Gour: No.

Mr. K. P. Thampan: What "No"? I must say it is so. By increasing the import duty the indigenous growers will be helped considerably and the cultivation of cashew nuts is bound to be expanded. Cashew is a kind of fruit; attached to it outside there is a nut. The fruit which is edible is very nice, and out of the juice of the fruit some kind of *arakh* is manufactured, and the Christian community in South Canara is very fond of that *arakh*. The nut is an extraneous substance. This can be easily removed without any harm to the fruit. The shell of the nut has a kind of oil which, it is said, is a very good disinfectant and is used for some diseases. The kernel tastes like almond.

I am sure that if this extra duty is imposed, the indigenous cultivators will be helped and it will give an impetus to the expansion of the cultivation of cashew nuts. Representing my constituents, I feel I must oppose this motion.

Mr. Uppi Sahab Bahadur (West Coast and Nilgiris: Muhammadan): Sir, I am extremely sorry that I have to oppose my friend from South Canara, Malabar and the Nilgiris, from where I also come. It seems he is ignorant of the situation about these cashew nuts. Some Honourable Members wish to know what this cashew fruit and nut looks like? It is like this. (The Honourable Member showed a sketch.) The fruit is a very pulpy and juicy and delicious to eat and a sort of liquor is produced out of it. The position as regards the industry is this. Cashew trees grow on the west coast wildly. Till very recently nobody took care of them, except boys who ate the fruit, and some poor people who collected the nuts and sold them for a nominal price locally. Recently after 1920 some people took it into their heads to work it on an industrial basis. By 1924 they were able to find out a method to export the material to European countries and now it is very largely exported to America. The nut is collected from the fruit and taken to factories where it is roasted and shelled. When roasting, a sort of pungent corrosive oil comes out. This oil has been discovered to be of great use as a disinfectant, and recently a demand from the Medical Department for the oil has also developed, so much so that the price of the oil has gone up to about Rs. 150 or so per candy now. The price of the unshelled cashew nuts stands at present at about Rs. 38 per candy, which is 6½ cwt. So far as my friend Mr. Thampan's place is concerned, I understand the whole produce is lying waste. Nobody tries to collect it and export it to Calicut or Cochin. So far as South Canara and North Malabar are concerned, the condition is different and the industry is fast growing, so much so that a thing which was growing wildly is now under regular scientific cultivation. A considerable area is now under cultivation—four or five big jemmies of North Malabar have taken it in hand. If this industry is nipped in the bud—that will be the effect of such import duty—the result will be that those estates will have to be given up and the whole industry will have to be given up. Mangalore is the place where the industry is growing, and the whole produce is now exported to Mangalore. Marmagao, a Portuguese possession, is near by; there is no import duty there; and there is no import duty from British territory to Marmagao. All these people will then transfer their industry to Marmagao; and naturally our industry will die; our people will be thrown out of work. Mr. Thampan is doubtful whether a large number of people are earning their livelihood by this business. I would tell him

that Kasergode is in his constituency. There is a factory there. I would ask him to see how many people are engaged in that factory. If he goes there

Mr. K. P. Thampan: On a point of personal explanation, Sir. May I say that what I meant was that in that factory at Kasergode people are employed in the treatment of local as well as foreign nuts. If the import ceases, they will be engaged in treating local nuts which

Mr. President: The Honourable Member can only make a personal explanation. He cannot take part in the debate. (To Mr. Uppi Sahab Bahadur.) Please go on.

Mr. Uppi Sahab Bahadur: So, if this industry is not helped now by the Government and the growth of this industry is prevented, certainly Government will be doing great harm to the West Coast of India; and so I support my Honourable friend Mr. DeSouza.

The Honourable Sir George Schuster: Sir, I think possibly all the House will agree that, important as the cashew nut is, it has received a sufficient measure of the time which is available for discussing the Finance Bill, and therefore I ventured to ask you to allow me to rise at this stage to explain what is the position of Government in this matter. This I think is exactly one of those cases which does demand inquiry on the principles which I have already stated twice this morning. I may say that we have already received representations from the manufacturing interests, and from the Government of Madras, and that we have made a certain amount of inquiry into the matter, and have gone far enough to satisfy ourselves that there is a *prima facie* case for avoiding the imposition of this extra duty. There is a case on the ground that this new industry which is growing up relies really on an export market, and that we might seriously interfere with this growing export trade by the imposition of the higher duty which this surcharge would effect. The amount of revenue involved is not much. According to our figures, on a 25 per cent. basis, and on the basis of the imports to date, the total revenue might be Rs. 5.8 lakhs; so that the surrender of the surcharge of five per cent. would on that basis cost just over one lakh. On the other hand it is quite possible that the five per cent. surcharge may deal a final blow to the export trade, and therefore that by putting it on we should actually lose money. Therefore, the two considerations which, according to our view, should influence us in matters of this kind, are both applicable. We may do damage to an Indian industry, and by the mere weight of the duty we might actually lose revenue. What I would put to the House is this: that we require to verify the position after we have been able to collect the statistics which were asked for some days ago. If the *prima facie* case is established by a further examination of those statistics, we should propose to take executive action under section 23 of the Sea Customs Act and remit a portion of the duty. My Honourable friend, who has moved this amendment, has merely asked for the elimination of the new surcharge. As he has taken that ground, I take it that he would consider that that would be sufficient; but no doubt he would like us to go further if we can. We shall consider that in considering what we shall do and we should not necessarily be limited to the five per cent.—the present surcharge. That, Sir, is the Government's position. The case does require a little more inquiry than we have been able to make up till now, and the form of the

[Sir George Schuster.]

amendment might possibly as it stands not be quite suitable, even if the House were ready to pass it at once. It is for consideration, and I am sure my Honourable friend will agree to this, whether the exemption should not be restricted to raw cashew nuts only, whereas my Honourable friend's amendment would bring in even roasted kernels in the exemption from the surcharge. The relevant entry in the customs tariff which we think would be appropriate will be "Cashew or cajou kernels not skinned". That, Sir, is merely illustrative of the fact that in these matters one requires a little time before settling the exact form of action. What I put to the House is that if they agree with the Government's proposed line of action they can take exactly the same course as was taken in connection with the amendment of my friend, Mr. Morgan, about salt. If they allow this amendment to be withdrawn and if my Honourable friend agrees to withdraw his amendment, we undertake to go into the matter very expeditiously and to make use of our powers under section 23 of the Sea Customs Act to effect some remission of the duty. On the other hand, if the House wishes to put the amendment to the vote, then they can either pass it or reject it.

Mr. President: Does the Honourable Member wish to withdraw his amendment?

Dr. F. X. DeSouza: Sir, I am grateful to the Honourable the Finance Member for the assurance he has given and I beg leave to withdraw this amendment in the form in which I have put it. In doing so,

Mr. President: The Honourable Member cannot make a speech.

The amendment was, by leave of the Assembly, withdrawn.

Mr. A. Das (Benares and Gorakhpur Divisions: Non-Muhammadan Rural): Sir, I beg to move:

"That to clause 4 the following further proviso be added, namely:

'Provided further that Printing Paper, item No. 155 in Part VII of Schedule II of the Tariff Act, shall not be liable to the 25 per cent. surcharge'."

I shall be very brief in moving this amendment and will only just lay before you the following points for the consideration of this House and the Finance Member. We heard a few days ago from one of the Honourable European Members of this House, who comes from Madras, how heavily the printing paper was already taxed, and he gave an illustration which was remarkable, that the result of this high duty on printing paper is that most of the printers and publishers are forced to send their manuscripts to foreign countries to get those things printed there rather than have them printed here, because the duty on paper is very high. If this is the case with the duty on paper which at present stands at one anna per pound, we can well imagine what will be the further effect on this article if an additional duty of 25 per cent. be added to it. It would have the result of increasing the cost of paper from about 145 rupees to about Rs. 175 per ton; and certainly none of us wish that the duty on printing paper should be increased to this extent that no publisher would be in a position to print any material in India. I do not know what is the actual amount which the Honourable the Finance Member expects to realise from this 25 per cent. surcharge on this particular item, but I do not think

it would be any very large amount, and having regard to the high duty which already exists on paper, and having regard to the interests of the publishers and printers, who supply a large number of books to the reading public and for general use, I think it is not fair to put upon that commodity this addition to the duty, which is already very heavy.

There is one other observation I would like to make, because I am always for constructive criticism, and it is this, that the loss of revenue under this head can be made up by putting a duty on wood pulp which is imported into this country. So far as I know, the wood pulp which is imported into this country is not liable to any import duty with the result that the amount of wood pulp which used to be imported into this country has increased from about 10,500 tons six years ago, to about 12,700 tons. Therefore, the amount of wood pulp which is imported into this country, there being no import duty on that commodity, has almost doubled, and I think it can easily be made liable to almost a nominal duty of Rs. 25 per ton. That would yield approximately an income of about eight lakhs, which would more than compensate the Finance Member for the extra surcharge which he proposes to place upon paper. In support of this fact, I would further like to submit that, on account of there being no duty on wood pulp, the companies which are manufacturing paper in this country are still declaring very high dividends in spite of the general depression in trade all round. For instance, I will give the case of the Bengal Paper Mill, which is giving a dividend varying from 25 to 30 per cent. in spite, as I said, of the fact that there is general depression all round, and they have not been able to sell their paper any cheaper. The result is that they sell their paper at the same high rates as we can get paper at from foreign countries with all the duty on that paper. So instead of the Indian taxpayer benefiting, it is only that particular company which will benefit by it. I therefore move, Sir, that the surcharge on paper be omitted and a proviso be added to this effect that the printing paper, item 125 in Part VII, shall not be liable to the 25 per cent. surcharge.

Mr. O. Brooke Elliott (Madras: European): Sir, I do not propose to argue any point of great fiscal intricacy, but I want to make one or two observations on a practical matter which is of very vital importance to us all. I should like to say to my Honourable friend that I gave one instance—how far that practice is carried on by other printers I cannot say,—but I gave one instance in which the printing Bill of a publishing firm came up to as much as Rs. 5,000 or Rs. 6,000 a month in Madras and has now dried up to the injury of that Press because of the high cost of the paper. These publishers found it was cheaper to send a manuscript to England to be printed and they now import the finished book which comes in free of duty. I only mention this to my Honourable friend to show that such an instance has actually happened, but to what further extent the practice obtains I am unable to say. I think I also mentioned that owing to the skill of expert calligraphers in Madras even vernacular books are sent to England to be reproduced in the same way. That certainly applies to certain books published in Canarese. Sir, I have some slight bowing acquaintance with newspaper editors, and I understand from them that India does not yet produce the proper kind of pulp that is required to make paper. Most of the editors are, I know, reducing their opponents into pulp, but that is hardly a commercial product that is required. (Laughter.) But, Sir, people in this country, I think, in these days ought to have ready

[Mr. C. Brooke Elliott.]

access to newspapers, and I know both from the Editor of the *Hindu* in Madras and also from the Editor of the *Madras Mail* that this very high rate of duty on imported paper is raising very difficult questions indeed. A newspaper is a form, or ought to be a form, of public education. After all, who in India enjoys his matutinal egg without his morning paper—I leave the name of that paper blank,—his favourite paper with his favourite dish? And, Sir, I really do think that at a time like this we ought to bear in mind that with so many vital controversies and political matters in the air, the bulk of the people should not have to pay too much for their newspapers. I am not interested in any way financially in any newspaper, but I must say, considering how cheap on the whole newspapers are in other parts of the world,—for instance I pay two pence for my London daily *Times* and I pay the same amount for another paper which is perhaps not so quite eminent,—I think we ought to make an effort to reduce the high duty of 25 per cent. on imported paper. At the same time we should be prepared to put forward some means by which the Finance Member can make up for the revenue, which he loses otherwise if our proposal is accepted. He has been extraordinarily fortunate so far in respect of revenue as regards the rupee; at present he not only makes on the rupee roundabouts but he also scores on the swings of sterling, and a man who is able to produce not imaginary rabbits from a hat but actual tangible golden rabbits, I think will be able to find some way such as my Honourable friend has suggested to make up for the loss of revenue, and if he can do so I do think that the country in general would really very much appreciate it.

Sir, I want to say one word if I may on another point too. I put the question to some of my friends who are interested in journalism and printing whether India did not yet produce paper; if so, why must they import it? The answer given to me,—if there are any experts in that branch of journalism here they will correct me if I am wrong,—was this, that India certainly is making paper, but has not yet made paper that will stand up to the high speed of the modern rotary printing machine. This information was given to me by a gentleman who uses English paper, and he said that the only trouble with the paper produced in this country is that it cannot be worked at a speed much above say 300 or 350 per hour which English paper will stand up to a speed of three times as much. Of course, it is only a question of time, I take it, before the proper quality of paper is manufactured in India. I have been told it has something to do with water and certain chemicals and possibly our atmosphere too. I cannot answer for that, but I believe it is the fact, and while the newspaper proprietors and others would be only too glad to use Indian paper, they tell me that they must use imported paper if they are going to use it on high speed machines such as I believe, rotary presses and the like. They would all be glad, if they could get the right kind of paper in India, to use it; but while as we know a great deal of paper is used that is made in India, you cannot use it for modern high speed printing work. Therefore, they must import paper, if we are to have our usual daily paper. If we do not have it, we shall probably be denied a great deal of wisdom and—occasionally—a little nonsense too. (Laughter.) But on the whole I think there is more wisdom; trying to take an impartial view regarding one's own humble contributions, one generally arrives at the conclusion that the wisdom is usually greater than the nonsense. Sir, that was the only

point that I wanted to put before the House. The other day I said that the Honourable the Finance Member was the proud possessor of a big piece of cheese which we small legislative mice were endeavouring to nibble away. One or two atoms have gone from the cheese, but I do think here, as regards paper, we show him that if he gives us a few crumbs from the cheese, he will be able to get a slice, or anyhow the same quantity of crumb, from the other source as suggested. That is the principle on which I have been trying to go; but it is a difficult principle to keep, because it is very easy to have a principle, but when you come to the border line cases you are always in a difficulty on which side of the line you should go. If my Honourable friend will meet the public in the way we suggest I am quite sure that everybody in the House, and out of it, will be relieved and glad. I am not speaking on behalf of the owners of presses or on behalf of shareholders, because I have reason to think that they do not do at all badly, considering the times. I am rather thinking in this particular matter of the wider interests of the general public.

The Honourable Sir George Rainy: Sir, I think it may be for the convenience of the House that I should try at this stage to explain briefly what the position of the Government is in this matter. I think the House will remember that in the year 1925 the Bamboo Paper Industry Protection Act was passed with effect up to the 31st March, 1932. During the last six months, the Tariff Board has been engaged in the study of the question whether, on the expiry of that period protection to the industry should be continued, and if so, for what period and to what extent. The Report of the Tariff Board was received about ten days ago. Now, as the present Act expires on the 31st March next, it is obvious that it will be necessary for Government to place the whole matter before the House in the coming ordinary cold weather session. The whole question will come before the House fully, and it will then be for the House to decide whether such proposals, if any, as Government may place before them should be adopted or not.

During the course of this discussion, brief though it has been so far, allusion has been made to one or two points which really cannot properly or fully be considered by the House until they have the Report of the Tariff Board before them. For instance, the Tariff Board took evidence during the course of the enquiry as to whether it was desirable that an import duty should be imposed on imported wood pulp. That obviously is a matter on which Government could not take action until they were in a position to place before the House the conclusions of the Tariff Board. Then, again, my Honourable friend, Mr. Brooke Elliott, referred to the quality of the paper produced in India and said that as regards paper for newspapers it was doubtful whether Indian paper possessed the necessary qualities. As regards that point, I do not claim to be an expert in the subject, but I was a member of the Tariff Board which enquired into the matter in 1925, and it was not clear to me from my Honourable friend's speech whether he had devoted to the study of the report submitted on that occasion so much time and attention as perhaps he might have done. The real point there is that the great bulk of the paper used by newspapers, namely, newsprint, is not subject to the protective duty and therefore hardly comes into this question at the moment. However, that is really a side issue. The general attitude of the Government is this. They fully appreciate the importance of the points to which my Honourable friend, the Mover, and my Honourable friend, Mr. Brooke Elliott, have drawn attention, and they are quite aware that they are

[Sir George Rainy.]

regarded as important by members of all parties and all groups in this House. But they would be reluctant at this stage to modify their proposals in view of the fact that the whole question must come before the House when we are in a position to publish the Report of the Tariff Board. In the circumstances they feel that it would be far better to defer the consideration of these questions for the three months that must elapse, and meanwhile, they would be reluctant to make the change suggested in this amendment, because they do not at present see on what basis this particular case can be distinguished from the other cases of a surcharge on the protective duties. In view of what I have said, I would ask my Honourable friend not to press his amendment on the understanding that the whole case must necessarily come before the House in the coming cold weather session. If no proposals were put forward, they would get their desire in full measure, for paper would drop back from the protective schedule to the revenue schedule, and in that case there would be a large reduction in the duty. For the present I would ask my Honourable friend not to press his amendment.

Mr. A. Das: In view of the assurance given by the Leader of the House, and also having regard to the fact that there is only a period of three months before this question will be fully discussed in this House, I ask for leave to withdraw this amendment.

The amendment was, by leave of the Assembly, withdrawn.

Clause 4 was added to the Bill.

Mr. President: Clause 5. Mr. Mitra. No. 16*

Mr. S. O. Mitra: My motion deals with four specific points, and as I find that there are separate amendments dealing with each point, I do not like to move the amendment standing in my name.

Khan Bahadur Haji Wajihuddin (Cities of the United Provinces: Muhammadan Urban): I am not moving mine. (No. 17).*

Mr. Lalchand Navalrai: Sir, I move:

"That in clause 5 the words 'any salt' be omitted."

In clause 5 of the Finance Bill there are several articles that are asked to be assessed with a surcharge of 25 per cent. Amongst them there is a surcharge being asked to be imposed on salt. I oppose that and for that purpose I have put in this amendment.

Sir, the question of salt is not so obscure as the one we found to-day on cashew kernels (Malabar fruit). Salt is a commodity which is already overtaxed, and there are several objections to the taxing of salt, though I do not think that salt will share the same fate as the cashew kernels. I feel that there will be no suggestion or any promise from Government that the matter about salt duty will be reconsidered as that of cashew, or a remission made and instead revenue raised from some other source. Therefore this is an important thing on which I claim the attention and interest of this House. (Interruption.) My Honourable friend who just interjected says if we are true to the salt. I ask the British people to be true to the Indian salt. I must confess that this salt duty is not a new

*"That clause 5 be omitted."

one; it has been imposed from a very very early time. However, what has been the fate of that duty? There has been resentment over that duty from all parts of the country. It is not a resentment that arose only now, but I think it is at least half a century old.

Sir, the policy of the Government, though they profess differently, has been that once a tax is levied it is never remitted. On the contrary it is augmented from time to time. I do not know the figures exactly before the years 1915 and 1916, but I have got figures to show how this salt duty has since then been opposed by the public and how, in the teeth of extreme resentment, the salt duty has been increased from time to time. The figures for 1915 and 1916 show that the duty on salt was one rupee per maund. Then, Sir, in 1921-22 it was increased and was brought to Rs. 1/4 per maund. In 1922 and 1923 there was a popular demand to abolish this duty, and the result was that the House could not carry this tax. The duty then of one rupee four annas was remitted, that is to say, no tax on salt was passed by the House, but as always happens the death knell came from the certification of the Viceroy and this tax of Rs. 1/4 was thus restored. The agitation went on, and in 1929 it was again asked that there should be abolition of this tax. The good grace of the Government then went only so far as to reduce the tax to one rupee. In 1930 however the tax was raised to Rs. 1/4, and in 1931 also it was retained at Rs. 1/4 and it is now Rs. 1/4 per maund. Sir, it is an insult to injury that now this salt is going to be taxed with 25 per cent. more, which will bring the tax to Rs. 1/9 per maund. History shows to the Government that the country launched on the Satyagraha campaign and civil disobedience also on account of the salt tax. One of the principles to be observed in imposing a tax is to see what effect it is going to have on the country and the masses. If we look at it from that point of view, we find that the Government have not profited by the experience of the disturbances in the country. Everyone knows that the salt tax was opposed and there were actually raids on salt depots. We also know that the salt tax brought men, women and children even unwilling people to become disciples of Mahatma Gandhi. Will Government tell me how much they spent on it to save the situation; on the increase of the police, on the brutal means for opposing this movement by lathi charges and so on? Government's experiences in that connection alone should have enabled them to learn a lesson from what happened in the country. It cannot be denied that salt is a prime necessity of life, and that is another principle on account of which no higher duty should be placed on a commodity which is an absolute necessity of life. What is the effect of this salt duty? By the increase of the duty, the poor man is the worst sufferer. I submit that the Government should think it over and not insist on the duty being increased. You know that when the duty decreases, consumption increases and when the duty increases, consumption decreases. That is also the third reason why Government should agree that the surcharge should not be imposed. If the Finance Member takes this advice, he will be saving the Government from the necessity of resorting to those brutal means they employed which are un-British like. In 1903, when this tax was reduced by 8 annas, the consumption rose from 36½ million maunds to 43½ million maunds, an increase of 20 per cent. If this duty is increased, I am sure Government will suffer thereby. On a matter like this one would be tempted to speak long, but the

[Mr. Lalchand Navalrai.]

matter really requires no argument. The country has proved it to the Government that this is a tax which ought not to be increased. On that point however I shall produce an argument which is not mine but that of one of the masters of the Treasury Benches—a former Secretary of State for India. Before quoting him, I will tell the Finance Member that he has obeyed one of his masters, the last Secretary of State for India, who directed him to divorce the rupee from gold and he has obeyed him and here is a dictum which has been given by one of the predecessors of that Secretary of State and I think he must follow it. The quotation is to be found in the debates of 1929, Volume III, page 2313. Lord Cross, the Secretary of State for India, said this:

"I do not propose to comment at length on any of the measures adopted by your Government except the general increase in the salt duty. While I do not dispute the conclusion of your Government that such an increase was under the circumstances unavoidable, I am strongly of opinion that it should be looked upon as temporary and that no effort should be spared to reduce the general duty as speedily as possible to its former rate."

But, Sir, it might be said that this is also a temporary surcharge that is going to take place. I must however say very frankly and openly that we shall have no faith even if any such hope is given by Government. Then, Sir, the next passage is this, coming from the same Secretary of State:

"I will not dwell on the great regret with which I should at any time regard the imposition of additional burdens on the poorest classes of the population through the taxation of a necessary of life. But apart from all general considerations of what is in such respects right and equitable, there are, as Your Excellency"—he was writing to H. E. the Viceroy—"is well aware, in the case of the salt duty in India, weighty reasons for keeping it at as low a rate as possible."

This is as regards the incidence:

"The policy enunciated by the Government in 1877 was to give to the people throughout India the means of obtaining an unlimited supply of salt at a very cheap rate, it being held that the interests of the people and of the public revenues were identical and that a proper system was to levy a low duty, with unrestricted consumption."

Then, it is said:

"The success of that policy has hitherto been thwarted."

So, Sir, I submit that there is an opinion of a Secretary of State for India which supports my view. Then, Sir, it might be said that the poor people are not being affected by this tax and that the poor people do not pay as much tax as the rich man. I have already said that that should be considered relatively to their income. If so, then you will all be of that opinion that this tax should be stopped. Then, Sir, in considering that, I have only to ask "What is the justification on the other side with regard to this extreme case of salt?" They sing that old, old song, or rather at present the new song that, "This is an emergency measure and we want money". The same thing is being gramophoned from another part of the House, at least twice, or thrice it has been put so by my Honourable friend, Mr. Brooke Elliott. Sir, on this question of salt, they have not the financial point alone to consider; they have also to consider the several other grounds that have now been put before them. Sir, I will not take long on this, and in

conclusion I will quote even a higher authority than the one I have quoted already, and that authority I think must be implicitly obeyed. Here I am going to give the Honourable the Finance Member a quotation from the speech of the present Prime Minister of England. It occurs at page 2319 of the same Debates of 1929, Volume III. This is what Mr. Ramsay MacDonald said:

"The salt tax has been long regarded as a blemish on our Indian fiscal system."

Can there be any stronger word than that, Sir?

"The salt tax is exaction and oppression and if the people understood it, it would only breed discontent."

Mr. S. G. Jog (Berar Representative): How can it be exaction and oppression?

Mr. Lalchand Navalrai: It is even an agony, as I should call it. Sir, Mr. Ramsay MacDonald prophesied this, that there would be discontent, some time, in 1929, and since then what he prophesied has been realized, and yet Government are not taking a lesson from it. Then he goes on further and says:

"It is a survival of the general exploitation of India's poverty by a profit-making company. The argument for its retention illustrates the error so prevalent in India of assuming that the political wisdom of a western self-governing State is also the political wisdom in an autocratically or bureaucratically governed one, and that Bureaucracy has the same right to impose burdens on a people than a representative legislature has. The payers of the salt tax have no more say in Indian policy than the man in the moon, and the price of their salt has no more influence on the Bureaucracy than the cost of their weddings."

Sir, I will not say anything more in commending my amendment to the House, and I move.

Mr. S. G. Jog: Sir, at the outset I may say that a similar amendment to that moved by my Honourable friend, Mr. Lalchand Navalrai, stands in my name also. Sir, generally, in criticizing the Treasury Benches I observe a sort of soft criticism, which is also of weight in arguing out one's case. But in this particular matter I do not think I can follow the usual way of offering mild and flattering criticism. Sir, it is an amendment in which the question of salt is involved. We all know that the word "salt" has played an important factor in the discussions on the floor of this House for years and years past. But, so far this has had absolutely no effect on the Treasury Benches. Last year this question of salt was made the beacon cry, but after 12 months I find that the Treasury Benches have forgotten the historic march of Mahatma Gandhi from his Ashram of Sabarmati to the salt sources, and, alas, the Bureaucracy have become no wiser in any way. We all find that the discussions at the Round Table Conference have reached a breaking point, and I do not know whether the Bureaucracy want to take advantage of that position and, in a way, incite the people and incite the Congress to resume the old battle. I am afraid there might be a conspiracy between the Finance Member and Mahatma Gandhi, and, I must charge the Finance Member, if later on this movement starts again, with having aided and abetted the civil disobedience movement, and with whatever effects it may have. The whole programme of this taxation Bill, as the Finance Member has often-times said, is designed to

[Mr. S. G. Jog.]

meet purely revenue purposes. He is not concerned with any other questions—those relating to political expediency, sentiment, and so on. He wants money to come into the coffers of the Treasury Benches,—by hook or by crook. He looks at the salt question from a purely revenue point of view. But this side of the House is not prepared to look at the question of salt from the purely fiscal point of view alone. We cannot omit or ignore sentiment in the matter of salt. Salt, as explained by my friend, is one of the necessities of life. It has often been said that this is an article on which no tax should be levied. Attempts have been made for so many years for the abolition of the tax. There are counter-proposals made on the other side to raise the tax, again to reduce it for some time and then again to raise it. But this year particularly, since the truce that was effected between the Congress, Mahatma Gandhi and the Government, was it not one of the truce terms that the salt tax would not be increased? Not only that. But many concessions have to be given to people who are using salt, and many concessions have been already granted, although I hear complaints from many sides that those concessions are being withdrawn and some attempts have been made to take away what was given at the time of the truce. If salt was one of the terms of the truce, is it fair and is this the proper time, and is it statesmanlike that this surcharge should be introduced on salt? The matter has been discussed at great length on platforms and in papers. You are aware of the sacrifice the country has made. The sacrifice has been made in all quarters, in all places, by the male sex, the female sex, children and even old people. Have you all forgotten this? In spite of all this, at this time particularly you are introducing a measure which is practically courting civil disobedience sooner. Sir, my friend has given the history of this salt tax. I have no mind to enter into details. As I have said, I do not like to rely on facts and figures. I look at this question purely from sentiment and salt is one of the important issues. It has got a political importance. Especially at this time you should not introduce a measure of taxation on salt which will excite the people, which will provoke them into taking any drastic action. I, as a friend of the Treasury Benches, I as their well-wisher, and as a man interested in peaceful and orderly progress of India, appeal to the Treasury Benches to withdraw this measure which will lead the country to disaster. With these words, Sir, I support the amendment moved by my friend, Mr. Lalchand Navalrai.

Mr. B. Sitaramaraju: Sir, this tax on salt is a tax on one of the primary necessities of life. The last speaker, who has just now resumed his seat, has looked at it from the point of view of sentiment. Honourable Members opposite have given expression to the same view, that the tax is a tax looked at from the point of view of sentiment only. Honourable Members opposite drawing princely salaries consider that this tax on a primary necessity of life is a matter of sentiment. If any of the Honourable Members on this side of the House who is equally affluently circumstanced in life also considers that it is a matter of sentiment, I for one rise to say that it is not sentiment at all. It is not a matter of sentiment, if you look at it from the point of view that the masses of the people of this country are very poor, that the average income of a person in this country is about Rs. 2, and if you take into consideration the fact that there are thousands and millions of people who have an income of

less than that average; to them a difference of a single pie will make all the difference in life. Sir, to them it is not a matter of sentiment. It is something more than sentiment. It is a bare necessity which the poor cannot afford to have if you increase the burden. Sir, looking at it from another point of view, it may be considered a sentiment from the point of view of the Government because it is the earliest monopoly which the people of Britain secured in this country. They came not, as the Honourable gentleman from Madras from the European Benches said the other day, from the mother earth but they came with the salt monopoly. It is the earliest monopoly secured by British merchants in this country, and if the British Government of this country to-day sticks to this tax, I should consider that from their point of view it might be a sentiment. Sir, to have a monopoly which the Government are having on salt is bad enough. To have to exercise that monopoly with all the rigour that a monopolist has is worse. I have read the report of the Madras Commission on the salt working in that Presidency, and I find that the price of salt at which Government sells it is very much higher than the price at which the ordinary licensee is able to sell it. Why should it be so? If we increase the duties on the primary necessities of life constantly, it is very difficult in retail sales to pass the exact amount to the consumer in the villages. It may be a small percentage of duty here; but when it goes to the village grocer, you will find that the charges that he levies would be much more than what we intended to impose in this House. Therefore, the retail price would be something abnormal, and it is very difficult to pass the exact amount to the consumer. Looking at the matter from this point of view, I think that the burden is very much greater than is intended to be imposed by the Government.

I would like to mention one other point, and it is this. I do not mean to say that Government have not done right in withdrawing these salt credits. So far as my experience and knowledge go with reference to the operation of these credits in the Madras Presidency, these credits are not credits actually advanced to the licensees, but advances to the capitalists. The capitalists who hold with them Government bonds can go to the Treasury and obtain salt credits by pledging their Treasury bonds. And those bonds having been pledged, they take the salt credit to the licensees and arrange with them for a certain profit to enable those licensees to take the salt from the Government depot without being obliged to pay from their own pockets the duties. From the point of view of the capitalists I am not speaking, but from the point of view of the small license-holders I intend to speak. This system was a benefit to them because it secured them credit. In the early days it was difficult to find men to take out these salt pans for cultivation and therefore very needy people used to take them over and when they were cultivating those small bits, it was difficult for them to secure the necessary amount to pay the dues without paying which they could not remove their salt. Therefore Government devised at that time this system of salt credits, by which an advance was made to a capitalist who could deposit Government notes, and this enabled the capitalist to accommodate these poor license-holders. While agreeing to the withdrawal of the credit so far as capitalists are concerned, I should like to know how the Government will hereafter deal with the small license-holders, who for want of these facilities would be hit very hard and consequently the consumers would be called upon to pay more when the licensees are forced to go to the open market to

[Mr. B. Sitaramaraju.]

borrow at high rates. This is another additional burden on the consumer. I hope the Honourable the Finance Member will find ways and means to help the small license-holders to get over this handicap.

The last point that I wish to mention is that we have to consider this duty from the point of view of India. Under the Irwin-Gandhi agreement, people on the coastal districts were permitted to manufacture their own salt, not for commercial purposes, but for their own consumption. If there is any increase on the salt duty, the price of salt must necessarily go up and as I have already pointed out, the retail prices will be much more than what they are intended to be. In such a case the people will be driven to the necessity of using a salt which is not beneficial to their health. Under these circumstances, Sir, it is not just that we should impose a duty which will increase the burden of the poor people, but on the other hand would be harmful to them from the point of view of health. With these few words, I support the amendment.

Mr. G. I. Griffiths (Bombay: European): Sir, I move that the question be now put.

Mr. President: As there has not been sufficient discussion, the Chair does not accept the closure. Sardar Sant Singh.

Sardar Sant Singh: Sir, speaking in support of this motion, I want to say a few words. So far as the reasons for imposing this duty on salt are concerned, it is not a new phase of this question which is being discussed to-day. During the last ten years the reasons for and against this taxation have been discussed threadbare, but we find that the reasons against this duty have not had any effect on those who are responsible for the administration of this country. During the last year this question assumed a critical importance of very great magnitude in the country; and at this time when the country is observing a truce between the Government and Mahatma Gandhi it will be nothing short of a breach of pledge to introduce such legislation. The revenue that can be raised from this duty is about Rs. 1 crore, but it would create a situation in the country the controlling of which may cost much more than the revenue it brings. May I ask those gentlemen who think of supporting the Government in this particular matter what ideas those young men and young women will have about them who marched under the banner of Mahatma Gandhi for the removal of this tax and for the removal of grievances in the country, of which this tax was made the chief pillar? We know that on this very issue Mahatma Gandhi successfully roused the country from the lethargy into which it had fallen and succeeded in sending about 60,000 people to jail. What was the cost of this to the administration of the various provinces and to the Government of India? If those expenses can be put side by side with the revenue that is intended to be raised by the levy of this duty, may I know whether this duty will compensate or whether the balance would be on the debit side or the credit side of the Government of India, of course taking the expenses incurred by other Governments into account? The resentment against this tax is so keen and so strong in the country that it may give a pretext to those who are opposed to the present administration in saying that the Government of India are not honest when they say that they are going to grant us self-government in the land.

Mr. R. S. Sarma (Nominated Non-official): Why can't you go and explain to the people the real intentions of the Government?

Sardar Sant Singh: I wish a better and more learned journalist, such as Mr. Sarma is, will do that for me. I do not pretend to belong to any journal, so that I may propagate my ideas so easily and with the same facility as he can do.

Kunwar Hajeer Ismail Ali Khan (Meerut Division: Muhammadan Rural): Mr. Sarma will be very pleased to publish for you.

Sardar Sant Singh: I shall use this offer some time when I need it. If we impose this tax, it will certainly lead to heart-burning and discontent in the country. In the face of the present conditions in the country, I request, with all the emphasis that I can command, the Treasury Benches to leave this taxation alone.

Another point on which I think both the major communities in India are agreed is that this taxation touches even the humblest man in the land. If the opinions of medical men are true, then a certain amount of salt is required for healthy growth. At this time of depression, when the incomes of people have gone down considerably, will it be wise to deprive the poor man of his salt? To say that the burden is very little is not a fact. In fact to those who are wholesale dealers in this commodity, the burden is very little; but to those who actually consume the article the burden is very high. I know that the duty on salt is Re. 1 and the other charges amount to about 4 annas, and yet salt is sold in the towns at about Rs. 2-8-0 or Rs. 3 a maund. How this difference is brought about is for the merchants to say. This illustrates that the consumer ultimately has to pay much more than the duty which is charged by the Government. Under these circumstances to deprive the consumer of this commodity by levying this extra duty will be a very great hardship. Therefore, I will request the Treasury Benches to withdraw this duty so far as salt is concerned and to find out some other resources from which they can get this revenue. If there is no other revenue, then surely they are thinking of effecting further retrenchments which will save them some money. Cannot they cover this loss by further retrenchment in other matters?

There is one point on which I have not been convinced, despite all these arguments advanced about retrenchment, and that was that certain passage monies and exemptions from income-tax of salaries paid out of India—they have not been touched because they will not bring in much money or because it will disturb the established practice. My submission is, that at a time of financial stringency, there is no reason to pay more regard to the allowances and exemptions granted at a time when there was plenty of money in the coffers of the Government of India. Now, when big men with fat salaries are not to be touched, surely the poor man's salt should not be touched. With these words, I support this amendment.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Sir, I had not intended to take part in this debate on this question, because if there is any subject which has been argued and argued and argued to death it is this salt duty. Every time we come

1990.

LEGISLATIVE ASSEMBLY.

[14TH Nov. 1981.]

[Raja Bahadur G. Krishnamachariar.]

here, we protest against this salt duty; every time the Government come up they insist upon raising this salt duty. I do not know—there is some fatality about it; and unfortunately coming as I do from the rural parts, I know exactly how this salt duty works upon the rural population.

There is an old story—I do not know if I am entitled to relate it on the floor of this House; it may not be very palatable to some—but a Marwari wanted to cross a stream; the stream was in full flood and he was told that there was a quick current running and that he should not attempt to cross: he said, "Oh, it does not matter", and he sat down on the brink of the stream and calculated the average depth of the stream: he calculated and calculated and ultimately arrived at the conclusion that it was only 3 feet one inch deep on an average from brink to brink and he said, "Now I am going to cross the stream". He got into a little basket like thing which is used for a boat and which is called a coracle and went in. When in midstream, naturally he was swept away, and with great difficulty he managed to escape himself, but his wife and children were all drowned. When he went to the other side he sat up and began making calculations again to see if there was anything wrong with his previous calculations and then he said: "*Hisab dekheto joun keyoun joru bache bah gaye*".

Exactly in that manner, we always get the salt tax justified by calculating averages and flinging them into our faces. Why do the Government always hit upon salt? Why cannot they have taken the thing that my friend, Sardar Sant Singh, talked about last? The tax works out I believe to about 25 or 30 lakhs this year, and a crore next year. So that it comes to about 121 lakhs; and with all the retrenchment paraphernalia, advisory committees, sub-committees, Simla and other things put together, cannot you get 121 lakhs in order to rid the country of this octopus of salt tax upon the poor man?

I very respectfully but firmly say that they could do it if they had a will to do it. In that speech of the Honourable the Finance Member he said on page 5:

"I hope that before the discussions of our present proposals are finished and before the House is asked—(I want you to mark these words)—to record any final vote as regards new taxation, we shall be able to put before them a more definite and detailed plan. I feel that Honourable Members are entitled to ask for this, and that we have no justification in putting plans for taxation before them except under the most solemn pledge of effecting the maximum reduction of expenditure."

So far as I know, that promise has not yet been fulfilled. I know that a lot of memoranda have been thrown at our heads—I do not know what they contain; but there is a small abstract of it and that memorandum was prepared practically within a short time of the speech, that was made and referred to above. Therefore, the final plan has not yet been shown to us. Ordinarily, you first tell us what your expenditure is and ask us to grant that expenditure in the shape of a Demand for Grant; then when you have determined what your expenditure is going to be, you come up with your Finance Bill. But here you are putting the cart before the horse. I do not know why you took up the second reading of this Bill before settling the final expenditure. The Honourable the Finance Member said:

"It has seemed to me that the only sound course is to take our estimates as we have been able to foresee them before the events of last week and to put before the House a plan which would produce equilibrium on the basis of those estimates."

So that the estimate of expenditure, to meet which the present Finance Bill is being introduced and being discussed, is the estimate that we passed in March last. We have been told there would be retrenchment, there was a discussion, a very strong discussion about these Retrenchment Committees; speeches, wise and otherwise, were made about the way in which their work has been accomplished and what is the result? The result is, while we are debating to-day upon the Finance Bill to meet expenditure which you forecasted in March last, what you were going to reduce out of that and what you were going to do in order to tell us exactly what you now want is still in the air, with the result that after a few days' more irrelevant—I very respectfully submit it is irrelevant—and rambling discussion without any materials on our side—Sir, I am criticising our side also—we do not know what else to do, we are groping in the dark; we never have been told how much you actually want. The Bill will have been passed and everybody will go home quite happy except the unfortunate man who is squeezed to pay the taxes. I know this much, that you want 19 crores of taxation; that is quite clear; but to meet what? You said you were going to tell us what exactly the expenditure would be; but you never told us that; even now, to-day, I do not know how much you want, but I know how much you want to get from me.

Coming back to this question of taxes, all that I want you to do is to take off 125 lakhs from this poor man, and I say this 125 lakhs you can easily, honestly, straightforwardly find out if you set about doing it. The field is immense; only the workers are few and if only you sit at it with a heart you can easily find that money. I therefore submit that even if you wanted this money and even if you are perfectly right—I do not suppose I can go back upon the vote of this House—in asking for this amount for eighteen months, I say you can very easily get this money; but I put my arguments also upon a sentimental ground and upon the ground of imagination. Sir, I charge this Government that they work without the slightest imagination. Now there is a great deal of trouble in the country. I am only giving them a hint as to how nine-tenths of this trouble could be warded off if they could only take hold of the poor man and give him back his salt and such other things as affect him most and meet the deficit from some other source instead of from salt. If you are going to vote the whole thing

Mr. Arthur Moore: Sir, is it in order to attribute all these designs to the Chair?

Mr. President: The Chair had intended interrupting the Honourable Member and pointing out that the Chair did not want to take any money from him.

Raja Bahadur G. Krishnamachariar: I understood that the practice here is that a Member cannot address the House except through the Chair.

Mr. President: The Honourable Member, in addressing the Chair, can refer to the proper authority in the case, or I might say the real culprit in the case.

Raja Bahadur G. Krishnamachariar: Sir, through you I am addressing the real culprit, and whomsoever the cap fits can put it on, and I do not mind who puts it on, whether it is my friend, Mr. Moore, or the Honourable the Finance Member, I do not mind a bit. (Laughter), but only the cap has to be sent through the Chair, and it is a great pity.—I am very sorry. (Laughter.)

Then, Sir, the reason is this. You want one crore and 20 lakhs

Mr. President: The Chair does not want one crore and 20 lakhs or any thing at all. (Laughter.)

Raja Bahadur G. Krishnamachariar: I am talking of the Government and not of the Chair. (Renewed Laughter.)

Mr. President: Then the Honourable Member can say that the Government want one crore and 20 lakhs.

Raja Bahadur G. Krishnamachariar: Very well, Sir, I say that the Government want 1 crore and 20 lakhs.

Mr. President: That is right.

Raja Bahadur G. Krishnamachariar: And in trying to secure that one crore and 20 lakhs, if they refer to the Indian Tariff Act, they will find that they have got in their Schedule 158 items, and of all those items salt is only one item. Instead of taking salt, if they distribute the money that they want among the various other items, they can very easily get the necessary revenue. As I said the other day, it is none of my business to tell you what particular item you should select in preference to salt. All that I come here for is to ask you not to touch my salt or such other item or items as concern me, but how you should find the necessary money by not touching my items it is certainly your business to see. You are paid to find it out from morning till evening, and if you cannot find out any other item as a substitute for salt on which to impose a tax to enable you to get more revenue, I cannot help it. I can only come here and explain my difficulties, and I say that Government are bound to redress my difficulties. I daresay Government want money and if there is more money I am perfectly sure Government would be more glad. Of all the items put together, salt is only one item. Instead of taking salt, if they distribute to tax amongst the various other items, they can very easily get the money as I said before. And, Sir, in this connection I do not like a statement which I believe I heard from the Finance Member. He suggested that the Budget discussion might be divided into three portions, and the last was whether it was justifiable to take more money than was absolutely necessary. With regard to that, I remember to have heard the Finance Member say, "We shall want all the money that we can get". Now, Sir, that is a very wrong principle in public finance; it is wrong for any Government to try and get money in order to hoard it; it is wrong for any Government to try and take money in the way in which they propose to make it. That is certainly a very wrong principle for any Government to adopt. They must take only as much money as they actually want, because Governments are not dying like individuals. If I die, my son is going to pay the tax, and if my friend, the Finance Member, goes, some other gentleman comes and takes his place and continues making this demand, so that between him and me, the demand continues and the payment also continues. So that why take more money than you actually require? I think I have had something to do with these things in one of my weak moments, and I believe it is an absolutely sound canon of financial administration that no Government ever takes anything more than what it absolutely requires. That was the reason why some of us here wanted that the Budget should be split up into two parts, and probably when you have budgeted for six months you may find that you will not want all the money that you are now trying to raise. If therefore you bring your mind to bear upon this matter and give some little attention to the question, I am sure you will be able to hit upon some other item than the poor man's salt.

and I very respectfully, very earnestly, and very humbly, if you like, ask that this salt tax should be taken off from the Schedule and some other item be substituted instead. I can, Sir, if I am so minded, take up the time of this House by recapitulating all those arguments which were urged by the late Mr. Gokhale before the old Imperial Legislative Council as to the necessity of salt, as to the wickedness of depriving the poor man of his salt, and as to the saintliness of Government in trying to find out one item from which they can raise the necessary revenue instead of selecting salt, but as I said, I do not want to take up the time of the Court in that way. (An Honourable Member: "Court?") (Laughter.) I really cannot understand why I said Court, because it is nearly 14 years since I left the Bar, and I do not know how the word "Court" crept in here.

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhamadan Rural): What did Gokhale say?

Raja Bahadur G. Krishnamachariar: I said I was not going to recapitulate what the late Mr. Gokhale said; all his figures and statements are at my fingers' ends, but I do not want to trouble the House by repeating all those arguments. What I say is this. You refer to the speeches of the late Mr. Gokhale and you will find therein a full and elaborate discussion as to the wrong of taxing the poor man on his salt. I would merely refer those Honourable Members who are interested in the matter to those speeches, and would again ask the Government that this salt tax should be removed from the list.

Mr. President: In adjourning the House till Monday, the Chair wishes to draw attention to the fact that the Finance Bill has not progressed as satisfactorily as the Chair would wish. The Chair does not wish to criticise any Honourable Member having regard to the importance of the subject, the House is dealing with, nor does it intend to interfere with any speeches that Honourable Members may wish to make, but having regard to the fact that time is getting on, the Chair wishes to inform Honourable Members that, from Monday next the Chair may decide to sit up to 6 or 7 o'clock if that becomes necessary.

Mr. C. S. Ranga Iyer: If I may say so, Sir, the progress that we have made

Mr. President: Order, order. I do not wish that this matter should be discussed. I have recognised the right of Honourable Members to speak at as great a length as they like. The Chair merely wishes to inform Honourable Members that if it becomes necessary, the House may have to sit till 6 or 7 o'clock from Monday onwards.

Mr. C. S. Ranga Iyer: I only wanted to tell the Chair that we have no intention of dragging on the thing, because Honourable Members are unwilling to sit up till 7, and they would much rather finish the work as soon as possible.

Mr. President: No one will welcome it more cordially than the Chair, if Honourable Members co-operate with it in carrying on the work within the usual hours.

The Assembly then adjourned till Eleven of the Clock on Monday, the 16th November, 1981.

LEGISLATIVE ASSEMBLY.

Monday, 16th November, 1931.

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

QUESTIONS AND ANSWERS.

INQUIRY INTO FIRING AT THE HIJLI DETENTION CAMP.

1294. *Mr. Lalchand Navalrai: (a) Are Government aware that the 'Hijli' Committee has submitted its report on the Hijli detention camp incident?

(b) If so, will Government be pleased to make a full statement on the same?

(c) What do Government propose to do with those responsible for unjustified indiscriminate firing?

(d) Is it a fact that the aforesaid committee has held that the indirect cause of the outbreak was the lack of a responsible officer in the camp at night when it was controlled entirely by sepoys and havildars?

(e) How have Government dealt with that officer?

The Honourable Sir James Orerar: (a) Yes.

(b) and (d). A copy of the report has been placed in the Library.

(c) and (e). It is for the Local Government to take such action as may be necessary. I understand that the report is under their consideration.

RESULTS OF MALARIA RESEARCH AND RETRENCHMENT OF THE MALARIA SURVEY OF INDIA.

1295. *Mr. Lalchand Navalrai: (a) Will Government be pleased to state the whole strength of the Malaria Research Department of India and the cost of it?

(b) Who is the head of the Department and what are his salary and allowances?

(c) What results of the research have they shown during the last five years?

(d) Does this Department do any practical work in combating malaria, or is it restricted to only research work?

(e) Has any retrenchment committee considered the desirability or otherwise of retrenching this Department?

(f) If so, what has been the result? If not, do Government propose to investigate this matter themselves? If not, what are the reasons?

[16TH Nov. 1981.]

Sir Frank Noyce: (a) Including all menial and subordinate personnel the Malaria Survey of India, to which the Honourable Member is evidently referring, has a strength of 32 at present. The cost varies, but may be taken at about Rs. 1,70,000 per annum.

(b) Lieutenant Colonel J. A. Sinton, V.C., O.B.E., I.M.S., his salary and allowances are as follows:—basic pay of rank (at present) Rs. 1,500 per mensem, bacteriological allowance Rs. 250 per mensem, Director's allowance Rs. 200 per mensem; allowance in lieu of free quarters Rs. 150 per mensem, total Rs. 2,100 per mensem, with overseas pay of £30 in addition.

(c) The results of the research work conducted by the Survey are published in the Indian Journal of Medical Research and its Memoirs, the Records of the Malaria Survey of India, and in special publications and reports.

(d) The research work done is not confined to the laboratory, but includes practical aims and objects.

(e) and (f). The Survey is not a Department of the Government of India and the question of continuing it is one for the Indian Research Fund Association, which maintains it and which is fully alive to the necessity for economy.

Mr. Lalchand Navalrai: Will the Honourable Member be pleased to say with regard to clause (c) of the question, if these publications are in the Library?

Sir Frank Noyce: I am not sure, but I shall be happy to send the Honourable Member copies of them if he would like to have them.

Mr. Lalchand Navalrai: Thanks very much. With regard to the latter portion of (e) and (f), I understood the Honourable Member to say that it is not within the power of the Government of India. Then is that in the hands of the Secretary of State? I am talking about retrenchment.

Sir Frank Noyce: No, Sir. It is in the hands of the Indian Research Fund Association, which is an independent body though it receives a large subsidy from the Government.

Mr. Lalchand Navalrai: Does that institution get anything from the Government?

Sir Frank Noyce: I have already said that it receives a large subsidy from the Government. It is subsidised by the Government although it is itself an independent body.

Mr. Lalchand Navalrai: May I therefore understand that the Government cannot make any suggestions regarding retrenchment to them?

Sir Frank Noyce: The question of reducing the grant to the Indian Research Fund Association is under consideration, and the Research Fund Association will doubtless conduct their activities in the light of such funds as they receive from the Government.

Dr. Ziauddin Ahmad: Is it not a fact that the Indian Research Fund Association has already retrenched its expenditure by about Rs. 3 lakhs?

Sir Frank Noyce: That is, I believe, the case.

ANNUAL MIGRATION TO KASAUJI OF THE SIND MALARIA INQUIRY DEPARTMENT.

1296. ***Mr. Lalchand Navalrai:** (a) Are Government aware that there is a Malaria (Sind Branch) Inquiry Department existing in Sind?

(b) Where is its headquarters?

(c) Is it a fact that members of the Sind Malaria Inquiry including the peons migrate for four months out of the year to Kasauli with their families at Government cost?

(d) How much does that cost Government and how do Government justify the same?

(e) Do Government propose to retrench this item?

Sir Frank Noyce: (a) and (b). Yes. An enquiry financed and constituted by the Indian Research Fund Association and directed by the Malaria Survey of India from Kasauli is at work in Sind.

(c) No.

(d) and (e). Do not arise.

SCHOOLS OF INSTRUCTION FOR RAILWAY EMPLOYEES AT DEHRA DUN AND KOT LAKHPAT.

1297. ***Mr. Lalchand Navalrai:** (a) Is it a fact that there is a school of instruction at Dehra Dun for railway employees of the State Railways?

(b) Are Government aware that there is also a school for the same purpose at Kot Lakhpat?

(c) Will Government be pleased to state if these schools are intended for new recruits for the railway service or also for the already employed servants including experienced servants and of advanced age?

(d) If the answer to the above be that experienced and aged employees are also sent there for training, will Government be pleased to state the necessity for doing so; and how much will Government save by stopping such a course?

(e) Is it a fact that such officers are given there theoretical instruction which they have to commit to memory?

(f) Do practical and experienced officers of railways have any necessity for receiving such instruction and has it done any practical good to the railways through such trained employees? If so, will Government place on the table facts and figures regarding the same?

Mr. A. A. L. Parsons: (a), (b) and (c). The Railway Staff College is located at Dehra Dun. It provides courses of instruction for senior scale and junior scale officers and probationary officers of all Indian railways. It also provides a special course of instruction for senior subordinates of all Indian railways.

The school at Kot Lakhpat (Lahore) provides courses of instruction for members of the subordinate establishments, including new recruits, of the North Western Railway only and a few courses of instruction for probationary officers serving on that railway.

(d) Government consider that selected senior scale officers and senior subordinates profit by attending special courses of instruction. Only a limited number of such officials attend such courses of instruction in any

year, and the cost involved is small. The question of reducing the attendance at such courses is under consideration.

(e) The courses of instruction are essentially practical.

(f) Government are convinced that officers who have attended the courses of instruction at the Staff College, Dehra Dun, have increased their knowledge by such attendance. In consequence Government expect that their efficiency will also increase.

As regards the Honourable Member's request for facts and figures, I would point out that it is not possible definitely to ascribe particular economies introduced on railways to the fact that some of the officers responsible for them have been through these courses of instruction.

Mr. Lalchand Navalrai: I did not hear the Honourable Member and therefore he is saved supplementary questions.

Dr. Ziauddin Ahmad: Does not the Honourable Member consider that the Staff College is an expensive luxury in these days?

Mr. A. A. L. Parsons: Is the Honourable Member referring to the College at Dehra Dun?

Dr. Ziauddin Ahmad: Yes.

Mr. A. A. L. Parsons: The views of the Railway Board, so far as they have yet been formulated, will be found by the Honourable Member in item 145 of the statement dealing with the recommendations of the Retrenchment Sub-Committee of which he was a member.

Dr. Ziauddin Ahmad: May I just remind the Honourable Member that the Railway Retrenchment Sub-Committee did not examine the Staff College and said that they would like to examine it, and in their report they have expressed their doubts about it?

DEPARTMENTAL VICTIMISATION OF RAILWAY SERVANTS APPEARING BEFORE THE COURT OF INQUIRY AT BOMBAY.

1298. ***Mr. K. P. Thampan** (on behalf of Mr. S. G. Jog): (a) Is it a fact that some of the Railway servants who have offered themselves as witnesses before the Court of Inquiry at Bombay have been victimised or punished or troubled in any way by the Department?

(b) If any such men have been in any way punished, do Government propose to take steps to remedy the wrong?

(c) Do Government propose to issue instructions for not taking any such steps against the witnesses appearing before the Court of Inquiry?

Mr. A. A. L. Parsons: (a) Government have received no information to this effect.

(b) Government feel sure that Agents of railways will take proper measures to redress any real grievances of the character referred to if they exist.

(c) Government do not consider it necessary to issue special instructions to Agents of railways, who are aware that it is their duty to render every possible assistance to the Court of Enquiry.

GOVERNMENT LOANS FROM INDIAN STATES.

1299. ***Mr. K. P. Thampan** (on behalf of Mr. S. G. Jog): (a) Is it a fact that the Government of India are negotiating some loans with Native States?

(b) If the reply to part (a) be in the affirmative, what are the States with which such negotiations are going on?

(c) What is the rate of interest proposed or settled or what are the other terms of settlement, if any?

The Honourable Sir George Schuster: (a) The Government of India are not negotiating for any loans from Indian States.

(b) and (c). Do not arise.

PROVIDENT FUND SCHEME FOR GOVERNMENT SERVANTS.

1300. ***Mr. K. P. Thampan** (on behalf of Mr. S. G. Jog): With reference to question No. 74 of 15th September, 1931, asked by the Honourable Shri Jagannath Maharaj Pandit in the Council of State, will Government be pleased to lay on the table the tentative conclusions which they have arrived at in respect of the Provident Fund Scheme and to state whether it will be given effect to before the end of this year in accordance with the assurance given by Government on 18th February, 1931? If not, why not?

The Honourable Sir George Schuster: The tentative conclusions arrived at are based on incomplete data, and Government regret they are not in a position to lay them on the table of the House.

The position as regards the assurance given by Government in the Council of State on the 18th February, 1931, is still as described in the reply given on the 21st September, 1931, to part (a) of question No. 600 asked on the Honourable Member's behalf by Sardar G. N. Mujumdar.

LOCATION OF THE INDIAN SANDHURST.

1301. ***Mr. K. P. Thampan** (on behalf of Mr. S. G. Jog): (a) Have Government come to any final decision in the matter of the location of the Indian Military Sandhurst?

(b) If so, will Government announce the place where the college will be located?

(c) Have Government made any progress for the establishment of this college?

(d) When do Government propose to open this college?

(e) Have Government decided or proposed any arrangement for the examination of the entrants to this college?

(f) Do Government propose to announce that arrangement at an early date?

Mr. G. M. Young: (a) and (b). A final decision has not been reached; but the College will probably be located at Dehra Dun.

(c) Yes.

(d) and (e). It is the intention to open the College in the autumn of 1932, and to hold the first entrance examination in or about June 1932.

(f) Government will make an announcement as soon as these matters have been finally settled.

TRAVEL OF A LEPER IN THE BOMBAY-CALCUTTA MAIL.

1302. ***Mr. K. P. Thampan** (on behalf of Mr. S. G. Jog): Is it a fact that on the Bombay Calcutta Mail via Nagpur a leper was sleeping in compartment No. 3883?

(b) Is it a fact that it is against railway laws or rules to allow a leper to travel by passenger train?

(c) What arrangement in the interests of public health and hygiene is made in railways for the travel of lepers?

(d) Is it a fact that the railway officials did not take immediate steps in the matter of disinfection of the carriage, although requested by the passengers in that compartment?

(e) Is it a fact that the passengers, D. B. Shindekur, a Government pensioner, and Mr. G. S. Joshi, Professor, Rajkumar College, complained of the matter to the railway officials?

Mr. A. A. L. Parsons: (a) and (e). The Railway Board have received no report of this occurrence.

(b) and (c). Briefly the position is that under the Railway Act a Railway Administration may refuse to carry persons suffering from an infectious or contagious disorder, such as leprosy, except under prescribed conditions, and that the prescribed conditions prohibit any passenger suffering from an infectious or contagious disorder from being carried in any train unless he has engaged a reserved compartment for himself, and unless all necessary arrangements have been made to segregate him and his attendants from other persons during the whole time he is on the railway. The rules also require the disinfection of the carriage immediately after its arrival at its destination.

(d) The Railway Board attach much importance to the strict observance of these rules, and if the Honourable Member will kindly let me know whether it was on the Bengal Nagpur Railway or the Great Indian Peninsula Railway that the incident mentioned in his question took place, they will have an immediate enquiry made.

PRICES OF CERTAIN GOVERNMENT PUBLICATIONS.

1303. ***Rai Sahib Harbilas Sarda:** (a) Will Government state the principle on which the sale prices of Government publications are fixed?

(b) Will Government state the reason why the list of officers of the Survey of India, corrected up to 1st January, 1931, consisting of 86 pages, including cover, is priced only at Rs. 1-4-0 or 2 shillings, while the list of ministerial and lower subordinate staff in the Survey of India on 1st April, 1930, Part I, containing 112 pages of the same size and printed on the same paper as the list of officers is priced at Rs. 6-6-0, or 10 shillings?

(c) Are Government aware that in consequence of the prices fixed as above, a ministerial servant has to pay for a copy of the list of his establishment, more than three times the price, which a gazetted officer has to pay for the list of his own establishment?

The Honourable Sir Joseph Bhore: Enquiry is being made and a reply will be furnished to the Honourable Member in due course.

INSOLVENT CLERKS OF THE OFFICE OF THE DIRECTOR GENERAL, INDIAN MEDICAL SERVICE.

1304. ***Bhai Parma Nand:** (a) Is it a fact that some clerks employed in the office of the Director-General, Indian Medical Service, have made their applications in the Court of the Judge, Small Causes, Delhi, for insolvency during 1930-31? If so, will Government please state the names of such clerks together with their pay?

(b) What were the reasons advanced by each individual for such a step and what is the total amount each of them owed to their creditors?

(c) Will Government kindly state the disciplinary action taken against each individual under the Government Servants' Conduct Rules? If no action was taken, what are the reasons? If no action was taken, do Government propose taking action now; and if so, what?

Sir Frank Noyce: (a) and (b). Government understand that a clerk in the office of the Director-General, Indian Medical Service, has recently filed an insolvency petition in an Insolvency Court, but he is at present on sick leave, and details are not available.

(c) Disciplinary action under the Government Servants' Conduct Rules is bound to follow at the proper stage.

Mr. Lalchand Navalrai: Has the clerk been yet declared an insolvent or not?

Sir Frank Noyce: As far as I am aware, he has only filed a petition. He has not yet been adjudged or declared an insolvent.

PREPARATION OF DAILY WEATHER REPORTS.

1305. ***Mr. K. P. Thampan:** Will Government be pleased to state:

(a) whether the preparation of the daily weather report by the Meteorological Department at Madras has been decided to be discontinued;

(b) what the other weather stations in this country are and whether the preparation of the weather report at any such station has also been decided to be discontinued;

(c) if the answer to part (b) is in the negative, why this should be done at Madras alone;

(d) if it is a fact that the weather station at Madras has been reduced to one of a pilot balloon station;

(e) whether the Local Government was consulted in the matter before the decision was arrived at; and

(f) whether Government propose to make any other arrangement for the publication of the weather report for the Madras Presidency?

The Honourable Sir Joseph Bhore: (a) Yes.

(b) and (c). The other stations which issue weather reports are:

Poona.

Delhi.

Calcutta..

Karachi, and

Bombay.

Rangoon.

It has been decided to discontinue the issue of reports from Delhi and Rangoon in addition to those from Madras.

(d) The Government have decided to reduce the Madras Observatory to the status of a pilot balloon station.

(e) No.

(f) The reports for the Madras Presidency are included in the all-India weather reports which are issued from Poona.

Mr. K. P. Thampan: May I know what will be the saving effected by reducing the Madras Observatory?

The Honourable Sir Joseph Bhore: If my Honourable friend means to ask what will be the financial saving, I am afraid I cannot give him the figures offhand, but I shall be glad to furnish him with the information.

Mr. K. P. Thampan: Since the Government decided to discontinue the publication, has the Madras Government protested against it?

The Honourable Sir Joseph Bhore: I believe they have.

Mr. K. P. Thampan: Having regard to the protest made by the Madras Government and the maritime importance of the Madras Presidency, which has the Bay of Bengal on one side and the Arabian sea on the other, and in view of the fact that large numbers of ships call at the ports on these coasts, will Government be pleased to reconsider their decision?

The Honourable Sir Joseph Bhore: I have no doubt my Honourable friend is anxious for retrenchment, but he seems to be anxious that economy should be at some one else's expense. As a matter of fact these reports for the Madras Presidency will still continue to be published, but they will be published from Poona instead of from Madras.

Mr. K. P. Thampan: May I say that I am very anxious to effect retrenchments, but when you make retrenchment you must pay due regard to the importance of the subject. Can Government retrench by doing away with all the Executive Council Members? If must be a judicious pruning. May I urge the Government to reconsider their decision in view of the importance of the subject to Madras?

The Honourable Sir Joseph Bhore: I have listened carefully to my Honourable friend's speech in this matter.

APPOINTMENT OF APPRENTICES ON THE EAST INDIAN RAILWAY.

1306. ***Mr. Amar Nath Dutt:** (a) Will Government please state whether they have acted in accordance with the procedure cited in the middle portion of the answer to Mr. S. C. Mitra's starred question No. 472 (a) and (b) of the 5th March, 1930 (i.e., "The posts were filled up by the technically trained mechanics who were all ex-apprentices, it being considered by the Agent that they had prior claims to their juniors who would be completing their apprenticeship at a later date") in respect of the Indian apprentices who completed their training in 1930 on the East Indian Railway?

(b) If the answer to part (a) be in the affirmative, will Government please state why Messrs. Smith, Sim, Platts, Gibbons and Nandi have been appointed in preference to the apprentices of 1930, who secured very high positions in the examination?

Mr. A. A. L. Parsons: With your permission Sir, I propose to reply to questions Nos. 1306, 1307, 1308, 1311, 1314 and 1315 together. I have called for certain information from the Agent, East Indian Railway, and will communicate with the Honourable Member as soon as I have received it.

APPOINTMENT OF APPRENTICES ON THE EAST INDIAN RAILWAY.

†1307. ***Mr. Amar Nath Dutt:** (a) Will Government be pleased to state whether the ex-apprentices of Lillooah Workshop are qualified for the posts of Electricians and Train Examiners under Divisional Superintendents and whether they have been taken in as such? If so, what is the number of Anglo-Indians and Indians taken in as such?

(b) Is it a fact that in 1930, one Anglo-Indian (ex-apprentice of Lillooah workshop) was appointed as Train Examiner in Howrah Division, while no Indian was appointed although qualified Indians were available?

(c) Do Government propose to take in such apprentices as Electricians and Train Examiners and issue orders to Divisional Superintendents to this effect? If not, why not?

APPOINTMENT OF APPRENTICES ON THE EAST INDIAN RAILWAY.

†1308. ***Mr. Amar Nath Dutt:** (a) Is it a fact that all apprentices who have completed their training successfully from Lillooah Workshop and were not provided with posts, are all on the waiting list in the workshop establishment at Lillooah?

(b) If the answer to part (a) be in the affirmative, will Government please state whether Messrs. Smith, Sim, Platts, Gibbons and Nandi have been appointed, ignoring the claims of senior apprentices of 1930? If so, why?

APPOINTMENT OF EAST INDIAN RAILWAY APPRENTICES TO THE TECHNICAL AND FOLLOWER CORPS OF THE INDIAN AIR FORCE, KARACHI.

1309. ***Mr. Amar Nath Dutt:** (a) Is it a fact that the Deputy Director Railway Board has written to the Agent, East Indian Railway, in a letter that he would see ways and means to provide for the trained apprentices in the Indian Air Force wing of the Indian Technical and Follower Corps of the Indian Air Force, in Karachi?

(b) If the answer to part (a) be in the affirmative, will Government be pleased to state whether any information to this effect was given to ex-apprentices? If not, why not?

Mr. A. A. L. Parsons: (a) Agents of State-managed railways were asked to supply a statement to the Railway Board giving particulars of persons who had completed the apprentice mechanics course on railways and who desired to be considered for appointment to the Indian Air Force Wing of the Indian Technical and Followers Corps of the Indian Air Force.

† For answer to this question, see answer to question No. 1306.

(b) Government are not aware of the precise procedure followed by the Agent, East Indian Railway, but I have ascertained that the recent Selection Board interviewed a number of ex-apprentices.

APPOINTMENT OF APPRENTICES ON THE EAST INDIAN RAILWAY.

1310. ***Mr. Amar Nath Dutt:** (a) With reference to the answer to Mr. S. C. Mitra's starred question No. 297 (c) of the 10th September, 1929, will Government be pleased to state whether they have issued any detailed instruction in the matter of limiting the number of First Grade bound apprentices in the East Indian Railway Workshop, Lillooah?

(b) If the answer to part (a) be in the affirmative, will Government be pleased to lay a copy of the instruction on the table?

(c) Will Government please state how many apprentices have been taken in 1930 and 1931?

Mr. A. A. L. Parsons: (a) Yes.

(b) Attention is invited to rule 111 of the rules for the recruitment and training of Apprentice Mechanics and Trade Apprentices in the mechanical workshops of State-managed railways, which are in the Library of the House.

(c) I have called for information from the Agent, East Indian Railway and will communicate with the Honourable Member on its receipt.

APPOINTMENT OF APPRENTICES ON THE EAST INDIAN RAILWAY.

†1311. ***Mr. Amar Nath Dutt:** (a) Do Government propose to stop recruitment of First Grade bound apprentices in the East Indian Railway Workshop, Lillooah, till all the apprentices are provided with posts?

(b) If the answer to part (a) be in the negative, will Government please state what endeavour is being made to provide the surplus ex-apprentices, with posts in the East Indian Railway establishment?

APPOINTMENT OF APPRENTICES ON THE EAST INDIAN RAILWAY.

1312. ***Mr. Amar Nath Dutt:** (a) With reference to the answer to Mr. S. C. Mitra's starred question No. 472 (a) and (b) of the 5th March, 1930 (regarding posts for trained apprentices on the East Indian Railway), will Government please state whether they have issued general orders applicable to all State-managed railways relating to the recruitment, training, and appointments of apprentices after their workshop training? If not, why not?

(b) If the answer to part (a) be in the affirmative, will Government please lay a copy of the order on the table?

Mr. A. A. L. Parsons: (a) Rules for the recruitment and training of Apprentice Mechanics and Trade Apprentices in the mechanical workshops of State-managed railways were issued to all State-managed railways in July 1930.

(b) A copy of the Rules is in the Library of the House.

†For answer to this question, see answer to question No. 1306.

RACIAL DISCRIMINATION IN TRAINING OF CERTAIN APPRENTICES AT JAMALPORE.

1313. ***Mr. Amar Nath Dutt:** (a) Will Government please state whether Messrs. Smith and Sim were selected for heat treatment training at Jamalpore and no Indian was given that chance?

(b) Is it a fact that there were, in the Lillooah Workshop, Indian apprentices who could have been selected for heat treatment training at Jamalpore?

(c) If the answer to part (b) be in the affirmative, will Government please state whether they made any endeavour to select the apprentices for heat treatment training at Jamalpore from among Indian apprentices?

(d) If the answer to part (b) be in the negative, will Government please state the reasons for not selecting the Indian apprentices and what were the grounds for selecting two Europeans and Anglo-Indians and what were their qualifications?

(e) Will Government please state whether they propose to select apprentices in future for heat treatment training at Jamalpore according to their merits without setting any racial value on their caste or creed? If not, why not?

Mr. A. A. L. Parsons: (a) to (d). Messrs. Smith and Sim were the first two selected for such training and two Indians are at present receiving the same training.

(e) Further selections will be made as those in the past have been, entirely on the grounds of suitability for this character of work.

APPRENTICES TRAINED IN THE LILLOOAH WORKSHOPS.

†1314. ***Mr. Amar Nath Dutt:** Is it a fact that the reply given to Mr. S. C. Mitra's starred question No. 467 of the 5th March, 1930 (regarding apprentices trained in the Lillooah Workshops in 1929) is not correct in that Mr. Panna Lal Banerji did not complete his training in 1929; and only one Indian (Mr. A. Beg) and five Anglo-Indians were appointed?

APPOINTMENT AND PROMOTION OF AN "OUTSIDER" IN THE LILLOOAH WORKSHOPS.

†1315. ***Mr. Amar Nath Dutt:** (a) Is it a fact that an outsider has been appointed as a mechanic in the saw mills in the beginning of this year on Rs. 390 in the Lillooah Workshops?

(b) Is it a fact that the said gentleman is now officiating as Foreman in that shop?

(c) If the answer to part (a) be in the affirmative, will Government please state what considerations were made in favour of the mechanics who were in service or of the successful ex-apprentices who are still unemployed?

(d) If the answer to part (b) be in the affirmative, with reference to the answer to Mr. S. C. Mitra's starred question No. 466 (b) of the 5th March, 1930, will Government please state what consideration was made to the Assistant Foreman of that shop and what were the grounds for selecting him (an outsider) as Foreman?

†For answer to this question, see answer to question No. 1306.

NON-TRANSFER OF THE WORKS MANAGER, LILLOOAH WORKSHOPS.

1316. *Mr Amar Nath Dutt: (a) Will Government please state if there is any limit to the maximum period of time for which one gazetted railway officer is allowed to remain in the East Indian Railway establishment, Lillooah, during his tenure of office?

(b) Will Government please state whether the post of Works Manager in the Lillooah Workshop is transferable?

(c) Will Government please state for how many years the Works Manager has been holding his post in the East Indian Railway Workshop, Lillooah?

Mr. A. A. L. Parsons: (a) There is no limit to the tenure of any of the gazetted posts in the workshop establishment at Lillooah.

(b) No.

(c) I have called for information from the Agent, East Indian Railway, and will communicate with the Honourable Member on its receipt.

INCOME-TAX WORK IN BIHAR AND ORISSA.

1317. *Maulvi Badi-uz-Zaman: Will Government be pleased to state:

(a) the number of Income-tax assesseees in Bihar and Orissa as it stood on 31st March, 1930, and 31st March, 1931;

(b) the number of Income-tax appeals filed during the financial years 1929-30 and 1930-31;

(c) the number of appeals which each Income-tax Assistant Commissioner is ordinarily required to hear, and the number of assessment cases which each Income-tax Officer is ordinarily required to do in a year;

(d) if there is any standard of work fixed for each officer;

(e) what is the duty of the new post, called Inspector-Accountant; and

(f) why was this post created and has it been recognised by the law of the land?

The Honourable Sir George Schuster: (a) and (b). I lay a statement on the table.

(c) and (d). No definite standard has been prescribed in regard to the number of appeals to be heard by Assistant Commissioners, since that is not the only factor to be considered in forming their territorial charges.

In regard to Income-tax officers also there is no rigid standard. According to circumstances an Income-tax Officer is expected to dispose of from 700 to 1,000 cases in a year. The question of fixing definite standards of work for Assistant Commissioners and Income-tax Officers is under consideration.

(e) The duties of Inspector-Accountants are to examine accounts and note the results, for the use of the Income-tax Officer in making his assessments, to make house-to-house surveys, and to collect information, for example, by examining the records of Civil Courts and Registration offices and the registers at Railway Stations.

(f) As is the case with the clerical staff employed in the Department, these officers do not perform any functions reserved by the Act to the classes of officers mentioned in the Act, nor do they require any statutory authorisation to enable them to perform their functions. This part of the question does not therefore seem to arise.

Statement showing the number of Income-tax Assesseees and the number of Income-tax Appeals filed during 1929-30 and 1930-31 in Bihar and Orissa.

(a) Number of Income-tax assesseees in Bihar and Orissa.

On 31st March, 1930.

17,747.

On 31st March, 1931.

17,191.

(b) Number of Income-tax appeals filed in Bihar and Orissa.

1929-30.

2,236 [under section

30 (1)].

14 [under section

32 (1)].

1930-31.

1,940 [under section

30 (1)].

16 [under section

32 (1)].

SHORTAGE OF INCOME-TAX STAFF IN BIHAR AND ORISSA.

1318. *Maulvi Badi-uz-Zaman: (a) Are Government aware that there is a growing dissatisfaction among the tax-paying public of the Province of Bihar and Orissa that owing to the insufficiency of the staff coupled with the pressure of work the Income-tax officials cannot in the very nature of things do full justice to their cause?

(b) Have Government ever considered that when they have greatly increased the rate of income-tax they must keep sufficient staff, who may have time to go through the voluminous books of accounts thoroughly, and make sifting enquiry in each doubtful case?

(c) Since the passing of the Finance Act, 1931, have Government ever considered the advisability of increasing the numerical strength of the income-tax staff in Bihar and Orissa?

(d) Do Government now propose to increase the staff with a view to securing prompt disposal of assessment and refund work as also to secure fair and equitable assessment of income-tax after thorough scrutiny of account books, and inquiry?

The Honourable Sir George Schuster: (a) The Government have no information to this effect.

(b) It is and has always been the aim of the Government to provide a sufficient staff to perform adequately the work to be done. It does not appear to them that the strength of staff required is in any way affected by the rates of tax.

(c) and (d). The answer is in the negative.

LOAN TO THE BAHAWALPUR STATE.

1319. *Dr. Ziauddin Ahmad: (a) Will Government be pleased to give the purpose for which a loan was given to Bahawalpur State?

(b) Was it given for irrigation purposes?

The Honourable Sir George Schuster: (a) and (b). The loan was given to enable the State to meet the expenditure on its portion of the Sutlej Valley Irrigation project.

RECENT ALTERATIONS IN THE VICEREGAL TRAIN.

1320. ***Mr. Bhuput Sing:** Will Government be pleased to state:

- (a) with reference to the communiqué published by the Government of India regarding the recent alterations in the Viceroyal train, whether the changes were made simply in order to fit them with modern equipments or these were indispensably necessary;
- (b) the total amount of expenses incurred and whether these were made out of savings from retrenchment; and
- (c) whether it is intended to utilise the savings made out of retrenchment in other departments in a similar way in making those departments more modern and up-to-date?

Mr. A. A. L. Parsons: (a) The alterations were, as the communiqué explained, necessary if the train was to continue in use for any considerable further period.

(b) The cost was Rs. 64,972. It was obtained by reducing the current year's expenditure from the tour grant and another grant at the disposal of His Excellency the Viceroy.

(c) I am unable to accept the implication in the Honourable Member's question that the expenditure was incurred merely to make the train more modern and up-to-date.

PROCEDURE AFTER CONCLUSION OF THE ROUND TABLE CONFERENCE.

1321. ***Mr. Bhuput Sing:** Will Government be pleased to state:

- (a) whether it was intended that the Round Table Conference should terminate in London on the 10th November, and that a Parliamentary deputation would come out to India to discuss further constitutional problems;
- (b) if the answer to part (a) is in the affirmative, whether the decision was taken by His Majesty's Government at their own initiative or after consultation by them with the Government of India; and
- (c) who will compose the proposed deputation and how long it will stay in India?

The Honourable Sir George Rainy: (a), (b) and (c). I regret, Sir, that I am not in a position to make any statement on the points raised in this question.

ABUSE OF THE CONCESSION FOR REMOVAL OF SALT IN RAMNAD DISTRICT.

1322. ***Mr. Bhuput Sing:** Will Government be pleased to state:

- (a) whether the salt concession under Irwin-Gandhi pact has been withdrawn from two villages in Ramnad district in Madras on the ground of abuse of the concession by removal therefrom of large quantities of salt;

- (b) whether the Congress was informed by Government before they took action in the matter and whether the allegations brought to the notice of the Congress before the concession were withdrawn; and
- (c) whether Mr. C. Rajagopalachariar, the Congress leader in Madras, demanded an open inquiry into the matter so that an opportunity might be given to the Congress to disprove these allegations as agreed upon in the Irwin-Gandhi agreement?

The Honourable Sir James Crerar: (a) The salt concession has been withdrawn from two Taluks of the Ramnad District, Madras, owing to very extensive removals of salt which had taken place despite the warning that the concession would be withdrawn if abused. Withdrawals amounted approximately to 1,13,000 maunds, and represented almost two years' consumption for the whole of the population of the two Taluks. Carts were freely used and salt removed to distant villages outside the Taluks in question.

(b) No.

(c) A request for an enquiry has been received from Mr. Rajagopalachariar. It has not been possible to accede to this. The Honourable Member is mistaken in thinking that there is any provision in the Delhi Settlement for any such enquiry.

THE RAILWAY COURT OF ENQUIRY.

1323. ***Mr. Bhuput Sing:** Will Government be pleased to state:

- (a) how many sittings and at how many places the Railway Court of Enquiry have been held so far and how many more and at how many places further meetings are expected to be held;
- (b) when the enquiry is expected to be closed and what has been the total amount of expenses incurred so far in holding its sittings;
- (c) whether the Railwaymen's Union is still co-operating with the Court of Enquiry or it is keeping aloof; and
- (d) whether it is proposed to accept the results of the enquiry *in toto* without any alteration and to give effect to these or are these to be treated merely as suggestions which may or may not be accepted?

The Honourable Sir Joseph Bore: (a) The Court of Enquiry has so far held its sittings at Bombay and Madras and is now in Calcutta. Government have no other information.

(b) Government cannot say when the enquiry will definitely conclude. The Court have asked that provision should be made for an extension of its enquiries till the end of December. The expenditure incurred by the Court up to the 31st October, 1931, is reported to be about Rs. 22,000.

(c) So far as Government are aware, the Railwaymen's Unions are giving evidence before the Court.

(d) The Trade Disputes Act, 1929, does not make the findings of the Court of Enquiry binding on any party to the dispute.

STRAINED AGRICULTURAL SITUATION AND PREPARATIONS FOR A NO-RENT CAMPAIGN.

1324. *Mr. Bhuput Sing: Will Government be pleased to state:

- (a) whether they are aware of the preparations for a no-rent campaign to be inaugurated by the Congress on account of the inability of tenants to pay rent and the strained agrarian situation in different parts of the country;
- (b) what step or steps do Government propose to take to ease the situation, so that the Congress may not have to launch the campaign;
- (c) whether Government intend to invite the Congress leaders to a small conference to discuss the situation and find a way out of the impasse; and
- (d) whether Government realise the consequences on the present financial situation of the country, if the Congress resorts to such activities?

The Honourable Sir James Crerar: (a) and (b). The Government of India and Local Governments are fully alive to the difficulties of landlords and tenants caused by the fall in the value of agricultural products. The Government of India are satisfied that, in devising measures of relief, every reasonable effort has been made, and will be made by Local Governments to keep the balance even between the interests of Government and the general taxpayer, the interests of landlords and the interests of tenants.

(c) This is not the intention of the Government of India.

(d) Government are fully aware of the necessity of peace and quiet not only in the financial but also in the general interests of the country, and of the consequences which any revival of the civil disobedience movement would involve. In that event they would take all measures necessary to deal with the situation (Hear, hear), but I may express the hope which I am sure the Honourable Member will endorse, that it will not arise.

AMOUNT OF THE GOLD STANDARD RESERVE.

1325. *Mr. Bhuput Sing: Will Government be pleased to state:

- (a) what is the total amount of the gold standard reserve at present; and
- (b) whether the amount has been invested in India or in England and on what securities?

The Honourable Sir George Schuster: The information is contained in the monthly and quarterly statements published in the Gazette of India.

SILVER BULLION AND GOVERNMENT RESERVES.

1326. *Mr. Bhuput Sing: Will Government be pleased to state:

- (a) how many millions of silver bullion have been added recently to the standard reserve;
- (b) whether the amount of rupees was converted into actual sterling value before being added or the rupees have been kept in reserve by themselves; and
- (c) how has the account been adjusted, the actual value of a rupee being much less than its token value?

The Honourable Sir George Schuster: (a) No silver bullion is held in the Gold Standard Reserve.

(b) and (c). Do not arise.

SECURITIES PURCHASED OUT OF THE CURRENCY RESERVE.

1327. *Mr. Bhuput Sing: Will Government be pleased to state:

- (a) what amount of securities have been purchased by them recently out of the Currency Reserve;
- (b) what kind of securities these are and whether these were purchased in India or in England; and
- (c) where these securities have been kept, whether in India or in England?

The Honourable Sir George Schuster: (a) None.

(b) and (c) Do not arise.

INSUFFICIENT NUMBER OF DAYS ALLOTTED FOR NON-OFFICIAL BUSINESS IN THE LEGISLATIVE ASSEMBLY.

1328. *Pandit Ram Krishna Jha: (a) Will Government be pleased to state the number of non-official days and the number of official days allotted at each session of the Legislative Assembly since 1921 up to the last Simla Session?

(b) Are Government aware that it takes about two years, if not more, for any non-official Members to get his Bills passed by the Legislature and that the delay is mainly due to the insufficient number of days allotted for non-official business?

The Honourable Sir George Rainy: (a) I lay on the table a statement giving the information for which the Honourable Member has asked.

(b) It is quite correct that, if more days were allotted for non-official business, the time required for passing a Bill would be reduced; but Government are not aware that approximately two years are required for a non-official Member to get a Bill passed through both Houses of the Legislature.

Statement showing the number of official and non-official days allotted since 1921.

Session.	*Official days.	Non-official days.
Delhi Session 1921	23	5
Simla Session 1921	10	5
Delhi Session 1922	26	18
Simla Session 1922	10	5
Delhi Session 1923	46	5
Simla Session 1923	8	9
Delhi Session 1924	26	12
May-June Session 1924	7	1
September Session 1924	9	5
Delhi Session 1925	31	10
Simla Session 1925	14	4
Delhi Session 1926	29	10
Simla Session 1926	10	2
Delhi Session 1927	40	5
Simla Session 1927	15	5
Delhi Session 1928	29	7
Simla Session 1928	11	6
Delhi Session 1929	39	6
Simla Session 1929	10	7
Delhi Session 1930	38	8
Simla Session 1930	7	3
Delhi Session 1931	46	5
Simla Session 1931	14	6

* N.B.—Official days for each Delhi Session include days allotted for the Budget.

Sir Hari Singh Gour: Is the Honourable Member aware that in many cases three years and even four years have passed—the Age of Consent Bill being an instance in point?

The Honourable Sir George Rainy: I am grateful to the Honourable Member for the information he has communicated to me. (Laughter.)

RETRENCHMENTS ON RAILWAYS.

1329. ***Mr. S. G. Jog:** Will Government be pleased to state:

- whether it is a fact that the Railway Board had given an assurance to the Railwaymen's Federation not to discharge any railway employee up to 31st October, 1931;
- whether it is a fact that after this assurance, the Government of India appointed a Court of Enquiry to enquire into the retrenchment effected;
- whether the work of the enquiry is still going on;
- whether it is a fact that during the pendency of the enquiry the Railway Board have decided to discharge 7,000 more men, and whether it is a fact that the Court of Enquiry have written to the Government or the Railway Board in the matter;
- if so, what action Government intend to take in the matter; and
- will Government place on the table the correspondence that passed between them and the Railway Court of Enquiry in this matter?

Mr. A. A. L. Parsons: (a) The terms of the assurance to which the Honourable Member refers were published in a communiqué dated the 7th July, 1931. A copy of this communiqué has been placed in the Library.

(b) A Court of Enquiry was appointed by the Government of India after the 7th July. The terms of reference to the Court of Enquiry were published in Notification No. L-1714, dated the 13th August, 1931, of the Department of Industries and Labour in the Gazette of India dated 15th August, 1931.

(c) Yes.

(d), (e) and (f). The position in regard to further discharges is stated in the proceedings of a special meeting between the Railway Board and the All-India Railwaymen's Federation held in October, 1931. A copy of these proceedings has been placed in the Library. Certain confidential correspondence has passed between the Court of Enquiry and the Government of India on this matter. Government do not propose to lay this correspondence on the table.

REDUCTION OF STAFF IN THE CUSTOMS AND SALT DEPARTMENTS IN BOMBAY.

1330. ***Mr. S. G. Jog:** Will Government be pleased to state:

- whether it is a fact that they have issued orders for a 10 per cent. reduction in staff in the Customs and the Salt Departments in Bombay;
- whether the percentage laid down above is arrived at after consideration of the probable results of such cuts in staff;
- whether the volume of work in these departments has diminished to require the above percentage of cut in staff;
- whether service associations of the employees concerned have been consulted in the matter;
- whether the Retrenchment Sub-Committee which deals with retrenchment as far as these two departments are concerned, was consulted in the matter;

- (f) what is the principle that is followed in discharge;
- (g) whether it is a fact that notices of discharge have been issued to employees in these departments who were marked for such discharge;
- (h) whether it is a fact that out of about 6 Superintendents in the Customs Office in Bombay, who are superannuated, notices of discharge have been given to two only while they have been given to some five or six clerks in the Lower Division in that office, though they have not yet completed their service and are much below 55 years of age; and
- (i) whether Government propose to make enquiries in the matter and take necessary steps?

The Honourable Sir George Schuster: (a) Provisional orders have been issued.

(b) This is the general rate of reduction which the Government have set before themselves as a standard. The Heads of the Departments concerned are not debarred from stating arguments against the application of this standard.

(c) The reduction is not due to a decrease in work but is a measure of economy.

(d) No.

(e) The Sub-Committee of the Retrenchment Advisory Committee concerned with these departments has not yet submitted its report. On receipt of this report the whole position will be reviewed.

(f) I would refer the Honourable Member to my reply to Lala Hari Raj Swarup's question No. 1289 on the 13th November, 1931.

(g) Certain officers and members of the establishment of the Bombay Customs Department have been served with provisional notices of discharge, but the Government of India are not aware whether any such notices have been issued to officers of the Bombay Salt Department by the Collector of Salt Revenue.

(h) Yes.

(i) The Government do not consider that any enquiries are necessary, as they already possess full information on the subject.

REDUCTION OF STAFF IN THE BOMBAY CURRENCY OFFICE.

1331. *Mr. S. G. Jog: Will Government be pleased to state:

- (a) whether it is a fact that a certain percentage of reduction in staff has been ordered in the Bombay Currency Office;
- (b) whether the percentage ordered is due to the fall in the volume of work;
- (c) whether there would be any principle observed in ordering discharges of men at present in service;
- (d) whether any such principle is laid down and what is it; and
- (e) whether service associations of the employees concerned would be consulted in the matter; if not, why not?

The Honourable Sir George Schuster: (a) It is proposed to abolish one post of Assistant Superintendent and 7 posts of clerks on the General side and 8 on the Treasurer's side. These include 5 posts which have been unfilled for some time.

(b) The reduction is based partly on a fall in the volume of work, both actual and anticipated, and partly on allowance for an increase in the standard of work.

(c) to (e). I would refer the Honourable Member to the reply I gave on the 13th instant to Lala Hari Raj Swarup's question No. 1289. It was not considered necessary to consult service associations.

GRADUATED CUT IN SALARIES OF GOVERNMENT EMPLOYEES.

1332. *Mr. S. G. Jog: Will Government be pleased to state:

(a) whether their attention has been drawn to the clamour which is often reported in the Press, of subordinate Government employees for a graduated percentage of cut in the salaries with an exemption for a living wage;

(b) whether an introduction of a graduated cut in salaries is suggested by the various Retrenchment Committees and also supported by the leading economists in India and many other leading figures in the country;

(c) whether a system of graduated cut has been adopted in England and elsewhere; and

(d) whether Government propose to give full consideration to the advisability of introducing a graduated scale of cut in salaries in India also?

The Honourable Sir George Schuster: (a) Yes.

(b) Hitherto two of the Retrenchment Sub-Committees have reported specifically on this point and they have suggested a graduated cut in pay. I am not aware whether leading economists and public men in India, other than certain Honourable Members of this House (Hear, hear) generally support the graduated system.

(c) The attention of the Honourable Member is invited to my reply of the 7th November, to starred question No. 1229, which gives the information with regard to Great Britain. According to my information, action taken in other countries has not been uniform.

(d) The attention of the Honourable Member is invited to my speech in moving for consideration of the Finance Bill.

Mr. Lalchand Navalrai: Has the Honourable Member decided that that question cannot have reconsideration?

The Honourable Sir George Schuster: I think the Honourable Member is entitled to draw that inference from the form of my answer.

Mr. Lalchand Navalrai: I should be thankful for a precise reply.

INTERPRETATION OF FUNDAMENTAL LEAVE RULES.

1333. *Mr. K. P. Thampan (on behalf of Rao Bahadur M. C. Rajah): Will Government be pleased to state with reference to the answer to question No. 273, at the meeting of the Assembly on the 11th February, 1930:

- (a) whether the authority to rescind or amend any of the Fundamental Rules is the Government of India or the Secretary of State;
- (b) whether, with reference to rule 8 of the Fundamental Rules, the Government of Madras submitted to the Government of India in 1929 or 1930 a case that arose in the Law Department of the said Government for interpretation of Fundamental Rules 67 and 85;
- (c) whether Fundamental Rule 67 has been so interpreted as to refuse leave even in cases where the application for leave which is admissible is strongly supported by a medical certificate on account of heart disease; and
- (d) whether the intention is that the discretion reserved to the head of a department under Fundamental Rule 67 is to be restricted to the refusal of the kind of leave applied for, or whether Fundamental Rule 67 can be interpreted to mean that, in addition to refusing the leave admissible, the applicant may be granted leave on loss of pay contrary to Fundamental Rule 85?

The Honourable Sir George Schuster: (a) Since the issue of the Civil Services (Classification, Control and Appeal) Rules which came into effect from the 27th May, 1930, the Fundamental Rules may be rescinded or amended

(1) by the Secretary of State in Council in respect of the Services under his control and

(2) subject to the conditions laid down in the Classification Rules, by the Governor General in Council in respect of the Services under his control and by Local Governments and Administrations in respect of the Services under their control.

(b), (c) and (d). It is regretted that Government have not been able to trace the case referred to. If the Honourable Member will kindly furnish further particulars, Government will endeavour to trace the case and reply to his queries.

DAILY AND TRAVELLING ALLOWANCES DRAWN BY MEMBERS OF THE RETRENCHMENT COMMITTEES.

1334. *Mr. Badri Lal Rastogi: Will Government be pleased to lay on the table a statement showing the names of the members of the various Retrenchment Committees and Sub-Committees that drew their respective daily and travelling allowances up to date?

The Honourable Sir George Schuster: The information is being collected and a statement will be laid on the table as soon as possible.

NON-STOPPAGE OF THE PUNJAB MAIL AT CERTAIN STATIONS IN THE PATNA DISTRICT.

1335. *Mr. Badri Lal Rastogi: (a) Is it a fact that the 2 Down Punjab Mail train used to stop at Patna City, Bakhtiarpore Junction and Barh Stations over the East Indian Railway some time before?

(b) Are Government aware that these are the three important stations in the Patna District?

(c) Are Government aware of the fact that as a result of the discontinuance of stoppage at these stations people coming from a long distance have to suffer a good deal of inconvenience by breaking their journey at Patna Junction Station?

(d) Do Government propose to remove this grievance of the public by directing the railway authorities to continue the stoppage of the 2 Down train at these three stations as before?

Mr. A. A. L. Parsons: (a) I have not been able to verify the statement, but am quite prepared to accept it from the Honourable Member as correct.

(b) Government are aware of the importance of the stations referred to.

(c) No.

(d) It is not possible for Government to take any part in the preparation of time tables. These are obviously matters which might suitably be discussed at meetings of the Railways Local Advisory Committee.

Dr. Ziauddin Ahmad: In reply to part (a), the Honourable Member said that the Government had no information about the correctness of the statement made in the question. May I ask the Honourable Member if he has not got in the office the time-table published by the Railway Board, and may I suggest he might look into that?

Mr. A. A. L. Parsons: If the Honourable Member will read the question to which he has now put a supplementary question, he will see that I was asked whether No. 2 Down Punjab Mail stopped at particular stations at some time in the past. It is quite impossible to verify a statement as vaguely phrased as that.

UNSTARRED QUESTIONS AND ANSWERS.

CINEMATOGRAPH FILM COMPANIES IN INDIA.

159. Mr. Badri Lal Rastogi: Will Government please state how many limited companies in India are going to produce cinematograph films?

The Honourable Sir Joseph Bhoré: Government have no information.

REVERSION OF MR. N. A. DALVI FROM THE POST OF ACCOUNTANT, DHARWAR HEAD POST OFFICE.

160. Rao Bahadur B. L. Patil: (a) Referring to the reply of Sir Hubert Sams to clauses (b) and (d) of unstarred question No. 27 (regarding reversion of Mr. N. A. Dalvi from the post of Accountant, Dharwar Head Post Office) answered on the 7th September, 1931, will Government be

further pleased to state whether they agree that the allowance paid to the accountants on the ordinary time-scale of pay, counts for leave and pension?

(b) If so, do Government agree that in view of this special concession attaching to the drawing of allowances the Director General's circular No. 41, of 6th November, 1930, directing appointments to these posts according to the date of passing the examinations was issued?

(c) If so, will Government be pleased to state why Mr. N. A. Dalvi, who was appointed provisionally permanent, was reverted in favour of his seniors, who had refused to accept the post? Did the Director General's circular apply retrospectively?

Sir Hubert Sams: (a) Yes.

(b) No.

(c) As regards the first part, Government have nothing to add to the reply given to the Honourable Member to which he has referred in part (a) of this question. The reply to the second part is in the negative.

EXPENDITURE OF THE RAILWAY STAFF COLLEGE, DEHRA DUN.

161. **Mr. Gaya Prasad Singh:** (a) Will Government be pleased to state the annual expenditure of the Railway Staff College, Dehra Dun and the average expenditure per student?

(b) How was the appointment of the present incumbent of the college sergeant's post made? Will Government please state the pay drawn by him formerly and the circumstances under which he was given this lift? Was no Indian available for this post? Was any advertisement issued for the post? If not, why not?

(c) Will Government please give the names of the retired hands employed by the college during 1931, and the justification for their employment?

(d) Are there two buses and one car as college property? What use is each put to? What is the average yearly expenditure to run these? Have Government considered whether the transport cannot be arranged cheaper by periodical contract?

(e) Is it a fact that the lady-typists employed in the college are allowed free rides in the bus to and from their homes; if so, why? Are Government prepared to allot the bungalows which are lying vacant in the college area to them, thus increasing Government revenue and decreasing the cost of transport?

(f) Is it a fact that bearers of the staff are given free trips in the morning in the buses, whereas other staff is charged? If so, what is the justification for this differential treatment?

(g) Is it a fact that about Rs. 10,000 have been spent on the golf course? What is the expense of its up-keep per year on the average?

(h) Will Government please state whether Government gazetted holidays are not observed in the college? If not, why not?

Mr. A. A. L. Parsons: (a) The total expenditure, including interest on capital and depreciation during the year 1930-31, was Rs. 376,778, and the average cost per student per day was Rs. 27.

(b) to (h). I have called for information from the Principal of the College and will communicate with the Honourable Member on its receipt.

SPEEDY INSTRUCTION OF POLITICAL REFORMS.

162. **Mr. Bhuput Sing:** Will Government be pleased to state:

(a) whether they are aware of any feeling on the part of the people in this country for speedy political reforms; and

(b) whether they contemplate introducing full provincial autonomy in the different provinces of India as recommended by the Simon Commission last year immediately before granting responsibility at the centre which subject is still a matter of discussion at London among the Round Table Conference delegates?

The Honourable Sir George Rainy: (a) and (b). I have no doubt that the Honourable Member is correct as regards part (a) of his question. As regards part (b) I have no information at present to give.

ANOMALY AT HOWRAH RAILWAY STATION.

163. **Mr. Bhuput Sing:** Will Government be pleased to state:

(a) whether their attention has been drawn to the article published in the *Advance* of 29th October, 1931, under the heading 'Howrah Station Puzzle'?

(b) if so, whether the allegation is correct; and

(c) what step do Government propose to take to remove the anomaly?

Mr. A. A. L. Parsons: (a) Yes.

(b) and (c). Government have made no enquiries in the matter, and as it is one for the East Indian Railway Administration to deal with, they do not propose taking any action.

REPRESENTATIVES OF LANDHOLDERS AT THE ROUND TABLE CONFERENCE.

164. **Mr. Bhuput Sing:** Will Government be pleased to state:

(a) the names of the delegates to the Round Table Conference who represent or are supposed to represent the interests of the landholders at the Round Table Conference;

(b) what kind of activities they have made in connection with their mission and how far they have made progress and what success they have met with; and

(c) whether Government propose to publish a booklet on the subject giving full information on the subject?

The Honourable Sir George Rainy: (a) The Honourable Member will find an answer to his question in the replies which I gave to his unstarred question No. 18, on the 26th January, 1931, and to Lala Hari Raj Swarup's starred question No. 480 on the 17th September, 1931.

(b) Government have no information.

(c) No, Sir.

THE INDIAN FINANCE (SUPPLEMENTARY AND EXTENDING) BILL—*contd.*

Mr. President: The House will resume further consideration of the Finance Bill.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhamadan Rural): Mr. President, the poor man's salt is again on the taxation anvil! Whenever there is any necessity for fresh taxation, Government always run for the poor man's salt or the rich man's income, and generally for both of them together. Before I go into the merits of this case I should be very much obliged if the Honourable the Finance Member or anybody else from the Government side would enlighten us as to their attitude in view of their concession on Mr. Morgan's amendment for the reduction of the customs duty. I understand that though the Government did not accept the amendment, they agreed to give effect to it by executive order for the future, and I think that, from the point of view of equity and justice, the same thing will be done as regards the excise duty as well. If Government have the intention of putting the position of both importers and indigenous producers on the same level, I hope they will make it clear, because in that case, my argument on this amendment will be of a different character. I hope the Government will accept the position when they have agreed so far as the import duty on salt is concerned. I think I have not made my point clear. I want to know whether, in view of the fact that Government accepted Mr. Morgan's amendment—they did not accept it literally on the floor of the House but they agreed that, by executive order, for the future, no customs import duty will be levied on imported salt. So far as we can understand, Government wanted both producers and manufacturers in India and foreign importers to be put on the same level so that the importers could not undersell the indigenous manufacturers. If my contention is correct, then, when they are not levying in future any customs duty, I want to know whether they will forego this excise duty as well. I mean the surcharge on the indigenous salt. Is that position correct?

The Honourable Sir George Schuster (Finance Member): I am afraid, in spite of the second repetition, I am not really clear as to what is in my Honourable friend's mind and I am left in doubt as to whether he is exceedingly simple minded or exceedingly astute in having put this question.

Mr. S. C. Mitra: It is the first.

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhamadan Rural): He is both, I believe.

The Honourable Sir George Schuster: As regards the parallel which he seeks to draw between some action which he wishes the Government now to take and the action which they said they were willing to take with reference to the special duty on foreign salt, I am afraid I cannot see what parallel there can possibly be. As regards the special duty on foreign imported salt, that, as I explained to the House on Saturday, was imposed for a definite purpose. The duty imposed was—as my Honourable friend who was a member of the special Committee of the Legislative Assembly

on that subject will recollect—4½ annas a maund. The idea was that producers of fine white crushed salt in India and in Aden, which was included as India for that purpose, should be assured of a selling price of Rs. 66 per 100 maunds in Calcutta. The current competitive price was so low at the time that it was felt necessary to impose a duty of that amount in order to assure them of a price of Rs. 66 per 100 maunds. The whole object of Government's policy was to make that figure of Rs. 66 per 100 maunds for that quality of salt the stable price on which producers and consumers could rely. For that purpose an import tax of about 4½ annas a maund was required. Then we came to the emergency Finance Bill introduced in Simla in September, and that included a surcharge of 25 per cent. on all customs duties. If that had been left to apply to the special duty on foreign imported salt, the protection given would have been much larger than was actually required for producing this stable price level of Rs. 66 per 100 maunds. If my Honourable friend will make the calculation, he will find that it would have enabled the price to be increased by something like 11½ annas per hundred maunds. We do not want to produce that result. That would be quite contrary to the policy which we were trying to carry out in accordance with the recommendations of the Tariff Board, and therefore we have felt that it was the right thing to do to remit the surcharge in the case of that particular duty. This, as I have explained, is a very special position, and I cannot see how there can be any parallel to that position in connection with any other question which may arise in the case of salt. I have understood my Honourable friend's position sufficiently to make that point clear, but I am not able to understand precisely what action he suggests the Government might take beyond that. I can only tell him that the action which he suggests could not possibly be justified by quoting as a parallel what we have been prepared to do as regards that special duty on foreign imported salt.

Mr. S. C. Mitra: I am thankful to the Honourable the Finance Member for making the point clear. I think the House will now easily understand that, in the case of imported salt and the salt that is produced in India, Government want to stabilise the price, so that the prices may be almost similar and one party may not have any advantage over the other. Now, Government by their taxation proposals in clause 5, are suggesting a surcharge on the excise duties on salt. Necessarily this will be levied, and I would like to know from the Honourable the Finance Member where the countervailing duty on the imported salt is. The Salt Committee recommended that there should be an import duty of such an extent that both the imported and indigenous salt may sell in India at a price close to each other. Government have brought this additional scheme of taxation, this surcharge, both on the import duty as well as the excise duty. There was some consistency when they wanted to apply this surcharge to both sides. Now, on Mr. Morgan's suggestion, Government have agreed that the surcharge on imported salt will not be levied in the future. To countervail that advantage which is given to the imported salt, where they have yielded, what are they yielding in the case of the excise duty on salt? The excise duty will certainly raise the price of the manufactured salt. The imported salt, by Government's acceptance of that amendment, is going to sell at a lower price. Are Government willing to give any concession in the case of the excise duty on salt as well? That is my point.

The Honourable Sir George Schuster: I think it is clear now that my Honourable friend does not understand the position. Mr. Morgan's amendment to which he is referring applied only to the special duty—customs duty—on foreign imported salt which was imposed by this House quite outside the ordinary revenue duty—customs and excise—on salt which is a normal feature of our financial measures. That special customs duty applies only to the limited quantity of foreign imported salt. According to our ordinary machinery, customs duty on imported salt is levied on all salt which is imported into any part by sea, whether it comes from Karachi or Aden or any Indian port. So long as it is imported by sea, it is liable to customs duty and not to excise duty. I mention that point, because it makes clear what a big distinction there is between that and the special customs duty on foreign salt which was imposed by the special Act of the Legislature. That is only applicable to real foreign salt, excluding salt produced in Aden or salt produced in Karachi or at any other place in India and sent round by sea to an Indian port. It is a special duty. It has nothing whatever to do with our revenue duty. Therefore the exemption of that special extra duty from the surcharge of 25 per cent. has nothing whatever to do with the general argument on the levy of duty on salt for revenue purposes. I should, however, like to take this opportunity to explain to the House that if they pass this amendment to clause 5, which affects only the excise duty on salt, they will for the first time be creating a differentiation between the customs duty on salt and the excise duty on salt. The point is a slightly complicated one, but Honourable Members who know the situation will realise that under the Salt Act the customs duty is fixed according to the excise duty for the time being. We have already imposed a surcharge on the customs duty by passing clause 4 of this Bill. But the rate of the duty would clearly depend on the rate which was fixed under clause 5 for the excise duty. But in the present case, by passing clause 4 of this Bill, the Assembly has agreed to the imposition of a surcharge of 25 per cent. on the import customs duty on salt as distinct from the excise duty. If Honourable Members will examine clause 4 they will find that there is a proviso which says:

"Provided that salt chargeable with duty under Item No. 35 of the said Part II shall not be liable to two such additions of duty."

But it is liable to one such addition; and if the House were now to pass this amendment, the effect of it would be that the 25 per cent. surcharge would not be levied on the excise duty, but it would be levied on the customs duty and the first proviso to clause 4 would not avoid that result, because that proviso merely protects the customs duty against a double increase of the surcharge. I think the House should appreciate that. The position is rather a technical one; it is difficult; but according to our view the effect of their passing the present amendment would be to subject the customs duty on salt to a surcharge of 25 per cent. and to relieve the excise duty on salt from that surcharge, which would produce a very anomalous result, because I have already explained to the House that customs duty is actually levied on all salt imported by sea to any part, whether it is provided in India or anywhere outside.

Mr. R. K. Shanmukham Chetty (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): Do I take it, Sir, that by passing clause 4, we have allowed the surcharge of 25 per cent. on the customs import duty on salt?

The Honourable Sir George Schuster: That is our interpretation.

Mr. R. K. Shanmukham Chetty: I am afraid that if that is so it must cause a great deal of confusion to the House. I was under the impression that, so far as clause 4 was concerned, it did not affect either the import duty or the excise duty on salt. My interpretation of this Bill was that both the import duty and the excise duty on salt were covered by the Salt Act, which is specifically mentioned in clause 5. Therefore the object of this side of the House, in moving this amendment, is to oppose the proposed increase. But if the interpretation of my Honourable friend is that, by passing clause 4, we have already passed the surcharge on the import duty on salt, then we are placed in an absolutely anomalous position and we cannot proceed with this amendment now. That is the position.

Mr. S. C. Mitra: Sir, I shall pursue my original argument about the main Bill. My impression was that, though the Finance Member did not literally accept the Honourable Mr. Morgan's amendment, he said in effect that that would put them in a difficult position as regards paying back the customs duty that has been collected during these two months. What he therefore wanted was that by executive order for all future imports this additional surplus tax should not be levied. I thought that as consequential to a virtual acceptance of that amendment there must be something from the Government side now to countervail that advantage to imported salt. However, my objection to this duty on salt is based on more fundamental grounds. I fully agree that if the purpose of the Government is to get as much money as possible, and following the Honourable Mr. Moore's dictum that if it is the shortest and easiest, then it is the best, certainly the Honourable the Finance Member is right in taking up this salt duty. It is admitted that it is an inelastic commodity necessary as an article of food stuff. It is quite true that, even if the price goes down, there is no chance of bigger consumption, while if the price goes up, there is very little chance of the commodity being less consumed. So it satisfied the definition of an inelastic article; and being one of the prime necessities of life, there is no escape. But my contention is that the collection of money is not the only criterion by which the Government should act. Here in India taxes are realised mostly by indirect taxation; so the poor people really have very little chance of escape. I fully agree with the general principle of political science that there must be some taxation that should reach even the poorest, because the benefits of law and order—whatever they may be—are derived by all. Pax Britannica is not confined to the richer class alone, if it means anything now to Indians. I fully agree that in times of necessity the Government should go to such taxation where there is very little escape, and the demand being a very small one it may not be so much detrimental. But here in India we have reached a very critical position. The taxation limit has been reached long long ago; and if we go through the history of the salt tax alone, we will see that within the last 20 or 25 years, as my friend Mr. Navalrai explained in detail, there have been several variations in the taxation on salt. Now I appeal to Government, they being the trustees of these dumb and half-starved millions, that they should not forget them, when by all accepted calculations the income of Indians has gone down—the estimated income for a day is less than 8 annas for each man. I have explained in my last speech that though by calculation it is one pie in a lb. really the poor cultivator in the village will have to pay at least one pice for his share of salt on

[Mr. S. C. Mitra.]

each purchase of salt. Salt is necessary not only for the health of human beings, but it is extensively used for consumption by cattle. If Government are not determined to crush the cultivator, not merely by injuring his health and compelling him to consume less salt, but also by injuring his cattle because there is no chance of cattle being supplied with salt when human beings themselves cannot get it, I hope they will reconsider this matter. I think it is only in France that salt is taxed in the whole world. Everybody knows that it is one of the easiest ways of approaching even the meanest individual to tax salt. But the reason why it is not followed anywhere is that it is accepted that articles of food should not be taxed as far as practicable, and here in India we have an extensive salt range in the Punjab; and if Government, without making the cost of manufacture greater, merely help people to manufacture their own salt, in these days of depression when trains are running empty by lowering the railway freight of salt. I think it will offer the best chance for people to produce their own salt. I say therefore that every effort to make salt more costly to the people should be opposed by this House. If it is argued as to where this money can be found, of one crore odd, if this taxation of salt is not accepted, I can assure the House that in addition to the two crores accepted by the Government as a result of the recommendations of the General Purposes Sub-Committee, an additional two crores could be had if they merely accept 90 per cent. of the further suggestions of that Committee—they can easily find that money to counterbalance the sum if they forego this additional one crore from the poor man's salt. I appeal even to the Members of the European Group and the nominated Members, who themselves claim in this House that they voice the true feelings of the rural population, that they should support this motion as it hurts the interests of the poorest people in India. Sir, I support Mr. Lalchand Navalrai's motion.

Major Nawab Ahmad Nawaz Khan (Nominated Non-Official): Sir, on the very same arguments which Mr. Lalchand Navalrai adduced in support of his amendment I am going to oppose the same amendment. First of all he requested us Indians to be true to the Indian salt. I quite agree. It is said that salt is the humour of life, and so if by way of humour I say a few things to him, I hope he will agree with me. A man who is true to his friend will always wish to increase his value and his position in every respect. Therefore I wish to increase the value of my friend, salt, and I oppose the amendment to decrease the value of my friend for which he wishes to be true. Leaving that thing aside, I come now to the real objection. It has been said that the increase of duty on salt will be felt very much by the agriculturists and the poorer classes in India. Mathematically and politically it may be quite true; but practically speaking, I have never heard the villagers or even the people in the districts or cities crying whenever the salt duty is increased. That is my own experience; I have not seen any agitation among the poorer classes. It is only among the big traders and the lawyers that there is agitation to suit their political purposes. The increase affects the profits of the big traders but not of the poor consumer. I cannot claim to be as good a mathematician as my friends over there, but I would ask them a practical question: If a man goes into the bazaar to purchase salt of one pice when the salt duty is at one

rupee a maund, and to purchase salt of one pice when the salt duty is one rupee two annas a maund, can anybody say what he will have to pay more to get the same quantity and how much the shopkeeper will charge him more? Practically none at all. I venture to say that no Member will tell that and if any Honourable Member can tell me this difference tomorrow or the day after, I will be willing to go with him to the bazaar and see what real effect this increased duty has upon the poor people, or upon anybody else. I admit that as far as the political aspect is concerned, if a political section of people want to create an agitation, this is a very good argument. But I will take up the political side too. If we are going now to discuss each and every article on grounds of sentiment, it means that the proposed tax on every article must first of all be told to the political parties and they should be asked if they agree or do not agree with the exact amount of tax proposed to be put on it. I am sorry that one of my Sikh friends here, whose name I do not know, very plainly and clearly said that he was opposing this tax simply on account of the possibility of the revival of the civil disobedience movement or salt agitation or something like that. Taking that argument into consideration, I venture to say that there is a talk in the air—cables are coming from London—of re-starting civil disobedience. Whether we tax salt or we do not tax salt, the danger that we are foreseeing or are afraid of, is coming; and if that danger is coming, perhaps the Indian Government would require more money to maintain law and order in the country. I would therefore request that there should be no cut in the pay of the police because the police will have soon more and very difficult duties and more work to do. Or we should, then,

12 Noon.

have a special allowance, as we have in the case of Plague duty, for the Army and the police for checking the civil disobedience movement, and then an extra duty will have to be imposed to provide for the necessary funds to pay these people. Therefore, Sir, the danger that some of my Honourable friends foresee about the approach of the civil disobedience movement should compel us not to lower the taxes but to increase the taxes in order to meet the unforeseen expenditure that will fall on us. Therefore, whether from a political point of view or from a fiscal point of view, there appears to be no good reason to reduce the taxes; rather there is very good reason for increasing the duty on salt.

Mr. B. Das (Orissa Division: Non-Muhammadan): Sir, I feel grateful for the supplementary reply which the Honourable the Finance Member gave to my friend Mr. S. C. Mitra in the course of his speech. Sir, I was not present here while my friend Mr. Morgan debated his point, but from what I read during my journey yesterday to this place, my first impression was the same as that of my friend Mr. Mitra, and so I feel grateful to the Honourable the Finance Member, because he has cleared the point and thereby much useless talk could be avoided. But I feel grateful to my friend the Finance Member for another thing, because he had established and enunciated a principle that if the Tariff Board recommended a certain protective duty and fixed Rs. 66 as the selling price of 100 maunds of salt, he does not think that there need be any surtax on the protective duty of Rs. 0-4-6 that the 1931 Salt Act enacted. That is a very good principle. I want to ask the Finance Member one thing: has he applied it to other protective measures? Is he charging a surtax on steel, on cotton piece-goods, on paper, chemical, etc., on their original revenue duties only?

The Honourable Sir George Schnitzer: In order that the House may not have its time wasted owing to the unfortunate fact that my friend was not present in the course of the debate on Saturday, I might perhaps interrupt his further flow of questions on this particular subject in which I know he is interested because of an amendment which he himself has put down on the paper, by saying that I explained to the House very fully why there was a distinction made between the duty in the case of imported salt and the ordinary protective duties. The distinction was that we were aiming not at normal protection, but at stabilising prices at about Rs. 66 a hundred maunds, and in order to put ourselves in the position of achieving that object we were not only imposing an import duty but we have taken ourselves compulsory power to purchase salt at a price of Rs. 66 per 100 maunds in order to keep the price down to that figure, if it became necessary to do so, because private business was taking advantage of the position to profiteer. That I explained was the reason why we differentiated action in the case of the salt duty from action in the case of normal protective duties. I hope my friend will accept that explanation and read my speech on the subject, if he has not understood what I said now, and spare the House from further questions on this particular point that protective duties ought not to be increased by a surcharge.

Mr. B. Das: I feel again grateful to the Honourable the Finance Member for his clear explanation on the point, but I differ from him, and as I go on to elucidate the point, the House, I hope, will be able to follow me. My friend first referred to the fact that I was absent last Saturday. If I was absent I was absent on a duty which my constituency demanded from me. The Government thought it fit to appoint the Orissa Boundary Commission at the very moment when this House is sitting, and my duty to my constituency in this matter was much greater than my duty to the whole country or to India. While I see the reasoning of the Finance Member regarding salt, I feel he did not fully appreciate the intentions of his colleague the Commerce Member regarding the protective tariff. Whenever the Honourable the Commerce Member brought forward before the House protective measures he always tried to establish that he wanted so much duty on foreign steel or on foreign cloth or on foreign chemicals, as he wanted a fixed price at which the country made articles could be sold. The Commerce Member always wanted that the price of articles protected should get a definite margin of protection and not over-protection. While my friend the Finance Member wants now to apply a particular dictum to the salt industry, he does not want to apply the same to other industries, and I would not grumble if I knew that those protective tariffs would go to benefit the industry; but I know that Government get crores and crores of rupees by this protective system as the Finance Member himself knows. From the day we passed the Steel Protection Bill and subsequently other protective measures, my friend the Finance Member must have derived by this time about 35 crores of extra taxation. Therefore, I would ask him, while I promise him to read his speech very carefully when I get it, to apply the same principle which he enunciated in the case of salt to the other protective measures so that the consumers may not be unduly affected and may not pay more.

Sir, I do strongly oppose any surtax on the salt excise duty. My friend the Honourable the Finance Member may ask where will the money come from? In my first speech I suggested three different

methods of taxation, and I know it now that, owing to the advice of the Honourable the Finance Member to His Excellency the Viceroy, His Excellency did not give me permission to move those amendments which stand in my name, whereby alternate taxation could be levied. I have brought in another amendment later on whereby my friend can get some money; the Honourable the Finance Member has not put any surtax on exported articles from India. I think I am correct in saying that no such tax is to be put on articles exported from India. Why not put a surtax to meet the deficit? If we do not put such a tax on the excise duty I think the Finance Member's loss should be somewhere about 70 lakhs. He could easily get that amount if he were to put on a surtax on articles exported from India, and I do not see any reason why no surtax is put on the articles that are exported from this country, because the money will come from outsiders and not from the Indian consumers.

Mr. G. Morgan (Bengal: European): Question.

Mr. B. Das: My friend, Mr. Morgan, questions me. I think everybody knows that Mr. Morgan is a big business man, and my friend Mr. Mody is also a big business man; but these businessmen never pay from their pockets. (Laughter.) Government enhance duties, but the business men always try to get them out of the consumer, whether he is in India or abroad, and if they find that the duty does not bring them profit, then they produce articles of inferior grade so that in the end it is the consumer who suffers, and not the manufacturer or the big business men and magnates like my friend Mr. Morgan. I hope my friend Mr. Morgan stands fully answered. I strongly maintain that if my friend the Finance Member had accepted those three proposals of taxation which I had suggested, all the money could have been found, from foreign consumers, except the excise duty on tea which I and my friends in the country would have paid. Again I say to my Honourable friend that if export duties were put on these articles, all this money would have come from foreign consumers, only it may just reduce the margin of profit of big exporters like my Honourable friend Mr. Morgan, and that to a slight extent.

The other day the Honourable the Finance Member explained that salt is the best medium of taxation for the Chancellor of Exchequer of a Government, and he discussed the oft criticised subject "sentiment and politics". I am not here to discuss "sentiment and politics", but if sentiment and politics are combined in this respect we have to face it. My Honourable friend knows how unpopular that tax is. At present a gentleman of his Department is moving on the East coast to see if the East coast and the Orissa coast can produce sufficient salt to oust the importation of foreign salt into India, especially to Calcutta port, and when in February and March of last year he entered into those delicate negotiations with Mahatma Gandhi so that the poor man could get a little free salt, he ought to have applied the principle of his negotiations with Mahatmajī to the present taxation proposal on salt. If the poor man living on the sea coast wants free salt, you must apply the same logic to all poor men throughout the country and see that they get cheap salt. Of course, under the constitution, this House, I mean the non-officials, cannot suggest any taxation; but if the Honourable the Finance Member is so willing and will talk it over across the table, we will suggest

[Mr. B. Das.]

to him two or three different avenues from which he will get Rs. 60 or Rs. 80 lakhs. I hope he will realise the Opposition feeling in this matter and will not oppose my Honourable friend Mr. Lalchand Navalrai's amendment.

Rai Bahadur Sukhraj Rai (Bhagalpur, Purnea and the Santhal Parganas: Non-Muhammadian): Sir, I am thankful to you for my being able to catch your eye at last. It is my proud privilege to lend support to the amendment for exemption of salt from additional duties. In doing so, I do not for a moment forget that there is a huge deficit for the Government and they have to find revenue somewhere to meet the situation. The present sources are unable to cope with it, and other ways and means must be adopted for adjusting the Budget. There are only two ways of setting the house in order: either by retrenchment or by additional taxation.

Let us see how the Government propose to balance the deficit in the Budget, which is their own creation and for which they have to thank none but themselves. They have tried to find out 64 per cent. of the deficit by additional taxation and only 36 per cent. by retrenchment. I cannot help saying that the Honourable the Finance Member had rather gone the opposite way and the percentages should have been in the reverse order.

Sir, the taxable capacity of the people has been tapped to the fullest, and any attempt to add further to their burden is certain to have serious reactions. Instead of stopping the military drain which is exhausting a large portion of the country's revenue, and making a heavy reduction in the emoluments of the superior services and abolishing some of the superfluous high posts, the Government have come out unblushingly with a surcharge of 25 per cent. on the obnoxious duty on salt, in order to squeeze the last drop of blood from the people. At a time when the financial situation of the country has been desperate, the Government have still found it easy to give away large sums of money by way of the Lee concessions, etc., to their own people. But they would not consider the exemption from additional duty on salt, on which question the whole country feels so strongly.

Salt, as we all know, is a prime necessity of life in India. The words "true or untrue to the salt" have become proverbial in this country. This shows the importance which is attached to this commodity by us. To us, Indians, it is as necessary a thing as air and water. Just as we cannot live without air and water, so we cannot live without salt. Just as air and water are free from any duty, so salt should be. But, instead of that, we are here faced with the detestable proposal to impose a surcharge of five annas on the already existing duty of Rs. 1-4-0 per maund on salt.

Sir, the proposal for an enhanced duty on salt is opposed to all healthy financial and commercial policy. It shows the utter lack of foresightedness on the part of the financial advisers of the Government and also a bankruptcy of imagination on their part. It is one of the first principles of political economy that there should be no duty on the necessities of life. The Government of this country have all along been ignoring this principle, but today they are ignoring it with a vengeance. Perhaps, they have too soon forgotten the lessons of the

last year when salt was the main plank in the armoury of the civil disobedience movement, which swept over the country from one corner to the other with such meteoric rapidity. The "Salt-Thief" is soon coming back to this country. Where would the Government be if he revived again his no-tax campaign and the raids on salt-factories, taking advantage of the increased duty on salt? I would appeal to the Honourable the Finance Member, with all the emphasis that I can command, not to insist on a surcharge duty on salt and to give up his *sic* in this matter, if he wants that Britain should continue her rule in this country further.

Sir, there is very little cost in the production of salt. As a matter of fact, it can be had in abundance on the sea-coast as Nature's free gift. The imposition of duty on it fixed its price at two annas per seer. A surcharge of duty will raise its price further, and the pity of the thing will be that the price will not rise in proportion to the duty imposed, but the middleman will make profit by raising its price out of all proportion to the surcharge imposed. The poor man will then suffer all the more.

Sir, the economic depression in the country is so acute at the present moment that many people have died of starvation, and others are finding it difficult to purchase the bare necessities of life on account of complete evaporation of money. The increase of duty by 25 per cent. on salt with the consequential increase in prices will be a severe strain on the purse of all classes and sections of the people, especially the poor, the dumb millions, *Daridra Narayan*, so much that they will not be able to bear it. The duty on salt is already obnoxious to the people and a levy of increased duty on it will bring the whole thing down like a house of cards.

Sir, I feel quite surprisingly enough that what has not been taken into account by the Government in making these proposals for a surcharge is the fact that instead of adding to the revenue, an increased duty on salt is certain to have quite the contrary effect. This should have been evident to the meanest intelligence. The truth of the matter, Sir, is that the present duty has reached the point of diminishing return. The more you will increase the duty, the less income it will fetch.

I sincerely think that instead of engendering ill-feeling and inviting unpopularity by the proposal of a surcharge on salt, the Government should have looked to other channels of revenue and fresh sources for raising the desired amount, even if looked at from their own point of view. A fresh substantial revenue could have been fetched by levying an excise duty on tea and coffee and mineral products, and by an export duty on hides, bones, dry fish, meat and articles which are exported for manuring purposes and by equalising the export and import duty on kerosene oil. A loss of a quarter and one crore by exemption of salt from the surcharge could have been easily met from these sources. Sir, where there is a will there is a way.

Morally, too, the Government ought to have exempted salt from the surcharge. If they are still really observing the Gandhi-Irwin truce, as they profess to do, they ought not to have brought any proposal for increase of the duty on salt, for any increase is a clear violation of that Pact. I do not know what view Mahatma Gandhi would have taken now, had he been present in the country. What was the use of granting

[Rai Bahadur Sukhraj Rai.]

concessions to salt in the Pact, however ill-meaning they at last proved to be, when the Government contemplated an increase of duty within six months of signing of the settlement?

Under all these circumstances, Sir, I feel it my humble duty to join myself in supporting the amendment which is before the House, and I hope every elected representative of the people will be true to his salt in opposing the Government in this matter.

Mr. Badri Lal Rastogi (Patna *cum* Shahabad: Non-Muhammadan): Sir, I beg to support the amendment moved by my Honourable friend Mr. Lalchand Navalrai. The imposition of a surcharge of 25 per cent. on the excise duty on salt is, no doubt, quite unjustifiable because the country is passing through such an economic depression at this time that the purchasing power of the masses has deteriorated to a considerable extent, and as such the rise in the excise duty on salt will tell very heavily on the poor people of India. India is an agricultural country and the unprecedented fall in the price of agricultural products has hit the people so hard that they are not up to the mark in the matter of payment of their rent, and when such is the deplorable condition of the poor masses, I do not understand how they will be able to purchase their salt. There is no denying the fact that salt is one of the prime necessities of life, and so any increase whatever in the duty thereon will impoverish them much more. We are not unmindful of the financial difficulties which have compelled the Honourable the Finance Member to resort to an increase of this taxation, but he could have easily avoided the levy of this tax had he had an honest desire to do so, because there are many other sources of revenue which could have been tapped by him. In the present condition of the people I do not think that this increase will bring the estimated revenue to the coffers of the Government; rather it will diminish the income because it is generally seen that when an article is cheaper, its demand is greater and when it is dear, its demand is smaller. Besides this, the duty comes to about six times the original cost of salt and so you can imagine as to how far this increase is just and equitable. The Finance Member must take into consideration one fact also, that it was salt and salt alone which was at the root of the last civil disobedience movement. Under the circumstances, I believe Government will realize the gravity of the situation, have some mercy on the people steeped in poverty, and drop the idea of levying this tax for the present by imposing some other export duty instead, thus winning love, sympathy and admiration of the poverty-stricken masses of India. With these few words, I support the motion.

Mr. P. G. Reddi (Guntur *cum* Nellore: Non-Muhammadan Rural): Sir, I rise to support the amendment moved by my Honourable friend Mr. Lalchand Navalrai. There was widespread discontent in this country regarding the duty on salt when it remained at Rs. 1-4-0 a maund and that discontent will be augmented by this fresh proposal for additional taxation on salt. When the whole country has been raising a hue and cry in favour of the total abolition of this salt tax, is it fair and just at this juncture on the part of the Government to come up with proposals for additional taxation on a commodity which is a prime necessity of life defying popular wishes and setting at naught future opinion. That the Government had perpetuated this policy of imposing this duty in the past

is bad enough, but to try to raise the duty further by this surcharge is worse. They say that they want to do so for purposes of revenue. When

commodity is to be taxed, the only consideration is not revenue. There are other factors to be taken into consideration, such as the effect that such imposition has on the masses of the population, the capacity of the taxpayer to pay the tax and the nature of such commodity as proposed to be taxed. The Finance Member asks the Honourable Members of this House not to be swayed by considerations of sentiment. We are not fighting against the tax on the ground of sentiment. We are fighting on the ground that the poor man should not be taxed to the extent of bleeding. My Honourable friend the Mover of this amendment said the other day that whatever additional amount is realised by this additional duty will be spent on coping with the situation that may arise therefrom. I have to endorse what he said in that connection. Under the Gandhi-Irwin Pact, the poor man is entitled to collect salt in the coastal districts for his own use, but all attempts made to manufacture salt in the coastal districts are being frustrated because Government are arresting and convicting people on some technical ground or other. I know in my own district of Nellore about 200 arrests were made and people were convicted, and the Government are sleeping over such iniquities. I for one therefore do not approve of any taxation on salt and I therefore highly deplore this humiliating additional taxation. With these words I have great pleasure in supporting the amendment of Mr. Navalrai.

Mr. N. M. Dumasia (Bombay City: Non-Muhammadan Urban): I move that the question be now put.

Mr. President: I accept the closure. The question is that the question be now put.

The motion was adopted.

The Honourable Sir George Schuster: As the closure has been moved from the other side, after a debate, which, in comparison with the discussions to which we have listened in past years on this question of salt may perhaps be characterised as surprisingly short, I can only conclude that the House feels that this question has been so fully argued in the past, and that all the arguments on each side are so well known that it will be better to be brief and not to go again over very well worn ground. We have had a good many of the old stories brought out, such as the influence of the duty on consumption. The Honourable Member who moved the amendment tried to indicate that when the duty was put down, the consumption increased, and that we should lose money by increasing the duty in this way. I do not want to go in detail into those figures, but would only refer my Honourable friend to the very full inquiry into that particular question made in the Report of the Taxation Enquiry Committee and ask him to trace the history of the salt duty since the middle of the last century, when it stood at something like Rs. 3½ per maund as compared with the figure of Rs. 1-4-0 at which it stands today. I would ask him to go through the history of the changes in the duty and the steady but very slight growth in consumption per head; and I think he will convince himself that the consumption of salt has increased very steadily according to the improving economic conditions of the people, and has not been affected materially by changes in the duty. There is certainly not a single example in past history which would indicate that the very small change that we propose now would have any effect at all on the consumption per head of the population. My Honourable friend, I think, also said that this was a duty which, once imposed, was never remitted.

[The Honourable Sir George Schuster.]

I would remind him of the fact that the salt tax in the fiscal system of the Government of India now plays a very much less important part than it did in the last century, and that the general tendency has been towards a reduction of the duty. My Honourable friend, Mr. Mitra, speaking this morning, said that, whenever there is any necessity for fresh taxation, the Government runs for the poor man's salt and for the rich man's income. Well, if we really go in equal shares or rather in proper proportion to both those sources of revenue I do not know that my Honourable friend has much complaint to make about it, but I would remind him that in all the difficulties through which we have been passing in the last two years we have, until this moment, refrained from touching the salt duty. And that, Sir, brings me to what is really the essential part of any short remarks that I have to offer on that subject this morning. We feel that the tax on salt is a tax which can be relied upon to produce money. We feel that it should be regarded as a sort of ultimate reserve in the Government of India's resources, and that it should only be drawn upon in case of extreme need. Well, I would ask my Honourable friends in all quarters of the House—can they imagine any occasion on which the justification for having some recourse to your ultimate reserve would be stronger than it is today? We have heard constantly throughout this debate that we have in all directions been piling burdens on so heavily that backs would break, and that we shall actually lose revenue. If, Sir, in a time like this we were debarred from recourse to this ultimate reserve, I do put it to my Honourable friends opposite that it would be an extremely bad thing for the country. And I would ask them to turn their attention to this matter with a full sense of responsibility. If that responsibility is not a present responsibility, let them at least think of the future responsibility that may rest upon them. Sir, it is a very unpleasant necessity in times like these to have to have recourse to a tax which can be represented as falling upon the poor man. But unfortunately, in India, out of 360 millions of people, it may be said that 355 millions at least are to be characterised as poor men: and if, in times of need, the Government of the country are debarred from taking a very small toll, an almost insignificant toll, from these 355 millions, then I warn my Honourable friends that they will be so limiting the powers of Government to deal with a financial emergency as to place upon the country an almost inseparable difficulty. I say that with all seriousness, because we considered the question very carefully before we turned to this measure on the present occasion, and I would ask the House to appreciate the circumstances in which we have had recourse to this measure. We have introduced this principle of a general all-round surcharge on all taxes, and we have only included the tax on salt in that general levy. We are not, in that way, in any sense altering the comparative burden of taxation; the incidence of taxation is not affected at all; and by including, to that very small extent, some of the poorest classes of the country, we do feel that we have not gone beyond what is fair nor beyond what in times like these the people affected can bear. The proposal is a very important one in our financial plan. We have estimated the extra revenue which we should by this surcharge get with very great conservatism, and as I have already indicated in an earlier speech, we must regard this as one of the most reliable features in the whole of our financial plan. And, Sir, with that importance on the public side, I would ask Honourable Members really to reflect what is the extent of the burden on the private individuals who are affected. The actual

increased burden represents considerably less, according to the average annual consumption, than one anna per head per annum! Surely, that is not a burden which justifies the violent speeches, the violent expressions, which we have heard. It is a burden which can be taken up without making any appreciable difference in the lives of any of the individuals concerned, and I would remind my Honourable friends that this duty has in practice already been in force since the end of September. I have been watching the position very carefully, and I have not heard from any quarter any expressions of grievance or complaint from the people affected. We have been watching the effect on retail prices very carefully, and I am glad to say that we find, so far as we can check the main retail trade—of course it is very difficult to check what happens in the small shops—so far as we can check the main retail trade, prices have not been put up more than was justified by the increase in the duty.

Mr. B. Das: Did not the Federation of Indian Chambers of Commerce oppose this, Sir?

The Honourable Sir George Schuster: I have no doubt that my Honourable friend is correct, but that does not meet my point at all. What I was saying was that this tax has in fact been in force for two months, and I have not detected any signs of great popular feeling about it (Hear. hear.) I was going on to say that, according to all our evidence, the extra burden has not been unduly increased by dealers, and therefore I say that with confidence we can put the measure before the House without any feeling that we are damaging interests which we should have protected. Sir, I think that is all I need say on the subject. I would ask the House to regard this as one of the most fundamental features in our proposals and to look upon it—nearly in its financial aspect—as one of the soundest measures by which we have sought to deal with the situation. (Applause.)

Mr. President: The question is:

"That in clause 5, the words 'any salt' be omitted."

The Assembly divided:

AYES 48.

Abdoola Haroon, Seth Haji.
Abdur Rahim, Sir.
Aggarwal, Mr. Jagan Nath.
Azhar Ali, Mr. Muhammad.
Bhuput Singh, Mr.
Chetty, Mr. R. K. Shanmukham.
Chinoy, Mr. Rahimtoola M.
Das, Mr. A.
Das, Mr. B.
Dudhoria, Mr. Nabakumar Sing.
Dumasia, Mr. N. M.
Dutt, Mr. Amar Nath.
Gour, Sir Hari Singh.
Gunjal, Mr. N. R.
Harbans Singh Brar, Sirdar.
Hari Raj Swarup, Lala.
Isra, Chaudhri.
Jha, Pandit Ram Krishna.
Jog, Mr. S. G.
Krishnamachariar, Raja Bahadur G.
Lahiri Chaudhury, Mr. D. K.
Lalchand Navalrai, Mr.
Liladhar Chaudhury, Seth.
Misra, Mr. B. N.
Mitra, Mr. S. C.

Mody, Mr. H. P.
Murtuza Saheb Bahadur, Maulvi Sayyid.
Parma Nand, Bhaji.
Patil, Rao Bahadur B. L.
Puri, Mr. B. R.
Raghubir Singh, Kunwar.
Rajan Bakhsh Shah, Khan Bahadur Makhdum Syed.
Ranga Iyer, Mr. O. S.
Rastogi, Mr. Badri Lal.
Reddi, Mr. P. G.
Reddi, Mr. T. N. Ramakrishna.
Sant Singh, Sardar.
Sarda, Rai Sahib Harbilas.
Sen, Mr. S. C.
Sen, Pandit Satyendra Nath.
Singh, Kumar Gupteshwar Prasad.
Singh, Mr. Gaya Prasad.
Sitaramaraju, Mr. B.
Sohan Singh, Sirdar.
Sukhraj Rai, Rai Bahadur.
Thampam, Mr. K. P.
Uppi Saheb Bahadur, Mr.
Ziauddin Ahmad, Dr.

NOES 55.

Ahmad Nawaz Khan, Major Nawab.
 Anklesaria, Mr. N. N.
 Azizuddin Ahmad Bilgrami, Qazi.
 Bajpai, Mr. R. S.
 Banerji, Mr. Rajnarayan.
 Bhoré, The Honourable Sir Joseph.
 Cosgrave, Mr. W. A.
 Crerar, The Honourable Sir James.
 Dalal, Dr. R. D.
 DeSouza, Dr. F. X.
 Desanges, Mr. H. C.
 Dyer, Mr. J. F.
 Elliott, Mr. C. B.
 Fazal Haq Piracha, Shaikh.
 Fox, Mr. H. B.
 French, Mr. J. C.
 Graham, Sir Lancelot.
 Griffiths, Mr. G. I.
 Gwynne, Mr. C. W.
 Heathcote, Mr. L. V.
 Hira Singh Brar, Sardar Bahadur
 Captain.
 Howell, Mr. E. B.
 Ishwarsingji, Nawab Naharsingji.
 Ismail Ali Khan, Kunwar Hajee.
 Jawahar Singh, Sardar Bahadur
 Sardar.
 Knight, Mr. H. F.
 Lal Chand, Hony. Captain Rao
 Bahadur Chaudhri.
 Lal, Mr. S.

Montgomery, Mr. H.
 Moore, Mr. Arthur.
 Morgan, Mr. G.
 Mujumdar, Sardar G. N.
 Mukherjee, Rai Bahadur S. C.
 Noyce, Sir Frank.
 Pandit, Rao Bahadur S. R.
 Parsons, Mr. A. A. L.
 Pelly, Major H. E.
 Rafiuddin Ahmad, Khan Bahadur
 Maulvi.
 Rainy, The Honourable Sir George.
 Rajah, Rao Bahadur M. C.
 Rama Rao, Rai Bahadur U.
 Row, Mr. K. Sanjiva.
 Sahi, Mr. Ram Prashad Narayan.
 Sams, Sir Hubert.
 Sarma, Mr. R. S.
 Schuster, The Honourable Sir George.
 Studd, Mr. E.
 Suhrawardy, Sir Abdullah.
 Sykes, Mr. E. F.
 Tait, Mr. John.
 Todd, Mr. A. H. A.
 Yakub, Sir Muhammad.
 Yamin Khan, Mr. Muhammad.
 Young, Mr. G. M.
 Zulfikar Ali Khan, Sir.

The motion was negatived.

Mr. President: The next amendment is No. 23, by Mr. Maswood Ahmad.

(The Honourable Member was absent.)

The same amendment stands in the name of Dr. Ziauddin Ahmad.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, I wish to draw attention to three very important points in connection with this motion about petrol. In the first place, I should like to mention that petrol is an article which is not only for the benefit of the rich but also for the benefit of the poor, because where there is no railway, poor people travel by means of lorries at a cheap rate. This commodity therefore affects both the rich and the poor. The second thing that I should like to make out is that there should be some kind of limit in all kinds of taxation. We find that the price of petrol in other countries is less than the amount of duty which we are asked to pay. The cost of petrol in London is less than the amount of duty proposed in this Bill, and it is about 2½ times the cost of petrol per gallon in America. Therefore there ought to be some limit of taxation. Here we find that taxation increases beyond its value in other countries. The third point, which is really the most important of all, is one, which I was developing on the occasion of the general discussion of the Budget. The figures which I am giving today are a little old, but Mr. Heathcote will correct me if I am wrong and give the latest figure. The cost of production of petrol is 2 annas per gallon, and the freight to Delhi is 2 annas, making

4 annas, and the profit to the Delhi dealer is 1 anna per gallon; that brings the cost altogether to 5 annas per gallon. It is sold here at the rate of Rs. 1-11-0 per gallon, out of which 8 annas goes to Government. Therefore it leaves a margin of profit of 14 annas a gallon in the pockets of the company which is represented by my Honourable friend.

Mr. R. S. Sarma (Nominated Non-Official): Where did you get the figure for the cost of production from?

Dr. Ziauddin Ahmad: From the report published in 1928, at the time when I got the figure petrol was sold in America at 3 annas per gallon.

Mr. L. V. Heathcote (Nominated Non-Official): May I ask where you got the cost of the duty from?

Dr. Ziauddin Ahmad: From the memorandum issued by the Finance Secretary.

Mr. L. V. Heathcote: But you said it was 8 annas. It is 10 annas.

Dr. Ziauddin Ahmad: Ten annas is now proposed.

Mr. L. V. Heathcote: The tax is already in force.

Dr. Ziauddin Ahmad: I have allowed 10 annas in this calculation.

Mr. L. V. Heathcote: You said it was 8 annas.

Dr. Ziauddin Ahmad: It was 8 annas before; it will be 10 annas now.

Mr. R. S. Sarma: It is already 10 annas.

Dr. Ziauddin Ahmad: I make a further allowance of two annas per gallon for unknown expenditure; it leaves a margin of 12 annas per gallon in the pockets of the Burma Oil Company. I have calculated the consumption of petrol in India. Last year we imported about 4 million gallons and the B. O. C. supplied about 56 million gallons. This year the B. O. C. have supplied 51 million gallons and we imported about 9 million gallons from outside. The approximate consumption of petrol in India is about 60 million gallons per annum. The profit at 12 as. per gallon comes up to about Rs. 4½ crores. If the Government of India acquired the monopoly of the petrol and of the bye-products, namely, kerosene and other mineral oils, this alone would give an additional income according to my calculation of about ten crores over and above what the Government already derive from this source. Now, Sir, the Honourable the Finance Member has repeatedly challenged this side of the House and asked whether we can suggest to him any new source of income. Here I suggest to him one source—the monopoly of petrol, kerosene and other mineral oils, which will put in his pocket a revenue of ten crores. But I am perfectly certain that he will not do it, because he is not going to touch the pockets of those people who matter. The total amount of the mineral oil which is imported into India and Burma from foreign countries is 252 millions, at a cost of Rs. 11 crores, and I am positive that if the Government of India acquire the monopoly of all these mineral oils, purchase these things in the open market and arrange for their sale in their own way, it will substantially increase their profit and they can easily say good-bye to the salt tax and the salt monopoly. The income from the salt monopoly—I am speaking from memory—is about Rs. 7 crores and this can be obtained

[Dr. Ziauddin Ahmad.]

by having the monopoly of the mineral oils. The only thing that I want is to change one form of monopoly into another form of monopoly; instead of having a monopoly of salt and levying this burden upon the poor people, let them have the monopoly of the mineral oils and it will give them fifty per cent. more income than they get from salt now.

Seth Haji Abdoola Haroon (Sind: Muhammadan Rural): How many persons are purchasing oils?

Dr. Ziauddin Ahmad: How many persons are purchasing is not the direct issue, but the issue is how many persons derive benefit. There are a large number of poor people who travel in motor driven lorries. I therefore suggest very politely but firmly that the Honourable the Finance Member should take immediate steps to have the monopoly of all the mineral oils which are sold in this country. He may find difficulty, but from this side we will go on pressing year after year till we get the finances under the control of the legislature. The first thing which the Government will then do, when financial responsibility is given to the Central Government, will be to take the monopoly of these mineral oils. After all, as I have said repeatedly, we do not object to people trading in this country. We do not object to any kind of foreign capital being used for the development of natural products, but we certainly do object to their making enormous profits by conspiring together and quoting their own prices. Is there any justification for the fact that the price of the Burma Oil in London should be less than the price at which it is sold at Rangoon? Is there any justification for that? Not only that, the Burma Oil Company try to sell their petrol at a loss in London and then make good this loss from the poor tax-payers in India. I should like Mr. Heathcote to give definite facts and figures on this point as well. As I said last time, they are giving a dividend of 22½ per cent. after making allowance for lavish expenditure and very heavy overhead charges in this particular industry. This is only derived by quoting fancy prices for petrol in this country. Sir, the petrol in these days is an article of necessity; and therefore it is not a thing which we can pass over, and it is very desirable that there should not be an abnormally high price for this article. We should not be at the mercy of the B. O. C.

Sir Muhammad Yakub: How many crores of rupees do we give to England by purchasing cars in India annually? Has my Honourable friend calculated the money which we give to England and America annually by purchasing cars?

Dr. Ziauddin Ahmad: I would be very pleased to reply to that question had the Honourable gentleman given me in reply how many crores we give for purchasing railway stores, etc.

Sir Muhammad Yakub: That is not voluntary; that is not our doing; that is Government's doing; but it is the private individuals who are purchasing cars. Why should we not use bullock carts?

Mr. President: Order, order; let the Honourable Member proceed.

Dr. Ziauddin Ahmad: I thank the Honourable gentleman for his up-to-date suggestion, and I hope that any one who gives advice will always act upon it first.

Sir Muhammad Yakub: But you do not: my Honourable friend only the other day purchased a new car.

Dr. Ziauddin Ahmad: The point which I would like the Honourable the Finance Member to consider very carefully is whether the time has not arrived for the Government to take up the monopoly of petrol and other mineral oils because we find that all the companies have conspired—and I think I am using a very mild word—against the poor tax-payers in India and they have put fancy prices on the oils. Instead of selling petrol at the reasonable rate at which it is sold in other countries, they have really increased it by twice and in some cases three times the market rate, and compared with America it is about eight times as much, if I am not wrong. Whatever Honourable Members may say, I do not like merely empty talk, but I would like to have these facts, and I hope the gentleman representing the B. O. C. in this House will get up and quote the prices of petrol in various countries, as well as the prices of their own petrol, kerosene and other mineral products sold in different places, and then give us the reasons on the floor of this House why they are selling petrol at such a heavy price in India. With these words I would like to close my speech, but I do expect some reply. Sir, I move the amendment, that in clause 5, the words "motor spirit" be omitted.

The Honourable Sir George Schuster: Sir, possibly we may be able to dispose of this subject without much discussion

Dr. Ziauddin Ahmad: On a point of order: may I ask whether Mr. Heathcote will give a reply on the points I raised?

Mr. President: The Honourable Member cannot regulate the debate.

The Honourable Sir George Schuster: I think it may be possible to curtail this discussion if I point out to the House the effect of my Honourable friend's amendment. My Honourable friend has painted a very rosy picture of what may be possible in the future when there is a change of management in the financial affairs of India. I do not wish to dispute that picture or to make any reference to what he has prophesied in his speech. But I wish to point out to the House that my Honourable friend has chosen a rather peculiar method of arriving at the result which he so much desires. The effect of his amendment, which seeks to eliminate motor spirit from the effect of the new surcharge on the excise duty, would be, as I am sure my Honourable friends on my right will confirm, to put a very large sum of money into the pockets of those oil companies which are now operating in India, for whom my Honourable friend, I gather, does not entertain any particular feelings of friendship. If the House were to accept my Honourable friend's amendment, they would be creating in regard to motor spirit exactly that state of affairs which as regards kerosene I believe some of my Honourable friends opposite object to—they would be giving a very substantial measure of protection to the Burma Oil Company and to other companies operating in India. I think that if that result is made clear to the House there will not be any general desire to give further time to discussing my Honourable friend's amendment, however much some of us may be interested in the wider questions which he has raised. With that explanation I venture to oppose my Honourable friend's amendment.

Dr. Ziauddin Ahmad: Sir, I was quite conscious of the effects of my amendment, as the Honourable the Finance Member has said. But I moved it in order to get some reply from the representative of the B. O. C. (Laughter.) Since no reply is forthcoming, I beg leave to withdraw my motion.

The amendment was, by leave of the Assembly, withdrawn.

Mr. S. C. Mitra: Sir, I find that we made a mistake in not moving a similar motion on the customs duty and so I do not like to press this amendment.*

Mr. President: The question is that clause 5 stand part of the Bill.

The motion was adopted.

Clause 5 was added to the Bill.

Mr. President: As regards the next amendment† standing in the name of Dr Ziauddin Ahmad which proposes the addition of a new clause after clause 5 I should like to inform the Honourable Member that it is out of order on the ground that it is outside the scope of the Bill.

The question is that clause 6 stand part of the Bill.

Mr. B. Sitaramaraju (Ganjam *cum* Vizagapatam: Non-Muhammādan Rural): Sir, I move that clause 6 be omitted. Clause 6 deals with the increase of postal rates by 50 per cent. In moving this amendment, Sir, I am not unmindful of the fact that the Government are in need of money. In his search for funds, the Honourable the Finance Member has not allowed himself to be inconvenienced by any considerations of principle or policy, and in the present situation he has permitted no source to be held out as sacred in this what he calls an emergency. Imperial considerations and vested interests have effectively barred his path in his search for funds on such items as are held as the dominant factors in the financial situation of the country. He did not mind turning to those fundamental needs of the poor man as possible sources, regardless of all those considerations whether they should be taxed or should not be taxed. But, Sir, that a department headed by my Honourable friend Sir Joseph Bhore and Sir Hubert Sams, should allow the very principles guiding this public utility service to be violated, is simply surprising. Though it is said that the Indian Civil servants are neither Indian nor civil, nor our servants, here we have both Sir Joseph Bhore and Sir Hubert Sams, if both of them are not Indians, one who is not an Indian is just as good an Indian as the other, and both of them are civil; I know for a fact that they have been showing a genuine desire to serve this country. Such being the case, I was surprised that they should allow the Finance Member to raise these postal rates. I suppose, Sir, as they are both very amiable gentlemen, their very amiability must be the cause of their being victimised by my Honourable friend, Sir George Schuster, who in his anxiety for more money, has not hesitated to bring them within the sphere of his extortions.

*"In clause 5, the word 'kerosene' occurring in the first line be omitted."

†"After clause 5 the following new clause be inserted and the subsequent clauses be re-numbered accordingly:

"6. In Schedule III to the Indian Tariff Act, 1894, in item No. 3, for the figure and words "5 per cent." the figures and words "2½ per cent." shall be substituted."

An Honourable Member: Is not the Finance Member more amiable?

Mr. B. Sitaramaraju: They are of course all amiable. They, Sir Joseph and Sir Hubert, have our deep sympathy, but I am afraid that I cannot extend the same amount of respect to them. I wish to recall what I said on an earlier occasion; that the principle underlying the service as has been acknowledged by one of the predecessors of the Finance Member himself, is that the postal service is a potent agent of civilization, and no Government is justified to treat it as a fiscal department. I would also like to point out that 60 or 70 years ago when the Government of India first established this department, they laid down a certain policy, and it is this, that this department would never be looked upon as a fiscal department but as a public utility service, and their only consideration should be whether any increase in the rates would have a prejudicial effect on the volume of traffic. That was the criterion that was what even the Government of India themselves held 60 or 70 years ago, and what any civilized Government ought to hold. But, Sir, the Government of India have since been guilty of a deliberate departure from that policy. Whether any increase of rates would have a prejudicial effect in the volume of traffic is no more held as the criterion by the Government of India, but fiscal considerations are always sought now to justify the reversal of their old policy. Sir, in 1922 we had an enhancement of the postal rates. That was, I believe, the beginning of the reversal of that policy, and notwithstanding the fact it has always been suggested by Members sitting on the Government Benches that the Department would be treated purely as a service for public utility and for public well-being. One of the predecessors of my Honourable friend Sir Joseph Bhore stated as follows:—"If you want progress, if you want education, then it is important that the postal rates should be reduced". Nevertheless, Sir, these rates are not reduced but have been even increased. In 1922 the price of the postcard was increased from quarter of an anna to half an anna, and the price of the envelope was also increased from half an anna to one anna. It must be remembered that in the matter of epistolary intercourse between people the postcard is pre-eminently the medium of correspondence of the poor man, and in the matter of these increased postal rates the Government have been guilty of discrimination, because you will find what even when in 1922 they increased these rates of the postcard from 3 to 6 pies and the envelope from half anna to one anna, they wanted to benefit the rich at the expense of the poor. In those days it was quite possible for any poor man who was using a thin letter paper and a thin envelope to send his covers under one tola the weight allowed on ½ anna envelopes. Now when the rates of the postal covers have been increased in 1922, the Government have deliberately increased the weights from one tola to 2½ tolas—why so? I shall presently tell the House. The rich always use thick paper and thick envelopes; they always find it is very difficult to send their correspondence within one tola; the same is the case with regard to foreign correspondence, and mercantile houses who have to send a large volume of correspondence, and these people could not very well send their correspondence within one tola; and so when the one tola weight was raised to 2½ tolas they were not very much affected, because even when the envelope was charged half-an-anna the rich and other well-to-do people used to pay one anna because their correspondence was more voluminous than that of the poor man and could not be sent in one tola weights. Thus the doubling of the rates was entirely at the expense of the poor man's postcard and also the poor man's small envelope.

[Mr. B. Sitaramaraju.]

In March last we increased the postal rates by one pie, and my Honourable friend Sir Joseph Bhore would tell us, I am sure, that it was not very happy because the trouble they had in these post offices to collect this extra one pie was not commensurate with the expected income. Practically it would appear that in some of the post offices it took nearly one whole time man to collect all these pies and keep an account. However that may be, Sir, coming to the present proposal, I wish to say that the same discrimination I referred to is allowed to operate here also. It must be remembered that the postcard was always more popular than the envelope. Now the Government propose to increase the price of both the postcard as well as the envelope by about 50 per cent., but from the statement made by the Finance Member and also from an amendment that we see standing in the name of Mr. Shillidy, we find the Government propose to reduce the price of envelopes by 3 pies, that is to say, their original proposal was to fix the price of the envelope at Re. 0-1-6, and now they want to charge Re. 0-1-3, with the result that while the postcard will be increased by 50 per cent., the envelope will be increased by only 25 per cent. It cannot be seriously contended that the postcard would be used by the rich and well-to-do people, even though they have very little matter to write, to the same extent as the poor people will use it, because the rich would rather use an envelope even though they have very little matter to communicate. Such being the case, it must be admitted that the postcard is pre-eminently the poor man's means of correspondence, and as such I should say the Government are again guilty of being unmindful of the difficulties of the poor man and they are only solicitous of the rich. If you look at it from another point of view you have this. We find under the present final proposals of the Government that the reply postcard will cost one anna and six pies, whereas the envelope would cost only one anna three pies. If it is not exactly absurd that the reply postcard should cost one anna and six pies, that is, three pies more than an envelope, I should certainly thank

Sardar Sant Singh: (West Punjab: Sikh): The Honourable Sir Joseph Bhore has given notice of an amendment, namely, No. 52.

Mr. B. Sitaramaraju: My attention is drawn to the amendment by Sir Joseph Bhore. It reads as follows:

"In clause 6, for the words 'postcards shall be increased by one half of its amount' the words 'single postcards shall be increased by one quarter of an anna and the rate specified in respect of reply postcards shall be increased by half an anna' be substituted."

That is exactly what I am saying. He simply wanted to emphasise this fact. If it is simply said that the increase in the postcard is by 50 per cent., lest it may be construed that the reply postcard would be taken as a postcard and be treated as such, the Honourable Sir Joseph Bhore wanted to emphasise in this amendment that the reply postcard is really 2 cards and would cost Re. 0-1-6. Therefore, my point still stands emphasised. Although it may be said that the reply postcard would receive double service, still I maintain that, while you are able to send 2½ tolas weight of an envelope for one anna three pies, for a feather weight reply postcard you are obliged to pay something more than that. Sir, that is the way in which the Government have proposed to increase these rates. Not only that. But during the last twelve months the Government have not taken kindly to these postal rates. We find that the registration rates have been

increased, the parcel rates have been increased, and there is one significant fact which I would like to bring to the attention of this House. There have been several complaints in the working of the Postal Department, and it was once the policy of the Government to encourage the making of such complaints by allowing them postage free. To-day you cannot do so. You have to pay for it in stamps if you wish to make the complaint. My Honourable friend Mr. S. C. Mitra draws my attention to the fact that the telegraphic rates and other things also have increased. Yes, it is so, and in the case of abbreviated addresses also they have increased the rates from Rs. 15 to Rs. 25. But after all, telegrams and the like are more the concern of the rich because they are the vehicle of the rich man's correspondence,—I am not thinking of the rich man, but I am thinking of the poor man who uses postcards and letters.

We have all along been contending that these rates are excessive and that the Government are not justified in keeping them even at the existing rates. As a matter of fact, two years ago it was proposed from this side of the House that the rates should be reduced, but only two considerations were allowed to prevail with the Government on that occasion. One was that the Department would not be self-supporting and would be a greater burden on the taxpayer if the existing rates were reduced, and the second point that was made was that the volume of traffic would increase so much that it would be difficult to find the increased cost of transmission charges. Those were the two points that were then made. I wish to offer my remarks with regard to those points. As regards the first point, I would like to say that the Department is tagged on to the Telegraphs and Telephones. It is very difficult to apportion exactly what the Postal Department is costing us. There is also the question of proper apportionment of the shares on the revenue stamps, and also the question of the amount of free stamps that are given to the Native States. There is also question of the proportionate income which ought to be given to the Postal Department from the income earned by the combined offices. If a proper accounting had been made—and I am afraid that the Postal Accounts Committee have not solved that problem—if proper accounts had been made and if the postal accounts had been separately drawn up, then I am sure, notwithstanding the very top heavy nature of this Department, which seems to be the normal feature of all the Government of India's Departments, still it would be found that the department is self-supporting. Such being the case, even from the point of view of looking at this department as a commercial department, there would be no justification for increasing the burden to the consumers of postage. There would also be no justification for the way in which the lower subordinates of this department are asked to make sacrifices by means of these cuts in their salaries and lowering their standards which have been proposed. It must be remembered that the employees of a department like the Postal Department, which is run by men who do their responsible work at a great sacrifice of health and comfort, should receive better consideration at the hands of the Government than any other department would. I am not going to speak about these cuts much at the present time; as I am now concerned with the way in which these postal rates are sought to be increased to the detriment of the public.

As regards the second point that, if you cheapen the rates it would increase the amount of traffic,—then *per contra*, the argument that if you increase the rates, it must necessarily bring in diminishing returns must

[Mr. B. Sitaramaraju.]

be admitted. Before I deal with that, I am reminded of an incident when the penny postage was inaugurated in England. Then, Sir Roland Hill, the founder of the penny postage, wanted to give the cheapest means possible for the people to communicate. At that time Lord Lichfield, who was then Postmaster General, opposed the whole scheme for the same reason which the Honourable Sir Joseph Bhore's predecessor said—that it would increase the volume of the traffic, namely, that the post office would not be able to deal with all the volume of traffic, and that the cost of transmission would necessarily be increased. Lord Lichfield said that the post office would even burst with the accumulated correspondence, but, however, the post office did not actually burst. On the other hand the volume of traffic which was increased brought in 40 times its previous income to justify the lowering of the postage to the enormous gain of the State. Such being the case, it is very difficult to accept the argument that if you lower the rates, the volume of traffic would increase so much that the cost of transmission would be too high for us to be borne. To come back to the point that, if, as the Government have said, the lowering of the rates would increase the use of postage stamps, then the raising of the price must necessarily diminish the returns. In 1922, when the postal rates were increased, I find from a table in the Posts and Telegraphs Annual Report that the position was like this. In 1919-20, letters were 580 millions and in 1920-21 there were 600 millions, and then in 1921-22 they were about 610 millions. In 1922, we raised the cost of letters by cent per cent., and then there was an immediate fall in the traffic. The traffic fell to about 510 millions. It will be seen that up to the increase in the postal rates, the annual increment would come to about 10 to 20 millions a year. Since the increase in the rates, there has been a sudden fall in the use of letters, and subsequently during all these ten years, from 1922 to 1931, the original figure of 610 millions was never reached. So also with regard to postcards. In 1919-20, they were 610 millions. In 1920-21, they were 630 millions, and in 1921-22 they were 650 millions, and then suddenly there was a fall. From 650 millions it came down to 530, in 1922-23, after the rates were increased, and even in this case also, the postcards never reached the original figure that was reached in 1921-22. Here we have to take also into consideration the fact that there was already an yearly increase of 10 to 20 millions on the postcards as well as on the covers. They were gradually growing from 1919-20. Unfortunately I have not got the earlier figures, but judging from the remarks which have been made on a previous occasion they were also rising. When they raised these taxes, they stifled that yearly progress. The subsequent rise in the use of postcards on account of the expansion of trade and postal facilities and also possibly the increase in population in later years showed some increase, but the original figures were never reached. Such being the case, so far as the volume of traffic is concerned it cannot be said that these proposals would not affect them.

Then there is the question of revenue. I do not mean to say that revenue would be affected to the same extent as the volume of traffic, because it must be remembered that while the poor may be prevented from using the post office, the rich will be using the post office. They would certainly use it however much the price of postage might be and they can afford to do it also. If by turning the screw a little faster, the Honourable Sir Joseph Bhore loses some of his customers, still he may

hope to find enough to give him some revenue. Even in that case, I would like to ask him whether the amount that he would realise from the rich at the expense of the poor would be commensurate with the sufferings of the people. There is also another thing to be considered. There was a proposal actually made by the Retrenchment Committee to stop all the unremunerative offices. The department has as I have said been deliberately departing from that policy, that this service should be looked upon as a public utility service and not merely from the commercial point of view. I would like the Honourable Sir Joseph Bhore to consider this. Since 1922, when the postal rates were increased, there has been a growth in bus traffic and during the last 3 years they are plying to every nook and corner. With the simultaneous withdrawal of the facilities of the Postal Department, the public are able to create facilities for themselves. It is a fact that buses are excellent means of communication. The Government have themselves realised that and 60,000 letters have been conveyed by the Government themselves in this way. It is a fact that now many people have been using these buses to convey their letters. That of course is not proper. It is an illicit way of sending these letters because under the postal rules nobody should carry letters except the Government. But if you increase the burdens on the people, the letters will be forced to be sent by buses, and as it is a fact that the buses touch many villages which the post office itself has not touched so far, in spite of 180 years of British administration in this country there will be a tremendous fall in the revenue from postage hereafter. In conclusion I wish to point out, though it may not at all be relished by the Government, that this is a matter to which people take very strong objection. The discontent that you will create by the increase in the rates to prohibitive prices and restricting the volume of traffic will not at all be commensurate with the revenue that you will get by this increase, and remember that after all the good-will of the people is the only reliable asset to any Government. With these words I move my amendment.

The Assembly then adjourned for Lunch till Ten Minutes to Three of the Clock.

The Assembly re-assembled after Lunch at Ten Minutes to Three of the Clock, Mr. President in the Chair.

Pandit Satyendra Nath Sen (Presidency Division: Non-Muhammadan Rural): Sir, I rise to support the amendment moved by my Honourable friend, Mr. Sitaramaraju. Sir, Honourable Members must have noticed that, barring clause 3 which has got a long Schedule attached to it, this clause 6 has called forth the largest number of amendments, which will go to show that the greatest amount of interest has centred round this particular clause. Sir, this clause seeks to enhance the postal rates. This is a subject over which the Members on this side of the House have been fighting for the last ten years, and I think they will go on fighting till their grievances have been redressed. But, Sir, that the Government could not see their way to accede to our request was not a matter for extreme grief considering the position in which we have been placed this year. Far from reducing the rates, for which we have been crying ourselves hoarse for the last few years, they have thought fit to increase the

[Pandit Satyendra Nath Sen.]

rates. They have been systematically going on increasing them. The rates were first enhanced in 1922. Then only last year they increased the price of envelopes by one pie—of course with a plausible explanation viz., that the one pie was intended to cover the cost of stationery charges—which is nothing, I beg to submit, but a jugglery of words in which they are experts. They have also increased the rate for registration—with what explanation I do not know. They have also increased the rates for telegrams by one anna, perhaps with the explanation that that is intended to be the messenger's fee. Thus we see that they are bent upon increasing all the rates and will let no item alone. Sir, there was an amendment printed on this sheet, notice of which had been given by Mr. Shillidy, to the effect that the price for envelopes would be one anna and three pies, but that amendment has mysteriously disappeared.

The Honourable Sir Joseph Bhore (Member for Industries and Labour): Oh, no, no.

Pandit Satyendra Nath Sen: Of course Mr. Shillidy, I know, has been transferred

The Honourable Sir Joseph Bhore: May I explain, Sir, that though Mr. Shillidy has disappeared from the House, the amendment still stands and it stands in my name.

Pandit Satyendra Nath Sen: That is not the self same amendment, and I am afraid, that relates to postcards only.

The Honourable Sir Joseph Bhore: May I explain, Sir, that the amendment, though it is differently worded now*, is exactly the same, so far as its meaning is concerned, as that which stood in the name of my Honourable friend, Mr. Shillidy.

Pandit Satyendra Nath Sen: Of course Mr. Shillidy has disappeared (Laughter)—but, this amendment which stands in the name of my Honourable friend, Sir Joseph Bhore, does not make any difference to the original expression which stands in the clause. It means nothing, because it refers to the fact that the rate for single postcards has been increased by one-quarter of an anna and that the rate in respect of reply postcards has been increased by half an anna. Does it make any difference? (Laughter.) However that may be, Sir, when the height of modern civilization demands that the postal rates should have been cheapened and popularised, the Government have thought fit to increase the rates. We are often told, Sir, of being brought into line with England. This time also we are going to be brought into line with England but not with the England of the 20th century, but with the England of the 18th or the beginning of the 19th century. In England there was a time when the postal rates were very prohibitive. Letters were not prepaid in those days, and parties would often come to a queer arrangement between themselves. Sometimes they would send blank letters simply with the address on and the addressee would often not pay the charges and receive that letter but simply rest satisfied by examining the external handwriting and concluding that the writer was still alive and;

*"That in clause 6 for the words 'postcards shall be increased by one-half of its amount' the word 'single postcards shall be increased by one quarter of an anna and the rate specified in respect of reply postcards shall be increased by half an anna' be substituted."

in all probability, was doing well. If that was the condition of England in the 18th century, that is going to be the condition of India in the 20th century. Sir, while opposing a similar amendment last year, Sir Joseph Bhore gave it out that they could not but oppose these proposals on the score of financial considerations. He said that revenue considerations must be decisive, and on those considerations he was bound to oppose such a proposal. Sir, I am not inclined to take those words of the Honourable Member exactly as they are. I am inclined to take them with some misgivings, because there must be some other considerations underlying their attitude. We are prepared to give them some revenue, although on a different account, but they are not inclined to accept our proposals. My friend over there, Mr. Bhuput Singh, offered to give them some revenue on account of vegetable ghee. But sanction has been refused to his amendment. Then my friend over there, Mr. Sen, who is not in his seat now, proposed some prohibitive duty on foreign coal and that proposal too has not been accepted. Sir, we are often accused of not making constructive proposals. Do the Government expect that we should go on making constructive suggestions simply to be told by the Government that "your suggestion is rejected"? Sir, the Government venture

to increase the postal rates repeatedly because they are convinced that the increased revenue will not be affected by the excited feeling of the people. If that were the case during past years, I may warn them that that may not be the case this year, because this measure is said to be a temporary measure, and this temporary measure can have no effect if it is not extended beyond the temporary period,—I mean to say unless and until the feelings and the excitement of the people have subsided. So, either this measure has to be extended a little further or it will be infructuous. I would therefore request my Honourable friends to support this amendment and also request the Government to reconsider their position.

Sir, before I resume my seat, I would venture to make one more constructive suggestion. If revenue considerations are to be decisive in this matter, may I suggest that the Government should, as a last resort, revive the practice of stamping bank cheques as was the case some years ago. That will affect not the poorer people but only the rich men. I must not be misunderstood as inviting such a taxation. My point is that if you insist on having such taxation, I may be prepared to have that as a choice between two evils. I hope those Honourable Members who are in affluent condition will not take me amiss, and I hope that they will be prepared to make some sacrifice in favour of the poorer people. With these few words, Sir, I beg to support the amendment.

Sir Muhammad Yakub: Sir, Western civilisation has brought many evils to this country in its train along with some blessings, and writing useless letters is one of them (Laughter). Sir, we find that a man is not considered a perfect gentleman unless his peon goes to the post office every morning and brings a bundle of letters and newspapers. We are murmuring about the rise in the price of postage and postcards, but we do not grumble at the very costly stationery which our fashionable gentlemen use with embossed mottoes and costly monograms. Then again, blindly following the Western habit, we have fallen into the habit of sending useless letters of congratulations on the occasion of our national festivals like the Id and the Diwali (An Honourable Member: "And titles") and also on the occasion of the Birthday Honours, for which my friend, Sir Hubert Sams, has now got very enticing envelopes for telegrams

[Sir Muhammad Yakub.]

which induce people to send telegrams even if they do not want to do so. We never grumble at any of these things. Again, before the advent of British rule very few people used to send letters. When it was found necessary to write a letter to any relation or friend, the services of a special messenger or the family barber were utilised and in this way many people of our country used to earn their living by carrying on the work of messengers. The sale of cheap postage and postage stamps has deprived many a person in our country of his profession of being a messenger. It is said that the poor man would suffer if the price of postage stamps is raised. I submit that it is not the poor man who writes so many letters every day. It is only three or four times a year that a poor man would write a postcard to his friend or relation. In the first place, he has not got a large circle of friends like our public men; his circle of friends and relations is mostly limited to the town in which he lives; and if he wants to send letters outside, he mostly utilises the services of a friend or neighbour who happens to go to that place on business. Therefore I do not think that the poor man would suffer very much if he has to spend a little more. Say a man writes four postcards in a year. Up to this time he had to pay 2 annas. Now he will have to pay 3 annas. I do not think that the addition of one anna per year is such that we should waste day after day in crying and saying that the poor man would suffer by the rise in the rate on postcards. If you want to stop this evil habit of writing useless letters and using very expensive stationery, I think it is only just and proper that the price of postage stamps should be raised to such a prohibitive degree that our fashionable gentlemen would think twice before sitting down at their writing tables and writing useless letters. Again, Sir, we find a lot of inflammatory matter, a lot of literature connected with communism, being circulated in the country on account of cheap postage. It is poisoning the whole country; it is ruining the life of so many promising youths of our country, and if we raise the price of postage I think that, indirectly, it would help largely to stop the circulation of this poisonous literature.

Mr. S. C. Mitra: Stop all education and that will serve our purpose better.

Sir Muhammad Yakub: Probably it will not stop the education at all. My friend, when he was learning his lessons with Sir Abdullah Subhwardy, probably did not use postcards for receiving his lessons from him but had to go and attend his classes, and even now the student will have to do the same thing. In fact, students also, even in the days of examination, instead of learning their lessons, go on writing useless letters to their friends and wasting their time. So, in order to stop this habit of wasting time and in order to stop the circulation of this poisonous literature in the country, I think that we would be killing two birds with one stone if we raise the price of postage stamps. We get some money in order to balance our Budget, when it is so badly needed and there is stringency in the country, and at the same time we stop the evil habit of writing useless letters and the circulation of poisonous literature in the country. For these reasons, I oppose the amendment.

Mr. Lalchand Navalrai (Sind: Non-Muhammadian Rural): Sir, an amendment similar to this stands in my name, that there should be no surcharge on postage. I was simply amused to hear the Honourable Sir Muhammad Yakub who spoke now. What he said did not come from the

mind of a middle class man or from the heart of a poor man. It came only from a titled man's heart who, I think, has very little sympathy with the poor.

Sir Muhammad Yakub: It was all in sympathy with the poor.

Mr. Lalchand Navalrai: The economy that he suggested should come first from him. If he had that in mind and if he had been of those notions of simplicity I do not think we would have found him even so attired.

Sir Muhammad Yakub: I have made up my mind to curtail the number of my letters by 50 per cent. from 1st December.

Mr. Lalchand Navalrai: That is my argument. By increasing postal rates Government are reducing the consumption of envelopes and even postcards. We ourselves will be constrained, instead of using a cover to use a card, and it will be only in exceptional cases where the communication will have to be made confidentially, that we will use envelopes.

Sir Muhammad Yakub: It is only right and just.

Mr. Lalchand Navalrai: It is really just from our economic point of view, but it is not just to raise a tax and give money to the Government to spend on their own salaries and allowances.

Sir, to begin with, I must say that I am not going to speak long on this, especially after we have seen the fate of my amendment on salt. However, I will not be discouraged. In a matter like this Government would be well-advised to remove at least the surcharge on postcards. It is very apparent that the surcharge that is going to be levied, according to the Honourable the Finance Member, is 6 pies on an envelope, which now bears a postage of 1 anna. The increase is 6 pies and we will have to pay 18 pies for an envelope. Is it so or not?

The Honourable Sir Joseph Bhore: No, Sir; it is not so. If the Honourable Member will read the amendment which stands in my name, I think it will be clear to him that our present proposal is to increase the price of letters from one anna to one anna and 3 pies.

Mr. Lalchand Navalrai: With regard to postcards, I should like to be enlightened if there is any change.

The Honourable Sir Joseph Bhore: Not so far as postcards are concerned. My difficulty is that I cannot split a pice; therefore I have to put on a whole pice.

Mr. Lalchand Navalrai: Sir, in calculating, I think we should rather let the poor have the benefit of it instead of saying that there is a difficulty of fractions. It will be very easy to charge fractions of a pice and print cards on that basis. In any case that is no excuse at all. The increase in envelopes is going to be one pice and on cards we shall have to pay 9 pies—not fair at all. The price of envelopes will thus be 12 plus 3 or 15 pies, but in fact the price will be 16 pies and not 15, because since last March Government have by executive order been charging one pice more on envelopes; therefore to purchase an envelope I should have to pay 16 pies. Therefore it is not correct to say that the surcharge is 3 pies. I submit—I find no other word—on this increase in the cost of cards than

[Mr. Lalchand Navalrai.]

to say it is heinous to do so. Cards are generally used by poor men. It cannot possibly be denied that the poor man has got no money to purchase envelopes, or enjoy the luxury of writing a few words on a slip of paper, enclosing it in an envelope and sending it on as big men do. I therefore submit that so far as cards are concerned, Government are really affecting the poor men. I think Government would have been well advised to have reconsidered the question of foregoing surcharge on post cards first, instead of that on envelopes, as they have proposed now. Anyway I do not agree with the difficulty of the Honourable Member for Industries and Labour, with regard to the fraction of a pice, I do not agree that the difficulty is insurmountable, especially in these days when we have got ready-reckoners, which make out even fractions of a pice. However, to proceed further, I do not think the Finance Member has made out a case for this increase. We find that the income expected from this surcharge comes to Rs. 73 lakhs—this is to be found in the Memorandum attached to the Finance Member's first statement that was made in the House; whereas it is alleged in the Retrenchment Committee's Report that the deficit in the Department is Rs. 92 lakhs. The Finance Member says that, even after the recommendations of the Retrenchment Committee are accepted, the deficit will remain the same. If the Report of the Retrenchment Committee and the comparative statement which has been placed in our hands is read, we see that the deficit will be shorter; at any rate if full allowance is given to the recommendations of the Committee, the deficit will reduce itself, because you find that in that report as against certain items it is noted "Not estimated yet". If those items are estimated, then retrenchment will be more. That is one of the reasons for stating that this figure of the deficit is not a correct one.

Coming next to another point, people have already been charged more for telegrams; that was also by executive order. I do not think there was any reason for that. However the saving from that should be considered as a saving under this head, and that will also reduce the deficit.

Coming to another item, why is it that the foreign rate of postage is not going to be increased? If that is increased and the inland postage is decreased, then too the deficit can be met. Further, I think that the retrenchment that has been made is not as drastic as it ought to have been. It cannot be denied that in India there are several high offices under the Postal administration which are not necessary at all; and as an instance I would quote the Director's office at Karachi for which there is no necessity. I put questions on that point the other day and said that the popular feeling there was that the office should be abolished and the original system of putting it under the Bombay Presidency should be reverted to. The reply given was that an investigation had been made some time back and it was found that it could not be done for administrative reasons. I do not know what those administrative reasons are. Generally when the head of an office is asked to give his opinion, he places one or the other difficulty which is not placed before the public and it is said "Administrative reasons do not allow it". I would ask the House to consider the question whether an office like that should not be done away with and money saved. I asked in putting those questions whether the Retrenchment Committee had considered the question of doing away with that office at Karachi, and the reply was "Certainly, it has been". I have however gone through the whole Report on Postal retrenchment, and I

do not find anywhere that that question has been considered, and I therefore submit that this is also one of the points to be considered which will help to reduce the deficit by a large amount.

Public opinion on the postage point is very keen. I will not detain the House any longer but I shall place the public opinion of Sind before the House, which is contained in a resolution that has been passed recently by the Indian mercantile community of Karachi; and in that resolution they say:

"Increase in postal and telegraphic rates is another move to restrict communications and retard progress of trade and commerce. Postcards are chiefly used by poor people and small traders and a fifty per cent. increase for postage on postcards means depriving these poor people of their scanty means of communication."

Sir, I entirely and fully endorse this view, and with these words I support this amendment.

Mr. H. P. Mody (Bombay Millowners' Association: Indian Commerce): Sir, I would just like to say one word. My Honourable friend, Sir Joseph Bhore, interrupted the last speaker this afternoon and said that his difficulty in regard to making any alteration in the postal rate proposed by him was that he could not split it up. Now, my suggestion would be, if Government are really determined upon increasing the rates on postcards, that the rate for a single postcard might be kept at nine pies, but if at a time two were purchased then the rate should be fifteen pies, so that any man going to the counter and wanting one postcard would have to pay nine pies, but those who wanted two at a time would escape the higher surcharge and escape with only three pies extra

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): How will you keep a record in the office?

Mr. H. P. Mody: I am not concerned with the accounts of the post office: if I was I would be the Postmaster General. As it is I am only a private Member and my business is to make a suggestion. I have conveyed it to my Honourable friend, Sir Joseph Bhore, just now and he has promised to look into it: I thought that I would make it publicly on the floor of this House.

Mr. C. Brooke Elliott (Madras: European): Sir, I have examined these figures and see with very great sorrow that we are faced with a very heavy deficit in the Post Office—I think the heaviest deficit of all may be summed up in one word or rather person, Sir Hubert Sams—and I think it is a little to be regretted that on the eve of his retirement we should be here criticising the Post Office administration too keenly. When I was a small boy there was a favourite game of sending a letter to another boy for whom you had great affection unstamped, and when full of eagerness he would pay tuppence and open the letter, he would see these words of Shakespeare (if Shakespeare's they were) "*Laugh and grow fat and pay tuppence for that*". So that, there are abuses of the post office as well as in it. But if some of our agricultural friends do find this increase rather a strain upon their pockets (or wherever they keep their money if they have any after the Finance Minister has removed it in advance), there is a method which is well known in England and which led to postal reform; and I may tell it to those who have agricultural constituencies. There was a time in England when a letter cost, I think, something like two shillings or some such high figure. The wits of rural England were stirred and what

[Mr. C. Brooke Elliott.]

happened was this: the son who was away from his parents arranged to write a letter once a fortnight, which he posted unstamped. The fact that the postman brought the letter to the addressee was clear proof that the son was alive and well, and accordingly the gratified parent, returned it saying, "I cannot afford to pay for the letter", having got the news that his son was safe. I think that gives food for reflection to the Honourable the Leader of the House, who with certain inherited Scotch instincts, may apprehend that that is the best way for our rural friends to deal with such problems. The advent of the postman will be a source of joy to the addressee, a source of no expense to the addressor and the Department will have had all the pleasure of . . .

Sir Hubert Sams (Director General of Posts and Telegraphs): The addressor has to pay.

Mr. C. Brooke Elliott: In advance?

Sir Hubert Sams: When it is returned.

Mr. C. Brooke Elliott: How will you get it? He will simply say, "It is not my letter"—(Laughter). If my Honourable friend thinks that that is not a convincing answer, let him go to Court and seek to recover two annas from some recalcitrant addressor, and in the end he will find he has spent a hundred rupees without getting back the one anna. Incidentally he will come to the assistance of our impoverished profession. (Laughter.)

The real answer to this is that this is an excellent form of taxation because it is almost the only form of taxation that is self-imposed. I always welcome an increase to the tobacco duties because I do not smoke; and I always welcome an increase on the drink bill because practically speaking my alcoholic requirements amount almost to zero. Similarly here. What is the cure? You need not always write; you can reduce your expenditure—I have reduced the amount I shall spend in future on waste paper baskets. Why do you not similarly reduce your letter writing? The only people I am sorry for are the public letter writers, whose income will be reduced, and to relieve whom I would suggest that the exchequer may grant a small amount: but in any event the necessary revenue must be had, and I do think that a great many letters are written which need not be answered. Anyhow there is always this happy thought that if you write to a lady, she always will answer because a woman likes the last word. So that, though it may seem a little hardship, still if Mr. Mody can arrange with my Honourable friend for some reduction on the principle that twins are cheaper than a single child, (Laughter) I think that the post office might well reduce its charges on the same principle. But looking at the matter by and large, looking at the matter from this point, whether the remedy is largely self-contained I think that the constituent House would be well advised in the prevailing emergency not to consent to my Honourable friend's motion—I was almost about to say colleague and I must congratulate my Honourable friend, Mr. Mody, on his being ready to take charge of the Post Office—I believe he is ready to take charge of the Finance Department as well. Therefore, I would ask the House to support this proposal in all seriousness. I have been serious all through with the House, and I would ask the House to pass these charges, though I quite agree with some of my Honourable friends over there that it would be rather nice if this X'mas every one of them could get 30 or 50 postcards congratulating them on having supported the

amendment. But let them go without that addition to their X'mas mail bag, and I think, Sir, that that X'mas will not really lose very much if the public writes a little less and earns a little more.

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): Sir, my friend, Mr. Brooke Elliott, the Honourable Member from Madras, began by making us think that he was almost becoming a follower of Mahatma Gandhi when he suggested that in his juvenile days Satyagraha was practised against the post office in England by sending unstamped letters, which might be successfully attempted in this country. I am perfectly certain that the inspiration that has come from the Honourable gentleman will find a wider response outside this House.

Mr. C. Brooke Elliott: Since then great postal reforms have been introduced, and that is why I stated it.

Mr. C. S. Ranga Iyer: I quite agree that is how in England postal reform was initiated; perhaps a postal revolution might be initiated in this country if we follow the advice of my Honourable friend. He said that he not only practised Satyagraha, he also suggested how to get over the difficulty of paying the price of the postcard or the letter by declining to say that the gentleman who posted it actually wrote it. That is encouraging a form of diplomacy which, he was sure, would appeal to the agriculturists of this country for whom he was showing sympathy. That is not Satyagraha as Mahatma Gandhi would describe it, but it is Duragraha—that is Mahatma Gandhi's language for the opposite of Satyagraha. Perhaps this combination of diplomacy and truthfulness may not appeal to the simple villagers. I do not know what kind of response my friend is going to get in the country, but nobody will take him seriously when he begins by preaching Satyagraha and ends by calling upon all of us to walk into the lobby with him to increase the burden on the poor man. We have always felt on this side of the House that the Honourable the Finance Member, who is absent during this discussion leaving the burden to the two stalwarts of the Postal Department to bear, had real sympathy for the poor, but we shall be glad to know what Sir Joseph Bore has got to say in this matter; we shall also be glad to hear what Sir Hubert Sams, about whose impending departure Mr. Brooke Elliott reminded Members on this side of the House, has got to say about this increase in the postal rates. Sir, we hope he will have as prosperous a career at Home when he goes Home after the strenuous career he has had in this country (Cheers), but our feeling for him as he is nearing the end of a great and useful career in this country cannot induce us to accept the rather clever appeal of the Honourable Member from Madras.

Sir, my friend, Mr. Sitaramaraju, worthy son of a worthy father, we used to hear the words from his father, Mr. Venkatapathi Raju, on this subject some years ago; and it is really a pleasure to hear his son speaking with the same clarity, with the same logic and with the same vigour with which his father used to speak,—he has exhausted almost every point that Honourable Members have got to make on this side of the House, and I do not want to repeat his arguments. But, Sir, I understand that my Honourable friend from Moradabad, Sir Muhammad Yakub, in his sympathy for the Postal Department, said that there was a likelihood of letters decreasing. In his opinion a good deal of rubbish is being

[Mr. C. S. Ranga Iyer.]

written now-a-days. I do not know whether the Honourable Member in charge will welcome the suggestion that the Honourable Member from Moradabad has from his place in this House made to the people outside, for if they cease writing rubbish,—I do not know whether they write rubbish; poor people in India cannot afford to indulge in the luxury of writing rubbish,—but let us suppose that they do write rubbish, and if they cease writing rubbish, what will happen? The revenue which the Finance Member is so anxious to raise will decrease. Sir, I believe gentlemen like my friend, the Raja Sahib of Kollengode, will start writing postcards now that the price of the envelope has gone up, following the example of railway passengers of whose ways the Honourable the Leader of the House once spoke to us thus. When the railway rates went up, 1st class passengers started travelling second class, second class passengers started travelling intermediate class, and intermediate class passengers started travelling third class.

An Honourable Member: And third class passengers?

Mr. B. R. Puri (West Punjab: Non-Muhammadan): Third class passengers without tickets. (Laughter.)

Mr. C. S. Ranga Iyer: My Honourable friend from the Punjab, Mr. Bhagat Ram Puri, with his usual humour states that the third class passengers often avoided the ticket collector. That is how they hit the revenue raising policy of the Government, and the same instinct, I am sure, will prevail in this connexion. The result will be that the revenue will go down. Therefore, I do not think the Government are following a right policy.

Lastly, Sir, I have only one thing to say, and that is, this Budget is not a poor man's Budget. We have shown how raising the salt tax hits the poor; we have shown again how bringing down the figure of the assessable income to Rs. 1,000 hits the poor; by the introduction of the 10 per cent. cut in the salaries of poor clerks and others many of whom are drawing a mere pittance, we have shown how the Budget hits the poor again; and now by adding to the price of the postcard and the letters, Government are hitting the poor again. Sir, the poor people in this country cannot be happy over this Budget, and even Honourable Members on the Official Benches will not deny the fact that India is the poorest country in the world.

Mr. Muhammad Yamin Khan: Sir, I support the amendment which has been moved by my Honourable friend, Mr. Sitaramaraju. In doing so, I do not want to go into the vexed question of whether it is only sentiment when we say that the poor man is going to be hit hard by this increase. I do not think that there are many poor people who write postcards or letters very often, if we take into consideration the fact that these people cannot afford to write any letter at all. But the question is different when you look at it from the point of view whether this increase is really necessary or whether it is an extra burden even on those frivolous people who indulge in this luxury by writing rubbish as it is termed by some Honourable Members here. I think those people who indulge in writing rubbish and frivolous letters contribute a great deal to the exchequer by this so-called folly of theirs. When we are dealing with pure financial questions, we can welcome those people who contribute in any shape or form to the revenues of the Government.

My Honourable friend, Sir Muhammad Yakub, has said that he is determined in future to curtail his letter writing by 50 per cent. (*An Honourable Member:* "He says he has already reduced it".) No. He is going to curtail it by the 31st December. Now, if my Honourable friend curtails his letter writing by 50 per cent. I do not know whether my Honourable friend, Sir Hubert Sams, will welcome such a determination on the part of any person.

Dr. Ziauddin Ahmad: He will lose 25 per cent.

Mr. Muhammad Yamin Khan: The Government will be a great loser if this is encouraged, if letter writing is decreased. I do not take this seriously, and I do not think that if support comes to the Government on this consideration, from whatever quarter it may be, that will be a kind of patriotism or help to the Government in any way. It will really discourage letter writing and bring loss to the Government rather than help them.

I want to examine this question from the point whether the post office is really a commercial concern or not, whether it is run on commercial lines, or it is not. If it is a commercial concern, it ought to be made strictly a commercial concern, but judging by what we found on the Retrenchment Sub-Committee, it is not run on commercial lines. We have found that there exist a huge number of post offices over which the Posts and Telegraphs Department has got no control. If the Director General of Posts and Telegraphs wants to abolish them or close them he has got very little voice in the matter. (*An Honourable Member:* "Why?"). There are certain post offices which are recommended by the Local Governments; some are recommended by the Indian States which have to be opened and they are run at a great loss. We found that the Department is losing a great deal of money on these unremunerative post offices. Still, there is an order from the Department that only those post offices are to be closed—now of course, there is a recent order which says that if a post office loses Rs. 10 a month, that is Rs. 120 a year—formerly, it used to be a much bigger sum,—it must be closed down. Within the last few years the number of post offices has gone very high, and most of them are unremunerative and the Department is bound to lose on them. That policy had been adopted by the Government on account of two reasons, one, pressure from the Local Governments, and secondly, pressure from Honourable Members of this House. Another class of post offices are those opened where military strategy or political necessity demand it; they are also unremunerative. Now, the salaries have increased simultaneously within the last few years, under demand from this House. There has been such a change in the salaries since 1925 that they have gone up very high. Out of Rs. 8½ crores, which is spent on the salaries of all the employees, Rs. 50 lakhs is spent on the gazetted officers, and Rs. 8 crores is spent on the salaries of the establishment, that is, clerks, peons, etc. Rs. 8 crores salaries of establishment out of a total expenditure of Rs. 11 crores—that is really responsible for this loss which has come upon the Post Office. Another anomaly which we found on the Sub-Committee was this. You have the General Service and Station Service telegraphists. The station Service man gets Rs. 55 as the starting salary and goes up to something like Rs. 125, while the General Service man gets a starting salary of Rs. 80 and goes up to Rs. 250, but we found in Bombay both these classes of men sitting side by side were doing the same kind of work and with equal efficiency. We examined every official who came before the Committee whether they could justify these two

[Mr. Muhammad Yamin Khan.]

different classes, but they could not. The difficulty is this, that the General Service is so much overloaded that they have a large surplus so that there will be no necessity for the next five years for any new employee to be taken on. If you could introduce new lower scales, that could not appreciably affect the position because the staff is so much surplus that they cannot be done away with very easily. I am not blaming the Honourable Member in charge or Sir Hubert Sains for this result. This policy was adopted a long, long time ago, and until it is abolished they have to carry it out. That policy exists, and it is continuing; and it has got to be abolished. There is a great scope for retrenchment in this class. If we cannot do away with the General Service men who are getting very high salaries, we can ask for a halt up to a certain extent, and if that halt is brought about, then a lot of saving can come from this class alone. There must be a suspension of further increments after a certain amount. A man who was appointed last year as a General Service man—there is no reason why that man should continue to draw the same annual increment which was allowed to him by a wrongly adopted policy, and should not be given that salary which is recommended for the future entrants who are going to be appointed. If we appoint one man on Rs. 55 this year, with an annual increment of Rs. 5, there is no justification that the man who was appointed last year at Rs. 80 with an annual increment of Rs. 10 should exist side by side with him. There is scope for retrenchment in this direction which could be touched and which will be touched and which ought to be recommended in the future but the Committee had very little time to go into the details. When we had to meet for the preliminary work in Bombay there was no time there for proper work, but when we came to Simla the Committee had to sit during the very hours when the Assembly was sitting, and we could not be expected to sit in the Assembly and at the same time do the Committee work in Kennedy House. Therefore most of the problems which could have been tackled were not tackled, because no time was available. If we knew the financial position, there would have certainly been found means for a more drastic retrenchment, so that there might be more saving this year and next year, but that was not possible when we were considering only a deficit of one crore, 47 lakhs. There was difficulty in accounting for 90 lakhs. Doing away with that, we came to know that there were certain post offices for which the Posts and Telegraphs Department was not really responsible for the loss which they were bringing, but that policy had been dictated to them from outside the Department, and they were bound to follow that. That commercial aspect had been lost sight of as soon as the commercial concern was not run on commercial lines. I find that these post offices, which were unremunerative, instead of being departmental post offices, are being made extra-departmental post offices. In one place the Sub-Postmaster was getting Rs. 110. By making it extra-departmental, that man who is in charge gets only Rs. 20 more. If this process is carried on to a greater extent, then a remedy can be found for the post offices which are unremunerative and this will lead to decrease in expenditure. If the policy and advice suggested by my friend, Sir Muhammad Yakub, is followed, that was also suggested by Mr. Elliott, then the revenue will be appreciably less and it will bring an unnecessary hardship on the people concerned in trade and commerce. In the winter session this year, we had an amendment by Khan Bahadur Haji Wajihuddin that the price of postcards should be reduced to three pies. That day we had a discussion.

Khan Bahadur Haji Wajihuddin (Cities of the United Provinces: Muhammadan Urban): My amendment was about packets, not postcards.

Mr. B. Das: On a point of information. I find my friend, Sir Muhammad Yakub, writing letters. Is it part of retrenchment?

Sir Muhammad Yakub: These are local letters. No postage is required.

Mr. President (To Mr. Yamin Khan): Please go on.

Mr. Muhammad Yamin Khan: This hardship and inconvenience could be avoided if Government had a little patience and by retrenchment it will be possible to bring down expenditure to such an extent that there will be no necessity for this increase in postal rates. This will only increase unnecessary agitation in the country without any results.

Mr. B. R. Puri: I just wish to say a few words. Up to a certain stage of the debate, I understood the Government case was that on account of financial stringency they were in need of extra revenue. One of the new methods that they hit upon was to put a surcharge upon the postcards and postal covers. From their point of view, it was a revenue measure. But then came my Honourable friend, Sir Muhammad Yakub, and he put in a new idea into our heads and after hearing him we came to learn that it was in reality a penal measure, the object of which was to prevent people from resorting to useless letter writing and he took the opportunity of broadcasting advice addressed to his own countrymen against indulging in useless correspondence. To my mind these two objects seem diametrically opposed to each other. If the Government were expecting to make something extra, then Sir Muhammad Yakub's view is wrong. If on the other hand Sir Muhammad Yakub's view is correct, then these increased postal charges will act as deterrent, and people would be discouraged from resorting to correspondence and this supplemented with his advice that people should refrain from useless correspondence, would have the opposite effect of what the Government hope to achieve. The result will be that instead of the Government securing extra revenue,

they will be disappointed in not being able to secure what they were getting previously. It is with a view, therefore, to get some more light on this subject that I have ventured to address these few words to the House. I have not so far heard the official view as to whether the Government really expect to derive any benefit from this proposed tax, or whether there is any likelihood of their losing something, but my Honourable friend, Sir Muhammad Yakub, presented a view which if not official is at least a demi-official interpretation (**Mr. C. S. Ranga Iyer:** "Semi-official".) Let it be semi-official, if that would express the meaning better. The debate was almost getting dull, when new life was imparted to it by Sir Muhammad Yakub when he put forward an original idea, viz., that the imposition of this particular tax was justified in order to punish people who were already indulging in useless correspondence. What is useless correspondence? My Honourable colleague did not enlighten us on that point.

Sir Muhammad Yakub: Not writing to our clients.

An Honourable Member: And to our wives.

Another Honourable Member: And to our sweethearts.

Mr. B. R. Puri: Now if my Honourable friend will not take it amiss, I would like to ask a question. Suppose a colleague of ours was created a Knight, and suppose a large number of his friends and admirers wrote to him letters conveying their congratulations to him, would he consider that a useless letter writing or a useful letter writing?

Sir Muhammad Yakub: I will return the answer on the next New Year's Day.

Mr. B. R. Puri: Well, Sir, different people may have got different ideas as to the usefulness or uselessness of letter writing, but I think it is a necessary incident of modern life. My Honourable colleague has chosen this opportunity to broadcast his advice, but he really forgets that we are not living in the good old days the picture of which he has tried to paint. Evidently he is anxious to restore the old order of things. I remember the old days when if a person by any chance got a telegram, people flocked round him because they knew that somebody must have been dead since a telegram had come. At the present moment perhaps my Honourable friend in the course of the day is getting a good many letters. But I would like to know with all seriousness whether he has issued this valuable advice on any previous occasion to any of his friends—"You are resorting to useless correspondence and thereby increasing the revenue of the Government". Sir, if I could correctly interpret the mind of the Honourable the Finance Member, I think he would be looking at my friend, Sir Muhammad Yakub, and saying inwardly, "Save me from my friends". If, as a matter of fact, the imposition of this extra postage is going to lead to the stoppage of letter writing, useful or otherwise, and if Sir Muhammad Yakub is out to see that such letter writing is stopped, then the Government should at once withdraw the new tax. If Sir Muhammad Yakub's view is correct, then the Government are really taking a suicidal step, because, rather than improve their financial position, they would be worse off.

Several Honourable Members: The question may now be put.

The Honourable Sir Joseph Bhoré: Sir (Loud cheers), it did not need the serried row of amendments on the notice paper to remind me of the interest which the House has always taken in the question of postal rates (Hear, hear). I venture to hope, however, that their attitude towards me in this matter will not be that of the good-natured man who always listened to reason after he had made up his mind, because then he knew that reason could do no harm (Laughter). I venture to hope, Sir, that, after it has heard the statement of the Government case, the House will refrain from pressing home this threatened mass attack. I wish to place before it a plain, unembroidered statement of that case and I think my purpose will best be served by a brief summary of the salient financial aspects of the problem which the Posts and Telegraphs Department presents. The Posts and Telegraphs Budget for the current year anticipated a deficit of approximately Rs. 141 lakhs. Assuming for the moment that we take no alleviative measures, that anticipation, judging from the actuals of the first few months of the year, is likely to err grievously on the side of optimism. We should be extremely lucky,

Sir, if now we had to face a deficit of not more than Rs. 181 lakhs at the close of the year. How, Sir, do we propose to meet this disastrous situation? Even allowing for all the accounting adjustments recommended by the Posts and Telegraphs Accounts Inquiry Committee, which, as my Honourable colleague, the Finance Member, has pointed out, would bring no relief to the general revenues of the Government of India, whatever they might do to the Posts and Telegraphs Budget, there would still be a gap of not less than Rs. 132 lakhs to cover. The problem before us is to relieve general revenues of the burden of this extremely heavy threatened deficit. And how do we propose to do that? Firstly, by retrenchment, and secondly, by increases in postal rates. The Retrenchment Sub-Committee—and here I would like to pay a public tribute to its labours (Hear, hear)—has made recommendations which, as far as it is possible to assess in terms of money, promise a saving, in the immediate future of about 66 lakhs. The Government have already accepted the Committee's recommendations to the extent of 60 lakhs, and I regret I am not in a position to say with certainty how much of the remainder we shall be in a position to accept. A few small further savings may still be possible, but as regards material economies, the Retrenchment Sub-Committee's proposals cover all the most fruitful fields, and in those fields, as far as I can see at present, they have gone to the utmost practicable limit of immediate retrenchment. I say this with all due deference to my Honourable friend, Mr. Yamin Khan. Even allowing for the retrenchment we have been able to accept, we have still to face a deficit of no less than 72 lakhs. Having exhausted the method of retrenchment, we have, I am afraid, no option whatsoever but to enhance the rates for services rendered to the public by the Posts and Telegraphs Department to the extent of the cost of those services if we desire to bridge the yawning gap between receipts and expenditure.

What is the alternative? The alternative, it seems to me, is to say that there must be no increase in rates, and that general revenues should bear the burden of the deficit. Paraphrased into plainer language, what does that mean? It is not the bulk of the population that is concerned to any material extent. It is people like ourselves in this House who make the largest use of postal facilities, and if we refuse to enhance these rates, we should be refusing to pay the actual cost of services rendered to us by the Posts and Telegraphs Department and we should in effect be asking that we should enjoy those facilities at the cost of some one else. In other words, Sir, we should be transferring the burden to those very shoulders which it is our professed desire to save. That, Sir, is the justification for increasing these rates.

There has, I am afraid, been some misunderstanding and misconception as to the general policy of the Department and I should like to re-state that policy. I cannot do this better than in the words of a distinguished predecessor of mine, Sir Atul Chatterjee. On the 12th March, 1924, this is what he said in this House:

"I entirely agree with Mr. Neogy in considering that the Post Office should be looked upon as a public utility service. But in the same way as the Railways and any other organisations which are for the benefit of the general public and are looked upon as public utility services should at the same time pay their way. I consider that the Posts and Telegraphs Department should pay its own way and I have the authority of my Honourable colleague, the Finance Member, in saying that the Government do not look to the Postal and Telegraph Department as a revenue

[Sir Joseph Bhore.]

earning Department. I hope this will satisfy my Honourable friend. It has to be remembered that the Government enjoy a valuable monopoly in the Postal and Telegraph Department and in my view that monopoly should be so worked as to be a source of benefit to the general tax-payer without being a burden on him."

I would like, Sir, to supplement that statement of Sir Atul Chatterjee's with a quotation from certain remarks which I made on the 23rd March, 1931. I then said:

"When we are assured that surpluses have come to stay, we shall use them for the extension of postal facilities, for re-organisations which may be necessary in order to ensure the highest efficiency and also for revisions of rates which may be possible and reasonable."

That statement of policy, Sir, still holds good, and I would ask the House particularly to pay attention to the future policy there indicated.

Sir, this House has always in the past laid special stress—and if I may venture to say so rightly laid stress—on the need for the wide extension of postal facilities in rural areas, where most of our unremunerative post offices are to be found. I fear, Sir, that in pursuance of the recommendations of the Retrenchment Committee, and in order to secure essential economy, we may now be forced to close a large number of those unremunerative offices, but I had hoped that the closure would be temporary if through these enhanced postal rates we were able to rehabilitate the financial position of the Posts and Telegraphs Department. But, Sir, if the House pursues its kindly desire to save my pocket from the extra pice on my correspondence, then I fear that the realisation of that ideal, namely, the wide extension of postal facilities in rural areas, which has in the past been envisaged in this House and towards which we had made some definite progress, will be relegated to the Greek Calends.

I now come to certain specific criticisms. I may say at once that I do not intend to advert to criticisms of minor administrative details such as those which have fallen from one or two Honourable Members. It is inevitable that there should occasionally be cause for just complaint in the administration of a department which employs over 130,000 individuals and operates over a sub-continent. But I do appeal for a more correct perspective in criticisms of the Postal Department, for I dare venture to assert that, having regard to the immense territorial range of its activities and the enormous difficulties which it has daily to face and overcome, in the honesty, the loyalty and the efficiency of the service rendered to the public, the Indian Post Office has few equals and I think no superiors in the world (Applause). The suggestion has been made, Sir, that the immediate result of an increase of rates will be a fall in revenue and that considerable time must elapse before the initial adverse effect can be counteracted. Experience in the past is entirely against that suggestion. Increased rates in the past have, it is true, resulted in an immediate diminution of the number of articles carried through the post, but as far as I know, without exception they have also resulted in an immediate increase of revenue. I do not say, Sir, for one moment that our estimate of the yield of these increased rates will on this occasion not be falsified. I admit frankly that we are here venturing into the region of conjecture. But this I do say, that whereas there may be some doubt as to whether these increased rates will give us all that we expect, there is no doubt whatsoever that without them we shall involve our Budget in still more disastrous deficits. My

Honourable friend, Mr. Sitaramaraju, said, if not to-day I think a few days ago, that the normal growth of postal traffic at the existing rates would give us all that we wanted in the way of extra revenue. Now, I know that many good things come from Madras, but I am afraid that suggestion is not one of them. My Honourable friend's argument can be shown by a simple arithmetical calculation to be without foundation. Even assuming an annual increase of 10 million in the postcard traffic, as I think he did, and ignoring for the moment the wholly unjustifiable optimism of that assumption, then, Sir, at the existing rate that would bring us a nominal increase of barely Rs. 3 lakhs, while at the same time we should have to increase our expenditure to meet the cost of this additional traffic. On the other hand, even if our existing traffic fell from 500 million postcards to 400 million postcards, the increased rates would bring us in not less than Rs. 25 lakhs while at the same time our cost of handling the traffic would be materially diminished. I fully realise the genuine anxiety on the part of Honourable Members in this House in regard to the effect of these higher rates on the poorer sections of the community. I yield to no one in my solicitude for these sections. But I have been warned, Sir, not to allow the softness of my heart to extend to my head, and I have therefore endeavoured to make a careful examination of the possible effects of these increases, especially in respect of postcards. Our statistics show that we carried last year in round numbers 536 million postcards—approximately 3 per head of the adult population of the country. If we assume that the use of the postcard is uniform and universal, our extra charge would mean an extra 3 pice per head per annum on the adult population of the country—not, I venture to think, Sir, an intolerable burden. If, on the other hand, we assume that the use of the postcard is limited to, say, 50 millions of the population only, then each one of those 50 millions would now be called upon to pay something like 4th of a pice per month more than he is doing at present, assuming that he did not contract his correspondence, while the majority of the population, 350—50 millions, would remain absolutely untouched. Before, Sir, we accept too readily the cry of burdening the poor, let us remember that the majority of this class barely come into the picture at all, that having regard to the total traffic, the larger the number of users the more insignificant is the burden on the individual, while the smaller the number of users, the larger the number of those who remain unaffected. Let us remember, Sir, that we are really trying to levy a charge which bears a reasonable relation to the cost of the services we are rendering. It costs us almost as much to carry a postcard as a letter, and that, I think, Sir, is the reason why Canada charges as much for a postcard as for a letter. Let us remember, Sir, that the payment of this charge is voluntary, that it can be escapable and that its incidence can be regulated within limits by each individual as regards himself. My Honourable friend, Mr. Sitaramaraju, suggested that the telegraph, telephone and postal sections should be separated in order to reflect the true financial position of each. Now, what the resulting position will be I cannot say. It is to be noted, for instance, that the telephone branch is the only one working at present at a profit; but so far as my information goes, practically every country in which Government run these services follows our practice. With reference to my friend Mr. Mody's suggestion, I had understood him to suggest that a reply postcard should be sold for 15 pice, and it was in that sense that I promised and promise to look into the matter. I notice, Sir, that some apprehension exists in the minds

[Sir Joseph Bhole.]

of certain Members that foreign postal rates will remain unchanged. I would like to remove that misapprehension. Foreign postal rates are fixed under an International Convention on a gold franc basis, and in any circumstances we should have to increase our charges to make up for the fall in the gold value of the rupee. I may say that, for instance, the letter rate to the United Kingdom and to the other parts of the British Empire will now be raised in the same proportion, namely 25 per cent. as our inland letter rates, that is to say, the present charge of two annas will be increased to 2½ annas.

Mr. B. Das: Is not the British rate to India 1½ pennies?

The Honourable Sir Joseph Bhole: The rate from India is two annas and we propose

Mr. B. Das: What is the rate from England to India? Does it conform to the International Convention?

The Honourable Sir Joseph Bhole: We are dealing with Indian and not with British rates.

It has been suggested, Sir, that our proposed charges are higher than those which prevail in other countries of the world. I think it was my Honourable friend, Mr. Chetty, who made that suggestion some days ago. Now, Sir, I have gone into the matter, and as far as my present information goes, it does not bear out that allegation. At present levels of exchange, I find that it is only in Belgium and in Japan that the postal rates are slightly lower than our present proposed rates. I must explain that I have left China out of account, as owing to the prevalence of different rates in different parts of that country, and also because of other reasons which I need not specify here, comparison is not practicable. But I say, Sir, that even Japan and China do not afford a comparable case. The Belgian rate of Re. 0-1-2 for a letter and the Japanese rate of about one anna do not compare in real cheapness with our proposed rate of Re. 0-1-8. The distances to be covered in Belgium are microscopic compared with the distances over which we have to operate; and so far as Japan is concerned, the area of the country is about the area of one of our provinces, and that, Sir, must also be taken into account. The factor of distance is one of great importance, and it is too often entirely ignored. The longer the distance, whether transport is by road or by rail or by water, the more it costs us to carry a letter, and I asserted, Sir, without fear of contradiction, that we are giving an indefinitely cheaper service to the public when we offer to carry a letter from Cape Comorin or Victoria Point to Peshawar for Re. 0-1-8, than does, for instance, the British Post Office which charges Re. 0-1-4 for carrying a letter from John O'Grate to Lands End, or the Belgian Post Office which is prepared for a charge Re. 0-1-2 to carry a letter over an area less than half the size of one district in the Madras Presidency.

Sir, we have done our best consistently with our legitimate desire to balance the Posts and Telegraphs Budget to impose no unfair burden either on the staff by way of retrenchment or on the public by way of unnecessarily high rates.

An Honourable Member: Question.

The Honourable Sir Joseph Bhole: I have placed the alternatives before the House and I would ask the House not to refuse to sanction the higher rates which are proposed in this Finance Bill. Those rates, Sir, come up before the House periodically for its scrutiny and for its sanction, and if it appeared that the financial position of the Posts and Telegraphs Department ceased to warrant the continuance of the rates that we are now proposing, it would be open to the House to withhold its sanction when next we came before it. (Applause.)

Mr. S. C. Mitra: I move that the question be now put.

Mr. President: I accept the closure. Does Sir George Schuster wish to reply?

The Honourable Sir George Schuster: I have nothing to add to what my Honourable colleague has said.

Mr. President: The question is:

"That clause 6 be omitted."

The Assembly divided:

AYES 63.

Abdoola Haroon, Seth Haji.
Abdur Rahim, Sir.
Aggarwal, Mr. Jagan Nath.
Anklesaria, Mr. N. N.
Azhar Ali, Mr. Muhammad.
Badi-uz-Zaman, Maulvi.
Bhuput Singh, Mr.
Chandi Mal Gola, Bhagat.
Chetty, Mr. R. K. Shanmukham.
Chinoy, Mr. Rahimtoola M.
Das, Mr. A.
Das, Mr. B.
Dudhoria, Mr. Nabakumar Sing.
Dumasia, Mr. N. M.
Dutt, Mr. Amar Nath.
Gour, Sir Hari Singh.
Gunjal, Mr. N. R.
Harbans Singh Brar, Sirdar.
Hari Raj Swarup, Lala.
Ibrahim Ali Khan, Lt. Nawab
Muhammad.
Ishwarsingji, Nawab Naharsingji.
Ismail Ali Khan, Kunwar Hajee.
Isra, Chaudhri.
Jha, Pandit Ram Krishna.
Jog, Mr. S. G.
Krishnamachariar, Raja Bahadur G.
Lahiri Chaudhury, Mr. D. K.
Lalchand Navalrai, Mr.
Misra, Mr. B. N.
Mitra, Mr. S. C.
Mody, Mr. H. P.
Mujumdar, Sardar G. N.
Murtaza Saheb Bahadur, Maulvi
Sayyid.

Pandit, Rao Bahadur S. B.
Parma Nand, Bhai.
Patil, Rao Bahadur B. L.
Puri, Mr. B. R.
Rafuiddin Ahmad, Khan Bahadur
Maulvi.
Rajah, Raja Sir Vasudeva.
Rajan Bakhsh Shah, Khan Bahadur
Makhdum Syed.
Ranga Iyer, Mr. C. S.
Rastogi, Mr. Badri Lal.
Reddi, Mr. P. G.
Reddi, Mr. T. N. Ramakrishna.
Sant Singh, Sardar.
Sarda, Rai Sahib Harbilas.
Sen, Mr. S. C.
Sen, Pandit Satyendra Nath.
Shah Nawaz, Mian Muhammad.
Singh, Kumar Gupteshwar Prasad.
Singh, Mr. Gaya Prasad.
Sitaramaraju, Mr. B.
Sohan Singh, Sirdar.
Suhrawardy, Sir Abdullah.
Sukhray Rai, Rai Bahadur.
Talib Mehdi Khan, Nawab Major
Malik.
Thampan, Mr. K. P.
Uppi Saheb Bahadur, Mr.
Wajihuddin, Khan Bahadur Haji.
Wilayatullah, Khan Bahadur H. M.
Yamin Khan, Mr. Muhammad.
Ziauddin Ahmad, Dr.
Zulnagar Ali Khan, Sir.

NOES 46.

Ahmad Nawaz Khan, Major Nawab.
 Allah Bakh Khan Tiwana, Khan
 Bahadur Malik.
 Aszuddin Ahmad Bilgrami, Qazi.
 Bajpai, Mr. R. S.
 Bajerji, Mr. Rajnarayan.
 Bhore, The Honourable Sir Joseph.
 Cosgrave, Mr. W. A.
 Cregar, The Honourable Sir James.
 Dalal, Dr. R. D.
 DeSouza, Dr. F. X.
 Desanges, Mr. H. C.
 Dyer, Mr. J. F.
 Elliott, Mr. C. B.
 Fox, Mr. H. B.
 French, Mr. J. C.
 Graham, Sir Lancelot.
 Griffiths, Mr. G. I.
 Gwynne, Mr. C. W.
 Heathcote, Mr. L. V.
 Hira Singh Brar, Sardar Bahadur
 Captain.
 Howell, Mr. E. B.
 Knight, Mr. H. F.

Lal Chand, Hony. Captain Rao
 Bahadur Chaudhri.
 Lall, Mr. S.
 Montgomery, Mr. H.
 Moore, Mr. Arthur.
 Morgan, Mr. G.
 Mukherjee, Rai Bahadur S. C.
 Noyce, Sir Frank.
 Parsons, Mr. A. A. L.
 Pelly, Major H. R.
 Rainy, The Honourable Sir George.
 Rajah, Rao Bahadur M. C.
 Rama Rao, Rai Bahadur U.
 Row, Mr. K. Sanjiva.
 Sahi, Mr. Ram Prashad Narayan.
 Sams, Sir Hubert.
 Sarma, Mr. R. S.
 Schuster, The Honourable Sir George.
 Scott, Mr. J. Ramsay.
 Studd, Mr. E.
 Sykes, Mr. E. F.
 Tait, Mr. John.
 Todd, Mr. A. H. A.
 Yakub, Sir Muhammad.
 Young, Mr. G. M.

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Tuesday,
 the 17th November, 1931.

LEGISLATIVE ASSEMBLY.

Tuesday, 17th November, 1931.

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

MEMBER SWORN.

Mr. Satyendra Nath Roy, M.L.A. (Government of India: Nominated
 Official).

QUESTIONS AND ANSWERS.

INCREASE OF WORK AND RETRENCHMENT OF STAFF IN CURRENCY OFFICES.

1336. *Mr. S. G. Jog: Will Government be pleased to state:

- whether there has been in the Currency Code a standard laid down of the work that can be expected from an employee in the Treasurer's Department of the Currency Offices;
- whether this standard of work has very recently been increased; if so, what is the percentage of such increase;
- whether it is a fact that this increase ranges between 25 to 33 per cent.;
- whether a number of employees have been discharged; if so, what is the total number of employees reduced;
- whether this was made while the Retrenchment Committee was holding its sittings;
- whether the Retrenchment Committee was consulted in the matter;
- if the answer to part (f) above be in the affirmative, the opinion of the Retrenchment Committee on the subject;
- if the answer to part (f) above be in the negative, the reasons for not holding such consultation; and
- whether the service associations of the Currency employees have protested in the matter and the steps that Government intend to take in the matter?

The Honourable Sir George Schuster (a) Yes:

(b), (c) and (e). Yes; the rate of examination of fresh notes was increased by 33 per cent. in September and that of coin by about 25 per cent. in October last.

(d) It is proposed to abolish the following permanent posts in the various Currency Offices:

Treasurer's Branch—

Assistant Treasurers	3
Tellers	3
Clerks	40
Shroffs	7

General Branch—

Assistant Superintendents	2
Clerks	18

The reduction is being effected by serving notices of discharge in accordance with the principles referred to in the reply to Lala Hari Raj Swarup's question No. 1289 on the 13th instant, after absorbing posts at present vacant or expected to be vacated by retirement in the course of the next few months.

(f) No.

(g) Does not arise.

(h) As the fixing of the rates of work was an administrative matter, it was not considered necessary to consult the Retrenchment Committee.

(i) It is understood that certain representations have been received by the Controller of the Currency from the associations of the Currency employees. These will be dealt with when received through the prescribed channel.

EMPLOYEES IN GOVERNMENT OF INDIA OFFICES GRANTED PASSAGE AND OTHER CONCESSIONS.

1337. *Mr. B. Sitaramaraju: (a) Will Government be pleased to lay on the table a statement containing the names of Anglo-Indian or European subordinates—clerks, assistants, Superintendents and Assistant Secretaries and others—in the various offices in the Government of India and offices subordinate to them, to whom concessions are given in the shape of passages to Europe and more liberal leave rules and allowances, not admissible to Indians?

(b) Will Government say on what principle these concessions were given and under what authority?

(c) Was it contemplated at the time of the Lee Commission recommendations that concessions like these should be extended to subordinates who were not of pure European parentage and born in Europe and who were not recruited on the understanding that they would get such concessions?

(d) Is it contemplated at a time of deficit like this that such distinctions between Indian and other subordinates should be withdrawn?

(e) If not, are Government prepared to consider the advisability of granting the Indian subordinates the same concessions in the shape of railway fare and more liberal leave rules and allowances on the same scale as for European and Anglo-Indian assistants, etc.?

(f) Will Government say when the concessions referred to in part (e) above were granted and with effect from what year?

(g) What have the concessions cost the Indian exchequer so far and what is their estimated cost per year?

The Honourable Sir James Orerar: (a) and (b). The passage concessions were given not on the basis of race but of domicile, and neither Anglo-Indians nor Europeans domiciled in India are eligible for them. The principle on which they were granted is the same in their case as in the case of members of the superior services, viz., to enable them to visit their native country occasionally during service and retire there at the end of their service. It will be seen from paragraph 3 of the Home Department Memorandum No. F-10/4/80-Establishments, dated the 6th August, 1930, a copy of which will be found in the Library, that passage concessions are admissible to existing members of non-superior services who are of non-Asiatic domicile only if they satisfy certain conditions. For the special leave rules the basis is also domicile, and the principle on which officers have been admitted to them is the same as stated above. I regret I am unable to undertake to collect the names or the numbers of persons admitted to these privileges as the labour involved would be incommensurate with the results obtained.

(c) The Lee Commission was not concerned with services other than superior services.

(d) and (e). Officers of non-Asiatic domicile are entitled to passages from a port in India to a port outside Asia, but are not granted any railway fares for inland journeys either in India or the country of destination.

(f) The special leave rules were made applicable to subordinates of non-Asiatic domicile with effect from the 24th July, 1923. The passage concessions for non-superior officers were introduced from 1st April, 1930.

(g) The amount of expenditure incurred so far is not likely to be large because the criteria for determining eligibility for passages are strict and were only decided in January, 1931. The cost of the concessions depends on the number of officers admitted to them, their length of service or age on the date of admission and the number and ages of members of their families. As claims are still coming in, I regret it is not possible to supply information about the cost per year.

COST OF MILITARY MOTOR TRANSPORT.

1338. *Sardar Harbans Singh Brar (on behalf of Sardar Sant Singh): (a) What is the total cost incurred by the military on motor transport during the year 1930-31?

(b) What was the recurring expenditure of running these motor vehicles during 1930-31?

(c) What was the cost incurred in transporting troops and their families from the plains to the hills by military motor vehicles and also on contract? Which is the cheaper method of the two? Is it a fact that military motor vehicles cost much more in petrol, mobile oil and wear and tear? If so, do Government intend to take steps to reduce this expenditure by getting this work done on contracts?

Mr. G. M. Young: (a) About Rs. 127½ lakhs. This includes cost of establishment, vehicles issued to units, initial stocks of petrol, etc., and running charges.

(b) About Rs. 15 lakhs.

(c) Exact figures in answer to the first part of the question are not available and could not be collected without an inordinate expenditure of time and labour. It is safe to say, however, that the use of existing Government mechanical transport is far more economical than the employment of hired transport.

APPOINTMENT OF AGRICULTURAL ASSISTANTS IN THE NORTH-WEST FRONTIER PROVINCE.

1930. ***Mr. Lalchand Navalrai** (on behalf of Bhai Parma Nand): Will Government be pleased to state:

(a) if it is a fact that some posts of agricultural assistants have been advertised by the North-West Frontier Province authority? If so, how many appointments are to be made?

(b) whether in the matter of selection, priority of claims of qualified persons belonging to the province would be recognised by Government?

(c) whether in the case of these appointments, any communal considerations are going to prevail?

Mr. Frank Noyce: (a) Yes; nine posts have been advertised.

(b) Yes.

(c) Only to the extent that the greatly predominating interest of Muslims in agriculture in the North-West Frontier Province must receive due consideration.

PASSENGER FARES ON INDIAN RAILWAYS.

1940. ***Mr. Gaya Prasad Singh:** (a) Will Government kindly lay a statement on the table, showing separately the passenger fares of 1st, 2nd, intermediate and 3rd classes, per mile, on Indian Railways, as they existed before and after the recent enhancement?

(b) Has there been any enhancement in freights also recently? If so, on what Railways?

Mr. A. A. L. Parsons: (a) I am placing on the table a statement showing the changes in passenger fares on the principal railways and for those classes in which changes have been made since 1st April, 1931.

(b) Yes. Rates for parcels by passenger train were enhanced on all railways from 1st May, 1931, and for certain commodities by goods train on most principal railways.

Statement showing changes made in passenger fares on principal railways from April to November, 1931.

Class.	Railway.	Date of revision.	Basis for charge.				Remarks.
			Prior to revision.		Revised.		
			Miles.	Pies per mile.	Miles.	Pies per mile.	
First	East Indian	1-10-1931	1-100	24	1-100	24	
			101-300	18	101-300	20	
			Above 300	12	Above 300	13	
	Great Indian Peninsula.	1-10-1931	All distances	18	1-150	24	
					Above 150	18	
	North Western	1-10-1931	1-300	18	1-150	24	
		Above 300	12	Above 150	18		
Second	East Indian	1-10-1931	1-100	12	1-100	12	
			101-300	9	101-300	10	
			Above 300	6	Above 300	6½	
	Great Indian Peninsula.	1-10-1931	All distances	9	1-150	12	
					Above 150	9	
	North Western	1-10-1931	1-300	9	1-150	12	
		Above 300	6	Above 150	9		
Inter.	Bengal Nagpur	1-4-1931	1-300	7	1-300	7	By mail and express trains only.
			Above 300	3½	Above 300	5	
	East Indian	1-10-1931	1-300		1-300	6½	
			Above 300	2½	Above 300	3½	
	Great Indian Peninsula.	1-10-1931	All distances	6	1-300	7½	
					Above 300	6	
	Madras & Southern Mahratta.	1-4-1931	All distances	5	All distances	6	
Third	Bengal Nagpur	1-4-1931	1-300	4½	1-300	4½	By mail and express trains only.
			301-600	3½	Above 300	3½	
			Above 600	3			
	Bombay, Baroda & Central India.	1-4-1931	1-150	3½	1-300	3½	By ordinary trains only.
			151-300	3	Above 300	2½	
			Above 300	2½			
	East Indian	1-10-1931	1-50	3½	1-50	5½	
			51-300	2½	51-300	3½	
			Above 300	1½	Above 300	1½	

Statement showing changes made in passenger fares on principal railways from April to November, 1931—contd.

Class.	Railway.	Date of revision.	Basis for charge.				Remarks.	
			Prior to revision.		Revised.			
			Miles.	Pies per mile.	Miles.	Pies per mile.		
Third	Eastern Bengal	1-10-1931	1-150	3½	1-300	3½		
			151-300	2½	Above 300	2		
			Above 300	1½				
	Great Indian Peninsula.	1-10-1931	1-50	4	1-50	5	} By mail and express trains only.	
			51-150	3½	51-150	4½		
			151-300	3	151-300	3		
			Above 300	2½	Above 300	2½		
	North Western	1-10-1931	1-50	3½	1-50	3½		
			51-300	2½	51-300	3		
			Above 300	1½	Above 300	2		
	Madras and Southern Mahratta.	1-6-1931	1-100	4	1-300	4	} By mail trains.	
			101-300	3½	Above 300	3½		
			Above 300	2½				
				1-50	3½	1-150	3½	} By ordinary trains.
				51-150	3	151-300	3	
				151-300	2½	Above 300	2½	
				Above 300	2			
	South Indian	1-6-1931	1-100	4	1-300	4	} By mail (Nos. 1 and 2 trains).	
			101-300	3½	Above 300	3½		
			Above 300	2½				
			1-50	3½	1-150	3½		
				51-300	2½	151-300	3	} By ordinary trains.
				Above 300	2	Above 300	2½	

THE SUGAR INDUSTRY PROTECTION BILL.

1841. *Sirdar Harbans Singh Brar (on behalf of Lala Hari Raj Swarup): In view of the assurance given in the last Delhi Session, will Government be pleased to state when they propose to bring the Sugar Industry Protection Bill before the Legislature?

The Honourable Sir George Rainy: Government hope to place before the House their conclusions on the Tariff Board's Report regarding the sugar industry next session.

EXCHANGE COMPENSATION ALLOWANCE.

1342. *Lala Hari Raj Swarup: Will Government be pleased to state the names of departments, sections of Government servants and the purposes in connection with which exchange compensation allowance is granted under the head of military expenditure together with the amount of money so spent under that head?

Mr. G. M. Young: Exchange compensation allowance is not now admissible to any personnel paid from Military Estimates.

FACILITIES FOR REMITTANCE OF FUNDS FOR OFFICERS AND SOLDIERS.

1343. *Lala Hari Raj Swarup: (a) Will Government be pleased to state if there are any military or some other banks that help the officers and soldiers in the remittance of funds from England to India and vice versa?

(b) Are any such institutions maintained or subsidised by Government?

(c) Is there any system under which a payment of Rs. 15 is made to military employees for every £1 tendered in India? If so, what?

The Honourable Sir George Schuster: (a) Government do not know of any banks which give officers and soldiers special remittance facilities.

(b) No.

(c) Government are not aware of any such system.

BANK FAILURES FOLLOWING ENFORCED HOLIDAYS DURING THE FINANCIAL CRISIS.

1344. *Lala Hari Raj Swarup: (a) Is it a fact that as a result of the bank holidays declared by Government on the 21st, 22nd and 23rd of September, there was a heavy rush on banks when they reopened on the 24th?

(b) Is it also a fact that on account of this rush there was a number of bank failures? If so, will Government be pleased to give a list of such banks?

(c) In view of the assurance contained in the statement of the Honourable the Finance Member that the Imperial Bank would come to the rescue of any bank which was threatened with failure on account of a rush for withdrawals, will Government be pleased to state what help the Imperial Bank gave to the various banks in the crisis?

The Honourable Sir George Schuster: (a) Generally speaking the amount withdrawn from banks when business reopened on September 24 was not more than was to be expected in view of the accumulated demand of the three previous days during which the banks were closed. All banks whose position before the holidays was normal were able to meet the situation without difficulty.

(b) Two banks in the Punjab, the People's Bank of Northern India and the Punjab Kashmir Bank, suspended payment shortly after the holidays, but there were special factors operating in their case, and the result was not brought about by the situation produced by the three bank holidays.

(c) The Imperial Bank throughout acted in the spirit indicated in my statements, but it would not be in public interests or in the interests of the banks concerned to give the information required by the Honourable Member.

Mr. Lalchand Navalrai: Will the Honourable Member be pleased to say what is the policy of the Government in helping private banks when they are on the verge of failure or require assistance?

The Honourable Sir George Schuster: As a matter of general policy the Government's attitude would be that it is not for the Government to intervene to help private interests. Government would generally act as they acted in this case, by asking the Imperial Bank to enquire into the position and, if help was justified, to do what they could to prevent a collapse which would damage the general interests of the public. That policy was followed and followed successfully.

Dr. Ziauddin Ahmad: Is it not a fact that these banks were excluded in the list of the banks which the Honourable the Finance Member gave in Simla on the occasion of the Ordinance?

The Honourable Sir George Schuster: I am afraid I must ask the Honourable Member to repeat his question.

Dr. Ziauddin Ahmad: Is it not a fact that these banks which have failed were excluded from the list of the banks which the Imperial Bank was going to help, which the Honourable the Finance Member gave on the occasion of the Ordinance?

The Honourable Sir George Schuster: As far as my recollection goes, I never gave any list of the kind.

Dr. Ziauddin Ahmad: Did not the Honourable gentleman give a list of the banks whom the Government were going to protect and to whom the Government were going to give some money?

The Honourable Sir George Schuster: Certainly not.

ABOLITION OF HIGHLY PAID POSTS IN THE PUBLIC WORKS DEPARTMENT, NEW DELHI.

1345. ***Mr. S. O. Mitra:** (a) Is it a fact that curtailment of expenditure on works is being effected and the closure of the New Delhi project is being proposed? If so do Government propose to reduce the overhead cost of the Public Works Department administration in Delhi?

(b) Do Government propose to abolish the post of a highly paid Chief Engineer for maintenance and repairs only?

The Honourable Sir Joseph Bhore: (a) The reply to the first part is in the affirmative. As regards the second part, Government are doing their best to reduce the overhead cost of the Central Public Works Department.

(b) No. He is not only the Chief Engineer of the Central Public Works Department, but is also the Chief Technical Adviser to the Government of India in all Public Works Department matters.

Mr. S. O. Mitra: Is not Public Works a transferred subject for the Local Governments in the provinces?

The Honourable Sir Joseph Bhore: But my Honourable friend forgets that there are public works under the direct control of the Central Government, not only in Delhi itself but in the Administrations under the direct control of the Government of India.

ENGINEERING STAFF OF THE PUBLIC WORKS DEPARTMENT, NEW DELHI.

1346. ***Mr. S. O. Mitra:** Will Government please state the names, qualifications and length of services of each member of the Engineering Staff (Direction and Execution) of the Public Works Department, Delhi?

The Honourable Sir Joseph Bhore: The information asked for will be found in the Government of India, Department of Industries and Labour, Public Works Branch, classified list of establishment corrected upto 30th June, 1931, a copy of which has been placed in the Library.

APPOINTMENT OF MR. EDGE AS OFFICER IN CHARGE OF STORES IN THE PUBLIC WORKS DEPARTMENT, NEW DELHI.

1347. ***Mr. S. O. Mitra:** Is it a fact that Mr. Edge has been appointed officer in charge of stores in the Public Works Department administration in Delhi and granted additional remuneration? Has this arrangement been brought about by the reduction by 20 to 25 per cent. of the pay of two or three Indian store-keepers?

The Honourable Sir Joseph Bhore: As regards the first part of the question Mr. Edge has been placed in charge of Stores in addition to his ordinary duties. He has been given no additional remuneration for this work. The second part does not arise, but it has been found possible to effect reductions on other grounds.

ERECTION OF A NEW SHED FOR PUBLIC WORKS DEPARTMENT STORES IN NEW DELHI.

1348. ***Mr. S. O. Mitra:** Has a new shed been erected for stores in Delhi? What accommodation was provided before and why could not the same arrangement be continued? Will Government please state whether the new arrangement will prove more costly or not?

The Honourable Sir Joseph Bhore: The answer to the first part of the question is in the negative. The remaining parts do not arise.

RETRENCHMENT OF MISTRIES, ETC., IN THE PUBLIC WORKS DEPARTMENT, NEW DELHI.

1349. ***Mr. S. O. Mitra:** Is it a fact that the Chief Engineer, Public Works Department, Delhi, proposes to retrench all work-charged staff consisting of mistries, etc., on pay ranging from Rs. 80 to Rs. 100 per mensem? What is the number of men affected thereby?

The Honourable Sir Joseph Bhore: The reply to the first part of the question is in the negative. The second part does not arise.

THE ESTATE OFFICE, NEW DELHI.

1350. *Mr. S. C. Mitra: Will Government be pleased to state the cost of the Estate Office, New Delhi, inclusive of pay of the officers, Ministerial establishment and inferior establishment? What are the functions of the Estate Office? Will Government be pleased to state the number of Anglo-Indians and Europeans employed in the Estate Office?

The Honourable Sir Joseph Bhowe: The cost of the Estate Office is Rs. 2,614 per mensem. Its functions are the allotment of all Government accommodation, both office and residential, in Simla and in Delhi; arrangements for catering in hostels in Old and New Delhi; custody and issue of surplus and hired furniture in Old and New Delhi; and assistance in the matter of collection of rents. There is one European at present employed in the Office, a second is also being temporarily employed for a short time.

NECESSITY FOR A CHIEF ENGINEER IN THE PUBLIC WORKS DEPARTMENT, NEW DELHI.

1351. *Mr. S. C. Mitra: (a) Will Government be pleased to state the reasons for maintaining in Delhi a Chief Engineer to supervise one Superintending Engineer and a few Executive Engineers?

(b) Will Government be pleased to state whether a Chief Engineer is placed in charge of the Public Works Department of major provinces? If so, will Government be pleased to state whether Delhi is a major province? If not, why is a Chief Engineer being maintained at a high cost?

(c) Are Government aware that the present Chief Engineer has got an anti-Indian bias?

The Honourable Sir Joseph Bhowe: (a) The Chief Engineer, Central Public Works Department, supervises not one but two Superintending Engineers, six Executive Engineers, and the Specialist Officers employed on architectural, sanitary and electrical work in the Department. In addition, he is also the Chief Technical Adviser to the Government of India in Public Works Department matters.

(b) The reply to the first part is in the affirmative. As regards the second part, Delhi is not a major province, but a Chief Engineer is maintained not only for Delhi alone but also for Central works in the United Provinces and the Punjab, and generally for advising the Government of India in the Public Works Department matters.

(c) The reply is in the negative.

APPOINTMENT OF PERSONAL ASSISTANT TO THE CHIEF ENGINEER, NEW DELHI.

1352. *Mr. S. C. Mitra: Will Government be pleased to state the reasons for creating a highly paid post of Personal Assistant to the Chief Engineer, Delhi? What is the pay of the post and the name of the holder of the present post?

The Honourable Sir Joseph Bhowe: The post of Personal Assistant to the Chief Engineer, Public Works Department, was created in 1925 on Rs. 1,750-50-1,850 per mensem. The nomenclature of the post was changed to "Personal Assistant to the Chief Engineer, Central Public Works Department" in 1930, and the pay was reduced to Rs. 1,600-100-1,700 as a measure of economy. The justification for this rate of pay

is that the office of the Central Public Works Department is a combined office for the Chief Engineer, Superintending Engineers and all the Specialists. The Personal Assistant is in general charge of this office, more particularly in the summer months when the Chief Engineer is in Simla, and may therefore be said to undertake the duties normally performed under a Local Government by the Registrar, Assistant Secretary and part-time Under Secretary. The present incumbent of the post is Mr. E. H. Brandon, M.B.E.

Dr. Ziauddin Ahmad: Is it not a fact that this post was created in order to provide for a certain individual because it is very difficult to believe that in these days of retrenchment the work of the Public Works Department is likely to increase?

The Honourable Sir Joseph Bhowe: My Honourable friend suggests that this post was created in order to provide for a particular individual. I must repudiate that suggestion.

Dr. Ziauddin Ahmad: May I ask whether the work has increased in order to necessitate the creation of a new post?

The Honourable Sir Joseph Bhowe: My Honourable friend has not listened to my answer. The post was created in 1925.

OFFICERS OF THE RESEARCH INSTITUTE, DEHRA DUN.

1353. *Sirdar Harbans Singh Brar: (a) How many gazetted officers are there in the Research Institute, Dehra Dun, and to what community does each of them belong?

(b) Is it a fact that Government's declared policy is to protect the rights of the minority communities in all the services at the time of recruitment?

(c) If the reply to part (b) be in the affirmative, do Government also propose to take into consideration the question of maintaining the required proportion of each minority community after the proposed retrenchment in the Research Institute, Dehra Dun? If not, why not?

Sir Frank Noyce: (a) The total number of gazetted officers employed at present at the Forest Research Institute, Dehra Dun, is 89, of whom 16 are Europeans, 17 Hindus, 4 Muslims, 1 Sikh and 1 Anglo-Indian.

(b) The declared policy of Government is to prevent the preponderance of any one community in the services.

(c) In regard to the services under their control, the Government of India have issued orders to the effect that in each category of a service, which comes under retrenchment, the ratio between the various communities represented by their present numbers in the category should be maintained to the nearest practicable figure.

POLICE SURVEILLANCE AND SCRUTINY OF CORRESPONDENCE OF SARDAR JASWANT SINGH DANEWALLA.

1354. *Sirdar Harbans Singh Brar: (a) Is it a fact that S. Jaswant Singh Danewalla, late Secretary of Akali Dal and Shiromani Gurdwara Committee is under police surveillance? If so, for what reasons and for how long?

(b) Is it also a fact that the post offices in Bahawalpur State have instructions to the effect that all the correspondence addressed to Sardar Jaswant Singh Danewalia should be opened and after keeping a copy should be delivered to him? If so, by whom were such instructions issued and under what authority?

(c) Is it not a fact that his dak is generally delayed by the above procedure?

(d) Is it a fact that sometimes his letters are misplaced, destroyed or not delivered to him? If so, is there any provision under the postal rules for such action?

(e) If the reply to part (d) be in the negative, do Government propose to make enquiries and remove the restrictions, if any, at present? If not, why not?

The Honourable Sir James Crerar: (a) The Government of India have no information on the subject. The matter is one entirely within the discretion of the Local Government.

(b) No such instructions have been issued by the Postal authorities.

(c) and (d). In the absence of any complaint on the subject, Government have no reason to believe that the facts are as suggested by the Honourable Member.

(e) Does not arise.

ERECTION OF A FACTORY IN INDIA FOR THE MANUFACTURE OF VEGETABLE GHEE BY THE HINDUSTAN HOLLAND VANASPATHI TRADING COMPANY.

1355. *Sirdar Harbans Singh Brar: (a) Is it not a fact that Government are realising about twenty-five lakhs (Rs. 25,00,000) customs revenue annually on vegetable ghee imported into India mostly from Holland?

(b) Has the attention of Government been drawn to the *Times of India*, dated the 26th May, 1931, page 5, column 3, which gives the news:

(i) that vegetable ghee manufacturers of Holland are putting up a huge factory at Bombay at the cost of twenty-five lakhs of rupees under the name of their private limited company called the Hindustan Holland Vanaspathi Trading Company, Ltd., Bombay;

(ii) that the factory is now almost completely erected and is to commence turning out vegetable ghee next month;

(iii) that its output which is designed to be 80,000 cases monthly, immediately with provision for extension in no time to 50,000 cases monthly, will completely cover the entire present imports; (At present imports are not more than 30,000 cases monthly due to diminished purchasing power) and

(iv) that thereby Government will with effect from next month lose the entire income of Rs. 25,00,000 annually, to save which the factory has been erected by the Dutch Syndicate in India?

(c) Are Government aware that there have been widespread complaints of mixture of vegetable ghee with pure ghee and that this point has been discussed several times in the Council of State as well as in the Assembly, Government always promising enquiry and support?

(d) Do Government propose to provide in the Finance Bill before the Assembly that the existing duty on vegetable ghee, as also the proposed surcharge thereon will be levied with immediate effect on all vegetable ghee whether imported into or manufactured in India? If not, why not?

The Honourable Sir George Rains: (a) No, Sir. The approximate figures are:

	Lakhs.
	Rs.
1928-29	25.6
1929-30	18.0
1930-31	12.4
1931-32 (First 6 months)	5.2

It will be seen that the revenue has very rapidly declined.

(b) Government have seen the report to which the Honourable Member refers.

(c) Government are aware that there have been complaints against the mixture of solidified vegetable oil with ghee. The Honourable Member's attention is invited to my speech in the Assembly on the 12th February, 1931, on Mr. Bhuput Singh's Resolution which explains their position in the matter.

(d) Government do not propose in the Bill at present before the House to levy a duty, equivalent to the customs duty plus the surcharge, on vegetable ghee manufactured in India. Government recognise that, if the customs duties are to be maintained for any length of time at the high level to which they have been raised, it may become necessary to consider whether the levy of new excise duties is not essential if serious loss of revenue is to be avoided. But they can find no special reason why vegetable ghee should be singled out for such a duty at the present time.

Sir Har Singh Gaur: May I inquire from the Honourable the Leader of the House whether the statement he made on the floor of this House defining the Government's attitude on Mr. Bhuput Singh's Resolution is still being adhered to in view of the fact that Mr. Bhuput Singh's Resolution was carried in spite of Government opposition?

The Honourable Sir George Rains: The attitude of the Government has not changed since I explained what it was on Mr. Bhuput Singh's Resolution.

Sir Har Singh Gaur: Has the attitude of the Government not changed in spite of the decision of this House to the contrary?

The Honourable Sir George Rains: That is so, Sir.

UNSTARRED QUESTIONS AND ANSWERS.

PREPONDERANCE OF MUSLIM CLERKS IN THE SURVEY OF INDIA.

165. **Kunwar Hajee Ismail Ali Khan:** (a) Is it a fact that there is a great preponderance of non-Muslim clerks in the Survey of India, especially among those drawing a salary of Rs. 100 and over?

(b) Is it the intention of Government to maintain the existing communal proportions during the recent retrenchment?

(c) If the answer to part (b) be in the affirmative, will Government be pleased to state how they propose to redress the communal inequalities and to remedy this preponderance?

(d) Are Government prepared to accept the suggestion that no efficient Muhammadan in any cadre be axed until the Muslim ratio of 88 per cent. has been exceeded in that cadre?

Sir Frank Noyce: (a) Yes.

(b) Yes, as far as possible.

(c) It is the intention of Government, in accordance with the orders referred to below that, in effecting retrenchments, endeavour should be made consistently with considerations of efficiency to maintain the representation of different communities in the same proportions as obtained at present.

(d) No. In regard to the services under their control, the Government of India, after careful consideration of the various alternatives, issued general orders, the purport of which was given by the Honourable Sir James Crerar in reply to question No. 543 asked on the 21st September, 1931.

RECRUITMENT TO DEPARTMENTS THROUGH THE PUBLIC SERVICE COMMISSION.

166. **Kunwar Hajee Ismail Ali Khan:** (a) Is it a fact that the Public Service Commission maintains a register of eligible candidates for various posts?

(b) If the answer to the above is in the affirmative, do Government propose to issue orders to the various departments that, instead of making their own arrangements, they should apply to the Public Service Commission for their requirements?

The Honourable Sir James Crerar: (a) and (b). The scheme of recruitment to the Secretariat and its attached offices provides that a proportion of the vacancies must be filled by outside recruitment and this is done through an examination conducted by the Public Service Commission. Departments have a free hand in filling vacancies reserved for departmental promotion, and temporary vacancies. For the last, when required, the Public Service Commission supply lists of candidates qualified for employment. Other higher appointments are filled in consultation with, or by an examination held by, the Public Service Commission. No register of eligible candidates is maintained for such posts and no orders of the kind suggested are considered necessary.

THE INDIAN FINANCE (SUPPLEMENTARY AND EXTENDING) BILL—contd.

Mr. President: Further consideration of the Finance Bill. The question is that clause 7 stand part of the Bill.

Rai Sahib Harbilas Sarda (Ajmer-Merwara: General): Sir, I move that clause 7 be omitted. This clause provides that the minimum taxable income be reduced from Rs. 2,000 a year to Rs. 1,000. The Honourable the Finance Member has not explained why he has felt compelled to take this very serious step; for, this clause, if enacted, is sure to add to the volume of discontent in the country. A few years ago when the minimum amount of taxable income which had been Rs. 1,000 was raised to Rs. 2,000, one of the reasons was that it operated with undue hardship on a certain class of people. Sir, speaking on the 11th of March last in this House on the undue incidence of income-tax, I said:

However, it is a matter of some satisfaction, and the country will be grateful to the Honourable the Finance Member for it that he has resisted the temptation to lower the limit of minimum taxable income and we are glad that he has kept all incomes below two thousand rupees free from income-tax.

I find now, Sir, that I was a little premature in my congratulations (Laughter), and that I was hallooing before we were quite out of the wood.

We on the right side of the House—I use the word "right" in its ethical and not its physical sense—know full well that the Honourable the Finance Member, who sits on the wrong side of the House, is faced with difficulties, and that he has tried to face these difficulties fairly and squarely. But we know and he knows, perhaps better than us, that the difficulties are not of the making of those who are represented in this House by this side of the House, but of those whom those who sit behind him serve and those who sit to the immediate right of the Treasury Benches. This fact was proved fully by the cancellation on the 24th of September of the Ordinance which had been issued only the previous day. The issue of that Ordinance showed that the Honourable the Finance Member had a sound mind in a sound body. It showed that he not only had a full grasp of the situation in the country, but that he was also in possession of the right remedy for the disorders from which this country suffered. But, Sir, as I said the other day here, while he is free to work his will, so far as the people of this country are concerned, he is bound hand and foot where the interests of the English masters of India are concerned. Those difficulties which he is trying to face are such as he is not allowed to tackle freely at present.

When he first propounded his financial proposals in Simla in September last, the impression produced on many on this side of the House was that, circumstanced as he was, working as he did under a handicap imposed from above, his proposals were very fair. And I still think that, working under the limitations set to his freedom of action by higher authority, assailed by vested interests on all sides in the groove in which the superior officials of the Government of India are accustomed to move; considering his environment and surroundings, he has certainly striven to be fair, and has made as few inroads on private rights and has devised as few legalized extortions as he possibly could help.

[Rai Sahib Harbilas Sarda.]

Sir, the object of this clause 7 is to subject to taxation all incomes of Rs. 84 a month and above. If this clause is enacted into law, it will, I submit, Sir, operate very harshly on the lower middle classes in the country and on the subordinate clerks who, as it is, find it very difficult, with large families to support and children to educate, to make the two ends meet. Sir, the clerks and other subordinate public servants have a certain standard of life to maintain, and if this taxation is levied, there is little doubt that they will be deprived of certain essentials of modern life; and many of the small traders and petty shop-keepers would become bankrupt; for, not only will those whose income goes up to Rs. 1,000 a year be roped in, but also many of those whose income does not go beyond Rs. 7,000 or 8,000 or 9,000 a year, the reason being that the computation of the income of such people is arrived at by arbitrarily assessing their profits. Thus, if a man has an annual sale of Rs. 5,000, the assessing officer will say, "Well, your profits must be taken to be 25 per cent., or Rs. 1,200 a year." Thus, not only those who under the law are liable to be taxed, will be taxed but many of those who have a little lower incomes will also be taxed. Sir, we all know, the income-tax law of India is the most unsatisfactory of all income-tax laws. The English income-tax law allows the aggrieved party a right of appeal to judicial authority, but in India this is denied. It is because of this that I am opposed to the lowering of the minimum taxable income. Sir, though I have never been connected with the Income-tax Department, I have come across cases where people whose income did not actually amount to a thousand rupees a year were, under the ordinary computation of profits, subjected to this tax. Sir, as in the case of Magistrates, "no conviction, no promotion" (Hear, hear), so it is generally true that Income-tax Officers who allow income-tax revenue to fall or who show no increase after some time, are pronounced failures and may not hope for promotion. The income-tax law in India, Sir, is based on "Heads I win, tails you lose". I therefore move, Sir, that clause 9 be omitted.

Mr. H. P. Mody (Bombay Millowners' Association: Indian Commerce): Sir, I rise to support the amendment. During the last few days we have had an unmistakable demonstration of the absolute unreality of our proceedings. Speeches have been made on both sides of the House, the sort of speech, for instance, delivered by my Honourable friend, Sir Joseph Bhorat, yesterday afternoon, a speech on which we all would like to congratulate him. (Hear, hear.) I say some excellent speeches have been made on both sides of the House, which in a popularly elected Legislature must affect its decisions under normal circumstances. But we have an irremovable Executive, which for one reason or another cannot and will not listen to the most reasoned arguments and appeals, and then we have on the other side an Opposition whose sole business must become one of opposition. Sir, I have suggested in the past that if it is not the intention of Government that they should always face this House with pre-determined proposals, then it would be very necessary, particularly when we are discussing the taxation of the people, that there should be some informal approach to the popular section of the House. I do not wish to suggest that my Honourable friend the Finance Member should take into his confidence anyone on this side of the House before framing his proposals. But I for one cannot see the least difficulty at all, practical or otherwise, with regard to the acceptance of the suggestion I have made.

If my Honourable friends on the Treasury Benches wish this side of the House to make constructive and practical proposals, then it cannot be done by simply making a speech or making a proposal and then sticking to it, no matter what is urged from this side of the House. In supporting this amendment, therefore, I am not labouring under the delusion that anything that I may say will have the least effect on the proposals or on the mental attitude which my Honourable friends on the other side of the House have towards what we say.

Mr. O. Brooke Elliott (Madras: European): Excuse me. I am prepared to listen. I am very careful to hear all sides.

Mr. H. P. Mody: I was referring to my Honourable friends on the Treasury Benches.

Mr. O. Brooke Elliott: I beg your pardon.

Mr. H. P. Mody: Some day I hope to see Mr. Brooke Elliott on those Benches, and I am sure that he will infuse a certain liveliness into our proceedings which I am afraid is sadly lacking at present. Sir, I would put my opposition to the proposal of the Finance Member on the one solid ground that he is proposing to tax a class of people who cannot bear any further burdens. My Honourable friend says in the statement which he issued with the financial papers, that at a time of national emergency it would be equitable to impose what he regards as a light tax upon these people. I say that even in a time of national emergency it would be absolutely inequitable to tax this class. We are obsessed very much when we are considering taxation proposals, by the heavy drop in commodity prices and in the prices of manufactured articles which has taken place in the last two or three years. But I would like to ask my Honourable friend whether, so far as the lower middle classes are concerned, people with an income of Rs. 100 to Rs. 125 a month, the drop in prices has affected them in any material way? Whatever may be the case with Government servants who, so far as cuts are concerned, will have the benefit of having the income-tax merged in them, the large army of clerks and the like who are not in the employ of Government have had various cuts imposed on them, and they are now sought to be penalised further by bringing their income within the fold for the purpose of taxation. They have been hit also by the various retrenchment proposals which have been brought into operation. And here I would like to take the opportunity of saying something which probably may not appeal to any section of this House but on which I hold very strong views. When I hear of retrenchments having been effected in commercial and industrial organizations and in public utility concerns, of lakhs being saved, I am absolutely left cold, for the simple reason that this retrenchment has been effected at the cost of a very needy section of the public. Hundreds of thousands of people are turned out in the streets at a moment when the general distress is acute, and my feeling about this matter is that you are adding to and accentuating the general distress which prevails when you turn out men in the streets without any means of subsistence. Well, what I was going to say was that this retrenchment, which has been practised all round, has affected this class very considerably. Families which had more than one bread winner have now only one, and the burden of carrying those who are unemployed and their families falls upon the one man who is in the fortunate position of having still retained his appointment. Therefore, Sir,

[Mr. H. P. Mody.]

with the cut and with the retrenchment, what has happened is that the position of the lower middle classes has become very distressing. Then, take the various forms of taxation which have been imposed in the last two or three years, and which have also borne hardly on this class. Take the various increases in customs duties. No one suggests that the lower middle classes are affected by most of the articles which come into this country and which may be regarded as luxuries. But they are certainly affected by a great many other articles which are not in the nature of luxuries but which are bare necessities—various drugs and medicines and things like that which come from abroad; and which the lower middle classes have to use in spite of their slender means. In addition, various increases have been made in the postal and railway rates. I do not know what the intentions of my Honourable friend are with regard to the decision which the House took yesterday, but if they propose to restore this cut, let them remember that they will to a certain extent be increasing the burden on the lower middle classes. Then the railways have increased their rates, and in many other ways the lower middle classes have been penalised to a very considerable extent. I was saying, Sir, that these classes have not derived any benefit from the low prices which have prevailed. For one thing, it is a matter of notoriety that house rents which form in this country unfortunately the largest item of expenditure in the domestic budget of every one of us, whether he belongs to the lower middle class or to the upper class, have hardly come down at all. They may have come down in the case of some luxury flats, but for the generality of people, rents have shown no tendency to come down appreciably. The cost of education, the cost of medical relief, and various other items, which in good times or in bad these people have to incur—these are all there in a more burdensome form. So, altogether, Mr. President, I venture to submit that the position of the lower middle classes is very pitiable. I regard their condition as even worse than that of the very poor. As my Honourable friend just pointed out, these people have a standard of life to maintain which under no circumstances can be given up and they are in receipt of no such help as is vouchsafed to the very poor.

My Honourable friend the Finance Member used a general argument the other day when he referred with approval to a certain statement made in the proposals of Sir Walter Layton. He said that the ratio of taxation to the national income of Great Britain was something like 20 per cent. and even in the case of Japan it was as high, whereas in India it was something like 8 to 6 per cent. according as you took the lower or the higher estimate of income. My answer to that is that if you take the income of an individual in Great Britain at Rs. 100 per month, which I think is an approximate figure, and if you take the income of the average individual at Rs. 6 a month in India, which I again think is somewhere near the mark, then you will realize that Rs. 20 off the income of a man who is drawing Rs. 100, may inflict upon him a certain amount of hardship, but it will certainly enable him still to manage to eke out a modest existence, whereas eight annas off a man who draws Rs. 6 a month would be a very considerable hardship, because a man in possession of such a miserable income has got to consider every anna. I therefore venture to submit to my Honourable friend that the comparison which he sought to draw is fallacious. Sir Walter Layton says that even in an Eastern country like Japan the ratio is something like 20 per cent. The other day I asked some friends who ought to know about this what they thought was the

national income of Japan. They gave me a very high figure indeed. As I have not verified it myself, and I do not believe in making any statement which I have not personally verified, I will not give that figure here; but I am confident that the average income per head in Japan is a great many times the average income of the people of India. Therefore when you seek to levy such taxation, do not be led away by any such comparisons as the one which my Honourable friend tried to institute between the ratio of taxation which obtains in England and the ratio which obtains in India. I feel that at a time of acute stringency, a measure like the one before us is one which this side of the House ought never to support, no matter what the intentions of Government may be, and if Government were really responsive to the needs of the people and their grievances, they would immediately realise that this particular proposal which my Honourable friend has been led to make on account of what he calls a national emergency is certainly not one which can commend itself to the representatives of the people. Sir, I support the amendment.

Mr. H. Cecil Desanges (Nominated Non-Official): Sir, it is with some diffidence that I rise to address this august Imperial Assembly. It was only just few days ago that I was admitted to this House as its latest Member. When hearing the arguments on the general debate I was afraid to stand up and speak; the speeches were so lengthy; but now when I have heard the arguments of compassable lengths, I can break the ice. But that is not the reason why I stand up here today to break my silence. This session of the Assembly has been summoned to discuss the Finance Bill, because there is a national emergency. His Majesty the King-Emperor has said it. Not only is it a national emergency, but it is something more, it is a world financial crisis. A few months ago, in March, when we assembled in our respective Councils or Assembly to make up our Budget, we all got to learn and to know that all these Budgets were deficit Budgets. Take England: England had a deficit of over £100 millions. Take America: America had a deficit of over £700 millions. Therefore I say that we have met at a world-wide crisis occasion to help to make up our deficits. England has realised it to this extent, that England went to a general election. It therefore behoves us to a very large extent to follow England's example. The 'refrain' of this House has been balance the Budget; and I give you some illustrations by mentioning names like Ramsay MacDonald, Snowden and Thomas, who realised the emergency of the occasion, sunk their individualities, and were willing and staked their Parliamentary career in going to the nation on a national basis. I ask Honourable Members to remember the sacrifices made by individuals. I have sometimes tried to think, when facing this question for myself with paper and pencil in hand, how I could try to make up the deficit that India has to make up, and have felt stunned. I give all credit to the brilliant brains and to the methods adopted by the learned and Honourable Member for Finance, to have brought into some workable shape a Budget. But, Sir, unfortunately, much as I have helped the Government by my vote, when we come to taxing the poor people who are drawing Rs. 84 a month, I hesitate and I stop. (Opposition Cheers.) Sir, what are my reasons for saying so? In England the lowest taxable minimum for a bachelor is £135; if he is a married man the minimum is about £200. He is allowed £60 for the first child and £50 for the second child, so that the minimum in England is something like £250 or £360. When we think of that and pit against it Rs. 84, what is the idea that strikes one? In

[Mr. H. Cecil Desanges.]

England you have something of the human touch. You think of a man you think of his wife, you think of his child, and you say that this modicum is necessary for them to live. Am I not then right in saying that when you turn round to tax a man getting Rs. 84 per month in this country and make no allowance for wife or child, you are wanting in that human touch? (Opposition Cheers.) Let us be human in our dealings when we deal with the masses. Certainly as I have said before, I still say that Government must *live*, but at the same time, Sir, poor individuals must *exist*.

My second reason is, that they did have this scale of a Rs. 1,000 a year taxable, some years ago, and for some such good reasons they reverted back to the scale of Rs. 2,000. The challenge has been thrown out from the Treasury Bench and I am inclined to accept it. I admit it is very easy to criticise, but it is difficult to construct. I do have every sympathy for men in their difficulties. In criticising therefore this imposition on the lower scale of income-tax, I want to place before you a *way out*; and I want to touch in my suggestion of a *way out*, the vexed question of the ten per cent. cut. The words "vexed question" are a quotation from the statement of the Finance Member. He made out a good case, why people who are paying surcharge on income-tax should have that amount reduced from the ten per cent. cut that has been suggested. But that case has not been made out quite completely. It falls short of one or two ingredients that should have entered into his arguments. If you say that you are going to have a ten per cent. cut, keep it at that nomination, and let it be a ten per cent. cut and nothing less. In his statement to this House a little while ago, he said that the Budget would be made up, first from curtailments, then from the ten per cent. cuts, and taxation last. Let us take this ten per cent. cut: Suppose you had a certain figure, X, to make up in your Budget; and you said, "We shall make up that figure by curtailment and retrenchment." Of those retrenchments, one would be the ten per cent. cut. If you were making up that figure, you would have to take ten per cent. from everybody without any deductions for surcharge. The question of deducting surcharge would not come in at all.

If you persist in deducting the surcharge, see the unfairness of it. To a man who is getting Rs. 200 a month, his income-tax would be Rs. 6-4-0; the surcharge would be Rs. 1-9-0; his ten per cent. on his Rs. 200 would be Rs. 20; and if you deduct the surcharge he would be paying 9 per cent out of the 10 per cent. As against that, take a man drawing Rs. 4,000 a month: his income-tax would be 520 rupees per month: the surcharge would be Rs. 130; ten per cent. cut would be Rs. 400, and he would be actually paying Rs. 400 less Rs. 130 surcharge; that is, he would be paying really only 6 per cent., as against 9 per cent. of the man drawing only Rs. 200. Now, Sir, I have asked myself sometimes why this differentiation has been made and I cannot answer that question myself. I ask the Finance Member, can he really justify his position?

We have had the very laudable example of His Excellency the Viceroy allowing his emoluments to be cut by 20 per cent.; we have had the noble example of the Treasury Benches who voluntarily have submitted to a cut of 15 per cent. Why cannot the all-India Services, who are well paid, allow a ten per cent. cut without any deductions at all?

I have read in the papers that have come out to this country that the Civil Service in England have been cut a certain percentage—I believe 10 per cent.; I have read of the large class of teachers in England of Board Schools whose salaries have been cut. I have read that the salaries of the staff of the Imperial Bank in this country have been cut by 10 per cent.; but I have nowhere read that this ten per cent. cut in salaries is to be deducted by any income-tax or surcharge on income-tax. (Opposition Cheers.) I ask, why should the all-India Services grudge payment and want any deduction from this ten per cent. cut? It might have been said that there would be a breach of the sanctity of contract. I beg to differ and I give my reasons. Every officer of the all-India Services who joined before 1924 came out under certain conditions, but in 1924 came the Lee Commission and gave them overseas allowances, *plus* passages—four for himself, and two for his wife and one for his child. What does that come to? It amounts to lakhs of rupees in a year. Is that a breach in the sanctity of contract or is it giving more than their contracts? Sir, I want to be logical in what I submit.

Let us now come to the machinery for recovery of this tax. The poor Government servant getting Rs. 84 a month will get his deduction made. I have heard it said repeatedly in this House—I do not say it yet myself—that the Income-tax Department is a by-word in this country. If there is any truth in that, how will the Income-tax Department function or work when it has got to estimate a man's income—whether he is getting Rs. 84 or Rs. 80 a month? It will be difficult to gauge the small differences in the incomes of the small business man, of the new professional man and of the small trader. Will it not open up to the Department powers that may be used, probably, excessively, to put it in a mild way?

My second reason in criticising the machinery is this: now they are mixing up a Provincial tax with an Imperial tax. Your income-tax is an Imperial tax, and comes to the Central coffers. All your ten per cent. cut would not go to the Central coffers because the "cut" of those working in the provinces would go to the provinces. Therefore the provinces, collecting their ten per cent. and deducting the surcharge, will have only 4 or 5 per cent. left, and the bulk of it would go to the Central Government.

The Honourable Sir George Schuster (Finance Member): My Honourable friend is quite incorrect in that statement. The income-tax will not be levied in the case where the cut is more than the new surcharge, and the whole of the benefit of the cut will go to the Provincial Governments. That is one of the reasons why we adopted this particular form of procedure so as to enable the provinces to benefit.

Mr. H. Cecil Desanges: I thank my Honourable friend for the correction. But it does not take away from my argument that no sum should be minussed from the figure that makes up the ten per cent. cut.

The argument has been used that the higher officers are already paying a good deal. Now, I put a counter question to my Honourable friend, and it is this. Take the zemindar class in my province. A small zemindar pays, say a revenue of Rs. 200 in the half year. Take the bigger man, who pays a revenue of Rs. 20,000 for the half year. Will you give the zemindar a concession and say, "You are paying Rs. 20,000

[Mr. H. Cecil Desanges.]

and therefore let us allow you certain deductions so that you need not pay Rs. 20,000 to Government but something less?" I might say that for the reasons given, the all-India Services should, after the example given by the Treasury Benches, after the example given in Parliament, rise to their higher heights. If this amendment is not allowed, Sir, what will be the position? The poor man will feel it, the man on Rs. 84 a month with a wife and children will starve; those that have, will pay; but I say that those that have more should pay more. (Cheers.)

Mr. Jagan Nath Aggarwal (Jullundur Division: Non-Muhammadan): Sir, I support the proposal of my Honourable and learned friend Rai Sahib Harbilas Sarda. Before I proceed further, Sir, I may be permitted to congratulate the last speaker the Honourable Mr. Desanges, who has made a very spirited and brilliant speech in support of the proposition (Applause), and that such a spirited speech should come from that side of the House is indeed a pleasant surprise to us here, and I am sure that the cogency of the arguments employed by the last speaker will be a serious factor for my Honourable and learned friend the Finance Member to deal with.

Now, Sir, the proposition before the House is a short and simple one. In this country the income-tax assesses, as we have been told over and over again, come to in all a very small fraction of the population, I think about 300,000 people in all. It is this class of people who have repeatedly borne the brunt of increased taxation during the last two or three years. My learned friend opposite says to this class of 300,000 people, we are going to add another 300,000 people having an income less than the taxable limit which we have had till last year. Now we have to examine if there is any justification for this course or whether this method of taxing this new class of people would not prove a most deadly blow to them. Looking back we find that it was somewhere in the year 1919 that the then Finance Member abolished this limit and raised the limit to Rs. 2,000, and what were the reasons advanced by him then? It was pointed out at the time, that out of a total of 3,81,000 assesses, 2,37,000 assesses would get the benefit of this exemption and that a class of people which had been very hard hit by the rise in prices should get sympathetic consideration. Now, at the present time we find in the statement which the Honourable the Finance Member has supplied to us in the Explanatory Memorandum that we budgeted this year for an income under the head of income-tax for 17.44 crores, and the receipts have disappointed expectations to the tune of one crore and a quarter. Now, to make up that crore and a quarter and to further augment the fall in the general revenues of the country, the proposals that are now put forward come to this, that the taxes on lower incomes are expected to bring in 38 lakhs in this year and 70 lakhs in the next year, so that it is expected that about a crore will be found from this source. Now, Sir, if these people were persons who have been escaping just taxation and if these people had a surplus income and surplus savings in their hands, nobody would object to their being roped in for filling the depleted coffers of the Government of India. Now, Sir, what is the position? During these 12 years the cost of living has increased enormously; and these people have to maintain a certain standard of living, and probably the savings which they are supposed to have are very limited indeed. In

fact, Sir, during the last year or so we have found distress facing these people in a greater and larger degree than even the Government and they are feeling it more acutely today. At the present time when we are examining these proposals for fresh taxes and for bringing these people into the limit of the taxable income, it is well to look abroad, as my Honourable and learned friend the previous speaker did, and look at the picture of exemptions allowed under the English income-tax law. In England the income-tax law is perhaps not only more humane but allowances and deductions are of wider application. In this connection I may be permitted to remind the House that in England we have not only a relief to which reference was made by the previous speaker with regard to a family, but also to a single man; we have relief there not only for children but we have relief for dependants in the family and also for earned incomes, so that all told the exemption limit comes in the case of single persons somewhere to about £ 250, and in the case of married people it comes to somewhere about £350, so that if the limit in the case of a country like England is so large, I do not see any justification for lowering the limit for this class of people in India who are certainly entitled to greater relief rather than that they should be roped in at the present time. Looking at it from another point of view, what is the situation that we are trying to meet by trying to rope in this class of people? The Honourable the Finance Member was pleased to point out that we should, in judging the proposals of taxation, see whether it is equality of sacrifice, and the fairness of the burden that should be looked to. Now, Sir, so far as equality of sacrifice from those that have much is concerned, the previous speaker has given us a good illustration of what the sacrifice is from those who are getting much from the revenues of the Government. He has pointed out that this 10 per cent. cut, in which an increase of surcharge is also included, is out of all proportion to the sacrifice demanded from people with larger incomes. With the increase in salt duty and customs and various other taxation proposals, I submit, Sir, the margin that is left to the poor man, the petty householder, the lower middle class man or the small trader or the poor clerk in service is so small that he can hardly afford to surrender any portion of his income to the State. We have in fact, in exploring various avenues for obtaining revenue, looked over and over again to income-tax as the source from which we can fill the coffers of the State, but I submit, Sir, it is very unfair to tax a small class of people over and over again and try to increase the revenues of Government from this class whose resources are already very much depleted. Then again, Sir, looking at the situation from another point of view, we find that in this country exports have yielded us something in the neighbourhood of 47 crores less in prices from outside. Now, if we are short by 47 crores by the sale of our commodities, then we certainly cannot afford to buy from outside. If we cannot purchase anything to that tune, that shows that our trade and industries are crippled to that extent, and if on the top of it my Honourable and learned friend the Finance Member comes forward with his interesting proposals for increasing the minimum assessable income, are we not likely to kill the goose that is supposed to lay golden eggs. Where is the guarantee that all this extra taxation would bring in additional revenue to the coffers of Government out of the profits of trade and the productive resources of the country which are being depleted very heavily. In this connection, Sir, one is reminded of an extraordinary phenomenon in this country.—I refer to the export of gold. The gold that is exported today is nothing

[Mr. Jagan Nath Aggarwal.]

less than what I may call distress gold, and that gold is really what represents our national savings. Now, Sir, when this gold, which is mostly household jewellery melted and sold by the poor people from the villages, which is the last and the only saving they have, when this gold is being sent away from the country,—as we have seen during the last month or two several crores worth of gold has gone out of this country,—it shows that we are not trying to make any profit, it is not that we are treating that gold as merchandise, but it is to meet the current needs, the revenue need, the taxation need or other business need that gold, which was the only household possession of the poor people, is being melted down and sent abroad. That shows in a very eloquent way the distress to which the people have been reduced. I submit in all fairness, this class of people are the one class which the Honourable the Finance Member would do well to leave severely alone. We had this exemption for the last 12 years, we have survived during all the period of financial stringency in the post-war times, and therefore I hope that my Honourable and learned friend will leave this class of people untouched by his income-tax proposals.

Dr. F. X. DeSouza (Nominated Non-Official): Speaking on behalf of the Indian Christian community, whom I represent in this House, I venture to say that no proposal in the financial programme of the Government has caused me greater searchings of heart than the lowering of the taxable limit for income-tax purposes from Rs. 2,000 to Rs. 1,000 and the imposing of a cut of ten per cent. on the salaries of clerks in the lower grade below, say, Rs. 100.

Honourable Members are aware that the Indian Christian community throughout India is financially and economically a most helpless community. There are scarcely any wealth producers among them; the majority are wage earners, and although the standard of literacy amongst them is high,—one man out of every five, and one woman out of every 6 being literate,—the sum total of their achievement has not been any higher than a clerkship in a Government office or a mercantile firm or in the railway administration, on salaries ranging from Rs. 100 to Rs. 150.

This class of the community, the economic depression which is upon us has hit harder than probably any other section of the community. The depreciated rupee has added to the price of their food, of their clothing, and of their articles of daily use. The taxes imposed by the present Budget, like the tax on salt, the tax on sugar, the tax on kerosene, have made it very difficult for them to balance their daily domestic budget, even much harder than the Government find it to balance their Imperial Budget. Into these distressed households walks in the Finance Member with his axe and his proposals for further taxation.

Sir, I would not have spoken on this subject in this House today were it not that I have been flooded with representations from associations of Indian Christians throughout the land,—from Madras, from Bombay and from Calcutta,—asking me to place before the Treasury Benches and before the Members of this House the hardships to which they have been reduced. I feel that I shall be failing in my duty not only to my constituency but also to the Government themselves if I fail to bring to the notice of the Government the representations which they have made to me.

First of all, I should like to deal with the proposed cut in salaries below a certain level. It has been repeatedly pointed out in this House that a ten per cent. cut in lower salaries involves an infinitely higher sacrifice than a ten per cent. cut in the higher salaries. I am not now speaking on the merits or the demerits of the graduated cut rather than a flat cut. That, Sir, I leave to more competent hands to deal with. I am only speaking of the economic effect produced by cuts on lower salaries, say below Rs. 100. Now, what does the cut of 10 per cent. on a salary of Rs. 40 as compared with a 10 per cent. cut on a salary of Rs. 400 or Rs. 4,000 involve? In the last case the axe falls on savings only unless the man who earns is extravagant in his habits. In the case of a man with Rs. 400 the axe falls partly on savings and partly on comforts; but a cut on a salary of Rs. 40 is a cut mainly on ordinary consumption. What does such a cut mean? This cut is bad for the individual because it lowers his none too high standard of living. It is bad for trade because it diminishes consumption and its effect is still further to depress the economic depression which is the cause of all our troubles. Now, in speaking of this cut on the lower salaries, I think I may appeal with confidence to the Members of the European Group in this House to support me. They are all *burra sahibs* themselves or managers of big concerns in large cities like Bombay, Madras, Calcutta and Cawnpore. And they know better the inner life of their office babu than it is possible for a high Government officer to know the inner life of his clerks. I ask them whether they do not depend to a certain extent for the prosperity of their business and for the success of their firms upon the good offices, upon the loyalty and fidelity with which their office babu serves them, and if so, would they readily impose such a cut on their earnings as would produce serious hardships to them and would prevent them from making both ends meet? I venture to think that the answer which they will give me will be an answer in support of the position that I am now taking up.

I now turn to the lowering of the limit for income-tax purposes from Rs. 2,000 to Rs. 1,000. The question was considered very carefully by the Taxation Enquiry Committee which submitted its report to the Government of India in the year 1926. The Committee reported at page 196 of their Report:

"When the Government in the year 1919 raised the taxable limit from Rs. 1,000 to Rs. 2,000, one of the principal reasons for this increase was a very large number of assesses falling within the lower grade of income and the small sum realised by including them within the scope of the tax in relation to the trouble and expense involved in the assessment and collection of the duty. This is a reason which has gained added force since the transfer of the work of assessment from the ordinary district staff to a special Imperial one."

Has this reasoning lost in force since that report was written? I venture to say it has not. On the contrary the arguments there advanced have gained added force. The Honourable the Finance Member assured us the other day that the total number of new assesses under this scheme would be something like 330,000. I think this figure is correct, and he said that while the realisation from the lowering of the limit would be 38 lakhs in 1931-32 and 70 lakhs in 1932-33, the expense of collection would be 7 lakhs in the year 1931-32 and 18 lakhs in the year 1932-33. The result is that out of a total expected collection of about one crore of rupees, the expense of collection would be 25 lakhs. Thus 25 per cent of the amount to be collected will have to be disbursed in collecting the

[Dr. F. X. DeSouza.]

tax. Is it worth while embarking on this expense in order to collect just over a crore of rupees? Next I ask the Honourable Member how are you going to proceed to frame a list of assesseees, amounting to 360,000 within a reasonably short time? Would it be possible to put into operation the whole scheme so as to make it yield any tangible results within the next 18 months? Undoubtedly there will be a great deal of evasion of this tax. I have been in touch with officers who have been administering the income-tax law and they have assured me that in the discharge of no part of their duties did they feel more qualms of conscience than when hearing appeals from income-tax assesseees. Honourable Members are aware that small traders hardly keep any accounts. If they did not produce any accounts, their appeal was dismissed and if they did produce accounts, they were declared to be false. In other words, the formula went round that if a man once came on the income-tax list he never went off again, and if he did not come on the income-tax list he never came there. If that is the manner in which the income-tax law has been administered, one can understand what enormous opportunities exist for evasion of this tax. I think Mr. Heathcote pointed out the other day that the evasion of the tax as it now exists is so serious and scandalous that he thought that if Government tightened up the machinery for collecting the tax, already in force, they would be able to realise a much larger sum than the sum which will now be collected by the imposition of this new tax. After all, what is this income of a thousand rupees a year upon which the tax is proposed to be levied? It is no more, it is slightly less than the unemployment dole which a man in England receives for himself and one adult child. The Taxation Inquiry Committee pointed out further that if it was necessary to reduce the limit to Rs. 1,000 it would be equitable to allow an abatement of Rs. 200 for a wife and Rs. 150 for each minor son or unmarried daughter up to a maximum of Rs. 950, provided it was claimed. If notwithstanding the arguments that have been urged, Government decide to maintain the lowered limit, I would respectfully ask that they should give an allowance to dependants in order, as my Honourable friend who spoke last said, to give a human touch to the administration of the Income-tax Act. If that is not done, I would respectfully ask the Honourable the Finance Member to give us an assurance, that as soon as the financial stringency is relaxed and conditions are normal, the persons whom he now proposes to bring under the Income-tax Act by lowering the exemption limit will be the first from whom the tax will be removed. He gave such an assurance to the powerful service interests; he gave such an assurance to the powerful capitalist interests whom he promised that as soon as times were normal, he would remove the surcharge. May I plead on behalf of the humble clerk and the humble trader that a similar assurance may be given to them also that as soon as normal conditions are restored, he will remove this tax? There is one further suggestion which I wish to make. The cost of collecting this tax will be 7 lakhs this year and 18 lakhs next year. This would mean that the Department will have to employ a certain number of extra hands. May I suggest that the Department employ a certain number of hands out of the large army of unemployed men thrown out of work in consequence of the scheme of retrenchment which has been brought into force? Of course I shall be asked if you let this tax go, how are you going to make up the deficit. My Honourable friend the Member for Industries and Labour said yesterday that we must not allow a soft heart to go to our head. I respectfully think

that this is a case in which a hardening of the heart may lead to a softening of the head. This class of assesseees represent the lower middle classes, the educated middle classes. They live in the larger cities. Discontent is prevailing among them to a very great extent owing to the economic depression. A significant sign of the times is the fact that even the Indian Christian community, which hitherto lived in what Mr. Montagu called "placid contentment" are now showing signs of unrest, and one of the dictators of the Congress in Bombay was an Indian Christian. Sir, the signs are ominous. If you drive the lower middle classes to despair by additional taxation of this nature, they will readily imbibe the subversive doctrines of revolution which are prevailing in the land and the movement of civil disobedience and the no-tax campaign will readily find adherents amongst them. I therefore respectfully ask the Government to consider the position seriously and stay their hand so far as lowering the limit of exemption from income-tax is concerned. One word more, Sir, and I have done. Honourable Members may ask, how am I going to make up this gap? I wish to make a humble suggestion. The other day the Honourable the Finance Member, in supporting the cotton duties, said that he did so primarily on the ground of it being a revenue measure but incidentally, he said, it would benefit the agriculturist. Now, Sir, I ask my Honourable friend to come forward and implement the promise that he then made that in the struggle which has now developed in the country between the urban and the rural interests, between the agricultural and the industrial population, he will do justice to the agrarian interest. Anybody, Sir, who has studied the condition of agriculture in this country will realize that the steady deterioration in the soil is one of the problems we are up against. The soil deteriorates for want of nourishment and nourishment in the shape of fertilisers is allowed to be exported in large quantities to foreign countries. Is it not time that the Government should step in and prevent this export by such measures as lie in their power? (Hear, hear.)

Mr. B. Das: I suggested some such measures.

Dr. F. X. DeSouza: Sir, from my experience during the last five years or so—I am an agriculturist in a small way myself—I shall relate an incident. When I ordered about 50 tons of manure—groundnut cake it happened to be—from a firm with which I had been dealing for years, I was informed that that commodity was cornered by a firm in Germany which offered prohibitive prices, and that instead of 50 tons I could only get one ton. Sir, this state of things is scandalous. What are the figures for the export of manures? I take the figures from the Trade Review of 1930-31.

Mr. President: I should like to ask the Honourable Member how he makes all this relevant to the present discussion.

Dr. F. X. DeSouza: Well, Sir, several Members on the Treasury Benches have asked, "If you are going to abolish these taxes, give us a list of the taxes which you suggest can replace them"

Mr. President: The Honourable Member can then go on indefinitely by dealing in detail with each one of the suggestions he may wish to make for imposing alternative forms of taxation when the issue before the House at present is whether income-tax should be levied on incomes of Rs. 2,000 or Rs. 1,000?

Dr. F. X. DeSouza: I shall not speak at length, Sir. I shall with your permission only read an extract from the Report of the Taxation Enquiry Committee and shall not go into details at all.

Mr. B. Das: Give us the benefit of your ideas about export duties.

Dr. F. X. DeSouza: This is what that report says:

"The majority of the Committee hold that it is important in the interests of Indian agriculture to encourage the use of fertilisers and to encourage the supply of valuable nourishing food for cattle whose condition is generally regarded as deteriorating, and they think that a suitable method of doing so is to impose an export duty which would have the effect of encouraging the crushing of oilseeds in India and of cheapening the cost of oilcakes and other classes of manure to the Indian cultivator."

I have got figures to prove my case, but I shall not quote them lest you rule me out of order, but all I do say is that if Government impose a very slight export tax of five per cent. on oilseed cakes and on bones and on nitrates as well as on the large quantity of oilseeds which are exported from this country, then they will be able to realize a duty of Rs. 1 crore 50 lakhs which will more than compensate them for the amount of tax they would lose if they dropped the present measure. That is all I have to say, Sir, and I respectfully hope that, if it is decided, in spite of all that has been urged, to maintain the lower standard of income-tax, nevertheless in framing the next Budget the Honourable the Finance Member will bear in mind the suggestion I am humbly making to him of imposing an export duty on manures and oilseeds.

Mr. E. Studd (Bengal: European): Sir, while I have the greatest sympathy with those who are going to be hit by this proposed taxation, I am afraid I cannot support the amendment that has been put forward. Sir, I listened to the appeal which the last speaker made to the European Group in the hope of enlisting their sympathy. But, while I am not speaking for every Member of the Group, I have little doubt that their answer to him would be very much the same as the answer that I make, and that is that, however much in a business concern one may dislike the idea of having to inflict hardships on the staff by cutting down anybody's pay, there is no getting away from the fact that the two sides of an account have got to be balanced; and, if you cannot increase your income, the only alternative is to decrease your expenditure or else to close down altogether and dispense with the services of your staff. Therefore, Sir, I am afraid I cannot give my Honourable friend the support that he asked for. We have heard much of the cry of taxing the poor man and of the retort that the rich man ought to be made to pay. I confess I find it a little difficult to know exactly what is meant by the words "rich man". To a man who is earning Rs. 10 a month, some one who is earning Rs. 30 a month is probably very rich, and as far as I can make out, the only interpretation which will fit everybody's idea is some one who is earning considerably more than you are. By that, Sir, I mean the speaker and not you personally. Now, Sir, I entirely agree that the rich man has got to bear the heaviest part of the burden (Hear, hear), but my Honourable friend, the Finance Member, has pointed out that, if you were to try to apply that literally to India, in the way my Honourable friends opposite suggest, the position would become impossible. Your rich man would cease to exist and your sources of taxation would be gone; and I think it must be admitted that in an emergency such as

this, there must be sacrifices by everybody. Everyone must be able to contribute something to the emergency. The only question is how much. Now we have heard a great deal in the course of this session on the subject of retrenchment. I have heard many criticisms from the Opposition Benches that Government's proposals for retrenchment do not go far enough. I do not think I have heard any one complain that the recommendations made by the various Retrenchment Committees were too drastic. If I remember aright, Sir, one of those recommendations was that all those in Government employ, down to a limit of Rs. 40 a month, should be subject to a cut. The cut which was proposed was a graduated one, going down, I think, to about $3\frac{1}{2}$ per cent. Now, if you take even $3\frac{1}{2}$ per cent. on a man who is drawing Rs. 80 a month, he will have to pay something like Rs. 3. What I find a little difficult to understand in the attitude of the Opposition is that they are perfectly prepared to vote for a cut on those poor men who are in the service of Government getting only Rs. 40 a month, but they have the strongest objection apparently to this income-tax proposal under which on the same basis a man who is not in Government employ and who is getting Rs. 80 a month will only be asked to pay Rs. 1-12-0. (Hear, hear.) It seems to me, Sir, that if they are going to be consistent, if they are prepared to say that the poor man, as they call him, in Government service must pay something, they ought to be equally prepared to say that the poor man who is not in Government service should also pay something. I have little further to add, but I do feel, as I have said before, that the paramount importance is that the Budget must be balanced, and therefore, I feel that however much I may dislike some of these provisions, the only thing I can do in order to secure that object is to support it, and therefore I oppose the amendment.

Several Honourable Members: The question may now be put.

Khan Bahadur H. M. Wilayatulla (Central Provinces: Muhammadan): Sir, I support the amendment which has been moved by my Honourable friend to the effect that the clause in the Bill which lowers the exemption limit from Rs. 2,000 to Rs. 1,000 should be omitted. It cannot be denied that income-tax has always been unpopular. It is direct taxation. Government should therefore be very cautious in making frequent changes. Only six months ago the revision of income-tax was before us and some enhancements were made. Within six months of it another Bill has come up in which not only have enhanced rates been suggested, but also the limit of exemption is sought to be lowered. In these days of economic depression, especially when the earning capacity of the people has gone down considerably, these changes are most unwelcome. Under this new clause, if passed, any man earning about Rs. 3 a day will have to pay income-tax. The bus-owners, small shop-keepers, tongawalas, barbers, tailors, all will come under this category. I would only refer to the case of the bus-owners. Sir, the import duty on the vehicles is very high. There is the registration fee, the licence fee and the taxed petrol, and for all accessories they have to pay a tax by way of import duties. In the provinces there is a local tax on motor cars which is very high. Then they have to pay for the services of a driver, also a conductor and a clerk to maintain accounts, and on top of it all they will have to pay income-tax as well.

Mr. B. Das: If they keep an auditor, no income-tax will be paid.

Khan Bahadur H. M. Wilayatulla: If their income is between Rs. 1,000 and Rs. 2,000, they will be liable to pay the tax. Sir, I think that all chances of harassing the people ought to be minimised. Here we are going to impose this tax upon poor people who may have borrowed capital and invested it in small shops. They do not keep any accounts. It will be entirely left to the officers of the Income-tax Department to make whatever estimate of their income they like and make the assessment. I do not wish to cast any aspersions upon the Income-tax Department. They have been fair on the whole, but even good Income-tax officers are human beings and they are liable to commit mistakes

Mr. D. K. Lahiri Chaudhury (Bengal: Landholders): Their mistakes are also sometimes intentional.

Khan Bahadur H. M. Wilayatullah: It will give them a chance. Human frailties may display themselves by wreaking vengeance upon some people and therefore this tax will be most unpopular and there will be a considerable agitation in the country. Sir, there is another feature of the income-tax assessment which is lost sight of. We never take the circumstances of a man into consideration. We look only to his receipts. A man living in a big town may have to pay Rs. 20 or Rs. 25 a month as house rent while his pay may be only Rs. 100. He does not take that house because he wants to live in a big house, but because he has a large number of children and dependants and therefore must of necessity take that house and pay a heavy rent. Now these items will never be taken into account, at the time of assessment. He has to pay higher fees for the education of his children, and has also to buy medicines if any member of his family be sick. If all these things are put together, in the case of a man with little means, this tax will be a very heavy burden on him. I, therefore, strongly support the amendment which has been put forward that the exemption limit should not be lowered.

Several Honourable Members: The question may now be put.

Mr. President: I accept the closure. The question is that the question be now put.

The motion was adopted.

The Honourable Sir George Schuster: Sir, we have listened to a great number of speeches on this particular amendment, and I think I may say that they have been all very sincere speeches. I should like particularly to congratulate my Honourable friend Mr. Desanges on his very able maiden speech in this Assembly. (Applause.) I can only say to him that I hope that when next he finds occasion to speak, he will be able to speak in a manner more sympathetic to my own point of view. (Laughter.)

Mr. Lalchand Navalrai (Sind: Non-Muhammadan Rural): If he finds sympathy deserving.

The Honourable Sir George Schuster: Sir, my Honourable friend Mr. Mody has given us rather a depressing view of the possibilities of debate on measures of this kind. He has indicated that all Honourable Members come with their minds made up, and that even when they listen to such a brilliant speech as fell from my Honourable colleague on my right yesterday, which I make bold to say convinced 90 per cent. of the Members of this House (Applause; and Some Honourable Members: "No") that his cause was just, even then, the result when translated into votes is negligible. But, Sir, in spite of what my Honourable friend has said, I will

make a serious attempt to convince those who sit there today of the justice of our cause in proposing this measure, and if they listen to me carefully, I venture to think that I shall be able to convince them. I do not propose to deal in very great detail with any of the speeches that have been made. I would merely say, passing them all in review, that they seem to lose account of the fact that in this measure we are only proposing to levy a charge of 2 per cent. on these lower incomes. Does a charge of that kind, I ask the House, justify the sort of remark which fell from my Honourable friend who moved this amendment when he said that, if this tax is levied, all the small men who are affected will become bankrupt? Those were his words. Sir, going over the speeches, I would like to pick up one point from what fell from my Honourable friend from Bombay, Mr. Mody. He referred to the quotations which I had given from the Report of Sir Walter Layton on the burden of taxation in India, and he said that whereas the burden in England and in Japan also amounted to 20 per cent. of an individual's income, whereas that heavy figure existed in those other countries and the burden in India was only 6 to 8 per cent., the parallel did not apply, because the individual income per head in India was so small that 6 to 8 per cent. on it represented a heavier charge than 20 per cent. in a country like England. My Honourable friend went on to say that in England the average man earned an income of something like Rs. 100 a month, and that if a man who earns Rs. 100 a month has to pay 20 per cent. of that in taxes, it may be inconvenient for him but surely it is not a crushing burden. It is a burden, as my Honourable friend said, that he can very well bear. Well, Sir, I would ask my friend to apply that argument to the particular measure which we are discussing. My Honourable friend's speech might have been appropriate when we were discussing the surcharge on the salt tax yesterday, but I venture to say that it is hardly appropriate when we are discussing the particular measure which is now before us, a measure which seeks to impose a very small tax on people with incomes from Rs. 1,000 to Rs. 2,000 per annum, the lower limit of which is very near that figure of Rs. 100 a month which my Honourable friend said could be subjected to a taxable burden of 20 per cent. without causing any serious hardship.

Mr. H. P. Mody: May I point out, Sir, that I was dealing with the Honourable the Finance Member's general argument. It had no relation to this particular item now under discussion.

The Honourable Sir George Schuster: My Honourable friend has made exactly the point that I was trying to make. His argument was quite irrelevant in dealing with clause 7 of this Bill. I am very glad to have his acknowledgment. That is the point that I was making.

Then, Sir, we have had a good deal said on the question of cuts in pay. I do not want to go over all that old ground again. I think it is not only irrelevant, but, as I shall show shortly, it is actually inconsistent with all the arguments on which this amendment has been based. It is destructive of the ground on which those arguments stand. But I must say something about it because my Honourable friend Mr. Desanges brought in his argument as though he were going to show that if we had followed the course which he suggested we should not have had to have recourse to this particular increase in income-tax. I gathered from the way in which he ordered his remarks, that his implication was that if we had not exempted incomes which are liable to the 10 per cent. cut from the new taxes on income which are imposed in the present Bill, that if we had not done that, we should have been able to avoid

[Sir George Schuster.]

this particular imposition altogether. I would remind my Honourable friend of the figures which I gave in a speech in an earlier section of this discussion when I pointed out that the amount of income-tax which we sacrificed in this way so far as the servants of the Central Government are concerned only amounted to about Rs. 9 lakhs. That, Sir, is the measure of assistance which my Honourable friend would give me to replace what we expect to get out of this particular tax.

Now, Sir, to return to the general argument, I would like to ask the House to view this measure in its proper proportion and in its proper setting. We have been told that it is a new innovation, we have been asked to believe that there is something very terrible in an imposition of this kind. But I would remind the House that taxes on small incomes have been levied from time to time in this country from 1860. In 1860 an income-tax was levied on incomes of not less than Rs. 200 per annum. The minimum exception limit was then increased to Rs. 500. Gradually it was increased to Rs. 1,000, and the income-tax on incomes of that level was only finally remitted in 1919. The remission then undoubtedly was a proper measure; the country could afford it. Prices were very high after the war, and Rs. 1,000 then certainly did not represent what Rs. 1,000 had represented before the war; but since then there has been—and no one can deny it—an extraordinary fall in the cost of the main necessities of life. My Honourable friend Mr. Yamin Khan, speaking the other day, said that as regards the prices of agricultural products we were back to 1903. That is a perfectly correct statement, and I suggest that it leads us to this conclusion, that as the whole basis of the country's income on which we and the Provincial Governments have to rely for taxation,—being a basis dependent on agricultural prices,—as the whole basis has gone back to the level of 1903, we, in order to make up our revenue, must have recourse again to the standards of taxation which then applied. In those days Rs. 1,000 per annum was considered to be a fair minimum limit, and I put it to the House that at the present time there is nothing outrageous in the proposition that Rs. 1,000 in India represents a fair limit for this direct form of taxation. Now, Sir, I want to ask the House to compare the burden which we are imposing now with the burden which used to be represented by the taxation of these low incomes. In the year 1916 for example—I have figures for 5 or 6 years here—the total collected from income-tax below Rs. 2,000 was just under Rs. 59 lakhs and the total collected from incomes above Rs. 2,000 was Rs. 244 lakhs, that is to say, about Rs. 60 lakhs on the low incomes and only Rs. 240 lakhs on incomes above Rs. 2,000. I would ask the House to compare with that the burden which we are now putting on the higher incomes. Now, we expect to get something like Rs. 19 crores out of incomes above Rs. 2,000 and we only seek to get something like Rs. 70 lakhs from incomes below Rs. 2,000. I put it to Honourable Members that if we are seeking now to distribute the burdens fairly we are not overburdening that class of income-tax payers who earn from Rs. 1,000 to Rs. 2,000.

Now, Sir, there is another point that I would put before the House. I would like them to compare the position of the people who will be affected by this tax with other analogous classes of tax-payers in the country. I was going myself to make the point which was very ably made by my Honourable friend who spoke last on the European Benches. He reminded the House that whatever we say about the graded cut in

pay which is to be applied, all the Retrenchment Committees recommended that there should be a very substantial cut made on salaries of

Rs. 84 a month. Even if we accepted the figures proposed by the main Retrenchment Committee, the cut to be imposed on salaries at that level would have been $6\frac{1}{2}$ per cent.; and it would have gone up to something like $7\frac{1}{2}$ per cent. when you get to Rs. 2,000, the upper limit. Honourable Members were quite prepared to ask Government servants to bear that burden. We are now asking the people outside Government service earning similar incomes to bear a burden, not of $6\frac{1}{2}$ to $7\frac{1}{2}$ per cent., but only of 2 per cent. Is it fair to come before us and appeal to our sympathies in this way, to appeal to our sympathies for all these people who are engaged in business outside and not in the public service, when Honourable Members are quite willing to go direct for those people whom they can so easily hit, the Government officials?

Mr. Amar Nath Dutt (Burdwan Division: Non-Muhammadan Rural): But incomes of traders, agriculturists and professional men have gone down by 50 per cent.

The Honourable Sir George Schuster: I cannot give way to my Honourable friend for I wish to be as brief as possible. If we think it is fair to take a substantial levy from those in Government service, it is not unfair to turn outside when we need to go for every source of revenue that we can and take this very small levy of 2 per cent. from people engaged in small business in the country. Then again I would ask the House to compare the class of people who would be affected by this tax with the agricultural population. A man who is engaged in cultivating the soil has to pay tax in the form of land revenue, however low his income is; there is no low limit there. Why should there be this low limit of exemption for a man who makes his money not from cultivating the soil but in keeping a small shop or driving a motor car or in any of those occupations to which reference has been made?

I put it to the House that, much as they may dislike this proposal, and great as will be the administrative difficulties of operating it,—which I freely acknowledge as a strong point—giving full weight to all those objections, we think, when we are trying to introduce a fairly balanced scheme of taxation, we ought not to have omitted this particular clause. The very last speaker who spoke in this debate complained of the way in which we came again and again before the House with income-tax measures; how we had increased income-tax rates in the last Finance Bill, after we had already done something in that direction in the previous Finance Bill as well. And I think there is a great deal in his complaint about this piling on of burdens on a small class already heavily weighted; but the complaint does not apply to this particular class with whom clause 7 is concerned. We have refrained hitherto from taxing them, from going back to what was a traditional measure of taxation in the armoury of the Government of India. This is the first time we have done it, and we only do it now because of the urgent need and unexampled necessity under which the country is now labouring.

That disposes, I think, of what I may describe as the moral arguments by which this proposal has been attacked. As regards the purely financial arguments, I would say this: we have been told repeatedly in the course of this debate of the necessity of broadening the basis of taxation. I think that in this particular measure, in that it does broaden the basis of taxation, we are doing something which is justifiable and

[Sir George Schuster.]

sound; and I would put it to the House that there is some public advantage in producing the result that the class of people who will now be brought into direct taxation will have a direct interest in the economy of public administration. I would ask my Honourable friends opposite, putting to them the same argument that I put yesterday in connection with the salt tax, taking account of the responsibility that may be theirs in the future for protecting the interests of members of the public, and of how they may come under the danger that popular governments may give way to popular clamours for popular forms of expenditure, I would ask them to consider whether it will not be of advantage to the country that there will be a large class of this kind that directly feels, in the form of direct taxation, the results of any form of public extravagance. These are not mere debating points: they are serious arguments which have influenced us in coming forward with what we knew would be a very unpopular measure.

I would sum up again and say that, on moral grounds we feel it is justified; on financial grounds we feel that it is right; and on grounds of general administration, looking to the interests of the country in the future, we feel that even from this unpopular measure some direct advantage may accrue. On these grounds I oppose the amendment.

Mr. President: The question is:

"That clause 7 be omitted."

The Assembly divided.

AYES 65.

Abdoola Haroon, Seth Haji.
Abdur Rahim, Sir.
Aggarwal, Mr. Jagan Nath.
Anklesaria, Mr. N. N.
Azhar Ali, Mr. Muhammad.
Badi-uz-Zaman, Maulvi.
Bhuput Singh, Mr.
Chandi Mal Gola, Bhagat.
Chetty, Mr. R. K. Shanmukham.
Chinoy, Mr. Rahimtoola M.
Das, Mr. A.
Das, Mr. B.
Dudhoria, Mr. Nabakumar Sing.
Dupasia, Mr. N. M.
Dutt, Mr. Amar Nath.
Fazal Haq Piracha, Shaikh.
Geur, Sir Hari Singh.
Gunjal, Mr. N. R.
Harbans Singh Brar, Sirdar.
Hari Raj Swarup, Lala.
Ibrahim Ali Khan, Lt. Nawab Muhammad.
Ismail Ali Khan, Kunwar Hajeer.
Ismail Khan, Haji Chaudhury Muhammad.
Isra, Chaudhri.
Jha, Pandit Ram Krishna.
Jog, Mr. S. G.
Krishnamachariar, Raja Bahadur G.
Lahiri Chaudhury, Mr. D. K.
Lalchand Navalrai, Mr.
Laladhar Chaudhury, Seth.
Masood Ahmad, Mr. M.
Mitra, Mr. S. C.
Mody, Mr. H. P.

Mujumdar, Sardar G. N.
Murtuza Saheb Bahadur, Major Sayyid.
Pandit, Rao Bahadur S. R.
Parma Nand, Bhai.
Patil, Rao Bahadur B. L.
Puri, Mr. B. R.
Puri, Mr. Goswami M. R.
Rajah, Raja Sir Vasudeva.
Rajan Bakhsh Shah, Khan Bahadur Makhdum Syed.
Ranga Iyer, Mr. C. S.
Rastogi, Mr. Badri Lal.
Reddi, Mr. P. G.
Reddi, Mr. T. N. Ramakrishna.
Sidiq Hasan, Shaikh.
Sant Singh, Sardar.
Sarda, Rai Sahib Harbilas.
Sen, Mr. S. C.
Sen, Pandit Satyendra Nath.
Shah Nawaz, Mian Muhammad.
Singh, Kumar Gupteshwar Prasad.
Singh, Mr. Gaya Prasad.
Sitaramaraju, Mr. B.
Sohan Singh, Sirdar.
Sukhray Rai, Rai Bahadur.
Talib Mehdi Khan, Nawab Major Malik.
Thampan, Mr. K. P.
Uppl Saheb Bahadur, Mr.
Wajihuddin, Khan Bahadur Haji.
Wilayatullah, Khan Bahadur H. M.
Yamin Khan, Mr. Muhammad.
Ziauddin Ahmad, Dr.
Zulfiqar Ali Khan, Sir.

NOES 44.

Ahmad Nawaz Khan, Major Nawab.
Allah Baksh Khan Tiwana, Khan Bahadur Malik.
Azizuddin Ahmad Bilgrami, Qazi.
Bajpai, Mr. R. S.
Banerji, Mr. Rajnarayan.
Bhore, The Honourable Sir Joseph.
Cosgrave, Mr. W. A.
Crear, The Honourable Sir James.
Dalal, Dr. R. D.
Dyer, Mr. J. F.
Elliott, Mr. C. B.
Fox, Mr. H. B.
French, Mr. J. C.
Graham, Sir Lancelot.
Griffiths, Mr. G. I.
Heathcote, Mr. L. V.
Hira Singh Brar, Sardar Bahadur Captain.
Howell, Mr. E. B.
Jawahar Singh, Sardar Bahadur Sardar.
Knight, Mr. H. F.

Lal Chaud, Hony. Captain Rao Bahadur Chaudhri.
Lall, Mr. S.
Montgomery, Mr. H.
Moore, Mr. Arthur.
Morgan, Mr. G.
Mukherjee, Rai Bahadur S. C.
Noyce, Sir Frank.
Parsons, Mr. A. A. L.
Pelly, Major H. R.
Rainy, The Honourable Sir George.
Rajah, Rao Bahadur M. C.
Rama Rao, Rai Bahadur U.
Row, Mr. K. Sanjiva.
Roy, Mr. S. N.
Sahi, Mr. Ram Prashad Narayan.
Sams, Sir Hubert.
Sarma, Mr. R. S.
Schuster, The Honourable Sir George.
Scott, Mr. J. Ramsay.
Studd, Mr. E.
Sykes, Mr. E. F.
Tait, Mr. John.
Todd, Mr. A. H. A.
Young, Mr. G. M.

The motion was adopted.

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

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

Mr. President: The question is that clause 8 stand part of the Bill.

Mr. Lalchand Navalrai: Sir, I beg to move that clause 8 be omitted.

Clause 8 aims at imposing a surcharge tax of one-eighth of the amount that is already imposed, that is to say, we have got to pay a surcharge income-tax of 12½ per cent. over and above what is already assessed. I oppose it.

It has been said that this tax is not a poor man's tax, but a rich man's tax and therefore it should be levied. I demur to that proposition. I think that at present there are very few persons whom we may call rich in India. Even the so-called rich men cannot at present be said to be rich; with the depression of the present day, the loss in trade which has crippled all avenues of riches many are in distress—even the zemindars and jagirdars' condition is deplorable.

Mr. B. Das: Do you accept Mr. Studd's explanation of a rich man?

Mr. Lalchand Navalrai: I did not hear what he said, but however this is my explanation and I think many in India will agree with me. My submission is that no one in India should be disturbed with any tax at the present time when the people are finding it very hard to find any avenues for making money. There is unemployment; mills are not working as well as they should and people have got no resources for making money so as to be called rich.

[M. Lalchand Navalrai.]

This surcharge is being assessed for the year 1931-32, and I must again raise a constitutional point whether, speaking in legal phraseology, retrospective effect can be given to a financial measure. If this tax is going to be levied, that would mean that the income from April 1931 will have to be taken into account and the tax assessed accordingly. If it is to have retrospective effect it will not be legal. Again, Sir, the next Finance Bill will come in about four months hence, and why should we not wait till then? At that time the estimates will be available, and you will have the regular Budget and you may then consider whether a proposal of this kind is really necessary. It may be said that there is a deficit and therefore it ought to be met. With regard to that, I submit if it is a fact, there are other avenues for getting money. First of all, there is the question of retrenchment and it should be considered drastically with reference to this department also. Then you must deprive those of their extra receipts which they are enjoying by the recommendation of the Lee Commission. The General Purposes Sub-Committee says at page 12 of its report:

"We observe that leave and deputation salaries and pensions paid to Government servants abroad are exempt from the Indian income-tax. For the sake of uniformity the scope of such exemption has had to be extended in recent years with the result that vacation salaries to judges and leave salaries and allowances paid abroad to the employees of private firms and individuals are also exempted. In the absence of arrangements for relief from the payment of double income-tax there may have been some justification for such exemptions; in our opinion there is no such justification now."

I submit that more drastic curtailment even in the Income-tax Department will bring in a good bit. The Department, again, as it is constituted to-day, is doing more harm than good to the country. The Income-tax Department I would say in one word is neither civil, nor military, but it is extra martial. Let us take their procedure. The Income-tax Officer is the income-tax collector, and at the same time he is a Judge in deciding income-tax cases. There you have got the prosecutor and the Judge combined in one person, and that is against all principles of jurisprudence. Then let us see how the income-tax is assessed and how it is dealt with on appeal. The Income-tax Officer assesses the income-tax. He employs his subordinates to look into the books, and how are those looked into? If any explanation is given to the Inspector who inspects these books, it is not accepted. They expect the people in the rural parts to keep very regular books of account in the same as they do in Bombay and Calcutta. But I may tell you that the books kept by the rural people in their usual way are accepted even in Courts. We find that the Income-tax Officer with one stroke of the pen says, "Books not kept regularly". Then the appeal comes up to the Assistant Commissioner. The first thing that he does is to return the appeal to the Income-tax Officer for his remarks, and he also sometimes asks him to be present on the day the appeal is heard. Now, the reply that comes from the Income-tax Officer does not see the light of the day. It is an *ex parte* report made and it is not shown to the assesses. Interference in appeals is rare and the appeals are generally dismissed. When we put questions here to find out how many appeals were allowed and how many rejected, we find that there are always very few successful appeals. That is the condition of the Department. Therefore I submit that

until the appeal goes to a judicial officer and he decides it, and until a better system is introduced, there is no justification for the income-tax to be increased in order only to pay those officers who are doing this bad work. I submit that the income-tax is already large and the incidence that is being raised by the surcharge is heavier still. The addition of 12½ per cent. this year will be, I submit, very hard. I will not take more time on this point. It is quite clear and therefore, Sir, I move.

Mr. John Tait (Burma: European): I do not propose to follow my Honourable friend, the Member from Sind, in his criticism of clause 8, but if I do not do so, I would desire at the outset to make it perfectly clear that it must not be assumed that I or those who sit beside me approve of the surcharge proposals in this Bill. On the contrary we in the European Group view with very grave concern the reaction on the business and prosperity of this country which in our view is bound to be affected by these crippling surcharges. And if in the end we individually or as a group support the Government, our only reason for so doing will be our firm conviction that the paramount duty of the Finance Member at this time is to present a balanced Budget to confirm India's credit in the eyes of the world, and that it is for us in the Assembly to provide him with the means for accomplishing that task. At the same time I would like to emphasize that, until we are certain of the line of action which Government are likely to take before this Bill reaches its final form, our decision as to our course of action remains indefinite. But the purport of my speech to-day, Sir, is to bring into clear relief what in our view is one of the underlying reasons for the present state of the deficit in the income-tax revenues and what we consider to be a contributory cause of the need for this further surcharge that it is now proposed to impose, and further to point to the conclusion that if action is taken by Government, and we on these Benches are fully determined to exercise the whole of our influence to ensure that Government do take that action—the duration of this overwhelming burden on income, private as well as business, will be curtailed to the minimum period of time. Sir, I refer to evasion of income-tax, and it has been of interest to me at a time, when I was exercising my mind on this question of evasion of income-tax, to come across a reference in the presidential speech of the President of the Bengal National Chamber of Commerce delivered on the 28th October, 1931, when in referring to the income-tax proposals generally, he says:

"Regarding others who are not in salaried employment, the absence of any reliable basis for assessment may be responsible for oppression to many people. I feel that if the Government had taken steps to improve their organisation and methods to prevent income-tax evasion, which has become almost scandalous, they would have obtained a larger volume of revenue than by the means now proposed."

On this question of evasion, Sir, I submit that there is and there can be no shadow of a doubt and the fact of the present financial crisis and the incidence of these proposed serious additions to the income-tax rates make it more urgently imperative than ever that Government must take serious action to combat this organised evasion of income-tax, and bring to the exchequer of the country the several crores of rupees which we here are firmly convinced are due to the Government and by one means or another are now escaping it. Income-tax, Sir, always the most unpopular of all forms of direct taxation, is immeasurably more so in this country where it is recognised by assesses and Government

[17TH Nov. 1931.]

[Mr. John Tait.]

alike that it is borne unequally by those who are supposed to bear it, that it constitutes a heavy charge on honesty, and sets a high premium on dishonesty, and the salaried classes and those business men and business firms who conform to principles of honesty and commercial morality do unquestionably subscribe a disproportionate portion of the revenues of the Income-tax Department for the benefit of those who adhere to none of those principles. That the Government recognize that evasion is rampant throughout the country is apparent from the Annual Report of the Central Board of Revenue in the year 1924-25. On page 5 of that report dealing with evasion, the Board says:

"The Board regret to observe that evasion by taxpayers still continues on a fairly large scale. The Income-Tax Department has already gathered sufficient data in most cases to be able to make a fair assessment even when an assessee refuses to produce accounts or produce false accounts, but there is an important class of cases in which evasion is practised, not by actually breaking the law but by openly flouting it in spirit, while remaining within its four corners. The Board forbears to advertise the methods by which the law is being circumvented, but it is becoming more and more obvious that until the income-tax Department is armed with the same powers as the authorities possess, for instance, in the United Kingdom, of dealing with bogus companies and partnerships that have been created only for the purpose of evading income-tax, the evasion is bound to continue and to increase. This question is receiving the close attention of Government and it is hoped that before long legislation will be undertaken to defeat such evasion, which imposes an unfair burden on the honest man and the general taxpayer." (Hear, hear.)

In subsequent reports, Mr. President, it is to be deprecated that little or no reference is made to the question of evasion, from which it might be assumed that the Central Board of Revenue think that evasion has practically now ceased to exist. But we, who do business in the market places throughout the length and breadth of this country, know perfectly well that, if there has been any movement at all on this question of evasion, it has been definitely in the direction of a considerable extension of it; and in my view, the apathy of the senior authority to a matter which in practically every other direction is looked upon as nothing short of a scandal is unquestionably a contributory factor in the deplorable situation that exists to-day.

Sir, in an attempt to arrive at the extent of this evasion, I have taken out a series of figures, of various sorts comparing conditions in certain of the larger provinces, and you will I think agree with me when I present them to you that they prove beyond all doubt the tremendous evasion that goes on, the tremendous loss to Government that is involved and the urgent need for drastic revision or reorganization of the methods of the Income-tax Department. Sir, my statistics cover population, the number of assesses, the trade of the province as indicated by the customs revenues, the income-tax and super-tax from salaries other than Government salaries and local authorities' salaries, income-tax and super-tax from business and income-tax from property; and realizing the difficulty and the confusion that might arise by dealing with the large figures involved, I have, in order to help Honourable Members to an easier and clearer understanding of the situation, reduced my figures to an abstract in proportion, taking one province as 100 in each series of figures, and the province I have selected as my datum is my own province of Burma. Now, first as regards population, the figures show, taking the 1921 census as more readily at hand, that for every 100 persons in Burma there were 353 in

Bengal, 146 in Bombay and Sind, 320 in Madras, and 157 in the Punjab. These figures are very important, and I would suggest that Honourable Members might note them down as I proceed. Now, given reasonably equal conditions in the various provinces, one would expect that the number of assesses would bear some comparative relation to the population ratios. But we find that in Bengal, instead of there being 353 assesses for 100 in Burma, there were only 166 assesses in the income-tax year 1929-30. Bombay shows up very much better, with 267 assesses against a population ratio of 146. (Mr. H. P. Mody: "More honest.") (Mr. B. Das: "Bombay is richer than Bengal, which is poorer.") Madras, on the other hand, has only 150 assesses against a population ratio of 320. So it is much the same as Bengal, while the Punjab shows 125 assesses against a population ratio of 157. Before we proceed further, it will perhaps be necessary to realize that Burma is a poor country. It is a backward country as regards industry, except for one or two major industries, and where the average business firm is definitely smaller than the business firm in other provinces like Bengal and Bombay, and the large and wealthy bazaar merchant whom we all know and whom we find in every town throughout Bengal, Bombay, the U. P. and the Punjab definitely does not exist in Burma other than in a few exceptional cases. These being the circumstances, how are we to explain the low number of assesses in Bengal, where the number is less than half of what it would appear it ought to be? Let us now consider the trade figures. Taking the customs revenue for the year 1928-29, we find that the total in Bengal was Rs. 423 for every Rs. 100 in Burma. In Bombay it was Rs. 398, and in Madras it was Rs. 96. I shall probably be told that the customs figures provide no reliable indication as to the trade of a Presidency (Mr. B. Das: "Quite so, quite so,") because the customs figures do include a considerable transit trade from other provinces. But while I freely admit this, I do claim that on all the transit trade passing through the ports of Calcutta or Bombay, a certain interest remains in Bengal or Bombay as the case may be in the shape of handling charges, commission, etc., but, and this is my strongest point in these three Presidencies, with populations which have to be fed, clothed and generally provided for, of 46 million in Bengal, 19 million in Bombay and Sind, and 42 million in Madras, the internal trade consequent on these enormous populations will more than off-set any reduction on account of transit trade which might have to be made on the customs figures. Calculating on these customs figures we should expect the income-tax revenue in Bengal to be $4\frac{1}{2}$ times that of Burma, Bombay should be 4 times and Madras practically identical with Burma. But we find something different. Instead of $4\frac{1}{2}$ times which Bengal ought to provide, she provides 3 times only; Bombay, instead of providing 4 times the Burma figure, provides $1\frac{1}{2}$ times and Madras comes along with a paltry $\frac{1}{2}$ only. It is probably noteworthy also that the total demand for income-tax and super-tax in the Punjab is one-third only of what it is for Burma or Rs. 32 for every Rs. 100 in Burma.

Mian Muhammad Shah Nawaz (West Central Punjab: Muhammadian): Punjab has no industries and there is no seaport in the Punjab.

Mr. John Tait: I have said earlier that the salaried classes rarely escape income-tax in whatever Presidency, and this is borne out by comparing the income and super-tax derived from salaries in Burma with similar statistics for Bengal and Bombay. In Bengal Rs. 394 is collected for each Rs. 100 in Burma, and this compares fairly closely with the

[Mr. John Tait.]

population ratio. Bombay provides Rs. 225 which is in excess of the population ratio, and can be explained either by faulty assessment in Burma or probably and what is more likely, by a greater proportion of salaried classes in the industrial areas of Bombay. Madras on the other hand makes a very poor showing with Rs. 76 only for every Rs. 100 collected from the same source in Burma. Madras of course is a very poor province. I realise that the level of remuneration there is lower than it is in other provinces. Still, with a population of 42 million souls, the low ratio for assessment of salaries requires some explanation. However, it is not on the assessment of salaries that the crores of rupees are lost. It is on the business assessments, or rather the assessments which ought to be levied on business but which by one means or another are not levied. In the province of Bengal, with Calcutta, the second city in the Empire, with its probably 40 or 50 large firms, with the head offices of huge concerns operating in all parts of India but assessed for income-tax in Bengal, with its huge jute mill industry, its coal, its engineering, its shipping, insurance, the exchange banks, and the huge bazaar trade there, with all that, the income-tax derived from business in the year 1929-30 was only Rs. 232 to every Rs. 100 derived in Burma from the same source, or practically 2½ times. Now, Burma has practically no more than half a dozen really large business firms. The largest timber firm is assessed for income-tax in Bombay, the shipping firms are assessed in Bengal or Bombay and all the exchange banks are assessed in Calcutta. I am not suggesting that the income-tax collection in Burma is perfect. It probably is very far from being so. But calculating proportionately on the Burma basis in relation to the trade in each province, as evidenced by the customs figures, we find that Bengal should provide income-tax from business to the extent of Rs. 5.86 lakhs, whereas she is only providing Rs. 2.93 lakhs—a difference, mark you, of Rs. 2.43 lakhs. Bombay, which should provide Rs. 4.98 lakhs, provides only Rs. 1.57 lakhs, a difference in Bombay on the assessment on business of Rs. 3.40 lakhs.

Mr. H. P. Mody: That shows the extent of the depression in Bombay.

Mr. John Tait: And Madras, which should provide Rs. 1.21 lakhs, provides only 96 lakhs, showing a shortage of Rs. 25 lakhs. In all, therefore, from these three Presidencies, i.e., from Bengal, Madras and Bombay, the loss to Government revenues on income-tax assessment on business reaches the colossal figure of Rs. 6 crores. (*An Honourable Member:* "Shame.") I quite realise that the figures I have provided are rough and ready. I do not say that they present an entirely true picture, but even allowing for a wide margin of error, I think Honourable Members in this House are entitled to assume that there is a clear loss to the revenues of the country on this score of not less than Rs. 4 crores.

We now come to property. Any one who has been in Burma will agree with me when I say that outside Rangoon city, with a population of under 400,000 people, and Mandalay, which to all intents and purposes is a dead city, there is really very little property at all which is assessable for income-tax. On the other hand, cast your mind to Bengal, Calcutta, Bombay, Karachi. In Calcutta alone, the annual value of property for municipal assessment in the year 1929-30 was Rs. 9.90 lakhs. In Bombay the municipal assessable valuation of property was Rs. 13.81 lakhs, in Madras it was Rs. 2.17 lakhs, and in Rangoon it was Rs. 3.88 lakhs. These are for the cities. Now what do we find in the figures of income-tax assessment? For every Rs. 100 in Burma, Bengal can produce

Rs. 237 only, or actually, the whole of Bengal produces on this score—assessment on property—Rs. 19,61,000 and Burma Rs. 8,26,000. I think in the known circumstances there can be only one word to describe a difference of that nature, and it will be unnecessary for me to give expression to it. In Bombay, on the other hand, it is fairly good again with Rs. 378 collected on property. Madras however is Rs. 63 only and the Punjab is Rs. 58; or in total figures, Bombay produces Rs. 31,21,000, Madras Rs. 5,18,000 and the Punjab Rs. 4,82,000. Now, Sir, if these calculations mean anything at all, if they provide any indication as to what the real position in the provinces is on this question of evasion of income-tax, then I feel confident I will have the House behind me in pressing upon Government the absolute necessity for such action to be taken as should be adequate to ensure that organised evasion of income-tax is put an end to with the least possible delay and this irrespective of established rules, regulations or routine, of personnel or of any other consideration. If the present system, rules or regulations are such as require alteration to ensure improvement then there must be no delay in effecting that alteration. If existing personnel is not likely to show early and full results, then there must be no hesitation in changing that personnel. If the law of the land does not give adequate powers—and I know perfectly well that it does not—then the law must be changed. We urge upon Government that the urgent need to examine the organization of the collecting department with a view to tightening up the work of assessment brooks no delay, and I am authorised by my Group to say to Government that, whatever our action may be now, we reserve a right to refuse the Demands for Grants when they come before the House in February or March unless we are satisfied then that suitable action has been taken and that improvements are definitely and actually in train. It is not for me to suggest the manner by which this blot on the administration of the Government can best be removed. Clearly it is for Government themselves to decide that. But I offer four suggestions for consideration: they may or may not appeal to the Revenue Department as applicable to India. On the other hand, we think they are. We suggest:

First, that Government should take full powers to call on an assessee to present a return duly certified by a chartered accountant. We realise the difficulties of this rule in a country like India, but this points the way, this lays down the principle and it is for the Department to apply it in such modified form as may be necessary to meet all the varying conditions in this country. The second suggestion is that when an assessee makes no return and proposes to keep no books of account, then the Income-tax Department must double his return each year until he does keep books. This, I understand, is the procedure in the United Kingdom. The third suggestion is that Government should enact that every assessee shall have his books officially stamped and sealed every year by the Income-tax authorities. Only books so sealed shall be admissible in a court of law to prove any claim in any suit or other proceeding. It will be clear to my legal friends that this would prevent two sets of books being kept; and my last suggestion is that Government should take steps to amend the law so as to make the giving of false returns punishable with rigorous imprisonment and a fine three times the amount of which Government have been deprived. As far as I am aware, the maximum penalty under the existing rules is six months' simple imprisonment and a moderate fine.

Mr. B. R. Puri (West Punjab: Non-Muhammadian): In the case of big firms, whom would you like to be imprisoned?

Mr. John Tait: The Directors, I suppose.

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhammadian): If they are outside India, would you allow them to be imprisoned?

Mr. John Tait: We are only dealing with India.

It is interesting to note, in reading through these reports of the Central Board of Revenue, occasional references to cases where a person who has made a false return has been prosecuted. We find such sentences as: "One day's simple imprisonment and a fine of Rs. 120." There was another case referred to in one of these books where an assessee had declared his income as Rs. 500 instead of Rs. 5,000. The sentence of the court was a fine of Rs. 60 which, the Revenue Department cynically remark, was exactly one half of the amount Government would have been deprived of had the fraud not been detected.

Well, Sir, that is all I propose to say regarding evasion of income-tax. The next step is with the Government. We await with very great interest to hear what they propose to do, but before I conclude, Sir, I have one further matter to bring before Government. Under the Income-tax Act of 1922 assessments are made in the current financial year on a basis of the previous year's income. If the rate at which the tax is levied is increased during the financial year, the assessment naturally is made at the higher rate. Since on salaries and interest from Indian securities income tax is deducted at source, that is, at the time of payment, and consequently is tantamount to a prepayment of income-tax or an advance assessment, according to the Act if the rate of tax is increased in the following year such income which has already paid income-tax is subject to a re-assessment at the higher rate. On previous occasions Notifications have been issued by the Government exempting such income, and what I ask from my Honourable friend the Finance Member now is to give us an assurance that a similar notification will be issued on this occasion, and I think Honourable Members will agree that this is only fair and reasonable, because otherwise salaries earned during the year ending the 31st March, 1931, and which have already paid income-tax by deduction at source will be subject to this re-assessment at 12½ per cent., and salaries and interest on Indian securities earned in the current financial year and still to be earned in the remaining months of this financial year will be subject to re-assessment at 25 per cent. surcharge instead of at 12½ per cent. I have no doubt whatever that Government have every intention of issuing that Notification but if they do make a statement now it will unquestionably remove a great deal of apprehension which is held by all salaried classes throughout the country; and finally, Sir, I would say that we here can see no real reason why in the drafting of such a Bill provision could not have been made to exempt these incomes at the outset.

Mr. N. N. Anklesaria (Bombay Northern Division: Non-Muhammadian Rural): Sir, the other day the Honourable the Finance Member stated that the duty on machinery was the ugliest of his financial progeny this year. I am afraid that when the Honourable Member said this, he was reckoning without the numerous income-tax proposals which he has made this year. One fails to understand how the Honourable Member was able to conceive such a big brood of unpleasant things as are to be

found in his income-tax proposals. The Finance Member stated that the reason for the many unpleasant proposals he has made is that he wants to balance the Budget. As I said before, an unbalanced Budget is a symptom, not the cause of the disease which is afflicting the body politic. I do not propose to go into detail, but a very brief analysis of the position will convince you that what I am stating is correct. What is the cause of the unbalanced Budget which the Finance Member fears he will have to face in March next? The cause is this; we have got or are going to have an unbalanced Budget because our customs have produced less, our income-tax has produced less, our Post Office has produced less, and because all the sources of our income have earned less this year. To go back still further, why have our customs earned less? Why have our Railways and Post Office earned less? The reason given is that it is on account of the depression that is afflicting the whole world. This is the cause you have to treat. If you have to treat this cause and if you pass in your mind the various measures for treating this cause proposed by the Finance Member, you will find how very ineffective is the remedy which the Honourable the Finance Member proposes to apply to the disease. Will the income-tax proposals of the Finance Member or the customs proposals of the Finance Member make your railways earn more or make your post office earn more? I submit all these questions must be answered in the negative.

Mr. B. Das: What are your proposals? I should like to know them.

Mr. N. N. Anklesaria: I am just coming to that. There is absolutely no remedy for the world depression. From the time of Vico down to that of Mitchell men have written and spoken of what are called world trade cycles, and this is one of the trade cycles through which we are passing and no Finance Member or anybody else will be able to affect its course in the slightest manner possible by any financial proposals which he may put forward.

Then, I ask, is an unbalanced Budget such a terrible thing as to be worth the fuss which is being made about it? The other day the Honourable the Finance Member himself stated that India was not the only country which has got an unbalanced Budget. He cited the United States; he cited France; he cited England, and if he wants I may cite many more countries. All civilised countries of the world during the present abnormal times have had or are having unbalanced Budgets.

Mr. B. R. Puri: What about the uncivilised ones?

Mr. N. N. Anklesaria: I am just coming to that, if you want them. The Honourable Member said that it was in abnormal times that this unbalanced Budget came, but if you look to the financial history of France, from the time of Colbert to Caillaux in normal times even they have had a series of unbalanced Budgets in France; and you cannot say possibly that the credit of France is second to the credit of any other country in the world. France has survived all that series of unbalanced Budgets, and today France, with the possible exception of the United States, is the richest country in the world. In normal times there are two causes which account for an unbalanced Budget. An unbalanced Budget means that either you have earned too little or you have spent too much. As regards the spending too much, the Honourable the Finance Member has gone deeply into the question, and I congratulate him on the very thorough proposals which he has made for retrenchment. In fact he has spared none;

[Mr. N. N. Anklesaria.]

he has trodden on every toe including his own. (*An Honourable Member:* "Question.") Then, as regards his proposals about earning the proper income, I submit the proposals which he has made now would practically work in quite the opposite direction, as I propose to show now. The Finance Member might ask, as Mr. Das asked, "What do you propose we should do then?" He gave us an example of the private individual who would live within his income. I will tell him what a private individual would do in exceptional times like these. Suppose a man has got immovable property worth 10 lakhs of rupees, from which he gets an income of Rs. 50,000, and his domestic budget is balanced; he spends as much as he gets from his lands. Suppose also that he has got a daughter to get married and he estimates the expense at Rs. 50,000. What does he do? Does he fuss about telling people, "my budget is going to be unbalanced; what shall I do?" No. Does he go to his clerk and say, "Mr. Clerk, I have got to get my daughter married; will you therefore submit to a cut of 10 per cent. in your pay?" No, he does not do that, nor does he go to his cook or any other of his menial servants and make them the same request. Again he does not dispense with the services of one of his *pattavalas*. What does he do then? He goes straight to the banker and says, "Mr. Banker: you know I have got ten lakhs; I have got to get my daughter married: will you lend me Rs. 50,000? I shall be able to pay it back within a certain period". And thus the thing is done. That is what a private individual would do; and I say that is exactly what that great authority Mr. Keynes, on whom the Honourable the Finance Member relied the other day, would advocate as a means for balancing the Budget in abnormal times. That is exactly what every European country, which has had a favourable balance of trade as India has had, has been doing and, I am sure, will continue to do so long as the Government of that country has to regard the opinion of its citizens as worth anything. The Honourable the Finance Member spoke to us of certain dismal gradations through which countries pass, and those gradations are stated at page 1263 of the report of the debates for the current year. This is what he says:

"Budgetary deficits, met first by borrowing; then a reluctance of the public to subscribe to Government loans or treasury bills; then recourse to the note printing press and inflation to provide funds to meet current public expenditure; then collapse in confidence in the currency; notes printed faster and faster until the amounts reached astronomical figures, and finally the complete disappearance of any value to the currency at all."

Our Honourable Members will read the debates in the House of Commons for last September, they will find Mr. Ramsay MacDonald talking exactly in the same way as the Finance Member spoke in September last. But the same Mr. Ramsay MacDonald, just a few days before he was talking as the Finance Member was talking, was advocating borrowing, borrowing and continual borrowing for balancing the English Budget, and was putting that advice into practice, and it was because he could not possibly borrow that he had to consent to balancing the Budget by fresh taxation. The other day I gave a challenge to the Finance Member to name one single country throughout the world which had a balance of trade in its favour and which met its unbalanced Budget in the present abnormal times not by borrowing but by fresh taxation. I am waiting to hear an answer to that challenge today. If he gives me that answer, I propose to vote for his proposal; if he fails to give me the answer I will vote against him.

Sir, it was said that borrowing would have disastrous effects on our Budget. From 1919 to 1924 we had a series of unbalanced Budgets in India, let alone France or any other country, and we balanced those Budgets by borrowing, and as the House will see we have survived that period. Not only have we survived it

Mr. B. Das: There was heavy taxation in 1921-22.

Mr. N. N. Anklesaria: In 1922-23 we raised a rupee loan for 47 crores; again in 1923-24 we raised a rupee loan for 23 crores; and I say we have survived all that, and we had a series of surplus Budgets after that period. Sir, the cause of bad credit is not an unbalanced Budget during abnormal times. The cause of bad credit is bad Government, and when I say bad Government, I refer to this present Government, which I say is no Government at all. When you see the Union Jack pulled down and replaced by a tri-coloured Congress flag, when you see agitators and proclaimed seditious patted on the back, when you see, Sir, people talking with impunity that they are out for the destruction of the British Raj, and when you hear people saying that when they come into the seats of the mighty, they propose to repudiate all national debts,—when a Government allows all these things to be done with impunity, is it to be wondered at that that Government does not command credit? I say, Sir, the difficulties of the Finance Member are not so much of his creation as of the creation of the Honourable Member who sits just to his left,—he is not in his place now.

Then the analogy of England was given to us as regards the proposals for fresh taxation, but as I have never been tired of dinning into the ears of those concerned, England is not India. Unlike the English Government, the Indian Government does not command the confidence and trust of the Indian people. Here the Honourable gentlemen of the Treasury Bench are looked upon as "A gang of foreign exploiters, who are here not for the good but for the goods of India". It is a very foolish and perverse idea, but that idea is in existence, and it would be wrong for the Finance Member not to take account of it.

Mr. B. R. Puri: What do you propose?

Mr. N. N. Anklesaria: Sir, in so far as the income-tax is concerned, the conditions which obtain in England are very very different to those obtaining in India. There are peculiar facilities for evasion in India as the Honourable Member who spoke last pointed out, and the facilities for capital migrating into the neighbouring Native States is another factor which is non-existent in England. Sir, I offer these remarks with great diffidence and great hesitation, because the Finance Member is the greatest financial expert in our country today, and I am a mere lawyer. He has asked us not to force Government into an unsound financial course, and I quite agree with him, because mistakes in public finance do generally lead to disastrous consequences. As professor Leroy Beaulieu said:

"La science des finances a une terrible façon de se venger des gouvernements qui l'ignorent ou qu'ils bravent."

An Honourable Member: What language is this?

Another Honourable Member: It is French.

Mr. N. N. Anklesaria: It means this: that the science of finance has got a terrible way of avenging itself on those Governments which ignore it or defy it. I for one, Sir, would rather trust to the expert knowledge and ripe experience of the Honourable the Finance Member than to the exhortations of the several gentlemen opposite who have talked about this matter in a manner which shows that they do not understand what they have been talking about.

Sir Hari Singh Gour: Sir, in replying to the debate on clause 7 of the Bill the Honourable the Finance Member justified his proposal under the clause on the ground that he stood for broadening the basis of taxation, and he said that his defence of that clause was supported by moral and financial grounds. The Honourable the Finance Member never made even a passing reference to the emergency legislation which he said he was sponsoring, and I therefore take it that if clause 7 had been passed, it would have been a clause which would have found a permanent place on the Statute-book because it was one of those clauses which conformed to the principle which the Honourable the Finance Member has enunciated; namely, that his policy is to broadbase the principle of taxation in this country. Sir, we have known the Honourable the Finance Member ever since he occupied the distinguished position which he does to-day, but I for one never knew that the Honourable the Finance Member had a dual personality. I do not know whether to-day he was speaking as the Finance Member or as Sir George Schuster, because I find that only last year when the Government in India had to consider the question of broadbasing the taxation of this country, in their memorable despatch sent to the Secretary of State over my Honourable friend's signature and the signatures of his colleagues, he stoutly resisted the lowering of the taxable limit from Rs. 2,000 to Rs. 1,000. He further stoutly resisted the increase in the rates of income-tax as suggested by Sir Walter Layton. The important passages which I should like to recall to the House are contained at pages 54 and 216 of the Government of India's despatch on the Indian Reforms. Speaking of the income-tax, they said:

"It is not necessary to discuss at length the suggestions which have been made by Sir Walter Layton for increasing the return from income-tax by lowering the exemption limit and steepening the gradation of the tax"—(the two points with which we are now concerned in clauses 7 and 8).—"These are suggestions which have been examined more than once before, and there are considerable practical objections to them. We include in the appendices an extract from a note by the Senior Member of the Central Board of Revenue on the subject."

The Senior Member of the Central Board of Revenue is, I presume, Sir Loftus Tottenham, who has unique experience of the Income-tax Department in this country. Let me give you his words. No speech of mine or of any Member on this side of the House could be stronger in condemnation of the proposals of the Honourable the Finance Member. Let me give you his exact words. At page 218 he deals with these two points,—the question of lowering the limit and of steepening the rates. He says:

"Sir Walter Layton suggests that the exemption limit both for income-tax and super-tax (Rs. 2,000 and Rs. 60,000 respectively) are too high and should be lowered but has made no specific recommendation. The exemption limit for income-tax was raised to Rs. 500 in 1886, to Rs. 1,000 in 1903 and Rs. 2,000 in 1919. I do not suppose that anybody would propose that the limit should be placed lower than Rs. 1,000. If it were proposed to lower the exemption limit, it seems to me that it would be difficult to resist a demand which has been made even under existing conditions that allowances should be given for wives and children. As the Taxation Enquiry Committee observed, practically every taxpayer in India is married, whereas in England

there is a large number of unmarried persons of both sexes who pay income-tax. With reference to Sir Walter Layton's suggestion that the exemption limit for income-tax in India is high, the absence of any allowance for wives or children or for earned income must not be overlooked. As a matter of fact, for a married man even without children the exemption limit in England (£225) is higher than the exemption limit in India. The exemption limit proposed in the draft Ceylon Ordinance, it is interesting to note, is Rs. 2,400, and it provides for a personal allowance of Rs. 2,000, an allowance of Rs. 1,000 each for wife and family (whatever the number of children) and an earned income allowance of one-fifth of the income subject to a maximum allowance of Rs. 4,000. I presume that the economic conditions in Ceylon are not so very different from those in India, though probably the general standard of wealth is higher."

Then, dealing with the subject of what is now clause 8 he says as follows:

"It is also worth mentioning that although the assessable limit in the case of a single person is somewhat higher in India than in England, the percentage taken as tax of the lower incomes in India, if I may rely on the tables at the end of the draft Ceylon Ordinance, which were prepared by an expert from Somerset House, is actually higher—and a great deal higher—in the case of earned incomes in India than in the United Kingdom, even if for the purposes of comparison unmarried persons in the United Kingdom are taken. The table shows the following percentages"—mark these percentages—

	Income—all earned.	
	British India (all classes). Rs.	United Kingdom (single persons). Rs.
Income Rs. 2,400	62.5	20
Income Rs. 1,500	65.16	28.33
Income Rs. 800	78.13	70

Mr. B. Das: It has gone up since the last Budget.

Sir Hari Singh Gour: I am coming to that, and now it is going to be surcharged by 25 per cent.

"Even where the income is all unearned, the tax on an income of Rs. 2,400 for all classes of assesses other than companies and registered firms, is Rs. 62.5 in India against Rs. 60 for a single person in the United Kingdom."

Such was the state of affairs before, as my friend Mr. B. Das has pointed out, the rate of assessment was increased last year. What would be the disparity between the middle class assessee in India and in England if this House accedes to the demand of the Honourable occupant of the Treasury Bench by raising his assessment by one-eighth more?

The Honourable Sir George Schuster: My Honourable friend might also take into account the very substantial increases in the British rates.

Sir Hari Singh Gour: The Finance Member says that I must take into account also the very substantial increases in the assessment of British income-tax. Yes, Sir, but will the Honourable the Finance Member also make a note of the minimum average income of the British person and compare it with the average income of the Indian, and then he will come to the right conclusion that a saturation point has long ago been reached in the assessment of income-tax in this country. If this were an emergency measure which by its own course will cease to exist on 31st March, 1933, it would even then be obnoxious to the main principle of assessment to which I have adverted, but we now find from an undercurrent of the Honourable the Finance Member's thoughts that this measure is intended to broadbase the principle of taxation in this country. Sir, in 1886, the

[Sir Hari Singh Gour.]

then Finance Member gave an ample and emphatic assurance in the late Imperial Legislative Council, when the small burden that was being placed in the shape of income-tax was necessitated by the Burmese War and the sudden fall in the price of silver, that it would be removed as soon as the conditions improved but far from removing it, the rate has been increasing from time to time till the maximum taxation in this country averages 7 annas per rupee including the super-tax. That, I submit is as heavy a direct burden thrown upon the tax-payers of this country as can be borne by the assessee in any country, and when we remember that the incidence of this taxation is levied regardless of all principles enunciated in the English Income Tax Act, regardless of all principles of justice and fair play, is there any Member on this side of the House, I ask, who would give the Honourable the Finance Member a blank cheque to assess the people of this country? We have been reminded of the principles of taxation in the United Kingdom. The Honourable the Finance Member just now interjected a remark that in the United Kingdom the rate of income-tax has been very recently increased, but if he would be good enough to read the appeal which has been signed by no less than 54 Members of this House, he will then understand the trend and volume of grievances from which the people of this country and their representatives in this House suffer, and which they time and again have been asking the Honourable Members on the Treasury Benches to redress and for which they have been asking in vain. The whole principle of taxation in this country is diametrically opposed to the principle of taxation in the United Kingdom. As you are aware, in the United Kingdom the assessment is made by what is known as the Income-tax Commissioners, who are ordinarily honorary men drawn from the people, and an appeal lies to what are called Special Income-tax Commissioners, who are courts of appeal unconnected with the assessment, and then if you wish to appeal to the High Court you have to pay only 15s., and you can refer the case to that High Court. What are the facts here? You have an Income-tax Officer who makes the assessment. You have his colleague who professes to hear his appeal and the Income-tax Commissioner who hears the petition for revision. Sir, as the Honourable the Finance Member has vast experience of other countries, I ask him has he ever seen a situation like this, where you have the same man assessing the assessee, a man of the same Department hearing the appeal, and the head of that Department hearing the petition in revision. Long before the advent of British rule in India, we had a replica of the procedure which was adopted by the nine tyrants of Venice during the days of its decadence, and that procedure was this. A policeman drew up a confidential note against a person and then he sent it to his Superintendent of Police, who immediately called up the person and said, "You have committed a most heinous crime. You were a member of a dacoity gang last night. You say you know nothing about it and that you have been dining with the Deputy Commissioner of the District. That may be so, but my report says that you are guilty and you are sent to jail for seven years". That was the procedure which the nine tyrants of Venice adopted. That was the procedure in the early days of criminal administration in this country. Sir, we have to live and learn. Here in the year 1931, when the whole world has been democratised, when the people in this country are crying aloud for their emancipation, we have this archaic procedure enacted as far back as 1886, if not in the early seventies, when the assessing officer was a court of appeal and the assessing officer

was a court of final revision as well. Have you heard of a monstrosity of this character anywhere on the surface of the earth? And yet with seeming confidence the Honourable the Finance Member comes up before us and says, "Give us 25 per cent. of surcharge". Not only that. Honourable Members have perhaps not read clause 8, because if they read clause 8 they will find lurking therein a proviso which is as singular, as unique, as unprecedented as any provision of that

4 P.M. character can ever be, placed upon an Indian Statute-book! Turn to clause 8, and look at the last clause of clause 8. Sub-clauses (1) and (2) of clause 8 deal with what you may call the principle of assessment. Then you have sub-clause (a), which deals with Part II of Schedule II of the Act dealing with the additional tax, and then comes the main clause. Now read that clause. Let me read it:

"The Central Board of Revenue may make rules . . . (Mr. S. C. Mitra: "Any rules.") (ii) regulating the procedure of income-tax authorities in securing the assessment and collection of the tax and the granting of refunds arising therefrom."

You give, by one stroke of the pen, a power, unfettered, unlimited and uncontrolled, to the Central Board of Revenue to make statutory rules such as they may consider fit and proper, to make assessments and to realize the same. Why are we here? We might have passed a short statute giving the Honourable the Finance Member full rule-making power to make all assessments, to realize them in any way he likes, and to exempt any person he chooses, and our business is done!

Sir, we the Members of the Legislative Assembly, feel astounded at the boldness of those who venture to think that Members on this side of the House will walk into the trap which has been so cunningly laid for them. I am surprised that even under the Act of 1886, even under the Act of 1922, the Act which rules the day, the Central Board of Revenue (consisting of one or two individuals) have no power of the character with which they would be armed if this clause is enacted into law. Sir, if that were all, it would be sufficient for Members on this side of the House to throw out this clause, but that is not all. As Honourable Members one after the other have said, we have been for a very long time, at least ever since we assumed office as Members of the reformed Legislature, asking the Honourable occupants of the Treasury Benches to revise their laws and bring them into conformity with the spirit of the age. Year after year we have been pressing upon the Honourable the Finance Member that, if he wants the support of the elected representatives of the people here, he should reform the procedure, and correct the machinery for the collection of income-tax. That has not been done; and, as a last resort, 54 Members of this House have taken upon themselves the onerous responsibility of revising that procedure in the shape of a non-official Bill. Surely, Sir, when the attention of the Honourable the Finance Member was drawn to this flagrant departure from the normal law, it was the duty of the Finance Member to persuade his colleagues to assume the responsibility for this measure and to say to his colleagues, "I cannot place a heavier burden upon the shoulders of the assessee in this country unless at the same time I am able to assure him that the machinery for the collection of taxes would be improved and would be brought into greater conformity with the practice of modern countries". Has he done that? He has done nothing of the kind. He leaves the non-official Members on this side of the

[Sir Hari Singh Gour.]

House to take their chances in the ballot for the promotion of their measure, and yet he wants you to support his Bill for the increase of the income-tax to the extent of 25 per cent.

Some Honourable Members on this side of the House may be under a misapprehension that this clause will only tax the rich man. Let me assure them that it will tax all persons who have an annual income of Rs. 2,000 or more; and let me once more warn those of my friends who live in glass houses and feel secure that, because they enjoy agricultural incomes, therefore they would be free from this burden. Let me tell them once more that if they ever suffer from this delusion, they will wake up only to find that they, along with the rest of the community, are thrown into the maelstrom of this taxing reform. Sir Walter Layton, Sir, recommended the levying of income-tax upon agricultural income and the levy of a succession duty. Those of my Honourable friends who had from Bombay must remember that the Bombay Government have already tabled a Bill for the purpose of levying a succession duty both on the demise of Hindus and Muhammadans. (Hear, hear.) Sir, here my friend, the Honourable the Finance Member, makes it difficult for us to live, and our friends in Bombay make it difficult for us to die! (Laughter.) Such is the situation in which the Members of this House have been placed by the combined action of the Government of India and the Local Governments. We were told the other day that a decision had been reached at the Round Table Conference that the income-tax would be a provincial tax. If that is so, I should have thought that it would have been wiser on the part of the Honourable the Finance Member to just carry on and not revise the taxation policy and broadbase that policy in the manner in which he proposes to do it. I feel, Sir, that the Honourable the Finance Member must have got a secret despatch in his pocket, that so far as the proposals of the Round Table Conference are concerned, they have been thrown into that fabulous waste-paper basket which my Honourable friend, Mr. Brooke Elliott, proposed to present the other day. (Laughter.) (Interruption.) I am told he sold it, but I think he presented it—it is either one or the other. But the fact remains that the Government of India, contrary to the constitutional usage of staying their hands by not embarking upon a new policy pending the decisions of the Round Table Conference, have now launched this Bill, which they at one time called an emergency measure but which, judging from the speeches they have been making and the speeches which the Honourable the Finance Member in particular has been making both in opposing the abolition of the import duty on raw cotton and in resisting the amendment to clause 7, that the Government of India intend that these taxes should be perpetuated and become a part of the ordinary law. That can only be because the Government of India, who last year had opposed these taxes, have since been persuaded to exploit the avenues which they themselves had found justly closed to them. What may be the secret, what may be the reason is more than I can say. But one thing is clear, that the Government of India, of which the Honourable Sir George Schuster was so distinguished a Member in September, 1930, were right in not believing that the rates of income-tax should be raised and that its limits should be lowered. What has occurred between then and now for the Honourable the Finance Member to make such a startling volte face I am not in a position to say. I should have expected that the Honourable the Finance Member would have poured oil upon the troubled waves of opposition, by saying that these are all

temporary taxes brought about by the emergency, and that they would be rescinded as a certainty on the 31st March 1933. Sir, that would have been a mitigating factor; that would have alleviated the misgivings from which we on this side of the House suffer, namely, that these so-called temporary taxes are only thin ends of the wedge and that as the income-tax of 1886, which was imposed for a couple of years, has been continued up-to-date, this measure, if passed into law, will also become a part and parcel of the permanent Statute-book. I therefore think that none of us, agriculturist or non-agriculturist, urban or rural, the so-called rich or the so-called poor, should ever feel the slightest hesitation in combining to oppose by our solid vote clause 8 which, as I have said, is not only vicious in principle but adopts a novel procedure unprecedented in the fiscal history of this country. (Applause.)

Mr. H. P. Mody: Mr. President, we must congratulate ourselves that we have all come pretty well near to the end of our agony. I do not think that the discussion of the last few days could have done any good to the health of my Honourable friend the Finance Member, and I hope he will realize that it has given us on this side of the House no pleasure to offer the stout opposition which we have felt compelled to offer to some of the proposals which he has placed before us. Sir, we have come to the end of the process very nearly, and within a very few days we shall have gone home with the conviction that, after all, the Budget has been balanced. It may be, Sir, as an American journalist once remarked, that it is very difficult nowadays for a fellow to support Government and a wife on one income. (Laughter.)

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): Choose between the two.

Mr. H. P. Mody: We may be obliged to make a choice between the two. Those of us who have happily or unhappily remained in a state of single bliss may have to make the choice but whatever our decision we will at least have the satisfaction that the Budget has been balanced. Sir, let me say that I am greatly disappointed with the attitude taken up by my friends in the European Group. I know them all and I have respect for them. But they seem to be obsessed by the notion that once they are faced with a deficit, their only business is to support the Government and see that the Budget is balanced. May I ask them whose responsibility it is to balance the Budget? I can understand, if our co-operation was invited in the only sense in which co-operation can become real, namely, that when we offer suggestions which are practical and reasonable, they will be duly considered, if our co-operation is invited on that basis I can understand our responsibility in the matter. It may be that, when our co-operation at some date is asked in this way, we may come forward with a Budget which may be equally unpopular; we may be unable to devise taxes which may be free from the objections which have been levelled against the taxes suggested by my Honourable friend. But at that time we shall come forward and say, "We have failed to balance the Budget in any other way but the one which we have placed before the House" and then we shall be ready to take the full odium of the measures which we place before the House. But till that stage is reached, as I pointed out this morning, as long as we are working in an atmosphere of unreality, it is not our business to shoulder the responsibility of balancing the Budget, and I am therefore surprised that my European friends should be so obsessed with one point

[Mr. H. P. Mody.]

of view, that in spite of the fact that they have so many objections to the Budget, they have actually walked into the Government lobby on every single occasion. A little mistake—and I venture to submit it is a mistake, that my Honourable friends in the European Group are making—is that they imagine that they have only to suggest to Government that such and such a duty should go off the moment normal conditions are restored, and the thing is done. I give my friend the Finance Member full credit for honesty of purpose. I think we have all good reason to rely on his honesty and the straightforward way in which he deals with the House. But, Sir, it has often happened for one reason or another that, once a duty always a duty. It seems to me that to the Finance Member, "A thing of duty is a joy for ever". Sir, I am fortified in this conviction by an interruption which he made the other day when my Honourable friend the Leader of the Nationalist Party was speaking. He said that there was not the slightest reason to think that the duty on cotton would go off after the emergency had passed away. Let my friends on the European Group ponder over this. Let them push to its logical conclusion the attitude which they have thought fit to adopt on this occasion, and they will see that every time there is a gaping deficit in the Budget, the obsession that they have that the Budget has got to be balanced will make them walk into the lobby with the Government no matter what their own personal views may be about many of the proposals.

I come now to my principal objection to the surcharges which are made from time to time on the income-tax. I have pointed out in the course of my general observations on the Budget that one of the worst features of this proposal is that it seeks to continually go on taxing a very small number of people in this country. I would like to repeat that out of the total tax revenue of Rs. 85 crores, as much as Rs. 19 crores are hoped to be collected this year—19 crores out of 330,000 people. No matter what the exigencies of Government may be, such a thing can never be right, and I want to ask my Honourable friend whether he proposes to go on indefinitely with this process of pouncing upon pockets which are fast becoming empty. At the beginning of this year he made a substantial increase in income-tax, and he now finds that his deficit on the income-tax will amount to over Rs. 1 crore in the current year. If he goes on making increases, does he think that he will get what he expects?

Sir, another strong objection is that this income-tax is becoming a very heavy burden on trade and industry. My Honourable friend, the Leader of the Nationalist Party, just said that some people on this side of the House seem to think that after all there is nothing wrong about a surcharge on income-tax; there is an income waiting to be taxed and so long as there is an income and a fat fellow to be bled, so long will the process of bleeding be morally justifiable. Let not my friends imagine that this is a tax mainly falling upon the rich. Apart from the fact that incomes of Rs. 2,000 and over are to be taxed, let Honourable Members on this side of the House remember that a large number of people who directly or indirectly pay the tax which companies and unregistered firms pay are people of very modest incomes. After all, when a company pays income-tax or super-tax, whose pocket does it get it out of? The company is not an individual; it is an entity, and the

company can only pay the exactions made upon it by getting them in turn out of a very large number of small investors who are interested in the fortunes of that company. . . .

Sir Hari Singh Gour: And by lowering the wages of the workmen.

Mr. H. P. Mody: It may be that in many cases wages have to be lowered. I have pointed out already how many burdens are being placed upon trade and industry, such as a high bank rate, a rate which makes it impossible for industrial concerns to find finance in these hard times, and high prices paid for stores, materials and the like on account of raising customs duties. All these things directly and indirectly reflect very adversely upon companies carrying on trade and industry. In this connection let me read to you a very pertinent quotation from the *Times of India*, whose weight, influence and moderation cannot be questioned by anybody. The *Times of India* in a leading article a few weeks ago said:

"In every developed country capital is the necessary propulsive power of production, and that power is diminished by what the State appropriates to spend on its own purposes, whether administrative, military or social. Speaking not in terms of ethical theory but of actuality, it belongs to the community more than it does to the capitalist. The latter 'has', in an exclusive sense, what he spends or the interest; the community has the use of the principal for the maintenance of industrial functions without which its life would be impossible. And every penny that the capitalist saves (and it is the rich who are the substantial savers) goes to augment the national money pool which irrigates the whole common existence. It may conceivably be desirable to squeeze the rich for the good of their souls or some other beneficent purpose. But the moment that the process begins to impinge on their savings, the economic life, and freedom of the whole community are made to suffer along with them."

Sir, it is as well to remember that even if on very large incomes the proportion of income-tax is higher in England than in India, there are substantial reliefs granted in England which are not granted either to companies or individuals in India. I have spoken strongly about the way in which what is practically a capital levy is made upon individuals and companies by not permitting them to carry forward losses. If I make a profit of 2 lakhs this year, a loss of 3 lakhs next year and another 3 lakhs in the year after, on the whole I have made a loss of 4 lakhs and yet I have paid to the State on 2 lakhs a very heavy income and super-tax. That is nothing but a capital levy. It is useful to remember besides, that when in England it became necessary to increase the incidence of income-tax, the Chancellor of the Exchequer thought it necessary to go to the relief of trade and industry by allowing for a larger amount of depreciation.

Sir, I do not want to cover every point. I should just like to say that my Honourable friend Mr. Tait, to whom we listened with great pleasure, has made out a most damaging case against the present proposal. If his figures are correct—and I happen to know that he has devoted a great deal of time and thought to this subject—as much as 6 crores of rupees is lost to Government by way of evasion. If these figures are correct, then I want to know how my Honourable friend or any of his friends can go with the Government and support this taxation.

One more point I would like to make, and that is with regard to the question of retrenchment which has been discussed here times without number. I only want to say this, that is, that while in private

[Mr. H. P. Mody.]

employment and in the ordinary channels of trade and industry and business, employers have effected retrenchments for the last two years, the Government of India are still waiting to receive some sort of sanction or approval and are not able to effect any cut in salaries until the first of December. Long after every prudent private employer or man of business has thought it necessary to carry out retrenchment, the Government of India are still waiting. I will not say how that has come about, the fact is there, that the cut in salaries has not yet been effected.

My Honourable friend, Sir Hari Singh Gour, referred to the storm that was raised when income-tax was increased last year by a very considerable percentage. We then said to the Government of India, "Give us relief as soon as possible". We protested against the impositions and we expected that in the next year's Budget we would have a remission of the extra percentage which they got out of us in March. The Government of India's reply to that has been more taxation, more increases in the income-tax. It reminds me of the Scotsman who, being asked to contribute to the local orphanage, sent two orphans. The reply of the Government of India to our demand for a reduction in income-tax stands in the same category, and I hope, Sir, that with the same unanimity with which we have carried other cuts we shall on this side of the House vote unanimously for the amendment.

Mr. Arthur Moore (Bengal: European): Sir, Mr. Mody touched my heart very much when he referred to the attitude of the European Group, for I do feel that we come here like lambs to the slaughter. (Laughter.) I ask Mr. Mody to believe that it is definitely the view of the European Group that not only this Budget but the present scheme of taxation bears particularly hard upon the European, and that it is actually impossible for any normal European to forget the subject of taxation at any time of the day. I would ask him to consider the life of any ordinary European in this country. I wake up in the morning and I drink a cup of taxed tea. . . .

Mr. H. P. Mody: With taxed sugar.

Mr. Arthur Moore: I am afraid I save nothing by the fact that I do not use taxed sugar. I read some newspapers printed on taxed paper with taxed ink. I then have a bath with taxed soap, and when I dress, every garment that I put on is taxed. I brush my hair with taxed brushes; I go to my breakfast which I find laid on a taxed cloth with taxed knives, forks and spoons and dishes: I eat some taxed bacon with a free egg, and then I come to the Assembly in a heavily taxed car, which is driven by taxed motor spirit, and uses taxed oil. Then I find something different: here at least I have the privilege of listening to free speech in unlimited quantity. (Laughter.) My lunch and my dinner are a repetition, only more so, as regards taxation, of my breakfast; and if I manage in between to attempt with a taxed racket to drive a taxed ball over a taxed net, in the end I may by all these cares be driven to drink; and the Honourable the Finance Member has taken precautions that I shall have a taxed drink. After dinner if I go to the cinema, it is taxed as an entertainment, and the film itself is taxed already. Is it much wonder, that when I finally get into my taxed bed, I thank Heaven that the Finance Member has not yet succeeded in taxing my sleep. Well, that is the life of a European in this country.

and we contend that when the larger part of an increasing revenue is raised by the simple scheme of increasing import duties and increasing taxes on income, it becomes increasingly difficult for a European to live. The reason why we do go as lambs to the slaughter, the reason why we have adopted a very different course in this session from that which we adopted in March and from that which I feel pretty certain we shall be compelled to adopt in the future, is this and only this,—that we are convinced that there is in India a national emergency, and that there is a burden which has to be shouldered; and we are not prepared that our Indian friends should say that we failed on that occasion.

Mr. Amar Nath Dutt: Sir, I have an amendment to this clause 8; but as I am afraid, like the other two previous clauses this clause also may be deleted and I shall have no opportunity to move the amendment, I think I should say something about the clause itself. I whole-heartedly support my friend Mr. Lalchand Navalsai. I do not know whether the cry that has been raised from interested quarters has been inspired from over there or whether it was a sincere one, that we should not allow the rich to escape and that they should not be taxed heavily. As my Honourable friend over there, Mr. Studd, has given us to understand, the word "rich" is a relative term; and a man getting 10 rupees a month may consider a man getting 30 rupees a month a rich man. I agree with him, and I think there are people here whose incomes go into six figures and still to some people they are not rich, while to others they are very rich. That being so, I do not think we can discriminate between the so-called rich and the so-called poor while the axe falls so heavily upon them. It is only five or six months since we have had the enhanced income tax; and that for what incomes? On incomes ranging from Rs. 2,000 a year upwards. Even that income-tax on Rs. 2,000 has been raised from 5 to 6 pies in the rupee. I think Honourable Members here can well realise the difficulty of a man whose income is Rs. 2,000 or 3,000 a year, or even Rs. 4,000 or 5,000 a year, even Rs. 10,000 a year, to pay income-tax at the rate fixed by the Finance Act of 1931. As for those people who are burdened with families, who have children to educate, who have daughters to marry, I think their incomes of Rs. 2,000 to Rs. 10,000 a year ought to be exempted from all income-tax. The income-tax is a very iniquitous tax. The principle of taxation according to the old canons of our Hindu sages was that nobody should be deprived of more than one-sixth of the produce which he gets from his land; and therefore the King was called Sasthansabhak. Here my Honourable friend, the Finance Member wants to make the Government of India Samagrabhak, the devourer of the whole income which we get. In levying super-tax upon the rich people, you must also remember that those are the people through whose benefactions we have so many charitable institutions in the land which benefit the poor. Go to the town of Bombay, Sir, your own town, and you will find there the Sir Cowasji Jehangir Hall, the Cowasji Jehangir Eye Infirmary and several such institutions. If one has to pay half of his income in the name of income-tax and super-tax then all such public benefactions will cease and that will not benefit the poor. I have calculated that people whose income is a little over 6 lakhs per year have to pay more than half their income under the Finance Act of 1931. In all conscience, it seems to me that the share that was laid down by the Hindu Kings of taking one-sixth from their subjects is the maximum that you can claim. But here you want to have more than half. To that I object, and so I have put down an amendment to lower the income-tax, indeed, the rate of income-tax on incomes of less than Rs. 10,000 ought

[Mr. Amar Nath Dutt,]

not to have been increased in the way in which it was done and the Finance Member again comes before us and asks us to increase it by $\frac{1}{4}$ th for six months, which means that he wants to increase it by $\frac{1}{4}$ th,—from 6 to 7½ pias in the rupee in respect of poor people whose income is Rs. 3,000, Rs. 4,000 or Rs. 5,000 a year. To this, Sir, we certainly cannot submit. In fact, I would like to reduce this income-tax to the extent of one half if that were possible, if this amendment for the deletion of the clause is not carried. But I hope it will be carried, for that interested cry does not appeal to us—that there is no harm in robbing the rich for the benefit of the poor. It is not really benefiting the poor, it is rather depriving the poor of the various charities that they receive from the rich.

Sir, I was surprised to hear from one Honourable Member about the evasion of payment of income-tax. I do not know what his own experience is in this matter,—I do not care to know it. Probably his experience in the matter is confined to a few commercial magnates like himself. I do not know whether they are really guilty of evasion of payment of income-tax or not, though he says that there are many commercial magnates who are extremely moral. Probably exploiting India according to him is not immoral. I do not know the meaning of that insinuation that there is evasion in the payment of income-tax. I shall just cite a short incident to the House, an incident which came to my knowledge during my professional career at the bar. I am the owner of a market in a village far off from the district town where I practise. Suddenly a half naked person came to me one day and I said, "Oh, I have seen you somewhere", and he promptly replied, "Yes, Sir, I am one of those cloth sellers in your market in the village. But here is a notice served on me for paying income-tax". I was surprised that a man who hawks about cloth in a village market should have been served with a notice for payment of income-tax. At that time, I may tell the House, the limit of income-tax was Rs. 500, and this man was asked to pay an income-tax of Rs. 20, while his whole stock was not worth more than Rs. 30 or Rs. 40. That is the way in which the watch dogs of the Finance Department administer the Income-tax Department, and I can tell the House that, so far as professional men are concerned, they are taxed more than their income. I know a junior pleader who was asked to pay a higher tax than he was really liable to pay, and the advice came from the Income-tax Officer himself, who said that, unless it is given out that your income is high, you will not be able to get higher fees. That is the way by which the professional people are taxed, and the less said about the Income-tax Department the better. In mofussil towns, at least in my own province of Bengal, there is no evasion from people who ought to pay taxes. There may be a few rich people, who resort to such evasions,—but I cannot say anything about it. I do not say that the commercial magnates pay less than what they ought to pay; if an evasion is there it may be there, but I do not care to know it.

Sir, it was really a great surprise to me to find my very amiable friend, the Friend of India, Mr. Moore saying that the European Group comes here like so many lambs to be slaughtered. I hear also a sinister voice from a corner of the House that they are wolves in sheep's guise. (Laughter.) I do not subscribe to that opinion.—I wish they were so many lambs, and I hope they are so. They are inoffensive no doubt, but at the same time in all measures, be they good for the country or be they good for the

good of their own community, they walk into the lobby with those who occupy the Treasury Benches. Sir, I think if they want to have any connection with India which will be for the mutual benefit of their country and our own,—for I believe that it is an all-wise Providence that has mixed up our destinies and that we are destined for many a long and weary year to work side by side for the common benefit of both of us,—of course, at times we are apt to forget these sound canons which ought to govern our conduct,—as I said, if my friends want to have any connection with India, they ought to sympathise with our aspirations and desires and work for our good. I am, Sir, one of those who do not advocate any kind of disorder or anarchy in the country. I do not expect to gain anything by disorder and anarchy, and I think I am more interested in the preservation of law and order in this country than my friend over there, for I know that my ancestors have lived in this country for more than three thousand years, and I have no other country to look to where I can go and settle down, while my friend over there can pack up his bag and baggage and say, "All right, good-bye to India, we will not stay here". (Laughter.) So it does not do justice when he says that some of us are not interested in the preservation of law and order...

Mr. Arthur Moore: I did not say that.

Mr. Amar Nath Dutt: I mean by you the Europeans as well as the Official Benches.

Mr. President: We are now dealing with the income-tax surcharge.

Mr. Amar Nath Dutt: Yes, Sir. (Laughter.) Sir, this surcharge, as I was submitting before the House, will help my friend, who is enjoying a hearty laugh over there, to get high and fat salaries for himself and his colleagues, but, Sir, considering the income of the traders, the income of the professional men, the income of the agriculturists have gone down very considerably even by 60 or 70 per cent., it is hardly fair to tax the people further; therefore, I demanded that in order to balance the Budget every salary should be cut down to the extent, not of 30 per cent, to which my friend the Finance Member took exception, but to the extent of 50 per cent. and thereby you should balance the Budget. If you do not want to serve India on reduced salaries to such an extent as I have mentioned, then you are quite welcome to go back, and we will manage our own affairs (Loud laughter), but do not increase the surtax and super-tax which has reached bursting point.

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 18th November, 1931.

LEGISLATIVE ASSEMBLY.

Wednesday, 18th November, 1931.

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

QUESTIONS AND ANSWERS.

GRIEVANCES OF HAMALS AT VICTORIA TERMINUS STATION.

1356. ***Rao Bahadur B. L. Patil:** (a) Referring to the answer to starred question No. 1146, dated 2nd October, 1931, will Government please state whether any communication has been received from the Agent, Great Indian Peninsula Railway, with regard to the bad plight of the *hamals* working in the Victoria Terminus Station, Bombay, owing to the objectionable methods of the contractor?

(b) Are Government aware that the public are put to much inconvenience in that they are required to pay more to the licensed *hamals* as they themselves are paying a considerable part of their income for getting their licence?

(c) If so, what do Government propose to do in the matter?

Mr. A. A. L. Parsons: (a) and (b). No.

(c) Does not arise.

APPOINTMENT OF CARETAKER FOR THE SECRETARIAT AND COUNCIL HOUSE IN NEW DELHI.

1357. ***Mr. Badri Lal Rastogi** (on behalf of Mr. Bhuput Singh): (a) Is it a fact that there is a post of caretaker of the Council Chamber building and the Secretariat buildings at New Delhi? If so, is it a fact that one Mr. Palmer has been appointed in that post?

(b) Will Government be pleased to state whether he has been given free quarters; if so, why; and what is the rent of such quarters? Is it furnished and does he pay rent for furniture?

(c) Will Government be pleased to state whether he has got any engineering qualification for being selected for the post? If not, will Government be pleased to state the reasons for appointing a man to this post without engineering experience?

(d) Are Government aware that questions have been asked in the Legislative Assembly in the past as to why the posts of caretakers of Government of India buildings are reserved for Anglo-Indians? If so, what action did they take for appointing Indians to such posts? If no action has been taken, will they please state the reasons?

(e) Is it a fact that before Mr. Palmer, there was another Anglo-Indian caretaker of the Chamber? Is it a fact that he used the Chamber furniture for his private use and for which he was shunted out of this post?

(f) Will Government be pleased to state what action was taken against that caretaker for this abuse of his powers? Is it a fact that he used to loan out Council House furniture to his friends as well?

The Honourable Sir Joseph Bhore: (a) Yes; the appointment is not a recent one.

(b) Mr. Palmer is given free unfurnished quarters consisting of three rooms on the second floor of the Secretariat, North block. In the case of Caretakers, it is usual to give free quarters. The rent of the quarters would work out to Rs. 546 per mensem if calculated on the total cost of the Secretariat buildings.

(c) No. It is not considered necessary that the Caretaker of these buildings should possess any engineering qualifications.

(d) Yes. No appointment has been made since the questions were asked.

(e) Yes. In reply to the second part and to (f), the Government have no information.

APPOINTMENT OF INDIANS TO POSTS OF SUPERINTENDENTS OF QUARTERS, ETC.

1358. ***Mr. Bhuput Sing:** (a) Is it a fact that there is another Anglo-Indian, Mr. Thomas, as Superintendent of Quarters in Old Delhi?

(b) Is it a fact that there was one more Anglo-Indian Mr. DeKnox known as Furniture Supervisor?

(c) Will Government be pleased to state why in any of these posts so long no Indian has been appointed?

The Honourable Sir Joseph Bhore: (a) There is no post of Superintendent of Quarters in Old Delhi. Mr. Thomas is Caretaker of the Secretariat buildings in Old Delhi, and is also in charge of other work elsewhere.

(b) Mr. deKnox, who is a European, is at present temporarily employed in assisting the Estate Officer.

(c) I would refer my Honourable friend to the reply which I have just given to question No. 1357 (d).

PAY OF CARETAKERS AND ALLEGATIONS AGAINST MR. PALMER.

1359. ***Mr. Bhuput Sing:** (a) Are Government aware of the mal-treatment of the inferior servants by Mr. Palmer, caretaker of the Council Chamber building at New Delhi? If not, do Government propose to inquire into the matter? If not, why not?

(b) What is the pay of the posts of Mr. Palmer, Mr. Thomas, and Mr. DeKnox and the length of Government service of each of them?

The Honourable Sir Joseph Bhore: (a) No. I am not prepared to make an enquiry of a general nature, but will be glad to enquire into any specific case if my Honourable friend can give me details.

	Y.	M.	Pay Rs.
Mr. E. Palmer— service	5	8	345
Mr. J. E. Thomas— "	8	3	350
Mr. W. C. deKnox— "	6	7	230

RETRENCHMENT IN THE CORDITE FACTORY AT ARAVANKADU.

1360. ***Mr. K. P. Thampan:** Will Government be pleased to state:

(a) what is the extent of further retrenchment proposed in the Cordite Factory at Aravankadu;

(b) whether and, if so, to what extent, it is proposed to make the superior staff bear the burden of retrenchment;

(c) whether in sending away men, any attempts have been made to secure voluntary retirements by offer of gratuities;

(d) whether it is a fact that 41 men in the prime of life, who have put in service of 15 to 20 years, have been given notice while old men on the verge of retirement have been retained;

(e) whether the alternative method of closing down the shops on alternate Saturdays suggested by the Union was examined and, if so, why it was not adopted; and

(f) whether Government are prepared to advise the Superintendent to discuss with the Union's representative the most feasible and practicable method of retrenchment, so as to cause the least heart-burning to the men who have so far worked loyally and faithfully?

Mr. G. M. Young: (a) About 61 men, who will be discharged on the 1st December.

(b) The management staff and the non-gazetted staff will be reduced by 25 per cent.

(c) The Superintendent of the Factory is being instructed to call for voluntary retirements. Gratuities will be admissible under the existing rules.

(d) I have called for full particulars, and will communicate with the Honourable Member when they are received.

(e) Yes. The alternative method was not adopted because, with the prospective cut in wages, it would entail a double loss in earnings.

(f) The Superintendent of the Factory has already consulted the Union on this point.

Mr. K. P. Thampan: May I ask whether Government cannot decide to what extent retrenchment should be effected in the Cordite Factory at Aravankadu and then proceed directly without making retrenchments little by little in a piecemeal manner?

Mr. G. M. Young: I do not think that there will be any further instalment of reduction. I regret it has had to be done in two instalments instead of one.

Mr. K. P. Thampan: May I take it that there will be no further retrenchment?

Mr. G. M. Young: I have just said that I do not think that there will be any further instalment of reduction.

APPOINTMENT OF CONTROLLERS ON THE NORTH WESTERN RAILWAY.

1361. *Mr. Lalchand Navalrai: (a) Will Government be pleased to state if it is a fact that when the railway control system was introduced employees were selected from among the chosen Station Masters, Assistant Station Masters, Guards and Yard Foremen?

(b) Were they appointed as Assistant Controllers after they qualified themselves by passing the examination prescribed for the purpose?

(c) Were they appointed in the grade of Rs. 800—10—350?

(d) Is it a fact that protests were made by other senior Station Masters and Assistant Station Masters against their supersession by the appointment of these Controllers?

(e) Is it a fact that they were told by the railway authorities that the Controllers were specially suited for the purpose?

(f) Is it a fact that 51 Controllers were actually confirmed?

Mr. A. A. L. Parsons: I am obtaining information from the Agent, North Western Railway, and will communicate with the Honourable Member on its receipt.

Mr. Lalchand Navalrai: Will the answer be placed on the table in the House, when the information is received?

Mr. A. A. L. Parsons: I shall send the Honourable Member a letter, and a copy of that letter will be placed as usual in the Library.

APPOINTMENT OF CONTROLLERS ON THE NORTH WESTERN RAILWAY.

1362. *Mr. Lalchand Navalrai: (a) Is it a fact that three grades were created in the cadre of Assistant Controllers on the North Western Railway on the 14th September, 1929?

(b) Is it a fact that confirmation orders of 51 Assistant Controllers of the North Western Railway, which were issued on the 1st January, 1931, were subsequently cancelled on 9th September, 1931?

(c) Is it a fact that these 51 Assistant Controllers were kept on probation for a period of three to four years prior to their confirmation and that their work was quite satisfactory?

(d) Will Government be pleased to state if there is any rule or regulation under which confirmation of a Government servant can be withdrawn without proving him to be unfit?

(e) Is it a fact that these Assistant Controllers were officiating in the grade in which they were confirmed and was it the Agent of the North Western Railway who accorded his sanction to their being taken in the highest of the three grades, viz., Rs. 800—10—350?

(f) Will Government be pleased to state if it is a fact that these 51 Controllers moved the railway authorities to reconsider their case and set aside the orders of withdrawal of their confirmation; if so, what orders have been passed thereon? If they have not been reconfirmed, will Government be pleased to state full reasons for the same?

(g) Is it a fact that the railway authorities now contemplate fitting these 51 Controllers in the three grades according to the substantive appointments they held prior to their appointment as Controllers?

(h) Will not this process have the effect of putting the European and Anglo-Indian Controllers into higher grades and the Indian Controllers in the lower grades?

(i) Are Government prepared to confirm all these 51 Controllers in the highest grade in which they are working at present?

Mr. A. A. L. Parsons: As regards part (d) of his question the Honourable Member is referred to the reply given to Mr. S. G. Jog's question No. 1291 on 13th November, 1981.

As regards the remainder of the Honourable Member's question, I am obtaining information from the Agent, North Western Railway, and will communicate with the Honourable Member on its receipt.

Mr. Lalchand Navalrai: Is the Honourable Member aware that under Fundamental Rule No. 15 a Government servant shall not, save in cases of inefficiency or misbehaviour, be transferred to a post substantially carrying less pay than his relative position in the cadre of the service to which he belonged would justify?

Mr. A. A. L. Parsons: In effect that was the substance of the reply which I gave to Mr. Jog's question.

INDIAN LOCO. FOREMEN, ETC., ON THE NORTH WESTERN RAILWAY.

1363. *Mr. Lalchand Navalrai: Will Government be pleased to state how many Indians, with their respective denomination, there are on the North Western Railway who are working as Loco. Foremen, confirmed Traffic Inspectors, Deputy Chief Controllers, and Chief Controllers?

Mr. A. A. L. Parsons: The available information is given in the North Western Railway Classified List of Subordinate Staff, a copy of which is in the Library.

GUARDS APPOINTED ON THE CONTROL SYSTEM OF THE NORTH WESTERN RAILWAY.

1364. *Mr. Lalchand Navalrai: (a) Will Government be pleased to state if the guards who have been taken on the control system of the North Western Railway have passed the Station Masters' examination and have ever worked as Station Masters before the control system was instituted on the North Western Railway?

(b) Will Government be pleased to state their names?

(c) If the answer to part (a) be in the negative, will Government be pleased to state, with reference to my starred question No. 160, dated the 10th September, 1981, as to whether the duties of the Station Masters are not different from those of guards, and whether the control system falls within the usual duties of Station Masters and not of guards?

Mr. A. A. L. Parsons: (a) and (c). I have called for certain information from the Agent, North Western Railway, and will communicate with the Honourable Member on its receipt.

(b) The Honourable Member's attention is drawn to my answers to his supplementary questions to question No. 65 asked on the 9th September, 1981.

THE GOVERNMENT EPIGRAPHIST.

1365. *Pandit Satyendra Nath Sen (on behalf of Mr. S. C. Sen): (a) Is it a fact that the General Purposes Retrenchment Committee has recommended that the Government Epigraphist for India should be at the headquarters of the Archaeological Survey?

(b) Is it not a fact that his main work is concerned with the North Indian inscriptions?

(c) What are the reasons for continuing the said office or its head at Ootacamund any longer?

(d) Do Government propose to take immediate steps to move the said office to the headquarters of the Archaeological Survey?

(e) Will Government please state who is the present incumbent of this post and what is the length of his service?

(f) If his length of service extends to more than 25 years, do Government in pursuance of its retrenchment policy and the recommendation of the Retrenchment Committee and in the interests of economy propose to ask the present incumbent to retire?

(g) If Government do not desire to observe this general policy in this particular case, are there any special reasons for it?

Sir Frank Noyce: (a) Yes.

(b) The Government Epigraphist supervises all epigraphical work except that in connection with Moslem inscriptions.

(c) and (d). The question of moving the headquarters of the Government Epigraphist from Ootacamund has been considered, but effect could not be given to the proposal owing to the difficulty of finding accommodation at the headquarters of the Government of India.

(e) Dr. Hirananda Shastri. He has put in 28 years' service.

(f) and (g). No. The General Purposes Sub-Committee of the Retrenchment Advisory Committee did not recommend that the present incumbent should be retired. On the contrary, it recommended that Rs. 18,000 should be added to the reduced Budget of the Department, for which they suggested a figure of Rs. 10½ lakhs until such time as the Epigraphist retires or goes on leave preparatory to retirement.

EMPLOYMENT OF TWO MEMBERS OF THE LEGISLATURE ON THE ORISSA BOUNDARY COMMITTEE.

1366. *Mr. S. G. Jog: (a) Is it a fact that the Orissa Boundary Committee will have its sitting during the Assembly sessions?

(b) Is it a fact that one of the Members of the Assembly and also a Member of the Council of State are working on that Committee?

(c) Are Government prepared to take steps to see that the Orissa Committee starts its work after the Assembly sessions?

(d) Do Government propose to facilitate the attendance of these two members for giving their votes on the Supplementary Finance Bill when it comes for voting?

The Honourable Sir James Orerar: (a) The Chairman of the Orissa Boundary Committee assumed office on the 31st of October; it is understood that he has summoned the Committee to assemble at Patna.

(b) Yes.

(c) and (d). It is for the Chairman and the Members of the Committee to arrange their procedure with reference to their inquiry and the proper method of handling it. If the Members desire to attend in Delhi during the current month they will no doubt suggest to the Chairman that the business of the Committee should be arranged accordingly. Government see no necessity to take any steps in advance of any arrangements the Committee may approve, but this question and my reply will be communicated to the Chairman.

THE INDIAN FINANCE (SUPPLEMENTARY AND EXTENDING) BILL—contd.

Mr. President: Further consideration of the Finance Bill.

Sir Abdur Rahim (Calcutta and Suburbs: Muhammadan Urban): Sir, the Honourable the Finance Member and the Government generally are anxious that the Budget should be balanced, and we are considering how it should be done.

In the first place, our difficulty is that we have no Budget before us at all which is to be balanced. The main question which the House has been considering is whether the expenditure should be reduced to an extent which would enable the Honourable the Finance Member to balance his next Budget, or whether there should be further taxation. What is the state of public opinion in the country in this matter? There cannot be the slightest doubt that Indian public opinion is entirely against the scheme of further taxation. So far as I have been able to follow the Anglo-Indian newspapers, the Anglo-Indian public opinion is also to the same effect. We know that the Madras Chamber of Commerce, the Punjab Chamber of Commerce, and I believe also the United Provinces Chamber of Commerce, have passed resolutions to the effect that the expenditure of the Government of India should be sufficiently reduced in order that Government may carry on without any further proposals for taxation. But, Sir, how is that public opinion reflected in the House itself? I was very much surprised to find that the British group in the Assembly have not conformed to the state of public opinion among the European community outside this House. We have heard criticisms from that group of the financial proposals, but when it comes to voting they always go into the Government lobby. The question we are now dealing with is whether this 25 per cent. increase in the income-tax should be allowed or not. As is admitted by the Government, the number of individuals who have to pay income-tax is extremely limited. I believe it does not amount to more than 800,000 men. If that be so, this increase of 25 per cent. in income-tax must mean necessarily considerable hardship to this limited class. Income-tax is also paid by another class of men, that is those who are in the employ of Government, the officials, but we are told by the Honourable the Finance Member that they will not have to pay this surcharge at all, that is to say, the ten per cent. cut which he proposes would make allowance for this increased tax. The result of that would be that they will have to pay only about 6 per cent. out of their salaries as a contribution to the present state of the finances. If that was what they intended I think the most straightforward and the best course for the Government was undoubtedly to say we shall make a cut of six per cent. in the salaries

[Sir Abdur Rahim.]

of Government officials and not ten per cent. Why mislead the public in this way? Besides the proposal must have mischievous effects. The officials form the Government in this country. It is an official Government. If they are exempted from a tax which others have to pay, what would be the natural effect? They will not exercise that scrutiny and that vigilance over public finance which they are expected to do. It is a bad policy indeed that the Government have adopted this time. On the other hand the proper course for the Honourable the Finance Member was to say, "We shall cut the salaries of Government officials to the extent of six per cent. and not ten per cent." The net result is that it is only this limited class, minus the Government officials, that will suffer. The agriculturists and the landlords are exempted. Therefore, only the business people will suffer. There would be a tax only on men carrying on business, the traders and the merchants. Now, we all know, as we have been told repeatedly, that the trade returns have been declining, both export and import,—not within the last six months but within the last three years, since 1928-29. That is to say, business generally has been declining. Now the proposal that is made for a 25 per cent. surcharge in income-tax must injuriously affect the business of the country, and it is upon the export and import of the country that the wealth of the country depends. You are going to diminish the resources of the country altogether. The taxes are already so heavy that this surcharge will practically mean destruction of capital. If capital is going to be destroyed in this way, how is the country to balance its Budget at all? You are cutting at the root of the resources of the country altogether. An appeal has been made time after time to the agriculturist representatives in this Assembly. It is all very well for those who represent the agricultural interests to think that they are exempt and therefore they can pass this proposal with a light heart, but from the way the Government have been going on year after year, piling on tax after tax and broadening the base of taxation as it is called, do my agriculturist friends in the Assembly really think for one moment that they are going to remain exempt for long? Their pockets will be reached as soon as it becomes advisable for the Honourable the Finance Member to levy further taxation. We have been advised that the room for further taxation is now extremely limited and there is hardly any left. Some four or five small minor items, we are advised, have been left for further taxation. If that be so, it must be the turn of the agriculturist and the landlord next time. Therefore it is time for those who represent the agriculturist interests in the House to join with others in resisting this further taxation. The country as a whole cannot bear any further burdens, and it is necessary for all interests to combine and throw out proposals of this character. This habit of taxation seems to be growing on the Government from day to day and is an appetite which grows with feeding: it is time that the Government put a stop to the tendency of piling on taxation after taxation on the country. Sir, the British Group claim that they are right in supporting the Government on this occasion though they are making a great sacrifice. They no doubt represent very large business interests in the country, and they will suffer to a large extent. But why are they sacrificing their own interests and the interests of the country at large? That is the question which they, I submit, have got to answer for themselves. Is it because they must support Government in every possible measure?

Mr. Arthur Moore (Bengal: European): The Honourable Member will recollect that we did oppose the Government on the income-tax last March, when there was no national emergency.

Sir Abdur Rahim: What happened last March I am perfectly aware of. The result was that Government accepted very moderate deductions from their proposals. Otherwise, if the British Group had stood shoulder to shoulder with us, they would have accepted further reductions in their taxation proposals. What was the attitude of the Government last March? I believe they were prepared only to go to the extent of 1 crore 85 lakhs. We asked for reduction to the extent of 3 crores. The figure which the Government accepted was the figure supplied to them by the proposals of the British Group! Now what is the attitude of the Government to-day? I say that we on this side of the House were right. We were extremely moderate last March, but the Government thought at the time that they could not possibly balance the Budget except with the help of the figure which they gave. But what has happened now? They themselves have accepted proposals for reduction to the extent of about seven crores. There is still a further field for retrenchment, which is unexplored. The point is why do we find on this occasion, as on other occasions, that the Honourable Members of the British Group must support the Government? We are told that we on this side of the House are too prone to criticize. I say it is our business to criticize the Government proposals and to guide them in the light of public opinion; that is the function which we have to perform, and to perform which we have been sent by our constituencies to this Assembly. I say, Sir, if we fail to perform that duty, we should fail to perform the primary function which has been assigned to the elected Members of this Assembly. If the Government's action was always right, if the Government were perfect, then in that case there was no necessity for the Government of India Act to provide for the election of Members by the country. Our function is to show to the Government that their proposals, their measures, their administrative acts in certain respects are not in accordance with public opinion or the needs of the country. Sir, if any group of Honourable Members consider it their duty to go into the Government Lobby on every occasion, or say on 99.9 per cent. of the occasions, then in that case I say they are violating the spirit of the constitution. I say without the least hesitation that it is not in accordance with the spirit of the constitution, that any group of Members should consider it their duty to support Government at every step and on every occasion.

Sir Abdullah Suhrawardy (Burdwan and Presidency Divisions: Muhammadan Rural): Even if the Government were in the right?

Sir Abdur Rahim: If Government were always right, then there would not have been any necessity for this Assembly to exist. It is because the Government are liable to err, like any other human institution, that this Assembly has been constituted: and if any section of this Assembly thinks that the Government are always in the right, then I say that those gentlemen have no business to sit here at all. We, on the other hand, do not indiscriminately oppose the Government in season and out of season. We allow measure after measure to be passed at every session without any question whatsoever; but, when we do find that measures are passed which we think are injurious to the interests of the country, we consider it our duty to point that out to the Government and to vote

[Sir Abdur Rahim.]

against their proposals. Sir, the stand that we have taken is this, there should be no further taxation; that the Government's Budget ought to be prepared on the basis of the pre-war scale of expenditure, and, if that is done, then, in that case, there is no necessity whatever for any increased taxation. If you take the pre-war Budget, for instance the Budget of 1918-14, you will find that if the Government regulated their expenditure according to that Budget, there would not only be no necessity for increased taxation, but it would leave a considerable surplus in their hands. Since 1913-14 many important subjects have been provincialized, and some of them transferred entirely to the charge of Ministers. Yet what do we find? We find there has been a rise in expenditure from day to day, from year to year. What is there, Sir, to show for it? Very little. I am perfectly aware that since 1920-21 this Assembly and the Council of State have come into being, but that only accounts for Rs. 10 lakhs of expenditure or a little less. The general growth, however, has been by crores. What is there to account for it? India has not gone to war; she has not got the power to go to war with any Power. What, I ask, has been done to increase the wealth of the country or even to promote peace and contentment and prosperity and well-being in the land? The growth of expenditure in this phenomenal manner, of this extraordinary character, could only be justified if it tends to increase the wealth of the country and tends to increase peace in the country and prosperity, well-being and contentment of the people. Can Government say that either of these objects has been attained? The declining revenues refute at once any idea that the wealth of the country has been increasing. And as regards peace and contentment, nobody is more conscious than Government themselves that political troubles and other troubles, due largely to economic causes, have been increasing in the land. We always find that Government are in the habit of taking credit for efficiency. How is that to be judged? I put it to Government that it is not to be judged by the number of notes that are written in the Secretariat nor by the character of those notes; but it is to be judged by the effects on the prosperity of the people, on the contentment and happiness of the people. Judged by that standard, has there been the slightest justification for this enormous growth of expenditure from year to year? I should like to know by what standard or on what principle can Government justify this growth of expenditure. We have been repeatedly told—it has been flung at our faces—that the introduction of a democratic form of government has been responsible for all this. Where is the democratic form of government, to begin with? No doubt this Assembly accounts for a certain amount of expenditure, but it is very little compared to the increase that there has been all round. What else is there to show? Then, are our proposals accepted and carried out? No. In every matter to which Government attach any importance, if our proposals are against their policy, they have a very easy remedy,—certification. Bills can be passed by certification; financial measures can be passed by certification; Ordinances can be passed without consulting the Assembly. Therefore the less talk there is of popular government or democratic government having increased the expenditure of Government, the better.

As regards this particular proposal I agree with the Honourable the Finance Member in this respect that you must take all his proposals together, and I say that there is no justification for the Finance Bill at

all. The whole of the money that is wanted can be had by retrenchment. If you reduce your expenditure sufficiently,—and you can do so without injuring any interests of the Government at all,—you can easily balance the Budget without resort to further taxation. Then, Sir, I must also point out that if we were given the time, if the various retrenchment Sub-Committees were given the time, they could place in the hands of Government proposals which would justify all the remarks that we on this side have been making. We know that the Retrenchment Committees only began their work at the beginning of July last. Then they had to suspend their sittings for the Simla Session. They were perfectly prepared to take up their work much earlier, but the Government departments themselves were not prepared. If there has been any delay, I do put it confidently to the House that the delay was not due to the Retrenchment Committee at all. All the Retrenchment Sub-Committees did their best to help the Honourable the Finance Member, but it has to be remembered that the Committees had to cover very wide fields, and unless they made their investigations into important details, it was not possible for them to arrive at any conclusions. If the Honourable the Finance Member had given us sufficient time, we would have been able, before the next Budget was placed before this House, to place complete proposals before this House. In that case he would have been convinced that there was room for a very large curtailment of expenditure, large enough to satisfy all. But he has adopted a different course. Instead of doing that, he has brought forward this Finance Bill proposing very heavy taxation in all possible forms. I have not yet been able to follow why there should have been such a hurry when the Budget was not ready and could not be made ready. We were told in general words that the credit of the country was at stake. Sir, I for one do not accept any such dictum. The credit of the country was not at stake in any way. There has been a decline in revenues, but was there no remedy for it? Could not Government wait till next February when they could bring forward their Budget and the country could know whether it was not possible to balance the Budget by retrenchment? Do Government want us seriously to believe that by that time the credit of the country would have declined? Why should there have been any notion on the part of any country that India was not able to balance her Budget? Sir, I must say that this hurry on the part of Government to bring forward this Finance Bill cannot be explained on that ground. If the Government were anxious to have all our proposals before the time for framing the Budget came they should have waited; and if they had only waited till February, they would have had all the inquiries completed by that time, and if at that time we could not make up the deficit and prove to the Government and to the country that there was no necessity for further taxation and that the Budget could be balanced by reduction of expenditure, then Government would have been perfectly justified in bringing forward any proposals for taxation. But not until then. I submit that this proposal for further taxation is altogether untenable and that there are special reasons why this surcharge should be thrown out.

Mr. C. Brooke-Elliott (Madras: European): Sir, on one unhappy occasion I made a pun in this House and the ghost of that pun has haunted me ever since. I should like to say that in speaking today I am speaking in very real earnest, and I also want to say perfectly frankly that on this occasion our little family does not quite see eye to eye. That happens,

[Mr. C. Brooke-Ellkott.]

Sir, in the best of families, but it is always a little painful perhaps to face up to it. I want to say quite plainly that the Bombay Chamber of Commerce, of which my Honourable friend Mr. Griffiths is the principal representative, the Chamber of Commerce of Madras, and the Chamber of Commerce of Upper India, represented by my Honourable friend Mr. Ramsay Scott, have taken a strong line in respect of this portion of the Budget. Sir, we have had some observations about the duties of members of parties. W. S. Gilbert put it so well that I venture to quote him as being in point, though not quite in point. He said:

"When in the House M. P.'s divide,

If they be a brain and *cerebellum* too,

They have to leave that brain outside,

And vote just as their leaders tell them to."

Sir, with great respect, perhaps I cannot claim a brain, but I claim its little brother *cerebellum* and I note that the last two syllables are *bellum*, and I think that the war like diminutive is rather a strong one. And so I am going to indicate as shortly as I can the reasons why I am unable to agree, with great respect, with full knowledge and understanding, I hope, of the arguments both for and against. The Honourable the Finance Member made a very pointed appeal to us to consider these proposals not from a narrow party spirit but from the point of view of our honest intellects. I have tried to do so all through. Sir Joseph Bhore convinced me beyond any doubt, and I believe he convinced the intellects of a great number of other Members of this House, that the case as regards the Posts and Telegraphs was unassailable, and I voted with the Government on that question. Again, yesterday, on the lowering of the limit of income for assessment of income-tax I had a great deal of sympathy with my Honourable friends here, but many points weighed with me,—perhaps some were not aware of this—namely that an assessee under this Bill, if it goes through finally in its present form, drawing a salary of Rs. 1,000 will only pay an income-tax of Rs. 1-0-0 by virtue of section 17 of the Income-tax Act, and I doubt whether Government will go after the one rupee in the wilderness remembering the 999 elsewhere. Further on, I admit, the rate is 2 per cent. But, Sir, there comes a point when, although you see the force of the argument on the one side, you feel unable to resist the force of the argument on the other side. We are not today in the position of an advocate but rather in the position practically of a Judge. I preserved an open mind right through this Bill. I came here with certain instructions. My constituents were good enough to give me their confidence. Now, I am unable to give direct support to this clause in the Government Bill, and my Honourable friends whom I have mentioned agree with me in that resolution. I think it right therefore to give a few of the points that have influenced me. What influenced me profoundly was the speech of my Honourable friend Mr. Tait. It seemed to me that while you might criticise one of his series of facts, yet by linking together the general result of all his calculations, he has proved conclusively to any reasonable man that there is wholesale and gross evasion of payment of income-tax. Sir, I read with very great care the speech of Mr. Sarkar, Chairman of the Bengal National Chamber of Commerce.

What did he say in his speech? Surely a gentleman of his position and responsibility will not talk idly. This is what he said (on page 5):

"I feel that if the Government had taken steps to improve their organisation and methods to prevent income-tax evasion, which has become almost scandalous, they would have obtained a larger volume of revenue than by the means now proposed."

I cannot believe that this is a mere debating point or mere idle statement. Why I feel justified in not according my humble support asked for by Government is this, that we in Madras do believe emphatically that that is the true state of facts and therefore we are not departing from the principle which has been underlying our conduct so far. We say, "If you keep on piling up this increased income-tax on the already overloaded honest camel, you might drive him to methods of evasion." If, on the other hand, as we all believe and most of us know, there is this gross evasion, then my point is that Government who say to us, "You must pay" cannot complain if we reply, "First you must collect more." That is the point in the word "must". This in effect is very largely tantamount to a vote of censure on income-tax methods throughout the country. I find that feeling is very widely felt. A European friend—I cannot mention his name—told me the other day that the quantity of correspondence he has with the Department, because he draws only a salary of Rs. 200 himself and some of his juniors equally little, is immense as regards petty details. Sir, it is the duty of people who have to collect the tax to have a certain amount of sound psychology and they ought to some extent to recognise the honest man when they see him and not worry him more than is absolutely necessary. That is one method where they fritter away a good deal of energy on a willing loaded camel, instead of going out and ~~last~~ ^{loosing} and putting taxed or untaxed salt on the tails of those other camels which are careering about, either lightly taxed or not taxed at all. I do not say—you could not expect me to say—that by those methods they will make up all that they hope to get by the increased taxation; but I do say, after speaking to men, well qualified I think, to give me a sound opinion, that a very large amount could be got in: and I still hope that the Government in their wisdom will do all they can to lessen the steepness of the gradation throughout and make up, what they lose therefrom, from the pockets of those who so far have evaded. Sir, income-tax stands on a different footing from an ordinary revenue tax. If you put a duty on goods and the goods come in free or are smuggled in, once they are in the country past the Customs you practically can never catch them up with a tax. But income-tax is a continuing liability even after the year in which it has become due, and I do believe—I know it will not be challenged—I do believe that in these coming 18 months if a real campaign is inaugurated to carry through with all the vigour and ability of which the Department is capable in an emergency, I believe a very large amount of taxation will be brought in from these people who negligently, and, in many cases I fear dishonestly, have been evading taxation so far. Therefore I am not merely making a destructive criticism; I am making a criticism which I believe is highly constructive. Sir, let me give one or two figures. I am indebted to the Memorandum of the millowners of Bombay for the figures. I am not here to plead for the rich man. My friends are very largely among the poor. Look at the result. The last column in this Memorandum—and I hope I am quoting the right column, I am sure I am—shows the

[Mr. C. Brooke-Elliott.]

increase in tax in 1932-33, as compared with 1930-31. Take a few of the figures.

Rs. 3,000. The increase is 50 per cent.

Rs. 4,550,

Rs. 6,000,

Rs. 7,500,

Rs. 9,000. The increase is 87 per cent.

Then it drops in the next grade to 66 per cent. and on Rs. 15,000 the increase goes to 100 per cent. Now, I am not going into the higher scales. I have gone up to the people earning Rs. 15,000. Whether you call them rich I do not know. Rich and poor are merely words of comparison. What I can say is that those people are the best milkers in the Government taxation herd, if I may so put it, and I do think that the best milker should not be heavily overmilked.

The next point that I want to make is that you are now going to have retrospective taxation. Sir, I know—I hate to talk about law; it is the one thing one wants to get away from when possible—I know in law sometimes retrospective legislation is necessary. You may have to pass an Act of Indemnity for good reason. You may find some obsolete law operating contrary to the ends of natural justice, and you give an indemnity to law breakers as they did in London lately in regard to an ancient Act affecting Cinemas; but retrospective taxation in the nature of income-tax is the introduction, I believe, of a vicious and wrong principle. (*Opposition Cries of "Hear, hear."*) People who had their assessment forms sent to them last June paid up or are paying up every month. Now, is it right in this emergency—I never forget the emergency—is it right to come forward and seek to reopen an account stated between the State and the party last June? I say it is wrong. When a thing is wrong, it is just as wrong in an emergency as at other times; perhaps even more wrong. I have seen lately the sanctity of contracts violated. I think that is probably the greatest harm that has been done to the public conscience probably in the last decade. The answer is "Emergency; and necessity knows no law". I retort that necessity seems to know a great deal of bad law, and I am sorry to have to say that I think this is one example of such a thing. So, Sir, on that ground all those people who lawfully paid their tax last June (and spent what little money, if any, was left) are going to receive a fresh Revenue Christmas card—some of them have already received it—and are expected to send to the tax-collector another cheque signed, I hope, "Yours gratefully." Sir, is that right? Will that not arouse a very real degree of irritation amongst people who say—"We have been clean and straight forward and honest and we have not got the cash now to put down because we have a cheaper car or walk; but with regard to income-tax you prudently put aside the money necessary for payment last June, and now they come and say, "Pay up again". And it has got presumably to be cash; and to my knowledge a lot of people simply have not got the money. Are you going to create that feeling in that large body of persons—830,000 is a large body—it ought to be much larger—are you going to do that and are you going to do something, which, as a simple man and a simpler lawyer, I honestly believe to be wrong? It seems to me that it is no good my saying I believe it to be wrong unless I go a step further and give

point to my belief. Sir, we disliked many taxes; I supported the Government in regard to the machinery tax, because in Madras we went through all the proposals and the man who probably was one of the hardest hit said "I hate the tax, but I do realise there is this emergency; and so do not vote against it." That is the spirit to encourage; and that is the spirit which in the main I believe the public have shown, are showing, but I fear may not show, if taxation exceeds what I might call the breaking-point. I have had a lot of communications with those whom I try to represent, and on this point they are very strong, I may say, unanimous. As a representative of a number of different classes of people in Madras, I am perhaps more closely in touch with the general European community than some of my friends who are mainly in touch or most nearly in touch with the commercial community. I find amongst the general European community, people like our missionaries, educationists, railway people, people in mills, people in shops and so on, a real deep-seated resentment against this tax, and am I to come here and not represent them? Am I to sit silent and say nothing, or am I to honestly say what I feel; because I think truth is the consideration you must place above all others. I also venture to think that there are things higher even than the rupee. I believe public good faith and the sanctity of contract and all similar matters are above price and I believe natural justice is a thing which makes a universal appeal to all. It is because I do earnestly think that, when the tax-payer met his lawful liability last June unless things have gone far, far, beyond the present emergency, you ought not to seek to reopen what I call an account stated between the State and the subject. Sir, one of my clients wrote to me the other day and he used rather a good sentence, which I shall borrow. He said:

"There has been a great deal of unofficial thunder; now we demand from Government a little lightening. . . of taxation."

Sir, I read this morning a text with which I will close, and I will offer it quite humbly to my Honourable friend, whose heavy burdens and official anxieties nobody appreciates more keenly than I do. It is because I honestly think that we can relieve some of those burdens and anxieties by this constructive proposal that I have made it. This is my last word in the Assembly; and I hope it is an appropriate one: I would say, "let the Finance Minister stay his rough wind in the day of the East wind."

Mr. R. S. Sarma (Nominated Non-Official): Mr. President, adversity makes strange bed-fellows, and I think that is one of the 12 Noon. reasons why we find today that the Leader of the Independent Party has had the good luck to have as his immediate supporter the representative of the European community of Madras. It is a strange commentary upon the professed representative character of some Members of the Opposition that, while some of their leaders were sitting glued to their seats not inside the Chamber but in the lobby when the debate was going on on the poor man's salt, when the rich man's income was going to be additionally taxed they should rush into the Chamber promptly as the clock struck the hour of eleven and should champion the cause of the rich.

Mr. B. Das (Orissa Division: Non-Muhammadan): Have you joined the Congress?

Mr. R. S. Sarma: The Opposition protested on the first day against the poor man's salt. On the second day they protested against the poor man's post; yesterday they protested in the morning against income-tax

[Mr. R. S. Sarma.]

on lower middle class incomes; and the whole of the afternoon yesterday and today they are protesting against the tax on the rich man's income.

An Honourable Member: Of the poor man also.

Mr. R. S. Sarma: I think that the only tax that the Opposition will like to impose with unanimity is a tax on the patience of some of us here to be made to listen to the amateurish discourses of pseudo financiers. I want to place only one thing before this House. If taking advantage of the support of some section of the European Block which the Honourable the Mussalman Knight from Bengal has been able to get, this House passes this amendment by a majority and rejects the imposition of this duty, will not an impression be likely to be created in the country that, while this Assembly as a whole has adopted a tax on the poor man's salt, the very same Assembly when it came to the question of the rich man's income, rejected that tax? I want to put it to the Opposition whether that is a consummation which they desire.

Raja Bahadur G. Krishnamachariar (Tanjore cum Trichinopoly: Non-Muhammadan Rural): Sir, if I rise to submit a few observations in connection with this Bill, it is not with any conviction that what I am going to say will have very much effect, because I know behind the official proposals there is a solid phalanx that is quite ready to vote and support them whether they are reasonable or otherwise. But duty compels me to get up and submit a few observations to this House regarding this income-tax under the heavy heels of which most of us have been and are still being trodden.

Now, one of our veteran statesmen, who fortunately is still among us, who worked with the older generation of Indian politicians, the Honourable Sir Dinshaw Wacha, in giving his opinion on the recent proposed amendment of the Income-tax Act has described the whole position regarding this matter, and I think it is too valuable not to be brought within the debates of this House, and with your permission I shall quote a few sentences from his opinion:

"The whole of the Income-tax Act is iniquitous in its operation on poor and rich alike. There is a sad lack of financial statesmanship in search of the 'eternal peace'. The entire Act demands to be repealed and substituted by one which will not only be equitable in its operation but elastic enough to give automatically a larger and larger revenue. If people can save more, they can increase their capital, and if their capital increases by judicious saving it signifies so much more grist to the Government mill. The fact is that financial sagacity is at a discount at headquarters, and unless the Government seriously takes steps to organise its whole system of revenue on a sounder and juster footing than for some years past, it might find itself in a serious plight."

A little later on he says:

"The income-tax is growing more and more burdensome, if not refinedly tyrannical". (I want to emphasise those words specially). "The fact is that the Government of India is living from hand to mouth, aye, its revenue, for reasons which need to be explained, is fast diminishing."

He was not writing about this particular Budget at all, but how prophetic he was when he said that!

It is at its wit's end to find the means to balance its Budget. In search of improving its resources, it finds in income-tax a potent instrument. No objection could be taken to such taxation, so far as it is not burdensome. The question eventually resolves itself into one of psychology. Government is being punished for its

tyranny and is nothing more or less than what the Greeks called 'Retributive Justice'. It is the Nemesis of the Government of India's own cupidity which is dogging its footsteps."

Now, Sir, that is a warning conveyed not by an irresponsible agitator, but by one who for more years than I would care to count has been devoting his whole time to the study of the financial position of India, and this is the conclusion he has arrived at. The misfortune of India is that it is being subjected to experiments every time there is a masterful personality in the person of the Finance Member there. At one time it was the 2s. ratio, at another time it was the 18d. ratio; but whether the ratio was 16d. or 18d. or 2s., the man who is being harassed, the man who is being crushed and crushed is myself, the Indian taxpayer; and if one experiment fails, 50 millions are lost. What does it matter to Government? Another experiment is made; we protest, but you do not listen to us; another 80 millions is lost; after all the money comes in. That is the practice which the Government of India have been following all these days. Sir Dinshaw Wacha says they are being punished for their own cupidity. But I say it is not the Government of India that is being punished. You know there is a maxim that everybody is presumed to know the law. The man who wrote that wrote only one-half the truth: he forgot to add "except the Judges". It ought to be "Everybody is presumed to know the law except the Judges." Why? Because if the Judge makes a mistake the man who pays for it is not the Judge but somebody else. You go to an appellate court and the appellate court finds that the lower court has made a mistake in law: and who has to pay the costs? Not the Judge (Laughter), who made the mistake in law, and on account of which mistake I had to appeal. Exactly like that, the Government makes mistakes and experiments and who loses? I do. Whatever may be the way in which you circuitously try to raise this money, it always comes upon me—the 9½ per cent. of the population—and thus the position that the Government of India has now brought themselves to is exactly the position that they have been trying from the beginning to achieve, perhaps not consciously, but at the same time so far as the result is concerned, it is the same trouble so far as the poor man is concerned.

Now, there was a statement made the other day by one of the Members of the European Group that while the non-officials agreed to a 10 per cent. cut on the lower paid officials' salary, they are not so kind to the other persons who make an equal income and light their cause. No, Sir, the non-officials are not kind to the other persons. My friend has either forgotten or has not had the experience of the income-tax officers and their administration. The fact of the matter is this. I am one of those who strongly opposed this limit being reduced up to a thousand rupees, but if it has got to be done, as somebody pointed out that some time ago the limit was one thousand only, there is no difficulty whatever about this one thousand rupees, because the man's salary is known to everybody, and no Income-tax Officer, however ingenious he may be in his efforts to put some money into the pockets of Government, can go over that one thousand rupees, because the figure is in black and white and is known to everybody, but what about this poor unfortunate trader? Now, what is the procedure adopted? There is a notice served on the poor trader. I am quite sure, Sir, you along with us had at some time or other to submit this return, and you doubtless know what the procedure is. Now, the one thing that I am afraid of is when the postman comes in with a registered notice asking me to submit my return of income. That letter is sent to everybody, and as long as it is an Indian, no matter how great he is, when

[Raja Bahadur G. Krishnamachariar.]

such a letter is sent to him and a return has been submitted to the income-tax authorities within a certain number of days, within a week of the receipt of such return, what does the Income-tax Officer do? In order to test the reliability of your return, he asks you to produce your account books and other relevant papers to support your return. My point is: will you tell me why you consider my return is incorrect or unfair? Does the Income-tax Officer record any reasons as to why he considers my return unreliable? Then you go to him and prove to him that your return is absolutely correct to the best of your knowledge, and put before him the judicial pronouncement of his own Commissioner for the previous year to the effect that the accounts are correct; but still in order to test the reliability of your return, the Income-tax Officer in the first instance, after obtaining your return, asks you to produce your account books and so forth. Then what happens? The Income-tax Officer is generally a touring officer, and so I have to follow him with my books. He has not got the time, though he has to find some time eventually, and after going through my accounts in a somewhat cursory manner, he rejects them as unreliable and comes to his own decision which is generally based upon what he has heard from somebody else, perhaps not very friendly to me and that is the standard he fixes as my actual income. Now, Sir, the notice of demand comes to me; he gives me a fortnight's time, I think, within which to pay the money. Now, where is the money to pay from? Cash is absolutely non-existent, but I have got to meet the demand of the Income-tax Officer. I go to him and ask for an extension of time, but he does not give it. Then there is an appellate court. In civil court we have been accustomed

Major Nawab Ahmad Nawaz Khan (Nominated Non-Official): May I ask if that Income-tax Officer is not an Indian? Is he not your own Indian brother?

Raja Bahadur G. Krishnamachariar: That is my just complaint, Sir. If an Englishman had done it, I could understand it and put it down to his mistake or ignorance, and his ignorance might be excused. Sir, a greater man than myself, Sir Gurudas Bannerjee, when he gave evidence before the Public Service Commission, said that the Indian people have got to be protected more from the Indian bureaucrat than from the Englishman.

Major Nawab Ahmad Nawaz Khan: That is the reason why we want British officers everywhere.

An Honourable Member: We have enough of nominated Members.

Raja Bahadur G. Krishnamachariar: If my Honourable friend will kindly keep his soul in patience for a few seconds and allow me to finish my line of thought, I am quite prepared to yield to him for half an hour even, because I want that any objection that may be raised against what I say should be replied to on the floor of the House. I do not want to run away at all; I have enough material to support what I say. As I was saying, Sir, in the Civil Procedure Code there is a section which enables me to go to an appellate court and ask for a stay of execution when I file an appeal. What do I find in income-tax matters? I go to the Assistant Commissioner of Income-tax, who is the appellate court. As my friend

Sir Hari Singh Gour said yesterday, the man who collects the taxes himself is the appellate authority and I go to him, and pray for an extension of time, and he says that he has no power to extend the time. Very well, then I go to the Commissioner, but it is very difficult to rouse him from his deep slumber and make him attend to you. If you at all succeed in getting your money in time, you should thank your stars. But my point is: how is the poor trader to find the money to pay to the Income-tax Office within the prescribed time, and where has he got the money to go to the appellate court? I do not know if Honourable Members remember the days of the Rowlatt Act agitation. In those days there was a man who was poetically inclined and who described the Rowlatt Act as "Na Vakil, Na Dalil, Na appeal", and that might literally be applied to the proceedings under the Income-tax Act. They have here Vakil just as they have provided in the Rowlatt Act for Vakil, but where is the money to finance the Vakil and to persuade him to go from place to place after the Officer of Income-tax? It must be remembered here that the Income-tax Officer is not a judicial officer, he is not bound to come and sit on a chair or bench in any fixed place, he comes to the office whenever he likes, and the poor man with his Vakil has to follow the Income-tax Officer with his account books and so forth to fight out his appeal. And in order to fight and prove his inability to pay Rs. 30, how much has this poor man to spend for the Vakil in order to make him go after the Commissioner of Income-tax from place to place?

Now, Sir, "Dalil". If the House would give me a little time, I would be very pleased to go into this matter in greater detail and give them a sample of "Dalil". That is an appeal has got to be filed to the Income-tax Officer himself. As regards appeals of this character, we have first of all to see the records and get a statement from the Income-tax Department to see how many appeals have been allowed. It is just like snakes in Iceland there are none to be found. Similarly appeals are filed to the Commissioner of Income-tax only to be discussed, and not for getting any kind of justice; few appeals are reversed. It is the same genius throughout. As I said the other day, when you sit in an official chair, you forget everything except what you consider to be the God-imposed duty upon you. Year after year they make extra collections, and when you ask for the return of the money, there is no reply. You send a reminder, and after 8 months of trouble, you hear to the effect that your letter could not be traced and you are then asked to send a copy of your last letter. Very well, you send a copy, still there is no reply. That is the genius, and you cannot help it; so that, Sir, ever since the Income-tax Department became a Central subject they have let loose upon us an army of Income-tax Officers, young men not very well trained.

Mr. President: Will the Honourable Member please explain, at this late hour, why he is going into such minute details as regards the working of the Income-tax Department?

Raja Bahadur G. Krishnamachariar: That is the only grievance I have, Sir. Unfortunately I am trodden under the heels of these income-tax rules as most others are. And the reason why I went into those details, if you will allow me, is this: The tax has already been raised by 25 per cent. surcharge, and what I was trying to impress upon the House was that there should be at least a provision for a judicial authority in order to investigate into these things. That was what I was leading to. In

2140-

LEGISLATIVE ASSEMBLY.

[18TH Nov. 1931.]

[Raja Bahadur G. Krishnamachariar.]

consequence of these troubles, make some officer a judge in these matters so that we may have some chance of getting justice done. I shall not go into any further details, and I shall close with a recital of half my grievances reserving the rest for some other time.

There is only one other matter that I would like to invite the attention of the House to, and that is this. If I am talking out of ignorance, I beg to be excused. They always harp upon a balanced Budget. I suppose the Budget has got to be balanced some day or other. In England they had a special general election for balancing the Budget, and they have not yet done so. The skies have not fallen, but is the method by which you attempt to balance the Budget in any way going to convince the world that there is solvency in this country? In the beginning of his speech the Honourable the Finance Member says that the trouble is ahead and we must ensure the stability of our internal position. Does the stability of our internal position consist in crushing and crushing the poor man? Here I am squealing and squealing that I am being crushed under your heels. Is this how you are going to balance the Budget? Is the world going to consider that you have become solvent simply because you have balanced the Budget in this manner? I say that is not the way, and I submit that, whatever may be the fate of the other proposals, this proposal should not be allowed.

Mr. N. M. Dumasia (Bombay City: Non-Muhammadan Urban): Sir, as a representative of a city sorely afflicted by the step-motherly treatment of the Government of India and especially of the Finance Department,—a city which is weighed down by the economic distress prevailing all over the world—I wish to offer a few remarks in regard to the boon which the Government propose to confer on the country in order to restore the credit of our bankrupt Government. I characterised the Budget in March last as a rotten Budget. It had at least the merit of the proverbial curate's egg, partly good and partly bad. But this supplementary and extending Bill has neither that merit nor any redeeming feature. I fail to find an appropriate word for it.

Sir, you will remember that in the Bombay Municipal Corporation whenever a reference was made to the Land Acquisition Bill, Sir Dinshaw Wacha characterised it as a Land Confiscation Bill. So, in the absence of an appropriate word to describe this measure, I will call it a confiscatory measure, designed to confiscate the earnings of the poor and the rich alike. The meaning of what the lawyers would call the operative clause is this, that we are to live and earn and the Government are to spend. Sir, a commercial magnate in Bombay, once openly said in the Town Hall meeting that if they were to live and earn for the Government to spend, it was not worth living. Sir, we are fast moving towards socialism, and a day will come when the people will say, "Why should we earn in order that Government may spend our earnings?" Sir, those of us who have seen the monster processions in Bombay, those of us who have heard the cries of "Boycott British Goods", which were dinned into our ears, those of us who have seen the children carrying black flags, have come to the conclusion that it is due to the starvation and unemployment that is prevailing in the land. By this measure you will increase that army of unemployed and half-starving people.

The Honourable the Finance Member the other day spoke about the protection derived by the Bombay mills from this proposal. He has forgotten the history of the protective measure. Government declined to listen to the fervent appeals of the millowners of Bombay till the industry reached a breaking point. They declined to give the modest protection recommended by the Tariff Board, and ultimately they had to appoint Mr. Hardy to investigate the matter. We know how Government procrastinated, how Government delayed, and how Government hesitated in giving protection to the Bombay millowners until the industry was well nigh on the verge of collapse.

Then, Sir, I will tell you about the protection given to the Tata iron and steel industry. That was given on a certain basis. On account of Government's miscalculations that basis disappeared. The Government are now buying rails which are not even half the quantity that was expected. . . .

Mr. President: I do not know what relevance that has to the present issue.

Mr. N. M. Dumasia: Sir, I want to show that were it not for the Government's unsound measures, our income would have increased, but I will not refer to that question now.

Mr. Brooke-Elliott has referred to the vicious and mischievous feature of the retrospective effect that is sought to be given to this measure. He has put the case so forcibly that I shall not refer to it again.

When we are face to face with the grim reality of the struggle for existence and depressed by economic distress, it is a pity that the Government ignore the stern reality and propose to impose an additional burden on an already over-taxed population. In the history of the country, both in the pre-British period and under British rule, there is no parallel to the present record burden of taxation on an impoverished nation in the name of national emergency by an anti-national Government. Economic conditions have, for centuries, made or marred the political history of every country in the world, and I have no doubt that the unbearable economic strain which is now pressed to a breaking point will react on the Government themselves. The simple truth is that the Government allowed the growth of their expenditure on military and civil establishments, till they are unable to control it. If this thing had happened in a public company, it would have been taken into compulsory liquidation, but here, though we supply Government with the funds, we are only helpless spectators of our own ruin and unable to force on Government compulsory or voluntary liquidation. I must acknowledge that the Honourable the Finance Member has tried to be as fair as he can be in a wholly unfair business, but I believe I may utter a warning that if the Round Table Conference fails, the Government will have a more uneasy time than they have now; and they will have no friends left. If you have no funds, as I remarked on the occasion of the discussion in the Legislative Assembly in 1926 on the Resolution for the suspension of the excise duty on cotton, "beg, borrow or steal". I find that His Excellency the Commander-in-Chief has raised a warning that the retrenchment would impair the efficiency of the Army. Our army was efficient and ready to take the field at a moment's notice in the Great War of 1914, when the military cost was half of what it is now. Why should it be now less efficient I fail to understand. Give us the control of the army and finance and then we

[Mr. N. M. Dumasia.]

guarantee a balanced budget without the additional taxation. Sir, even the *Statesman* has described these taxation proposals as bad, mad and altogether hideously wrong and unless the Government stay their hands, the recovery to which we look forward in trade and commerce will be impossible and will be postponed indefinitely. Sir, though the Finance Minister seems to be cynically unconcerned, I am sure he is human enough to be weighed down by the care and anxiety of his office. I do not want to harass him, but I have a serious complaint to make against the Government for withholding from the Assembly important documents having a vital bearing on the consideration of this additional taxation. My request to lay these papers on the table has met with scant courtesy. I do not wish to spoil the strongest case against the Government by indulging in strong language, for it is obvious that considering the importance of the present proposals, which have no parallel in the history of this country and considering the abnormal crisis through which we are passing, the attitude of the Government in withholding these documents from the Assembly stands self-condemned and discredited in the eyes of India, especially as these documents have already been circulated to the members of the Round Table Conference and even editorially dealt with in the *Times of India* of the 31st October last. Sir, the Members on the Treasury Bench have always prattled on efficiency. I do not deny the efficiency with which the Finance Member has spread his net wide for his catch; he has left nothing to chance, but I make bold to say that if the documents which I asked for were produced, we would have shown how unreliable and how untrustworthy are the Government's estimates and how the Opposition could have produced a balanced Budget without resorting to this unprecedentedly heavy taxation, as my friend Mr. Mody has put it.

The Honourable Sir George Schuster (Finance Member): What is the refusal to which my Honourable friend refers?

Mr. N. M. Dumasia: I put a short notice question asking the Government to place on the table certain documents and the Government declined to waive the ten days' notice. That is my complaint.

The Honourable Sir George Schuster: I would like to explain to the House that as a matter of procedure I replied to my Honourable friend that I did not think that this was a proper occasion or a short notice question. I was very anxious not to encourage abuses in the forms in which short notice questions can be dealt with; but in my note I informed my Honourable friend that if he wished to see the papers and speak to me about them, I should have the greatest pleasure in giving him all the information that he required.

Mr. N. M. Dumasia: I think this was the proper occasion for placing these papers on the table.

The Honourable Sir George Schuster: I asked my Honourable friend to put down a question in the ordinary way.

Mr. N. M. Dumasia: You must have understood the object with which I put that question. However, Sir, in view of the reply which you have given I would not refer to it and I thank you for having promised to show us those papers. Sir, there is a proverb in Hindustani which says, "Dumata, hokum hamara", which means everything belongs to you. We really keep to ourselves the power of disposing of our belongings by our order. This is what the Government are doing. In England Government

resigned consequent upon such an emergency as has arisen in India, and consulted the nation which returned a national Government with a specific mandate. Here we are voiceless representatives of a voiceless nation, rendered helpless in our efforts to resist the demands of the Finance Member. I will not be surprised if the Government reap in abundance the harvest of what they sow now in the shape of a no-tax campaign when Mahatma Gandhi returns to India. To borrow a simile, the Government are the accusers, prosecutors and their own witnesses. They are also the judge and the jury, with no appeal against their judgment. With such a Government it is futile to argue and put forward any plea of defence or any constructive proposals which they decline to entertain.

Mr. S. C. Mitra: I move that the question be now put.

Mr. President: The question is that the question be now put.

The motion was adopted.

The Honourable Sir George Schuster: My Honourable friend, Mr. Mody, in his speech yesterday,—and I should like to pay my tribute to some of the touches of humour which he has been able to insert into this debate—I trust that they are evidence of a somewhat more cheerful underlying disposition due to the recovery of trade which he represents—said that we were approaching the end of our agony. Speaking for myself I think the words are entirely appropriate, for the agony in my case consists in getting this measure through; but I was somewhat surprised that my Honourable friend should regard it as his agony. One would have thought that the agony with him was just about to begin, when the taxes will fall on him for the first time.

We have again had a very discursive debate, and I am sure the House will not take it amiss from me if I say that I find very little of substance to reply to in the debate on the particular amendment which is before the House. We have, however, had this morning one entirely relevant speech and that was from my Honourable friend, Mr. Brooke-Elliott. He not only confined his remarks to income-tax in general, but he directed them to clause 8 in particular, and I feel that he has some justification in saying that his remarks should be taken seriously. The rest of the speeches have been very largely attacks on the general financial policy of Government and on the general circumstances in which this Finance Bill has been introduced. I am not suggesting that the arguments are not legitimate, but if I pass them over rather lightly now, I do so because they have really no reference to the amendment which is before the House and would be more appropriate in a second reading or a third reading debate. Now, Sir, my Honourable friend, who went through the income-tax position in great detail, referred amongst other things to the extremely heavy rates which are now imposed and to the extremely heavy increase which will be brought about if this Finance Bill is passed. My Honourable friend is not incorrect in the figures which he gave, but I would like to remind the House that when we talk in percentages and percentages of increase, those figures are apt to be very misleading. If the rate originally was a low one and is doubled, so as to bring it up to a moderate sum, the increase is undoubtedly 100 per cent., but if the rate had originally been a very high one, so high that it hardly stood the possibility of an increase, then an increase, even a heavy one, could, in the form of a percentage, be represented as extremely lenient. I should therefore like to put before the House certain figures, particularly as a comparison has been

[Sir George Schuster.]

made between the rates of increase which we are now proposing, and the rates of increase proposed by the British Government in their own emergency finance measure. Now the particular case to which my Honourable friend referred of great and extreme hardship was the case of a man with an income of Rs. 15,000 per annum. My Honourable friend said that, by our last two measures, his income-tax would have increased by 100 per cent. It is true, perfectly true, but I would ask the House to realize that the amount which he would now pay—if this 25 per cent. surcharge is imposed—is only one anna and eight pies in the rupee, which represents a tax of 10 per cent. Now, Sir, in a national emergency—and I want to emphasize at all points of my speech that the fundamental justification for our present proposals is that we are dealing with a national emergency—in a national emergency, that a man earning Rs. 15,000 a year should pay an income-tax of 10 per cent. of his income is, I submit, not an excessive burden. Let us compare the position in England, let us take that particular example; and in order not to make my comparison unfair, I have taken the case of a man in England who gets certain benefits from the fact that he is a married man with two children and gets the full allowances in that respect, and that two-thirds of his income are unearned and one-third earned, so that he gets there again a benefit which our provisions do not give him here. That I think is a fair and typical case to take. Now a man in England whose income is Rs. 16,000—I have taken that instead of Rs. 15,000—would formerly have paid, before the latest emergency Finance Bill, £145-7-6d. The rates in his case would have increased by 83 per cent. as a result of the emergency measures, instead of the 25 per cent. which we are proposing, and he would now pay £194-2-6d. As against that, a man in India earning Rs. 16,000 a year, even without allowances for a wife and children, or any allowances in respect of earned income, is only asked to pay £125 sterling income-tax, that is to say £125 in India, against £194 in England.

Mr. H. P. Mody: What about the carry-forward of losses?

The Honourable Sir George Schuster: My Honourable friend, if he likes to assume that that particular individual has losses in the preceding years, may import some further benefit into the comparison, but that I submit is an irrelevant interruption. We are now dealing with the case of individuals, and particularly those individuals who are earning salaries. I do submit to the House that that at least indicates the moderate level of the general scale of the burden which, even with these surcharges, people in India will be asked to bear. (Applause from the Official Benches.) As regards the rates of increase, if we go lower down the scale, we find that the new British provisions have operated very hardly indeed on the lower incomes. Now that is interesting. They have found that, in a time of national emergency, it is impossible to go on piling up burdens on the small class at the top (Hear, hear): they have had to get down to the lower levels of income and cut away a good many of those allowances to which my Honourable friend, Sir Hari Singh Gour, made such an envious reference in his speech yesterday. If we now go down to a man with an income of about £500 a year, we find that in the case of his income, if it is all earned income, the increase now imposed by the latest British Finance Act amounts to a percentage increase of no less than 188 per cent., and if his income is unearned, a percentage increase of 161 per cent.

If we get still lower, in the case of the man on £300 a year his income-tax has been increased by no less than 500 per cent. according to the latest British provisions. I use the percentage figures, though I admit I am open to the remark which I myself made before, that percentage figures are misleading when they are made in comparison with the low rates in question, but I am entitled to make these comparisons to illustrate my point that what we are doing here now, in comparison with what the British Government have found it necessary to do, is really a comparatively light imposition (Applause from the Official Benches), and the fact that we have had to go low down is a necessity of the case.

Now I want to turn to the other points made by my Honourable friend. He argued very forcibly the objections to what he called the retrospective effect of the present measure. I admit that my Honourable friend, when dealing with that point, has really a good point. I freely admit to the House that that is one of the most objectionable features of our present proposals. But I think my Honourable friend exaggerated the case when he implied to the House that the greater part of the assessments had been made and actually paid in June. If he goes into the actual figures, he will find that by June only about a quarter of the assessments are completed, and that the percentage of demands and payments made is very small. But I agree that we only came forward with our proposals in September, so that the amount of assessments already completed would have increased. But, Sir, even if we admit that that is unfortunate, I do take up and repudiate my Honourable friend's point that what we are doing now is in effect retrospective taxation. What we are asking the House to do is to alter the rates of income-tax in the course of a single financial year. We are not in effect asking the House to impose, as from the middle of the year, with six months still to run, taxes for the first half year. We are really asking the House to impose, for the second half of the year, income-tax at the full rate at which we propose it should be imposed in the following year. But we have had to frame our proposals in a slightly different form. Instead of saying that the surcharge is to be 25 per cent. for the remaining six months, which is really the object at which we are aiming, we have had to say, "it will be 12½ per cent. for 12 months". That is because of the method by which income-tax is levied, because of the law on which the collection of income-tax depends, and because of the regulations as regards different scales of income, allowances and so on which apply to a full year's figures and not to a half year's figures. We examined this case very carefully. We came to the conclusion that if we tried to introduce this measure in the form of a 25 per cent. surcharge for the remaining half of the year instead of, as we have done, a 12½ per cent. surcharge for the full year, we should have had completely to alter the income-tax law. We should have had to bring in a very complicated income-tax amending Act applicable only to these particular conditions. I am sure the House will agree that that was a practical impossibility, while we felt that it was not in any case necessary, because in effect the result which will be achieved by what we are now doing will be precisely the same. Therefore, Sir, although, as I have said, I admit that in practice assessments will have been made on the old basis and a good deal of inconvenience will be the case, in substance we are not taxing incomes retrospectively. And in justification of what we are doing I would again remind the House that what we are doing is exactly the same in principle as what the British Government have decided to do. We were told by my Honourable friend

[Sir George Schuster.]

that in this form of action we were doing something which he almost characterised as dishonourable. I hope I am wrong in that understanding, but as that was the impression conveyed to me, I am entitled to say that I put it to him that the British Government are not a Government which can be accused of taking dishonourable action in matters of this kind.

Mr. O. Brooke-Elliott: Sir, may I say that I did not suggest anything dishonourable, but I said that it was wrong. And that is the exact word I used.

The Honourable Sir George Schuster: I have only one more word to say about my Honourable friend's speech. He said, to use his last words, that it was wrong, it was extremely wrong, it was so wrong that it could only be justified in an extreme national emergency. I am prepared to put our case on my Honourable friend's ground. We do maintain that there was an extreme national emergency, and we further maintain that, unless we take that action now which alone we think would be adequate, that national emergency may again recur. Some Honourable Members may think that, because in the last two months things have gone fairly well, and they have seen an improvement of trade and a very marked and decisive strengthening in the rates of the rupee exchange, we exaggerated the emergency at that time when we introduced this Bill. But I would ask them to cast their thoughts back to the uncertainties with which we were at that time oppressed and the dangerous state in which the world then found itself. If things have gone well since then, I think it is fair to say that not a small share of that result was produced by the knowledge which the world got from the announcement of our programme that we in India were going to tackle the situation on sound lines, that although our currency was divorced from gold, we were going to produce an internal budgetary equilibrium, and not run the risk of getting on to that slippery slope of which I warned Honourable Members in Simla.

Now, Sir, I must turn from that direct answer to the direct attack on the particular proposal which is now before the House, to a general line of argument which has been advanced, particularly from the Benches on my right, the argument that if we would only apply principles of ordinary honesty and efficiency to the administration of the Income-tax Act, we should be able to collect, by achieving a better percentage of recovery, an additional sum equal to, if not more than, what we propose to get by the surcharge which is now before the House. Now, Sir, when we on these Benches are attacked from any quarter of the House, I think we may say that our shoulders are broad enough to bear the burden and that our brains are good enough to give a pretty sound answer to any arguments that are put forward. At least we deal with the situation without any heat and without losing our own mental balance. But when a general attack is made in this House, from whatever quarter it comes, upon the efficiency, the standards of work, and the public spirit, of any part of those services for which any of us are responsible, and if that attack is based not on precise evidence but merely on general gossip and repute, then, Sir, I must confess that I myself feel a certain amount of heat. I entirely repudiate the suggestion which has been made that the income-tax administration in this country is, in my Honourable friend's words, a blot on the administration. I entirely repudiate the suggestions which have been made that the whole of that service for which I am responsible, and I am proud of that responsibility, is either inefficient or dishonest. Sir, the

income-tax officials in this country have to perform one of the most unpleasant tasks which falls to the lot of any public official. The Income-tax Department in its present form is a comparatively young creation. It dates only from nine years back and it has not had a long time to grow up. I confess of course that during my office here, with the many difficulties which have fallen upon me in the course of exceptionally difficult years, I have not had the opportunity to get about and make personal acquaintance with all the officials in the Income-tax Department throughout the country. But I have seen some of them, and I know my own department and I say that the Finance Department and the Income-tax Department are largely staffed by Indians. They are almost entirely staffed by Indians, and I can say that in all my experience of the world, working in different parts of the world, I have never come across more devoted and honest service than that which I have received from the Indians in my own Department (Applause), and that I know I am receiving from the various Income-tax Departments throughout the country. I entirely refuse to believe that the standard of administration in the Income-tax Department is lower than the standard of administration throughout the Government services of India; and I maintain that the standard of Government services throughout India stands comparison with that of any country in the world.

Now, Sir, I must apologise perhaps for having displayed a certain amount of heat in that particular matter. Having done so, I would like to say to my Honourable friend that if he has a case to make out, if he can put up a case on clearly established grounds, that case will receive the most thorough and searching examination; and I would tell him further that it will be examined not with a view to prove that he is wrong but rather with a view to prove that he is right. For, if he is right, undoubtedly it will be of great financial advantage to the country, and ~~we~~ ^{we} ~~must~~ ^{must} believe our own burdens, if we can achieve a higher standard of collection of income-tax throughout the country. Now, on general grounds if I try to consider impartially what my Honourable friend has said, I would say to him at once that I do not dispute for a moment the proposition that in India as a whole there probably is a very large amount of evasion of income-tax. There is evasion of income tax in all countries. Even in England where income-tax has such a long history and where public opinion and the attitude of the body of assesses is, I should say, on a far higher standard from the point of view of producing a higher percentage of recovery than that of any country in the world, even in England, where they have not got the immense difficulties that we have in India owing to the enormous size of the country, the differences in languages and scripts, and the failure of many of the small assesses to keep proper accounts, even in England where they have none of these difficulties, it is recognised that evasion is very substantial indeed.

It was estimated in 1920 by witnesses before the Royal Commission that in England 10 to 20 million sterling per annum were lost through that particular cause. I think we may accept that as a reliable estimate. I have not the slightest doubt—I have no reason to state the case otherwise—that in India the percentage of evasion may be considerably higher. But when we consider what can be done to tighten up the procedure, I would put to my Honourable friend that it cannot so easily be done by a stroke of the pen. What we depend on more than on anything else in these matters is the force and pressure of public opinion. We need to create throughout the country an idea that dishonest

[Sir George Schuster.]

evasion is not a thing to be practised and a thing to be lightly passed over, that it does bring discredit and that the man who practises dishonest evasion is not one who can congratulate himself on being clever, at having got the better of the Government, but rather should be regarded as one who has saved his own skin at the cost of the public interest. On this question of evasion, before I go any further, I should like to call my Honourable friend's attention to the distinction between what I would call fraudulent evasion and legitimate or straightforward direct evasion. There are many ways in which a man can so arrange the disposal of his assets and his business that it does not become liable to the full income-tax to which it would be liable if he adopted a different method. My Honourable friend quoted from the Central Board of Revenue's Report of 1924-25. I would remind him that it is perhaps a little out of date. He quoted from the Report a passage by the Board itself that the Board regrets to observe that evasion by tax-payers still continues on a fairly large scale. I would remind him that the main purport of that paragraph was to call attention to the form of evasion which was practised by those who put their property into "one-man companies" or who adopted other expedients of that kind to avoid their legal liability. That was what was mainly referred to in this particular paragraph. My Honourable friend taunted the Government with their failure to amend the law where it is necessary to amend it in order to get over the disadvantages which had been referred to in this report. I would remind my Honourable friend that in Delhi, in 1930, we actually passed into law the provisions which the Central Board of Revenue had in mind when they wrote that particular paragraph which he quoted. This was one of the very first things which I personally took up when I took up my appointment as Finance Member. It was referred to a Select Committee, circulated for opinion, and I think it is a great credit to this House that that Bill was passed, so that that form of evasion is now countered so far as it is possible by legal means to counter action of that kind. As regards fraudulent evasion, that is in quite a different category. My Honourable friend has suggested various means by which fraudulent evasion could be minimised. At this late hour and at this late stage in the discussion of the Finance Bill I do not propose to go in detail through all my Honourable friend's suggestions. I think it will suffice if I tell him that they all have our consideration, that some of them are not really practicable, and on one in particular I should like to say a few words because it illustrates our general attitude towards this matter and the realities of the position. One of my Honourable friend's proposals was that the assessment should be doubled if an assessee makes no return and professes to keep no books. I would remind my Honourable friend that the duty of an Income-tax Officer is to try and assess the assessee's income as accurately as he can. He has no power to force him to keep books, and if we were to issue general instructions that whatever the previous assessment had been, if no books were produced, it must be doubled, I put it to my Honourable friend that we should be issuing improper instructions, and in fact instructions which it would be quite illegal for us to issue. On the other hand, I would tell him that the practice of the Income-tax Department is to follow what is known as the principle of progressive enhancement. That is what they do. The basis on which they act is this. They apply the ordinary presumption in the law of evidence that if a man withholds evidence that he could produce, he does so because it is to his advantage to do so, that is to say, because,

in his particular case, it would reveal a larger income than that on which we have been assessing him. That is a fair principle on which to act. But to lay down any arbitrary rule that the assessment must straightaway be doubled would be to depart from any sort of principle, and it would be doing something which it would be quite illegal for us to do. We do go on increasing the assessment until the assessee can produce reliable evidence to rebut the presumption on which we make the assessment. I thought it worth while just to explain that particular position in detail because, in the first place, it shows that certain things which have been asked are unreasonable and in the second place it shows what the Income-tax Department themselves are doing. On the other points of my Honourable friend we propose to make further enquiries, and I would put it to him and to those interests which he represents, that if they, each working in their own business circles in the areas which they themselves know fully and are familiar with, would endeavour to collect evidence or to establish a case on which the Government could take action, if they can make any specific suggestions to us, if they can do anything to create public opinion on which, as I have said, the whole position must fundamentally depend, then they will be really helping both the Government and the public. Any effort of that kind which is made, I give the fullest undertaking, will be responded to by the Government.

Now, Sir, there is very little time to deal with my Honourable friend's figures. He produced before the House quite an interesting statement, and I welcome any attempt of this kind to arrive at the truth in these matters. A good many of the points require further enquiry before I can give a detailed and full answer, and I do not want to prejudge my Honourable friend's case. But on broad grounds I would put this to him. He has taken the standard of collection in Burma as the standard on which to make a start, and working on various bases, he has arrived at the result that if in the whole of India the standard of income-tax collection which prevails in Burma were applied, then the Government of India would recover an extra sum of about 6 crores. Now, Sir, whatever room there is for improvement in the system of income-tax collection, whatever scope there may be for detecting evasion on a large scale, however much our officials may suffer from ordinary human failings, I cannot believe that, while all is black on the Continent of India, the position in Burma is entirely free from these defects. My Honourable friend no doubt would say that he has never claimed that Burma is entirely free from these defects. But he says that there are 6 crores which we could get if we only administer our law properly in India, in Madras, in Bengal and Bombay, that there are those 6 crores that we could get if we only administer the law as well as they administer it in Burma and that being his case, then I say on *prima facie* evidence he is putting up a statement which I for one find it impossible to believe. Moreover, if one follows his figures further, one finds that one is led to the most surprising results. If you use one of his tests—I noted this point as he gave the House the figures yesterday—if you use one of his tests, the number of assessees in proportion to the population, you find that Bombay is the best boy of the lot, at the top of the class; on the other hand, if you turn to his other method, the proportion of revenue collected in the form of income-tax and super-tax to the customs revenue collected at the ports of entry into the province, Bombay goes right down to the bottom of the class and I had to cry "shame" to my

[Sir George Schuster.]

Honourable friend from Bombay when I heard those figures. Sir, whatever my Honourable friend who put these figures forward believes about the truth of the proposition which he is supporting, I feel sure that he cannot feel that he has absolutely established the case on the basis of the figures which he has put before the House. I feel it necessary to go as far as that; having gone as far as that, I would return to my original proposition and assure my Honourable friend, both for himself and for those whom he represents and his Honourable colleague from Madras who took the same point, that we are going to inquire into these matters; and, as I said before, we are going to inquire into them with the purpose of finding out how near the truth he has got and not for the purpose of proving that he is wrong. Just one more point before I leave that question. I have one interesting figure which I might give to the House. I am told by the Income-tax Department that if the assessee's returns had been accepted as correct in 1929-30, we should have lost just under 4 crores of revenue, that is to say, over 29½ per cent. of the revenue. I think that, as a broad statement, is evidence of the fact that the Income-tax Department is very busily at work; they have been able to put up the assessee's own figures by Rs. 4 crores in the year 1929-30.

I should like also to tell the House that this particular matter has during the last six months had my constant attention. It is very difficult to test whether, owing to the higher rates of income-tax, the practice of evasion is increasing. We thought that one way of testing this would be to take the income-tax returns from companies in a certain portion of India and compare those with the income-tax that we got from people doing ordinary business; we felt that in case of the comparatively small number of businesses which are run by limited companies, most of which are large in scale, in their case the chances of evasion were very small; so that, if we took them as a test and then compared the progress of income-tax recoveries in their case with the progress of income-tax recoveries in the case of ordinary business done on a small scale, we should get some line to indicate to us whether the ordinary small businesses were escaping income-tax by evasion. I may tell my Honourable friend that the figures which we obtained showed on the contrary that there had been a constant improvement in the percentage collection from small businesses as compared with the percentage collection from large businesses. I should be very pleased to give my Honourable friend a note which establishes that fact, and indeed on the whole of this question there is nothing that I wish to do more than to encourage the study of it among those who are engaged in business, so that they may help us to get an improvement, which I think is possible, but which is not possible on such a scale and at such a rate as my Honourable friend himself has suggested.

Now, Sir, the rest of the argument with which I have to deal has been largely concerned with income-tax administration also, but the case has been made from the other side. My friends who spoke from the Opposition have not only not supported the view urged by Mr. Tait, but we have been attacked from that side on the ground that our income-tax administration is unjust because it is too harsh. That charge would require a very full debate for proper treatment and I am not going to attempt to enter into that question now. My Honourable friend Sir Hari Singh Gour has advised the Government for not taking action on a draft Bill which he and 54 of his friends had prepared. I would remind my Honourable

friend that he only gave me a copy of that Bill towards the close of the last Simla Session, and even if we had been ready to take immediate action on it—and I am afraid I cannot hold out any strong hope to him that we are—but even if we had been prepared to take immediate action on it, we could hardly have done so before we asked the House to assemble for this emergency session. My Honourable friend referred to the practice in England, and led the House to suppose that the unofficial Commissioners in England practically did the whole of the income-tax assessment. I think my Honourable friend misled the House on that matter, and I would remind him of what are the facts. The association of the General Commissioners in England with income-tax work is in practice little more than formal. Considering the mass of work to be dealt with, it could not be otherwise. The Royal Commission of 1920 recommended that this formality should be abolished. Even in regard to appeals the Report of the same Commission shows that the volume of work actually disposed of by the General Commissioners is very small. They wrote:

"An attempt by the General Commissioners to carry out the Income-tax Acts literally would result in a breakdown of the machinery. The investigation of all claims of exemption or abatement by the Commissioners themselves would necessitate their sitting almost continuously throughout the year. Seeing that the General Commissioners are an unpaid body of men, frequently men with many other activities, it has naturally come to pass that many of the duties allotted to them are, with their sanction, performed by the Inspector of Taxes. This course is convenient not only for the Commissioners but for the tax-payers."

I will not weary the House with reading the rest of the quotation from the Report of the Royal Commission. I would ask my Honourable friend himself to study it.

Now, as a general conclusion, I am afraid I can do no more than repeat what I have repeated so often that the House must be weary of hearing me do so—that we are confronted with a national emergency which we consider can only be properly dealt with by the measures which we have proposed.

My Honourable friend, Mr. Anklesaria, pleaded most urgently that although we had to meet a deficit, we should meet it by borrowing. He says that is what he would do in private circumstances if he were met with a sudden difficulty of this kind. He challenged me to name any single country which had, in his own words, a favourable balance of trade, which was not meeting the present position by borrowing. I am quite prepared to take up my Honourable friend's challenge. But I must ask him to be rather more precise in what he has said. When he talks about a favourable balance of trade, that in itself is a most misleading expression. In normal parlance a favourable balance of trade refers only to the so-called visible items of export and import. What matters to a country far more than a favourable balance of trade is a favourable balance of payments, and if a country is in a position to export more merchandise than it imports, that will do it no good at all if it is, on balance, a debtor having to meet interest on external loans; for if the interest which it has to meet on external loans is greater than the favourable balance of trade, this favourable balance of trade disappears into the gap and will not save the situation. On the other hand, if a country has an unfavourable balance of visible trade, but is a creditor country and holds a large mass of investments abroad, then the mere fact that its visible imports exceeds its exports is no indication of an unsound position. Now, there are two countries which illustrate these two cases. India has normally a large visible favourable balance of trade and normally that visible balance of trade is sufficient to cover India's external payments. England on the other hand

[Sir George Schuster.]

is a country which normally has an unfavourable balance as regards her visible exports and imports, but England has enormous sums owing to her from abroad, which more than cover that deficit on the visible export and import balance. England is certainly a country which has a favourable balance of payments, and England has thought it necessary to balance her Budget in exactly the same way as we have done now.

My Honourable friend told us that the United States and France and England have all of them been faced with deficits and he suggested that they had avoided sound measures for dealing with them. I gave the House the other day the figures of the French budgetary deficit for 1930; but for 1931 the French Government have taken all proper steps to balance their Budget; and the French Government are not going to embark upon a policy of budgetary deficits to be covered by borrowing. The same applies to England, and England as I have already said is a sufficient guide and example for us. What is going to happen to the United States I cannot prophesy; but I think it is quite safe to say that in spite of the strength of her position, in spite of the enormous payments which she now has to receive by way of reparations and interest on war debts, if the United States does not eventually balance her Budget, she will suffer consequences from it which even she, with all her strength, may not be able to stand. But she can afford for the moment to take risks. We cannot. We are not in a position in which we can afford to take any risks; and my Honourable friend's suggestion breaks down at once for a simple reason. He says, "If your income is not sufficient to cover your expenditure and if you cannot reduce your expenditure immediately in order to provide the balance, then go to your banker and borrow the money". I would ask my Honourable friend what he will do if his banker tells him, "I refuse to lend you money until you put your position on a sound basis". That is what would happen to us if we refused to take the action which Government have now put before the House.

My Honourable friend and many others have told us that in the years 1919, 1920 and 1921 India herself had unbalanced Budgets, and met the deficits by borrowing. That is a thing that can be done once. We are now suffering from the results of what was done then. A great many of the loans, which are now maturing, and causing us increasing difficulty, are loans which were raised at that period in order to meet these uncovered deficits, and unless we pull up now and make our situation sound, we here could not take the responsibility for the future, and I venture to put to Honourable Members opposite that they themselves, when they came to take it over, would find that they had succeeded to a *damnosa hereditas* which would ruin them and ruin the whole country.

Sir Hari Singh Gour: Not being sure that the Honourable Member would give way, while he was referring to the statement I made.

Mr. President: What is the Honourable Member doing? Is he making a personal explanation?

Sir Hari Singh Gour: Yes, Sir. What I stated in the course of my speech yesterday as regards the Income-tax Commissioners was taken from the English Income-tax Act. What the Honourable the Finance Member is referring to to-day is the Report of the Royal Commissioners, a very different thing.

Mr. President: The question is:

That clause 8 be omitted.

The Assembly divided:

AYES 52.

Abdoola Haroon, Seth Haji.
Abdur Rahim, Sir.
Aggarwal, Mr. Jagan Nath.
Azhar Ali, Mr. Muhammad.
Badi-uz-Zaman, Maulvi.
Bhuput Singh, Mr.
Chandi Mal Gola, Bhagat.
Chetty, Mr. R. K. Shanmukham.
Chinoy, Mr. Rahimtoola M.
Das, Mr. A.
Das, Mr. B.
Dudhoria, Mr. Nabakumar Sing.
Dumasia, Mr. N. M.
Dutt, Mr. Amar Nath.
Gour, Sir Hari Singh.
Griffiths, Mr. G. I.
Gujral, Mr. N. R.
Harbans Singh Brar, Sardar.
Hari Raj Swarup, Lala.
Ibrahim Ali Khan, Lt. Nawab Muhammad.
Isra, Chaudhri.
Jha, Pandit Ram Krishna.
Jog, Mr. S. G.
Krishnamachariar, Raja Bahadur G.
Lahiri Chaudhury, Mr. D. K.
Lalchand Navalrai, Mr.

Misra, Mr. B. N.
Mittra, Mr. S. C.
Mody, Mr. H. P.
Murtaza, Sahib Bahadur, Maulvi Sayyid.
Pandit, Rao Bahadur S. R.
Parma Nand, Bhai.
Patil, Rao Bahadur B. L.
Puri, Mr. B. E.
Puri, Mr. Goswami M. R.
Rajah, Raja Sir Vasudeva.
Ranga Iyer, Mr. C. S.
Reddi, Mr. P. G.
Reddi, Mr. T. N. Ramakrishna.
Sant Singh, Sardar.
Sarda, Rai Sahib Harbilas.
Scott, Mr. J. Ramsay.
Sen, Mr. S. C.
Sen, Pandit Satyendra Nath.
Singh, Mr. Gaya Prasad.
Sitaramaraju, Mr. B.
Sohan Singh, Sardar.
Sukhray Rai, Rai Bahadur.
Thampan, Mr. K. P.
Uppi Saheb Bahadur, Mr.
Wilayatullah, Khan Bahadur H. M.
Ziauddin Ahmad, Dr.

NOES 56.

Ahmed Nawaz Khan, Major Nawab.
Allah Baksh Khan Tiwana, Khan Bahadur Malik.
Anklesaria, Mr. N. N.
Azizuddin Ahmad Bilgrami, Qazi.
Bajpai, Mr. R. S.
Banerji, Mr. Rajnarayan.
Bhore, The Honourable Sir Joseph.
Cassgrave, Mr. W. A.
Cresser, The Honourable Sir James.
Dalal, Dr. R. D.
DeSouza, Dr. F. X.
Desanges, Mr. H. C.
Dyer, Mr. J. F.
Fazal Haq Piracha, Shaikh.
Fox, Mr. H. B.
French, Mr. J. C.
Graham, Sir Lancelot.
Heathcote, Mr. L. V.
Hira Singh Brar, Sardar Bahadur Captain.
Howell, Mr. E. B.
Ismail Ali Khan, Kunwar Haje.
Ismail Khan, Haji Chaudhury Muhammad.
Jawahar Singh, Sardar Bahadur Sardar.

Knight, Mr. H. F.
Lal Chand, Honv. Captain Rao Bahadur Chaudhri.
Lal, Mr. S.

The motion was negatived.

The Assembly then adjourned for Lunch till Ten Minutes to Three of the Clock.

Montgomery, Mr. H.
Moore, Mr. Arthur.
Morgan, Mr. G.
Mujumdar, Sardar G. N.
Mukherjee, Rai Bahadur S. C.
Noyce, Sir Frank.
Parsons, Mr. A. A. L.
Pelly, Major H. R.
Rafiquddin Ahmad, Khan Bahadur Maulvi.
Raghubir Singh, Kunwar.
Rai, The Honourable Sir George.
Rajah, Rao Bahadur M. C.
Rama Rao, Rai Bahadur U.
Row, Mr. K. Sanjiva.
Roy, Mr. S. N.
Sahi, Mr. Ram Prashad Narayan.
Sams, Sir Hubert.
Sarma, Mr. R. S.
Schuster, The Honourable Sir George.
Singh, Kumar Gupteshwar Prasad.
Studd, Mr. E.
Suhrawardy, Sir Abdullah.
Sykes, Mr. E. F.
Tait, Mr. John.
Talib Mehdi Khan, Nawab Major Malik.
Todd, Mr. A. H. A.
Yakub, Sir Muhammad.
Yamin Khan, Mr. Muhammad.
Young, Mr. G. M.
Zulfiqar Ali Khan, Sir.

The Assembly re-assembled after Lunch at Ten Minutes to Three of the Clock, Mr. President in the Chair.

Kanwar Raghubir Singh (Agra Division: Non-Muhammadan Rural): Sir, I move:

"That to sub-clause (1) of clause 8 the following be added at the end, namely:

'on all incomes over rupees ten thousand'."

Sir, it is essential in the interests of the poor and the vast majority of my constituents that I should move this motion to amend clause 8 of the Finance Bill. Less than ten thousand rupees a year will come to about Rs. 800 or less a month, and a man getting such an income cannot be considered to be a rich man worthy of being taxed further. As I said in my speech on the general consideration of the Finance Bill, it is only the rich people that should be taxed and not the poor, and here the burden will fall on the poor people and that is why I am moving my amendment to-day.

If we compare the income-tax rates of 1930-31 with the present proposals, it means an increase of tax from 50 to 100 per cent. on incomes over Rs. 2,000 to Rs. 15,000, and 80 per cent. on incomes between Rs. 22,500 and Rs. 1,60,000. The Honourable the Finance Member said that there should be no discrimination between one class and another, but here I have made a list of those things in which discrimination is evident. For instance, it has been proposed that there should be no reduction below Rs. 40 in departments other than Railways and the Post Office—the Police and some other departments also have been left out. If there was to be reduction, it ought to be everywhere. Then, Sir, those getting Rs. 4,000 will be taxed to the extent of 5 to 6 per cent., and on lower incomes it will be about 25 per cent. The higher rate of tax should fall on bigger incomes, but here the case is the reverse. In India on Rs. 5,000, one will have to pay Rs. 300, while in England he will have to pay only Rs. 100. So there is a difference between England and India. There is a rebate in England and not here, for married men for a first child, for a second child, etc.—but it is not the case here. On incomes between Rs. 30,000 to 60,000 the income-tax increase is 80 per cent. here, while in England it is 11 per cent. In super-tax it is 25 per cent., while in England it is 10 per cent. Therefore, there are very great differences between the rates imposed in England and those imposed in India. As to the nation-building activities, eight annas per head per year is the incidence of expenditure in India, while in England four-fifths of the income is spent on such activities. There is a difference in the condition of the two countries, and so it will not be good to compare the condition of India with that of England.

Sir, it has been said that there is a dearth of constructive proposals from the non-official side. I wish to point out that a duty on matches was proposed by my Honourable friend Lala Hariraj Swarup, and a duty on raw hides and skins was proposed by Mr. B. Das, which was summarily dismissed by the Honourable the Finance Member. I suggested a tax on bones and manure. The surcharge on income-tax is included in the 10 per cent. out of salaries. That may not be done. Another proposal was that the number of white garrisons should be reduced, because there is

no other department in which more economy is possible than in the Army Department. There are no wars just now and Government can very well carry on without so much expense in the Army.

Again, Sir, there has been a talk about the efficiency of the Government. In Part II of the Gazette of India which is supplied to us, we see that under the heading "Gold and Silver" we find "nil" written there. I do not know where all this gold and silver has gone. When I was reading in college we used to question the professor as to why the gold reserve of India was kept in England. He used to tell us because the London market was the biggest market in the world and therefore it was very safe there. Now, in the Gazette of India we find "nil" under gold and silver, and we do not know where it has all gone. We want an explanation from the Government. I think this thing does not redound to the credit of an efficient Government.

Sir, I received this morning a letter from Surat in which it has been pointed out that, "The income-tax in the past for a number of years was at the rate of 2½ per cent., that is, 5 pies in the rupee, and with an addition of 25 per cent. under the present Finance Bill the maximum rate will be 12 per cent., that is, 32½ pies in the rupee, to say nothing of the super-tax." I have cited these figures to show that it is a very heavy burden of taxation which has been proposed by the Honourable Member, and by my amendment I seek to give relief to incomes below Rs. 10,000, on the ground that the burden of taxation should fall only on the rich and not on the poor. With these words, I move my amendment.

Mr. T. N. Ramakrishna Reddi (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): I support the amendment moved by my Honourable friend, Mr. Raghubir Singh. It is quite essential that we should give some relief to those whose earnings are below Rs. 10,000. The Income-tax Act is based on the English Act, and yet in the matter of administration there is a considerable divergence of principles adopted in both countries. In England the Government are careful to see that the assessee must be able to pay the income-tax without detriment to his social amenities and the education of his children and so on. They give a personal allowance if he is a married man, and if he has got children an allowance is given for each of his children. They give allowances for dependants also; whereas in India the sole aim is to get as much money as possible from the assessee. It is all the more necessary in India that such relief should be given as is given in England. Indians are living under a patriarchal system. The Hindu joint family system prevails throughout India. There will be one or two earning members in a family and a number of dependants and distant relations to be maintained. The family may be composed of a dozen members. One or two members will be earning, and still the tax will be collected on the joint income of all. According to the Hindu joint family, they have to incur a lot of expenses on account of the marriage of girls, and education of boys and other festivals, and there is no relief at all under the Indian Income-tax Act. Further the tax is collected on the joint earnings of all the earning members. For instance, one earning member might be in a village, earning Rs. 100, and another member in a town earning Rs. 100. They have to maintain families in two separate places, but the Act does not take into account all that, but taxes them on the joint income, since individual, by they will escape the tax. Then take the taxes on business enterprises. In England, the losses of one year can be carried forward to the next

year, and if there are profits in the next year, the losses will be deducted and the tax will be paid on the balance alone, whereas in India if a man has sustained a loss of Rs. 10,000 in one year, Government will simply keep quiet, and if he makes a profit of Rs. 2,000 next year, they will pounce upon him and collect the tax, though in the previous year he may have been on the verge of ruin. The amendment proposed is therefore quite justified.

If the Finance Member wants revenues, I shall suggest certain things for his consideration. The Indian income-tax is based on the principle of the origin of the income, but that principle has not been carried to its logical conclusion. So many incomes accruing and arising in India are escaping tax. For instance, the allowances and salaries and pensions paid to the Government servants by our Government in England escape taxation. Now, the Finance Member says this is a national emergency. So I ask him why he should not tax these earnings instead of taxing the poor people. Then again the allowances and salaries accruing and arising in India of private employees of companies and firms which are paid in England escape the tax, if the private company and their employees have entered into an agreement that the payment should be made in England. It is quite unjustifiable that two persons should enter into an agreement of this kind in order to deprive the State of its legitimate income, because the company or firm is carrying on business here and the income accrues in India. That is another source. There are other sources of income, for instance, the interest guaranteed to railway companies by the Secretary of State. The railways work here and earn income here, but the interest is paid in England and thus escapes taxation. There is also the interest on sterling securities of the Government of India and the interest on the sterling securities issued by the British companies carrying on business in India. When the rules regarding the avoidance of double taxation are made applicable throughout the British Empire including India, and are in operation, there is no difficulty in taxing these incomes. They will not be taxed over again in England. So I do not see why the Indian exchequer should lose the benefit of the income from these sources. If the Finance Member wants further revenue, he should tap these sources instead of levying more burdens on the poor Indian taxpayers. So I beg to support the amendment, which is intended to give relief to the income-tax payers in this country.

The Honourable Sir George Schuster: I will try to deal very shortly with this proposal. The financial effect of the amendment now before the House combined with the similar amendment to clause 9 would be according to our calculations a loss of about 35 lakhs in the current year and 65 lakhs next year, total loss about 1 crore. We feel that we cannot face that loss and that is my first reason for opposing this amendment. I would however also oppose it on grounds of principle. We endeavoured in the changes that we introduced in the last Finance Bill to produce an evenly graded scale, from the bottom to the top. Honourable Members who will look through the tables which were supplied in the course of the Budget debates of the last Delhi Session will be able to see that now the income-tax rises by steady and even steps from the bottom to the top. The whole object of our proposal now to meet the financial position by an emergency surcharge of 25 per cent. is to distribute the extra burden evenly and not to upset this carefully thought-out graded scale. If my Honourable

friend's amendment is accepted, it will completely upset that scale and will leave a number of steps down to the bottom which do not at all agree with the general plan. We feel, moreover, that the rates of income-tax which will be levied on those lower incomes, even with the surcharge, are not unduly high. The rate on an income of Rs. 3,000 a year will now be about 3.9 per cent. It rises to 5.85 per cent. on incomes of about Rs. 6,000 and at Rs. 10,500 it goes up to 7.8 per cent. That is the highest rate payable within the range of incomes which will be affected by this amendment. I would submit to the House that at a time of emergency like the present, that is not an unduly heavy rate. Therefore, Sir, on financial grounds and on grounds which will upset our whole scheme of taxation, I am bound to oppose the amendment moved by my Honourable friend.

Mr. President: The question is:

Mr. President: The question is,
"That to sub-clause (1) of clause 8 the following be added at the end, namely:
'on all incomes over rupees ten thousand'."

Mr. D. K. Lahiri Chaudhury (Bengal: Landholders): On a point of order, Sir. Is any Honourable Member who has voted in one Lobby entitled to go into the other Lobby again?

Mr. President: An Honourable Member is entitled to give his vote once only.

Mr. D. K. Lahiri Chaudhury: The parliamentary practice in England is that whenever an Honourable Member goes to one Lobby, that is an indication that he has already voted.

Mr. President: The voting lists are scrutinised by the Secretary.

The Assembly divided:

AYES 45.

Abdur Razim, Sir.
Aggarwal, Mr. Jagan Nath.
Azhar Ali, Mr. Muhammad.
Bhuput Singh, Mr.
Das, Mr. B.
Dudhoria, Mr. Nabakumar Sing.
Dumasia, Mr. N. M.
Dutt, Mr. Amar Nath.
Fazal Haq Piracha, Shaikh.
Gour, Sir Hari Singh.
Gunjai, Mr. N. R.
Harbans Singh Brar, Sirdar.
Ibrahim Ali Khan, Lt Nawab

Muhammad.
Ismail Ali Khan, Kunwar Rajes
Jera. Chaudhari.

Jha. Pandit Ram Krishna.

Jha, Pandit, Ram
Jog, Mr. S. G. Mr. D. K.

Lahiri Chaudhury, Mr. D. K.

Mr. Toland Navalair, Mr.

91 Miwa, Mr. B. N. 100-100000
Mitche, Mr. B. O. 100-100000

Mitra, Mr. S. D. 1001
Munjumdar, Sardar G. N. 1001

Murmu, Sarda G. N.
Murtuza Sahib Bahadur,

Murphy, David, 1940

Pandit, Rao Bahadur S. R.

Parma Nand, Bhai.

Patil, Rao Bahadur B. L.
Datt, Mr. B. B.

Puri, Mr. B. R.
Rafuddin Ahmad, Khan

Rafuddin Ahmad; Khan
Maulvi.

Maulvi.
Raghubir Singh, Kunwar.

Raghubar Singh, Kullwar.
Ranga Iyer, Mr. C. S.

Reddi, Mr. P. G.

Reddi, Mr. T. N. Ramakrishna
Sadiq, Hassan Shaikh.

Sadiq Hasan, Shaikh. .
Sant Singh Sardar.

Sant Singh, Sardar.
Sarda Rai Sahib Harbilas.

Sarda, Rai Sahib Harbilas.
Scott, Mr. J. Ramsay.

Sen. Mr. S. C.

Sen, Pandit Satyendra Nath

Singh, Mr. Gaya Prasad.

Sitaramaraju, Mr. B.
S. N. Singh, Sirdar.

Sohan Singh, Sirdar:
Talib Mehdi Khan, Nawab

Talib Mehdi Khany Naw
Malik.

Thompson, Mr. E. P.

Thampam, Mr. K. S.
Uppi Sahab Bahadur, Mr.

Uppi Sahab Bahadur. Mr. Yamin Khan, Mr. Muham

Yamin Khan, 1943-1945

Ahmad Nawaz Khan, Major Nawab.
 Allah Baksh Khan Tiwana, Khan
 Bahadur Malik.
 Anklesaria, Mr. N. N.
 Azizuddin Ahmad Bilgrami, Qazi.
 Bajpai, Mr. R. S.
 Banerji, Mr. Rajnarayan.
 Bhowe, The Honourable Sir Joseph.
 Cosgrave, Mr. W. A.
 Crerar, The Honourable Sir James.
 Dalal, Dr. R. D.
 DeSouza, Dr. F. X.
 Desanges, Mr. H. C.
 Dyer, Mr. J. F.
 Fox, Mr. H. B.
 French, Mr. J. C.
 Graham, Sir Lancelot.
 Heathcote, Mr. L. V.
 Hira Singh Brar, Sardar Bahadur
 Captain.
 Howell, Mr. E. B.
 Jawahar Singh, Sardar Bahadur
 Sardar.
 Knight, Mr. H. F.
 Lal Chand, Hony. Captain Rao
 Bahadur Chaudhri.
 Dill, Mr. S.

Montgomery, Mr. H.
 Moore, Mr. Arthur.
 Morgan, Mr. G.
 Mukherjee, Rai Bahadur S. C.
 Noyce, Sir Frank.
 Parsons, Mr. A. A. L.
 Pelly, Major H. R.
 Rainy, The Honourable Sir George.
 Rajah, Rao Bahadur M. C.
 Rama Rao, Rai Bahadur U.
 Rastogi, Mr. Badri Lal.
 Row, Mr. K. Sanjiva.
 Roy, Mr. S. N.
 Sahi, Mr. Ram Prashad Narayan.
 Sams, Sir Hubert.
 Sarma, Mr. R. S.
 Schuster, The Honourable Sir George.
 Shah Nawaz, Mian Muhammad.
 Singh, Kumar Gupteshwar Prasad.
 Studd, Mr. E.
 Sukhraj Rai, Rai Bahadur.
 Sykes, Mr. E. F.
 Tait, Mr. John.
 Todd, Mr. A. H. A.
 Yakub, Sir Muhammad.
 Young, Mr. G. M.

The motion was negatived.

Mr. Amar Nath Dutt (Burdwan Division: Non-Muhammadan Rural):
 Sir, I rise to move:

"That Sub-clause (2) of clause 8 be omitted."

This sub-clause now runs as follows:

"(2) For the purpose of assessing and collecting the additional tax imposed by sub-section (1),—

- (a) the Indian Income-tax Act, 1922, shall be deemed to be subject to the adaptations set out in Part II of Schedule II to this Act, and
- (b) the Central Board of Revenue may make rules—
 - (i) making such further adaptations in the Indian Income-tax Act, 1922, as may seem to it to be necessary to secure that the additional tax shall be equitably levied, and
 - (ii) regulating the procedure of income-tax authorities in securing the assessment and collection of the tax and the granting of refunds arising therefrom."

Sir, my objection to this sub-clause is this that it gives unlimited power to the Income-tax Officers and the department whose duty it is to collect these taxes and to make rules for its conduct generally. The objection will appeal to every right thinking man, if you remember that in the administration of justice the fundamental principle is that a man cannot himself be the legislator, the prosecutor, the judge and the executioner. Here we have the four functions combined in one individual. Sir, by a snap vote you have been able, — I mean those who are responsible for this increase in the income-tax upon the people of India, — to take more in the shape of income-tax which we are already paying. If you remember, Sir, the rate of income-tax which is imposed in India at the present moment under the Indian Finance Act of 1931 has been raised abnormally, and over that abnormal increment, you want to put on again a

surtax of another 1/4th of the amount already leviable for six months. We have to submit to it and you will be entitled to rob us to that extent for the next six months. But what I object to is the procedure of robbing. Sir, we have found that in looting bands of dacoits go to the house of the victim at the point of a revolver, ask him to hand over his money or be shot.

An Honourable Member: Specially in Bengal.

Mr. Amar Nath Dutt: In Bengal they do not carry revolvers. They are not allowed to do so in order to safeguard lives and properties. Be that as it may, at the point of the revolver you ask for money to be delivered to you. A docile householder has either to value his life more than the money which is in his iron chest or he has to part with his life. Here the Government comes to us at the point of the revolver asking us to pay more this year no doubt, but they also want more from us. Even the small amendment of my friend Mr. Raghubir Singh was not accepted by this House. This is not the place nor the time to commend on the record of votes on either side, but at the same time I express my deep regret at the result of the voting on the amendment for exempting people whose income is below Rs. 10,000 a year. Now again to subject them to the tyranny of that tax collecting department is a thing which ought to be avoided. You give them rule making power; you give them power to determine the procedure by which to collect it, whether with revolvers or with lathis. Sir, when you point a revolver at me, I can well understand that you seriously intend to kill me, and I at once part with my money. But here the Honourable the Finance Member does not himself come with a revolver, but he sets some over-zealous officer against me with lathis, who will begin first by beating me, and then when I am senseless on account of the beating, they will take away the money which they want. Who can say that they will not take more than what the Finance Member really wants? My painful experience of the Income-tax Department, both as a member of the Bar as well as a member of the public, has been that they carry out instructions in a way which, if brought to light, would make the Finance Member shudder. And then he would probably say that he is not going to rob people in that way. The Honourable the Finance Member says that he has not heard of any such oppression. Sir, the difficulty is this. If I am to speak out plainly that such oppression is practised upon me, next year further oppressions will come upon me. That is the way in which oppressive zamindars put down their tenants, and the voiceless tenants have to submit to the oppression of the zamindars. How many stories of police oppression do you hear? So long as the great daroga is in the thana, I have to live under his jurisdiction, it requires more than human courage to be able to lodge a complaint against the daroga before the Magistrate or even the Sub-Divisional Magistrate. I know that here I can speak with great freedom and can lay all our grievances before the Honourable the Finance Member, and I know that he will try to devise all possible human means to give us redress if all the tales of oppression that is practised upon the assesses in the mofussil are brought to his notice. But let me tell him, through you, Sir, that it is impossible for us to narrate all the tales of woe that we have to suffer in Bengal. I will give one instance. I received a long petition from a certain fruit-seller in a district. That fruit seller's capital was not more than Rs. 100 and Rs. 150, and that man's income was assessed to be not less than Rs. 5,000. Because he dared to send petitions, I had no other alternative but to advise him not to lay any charge of corruption against

[Mr. Amar Nath Dutt.]

the officers concerned, but only to say that he had a fruit shop. The higher officers were more kindly and he was let off by being assessed on Rs. 2,200. To arm this class of officers with such powers over people who are to be assessed and who are to be subject to this sur-tax is something which ought not to be done. If you want to frame any rules, have them embodied in the Statute-book; embody them here so that we may discuss them and point out to you the difficulties and vote and come to some conclusion. But for God's sake do not empower these people with rule making powers to rob us more than we ought to be robbed. I do not think that by omitting this clause, the Honourable the Finance Member's expected income will be lost. He has given us to understand that if he were to accept the returns submitted by the various assessees, as correct, there would be a loss of 4 crores. The question is not whether there will be a loss of 4 crores or not. The question is whether these assessees are rightly assessed or not. If you are to lose 4 crores by taxing people who ought not to be taxed, I think you ought not to do that. You have ample powers under the Government of India Act to introduce another Finance Bill when you find that there will be a deficit of 4 crores and to impose another sur-tax. There is no limit to your powers of taxation. But remember that the taxation has reached the breaking point, and I warn you that if you want to rob us of all, please rob us gently and not in the way in which you want to.

Mr. President: Amendment proposed:

"Sub-clause (2) of clause 8 be omitted."

Mr. B. Das: Sir, I gave notice of an amendment that part (a) of sub-clause (2) of clause 8 be omitted.

Mr. President: The Honourable Member's amendment will come up in due course. It proposes to omit only one part of the sub-clause.

Mr. B. Das: I find that the omission of the whole clause will serve my purpose.

Mr. President: Then you can support this amendment.

Mr. B. Das: Sir, the grant of refunds arises under sub-clause b(ii) to this Bill. My object was to raise the whole question of salary cuts on my amendment. A consequential amendment of my amendment will be the omission of Part II of Schedule II. This side asked the Finance Member to give us a special day for discussing the subject of these cuts so that he can know the wishes of this side of the House,—whether this side approves of the Government decision on a 10 per cent. salary cut inclusive of the 25 per cent. surcharge on income-tax. I take this opportunity of raising a debate on this subject so that Government may know the intentions of non-official Members on this side of the House. Sir, the Retrenchment Committee of which I have the honour to be a member, and of which the Honourable the Finance Member was the Chairman, unanimously recommended a salary cut ranging from 8½ per cent. to 20 per cent. We find that the Government of India, with the approval of the Secretary of State, have decided that there should be a uniform cut of 10 per cent. and those who enjoy higher salaries will get the deduction of the sur-tax on the income-tax. Sir, we strongly oppose that decision of the Government of India. If the Government of India carry out that decision, it will be against the will of the people of India. They must know that all savings not required to equate the rate of tax with the rate of wages and salaries will be used for the purpose of making adjustments in the salaries of all Government officials. Here it refers to salaries of all Government officials.

first from a special communiqué of the Government of India that they have adopted part of the recommendations of the General Retrenchment Committee in cutting the salaries of the low paid employees in the Postal and Railway Departments. They have adopted a cut of 2 pice in the rupee for salaries up to Rs. 40 and thereafter one anna in the rupee up to Rs. 75. I cannot understand why the Government of India did not take the higher scale of cut recommended, namely, 15 per cent. for salaries above Rs. 1,500.

The Honourable Sir George Rainy: On a point of order, Sir. I would submit that the discussion of the merits or demerits of the decision of the Government as to the 10 per cent. cut—it is very difficult, it seems to me, to make it relevant on a sub-clause in the Bill which provides that the Indian Income-tax Act shall be subject to certain adaptations. I would submit, Sir, that the Honourable Member should explain how it is relevant.

Mr. B. Das: I do not understand the point of order raised by the Honourable the Leader of the House.

Mr. President: The point of order that the Honourable the Leader of the House has raised is that this clause which the Honourable Mr. Amar Nath Dutt seeks to omit has no reference to any cuts. This is a clause the first part of which imposes an additional income-tax of 12½ per cent. for the current year and the second part provides the procedure to be followed with power to make rules. I should like to know how on a sub-clause like that the speech which the Honourable Member is making is relevant.

Mr. B. Das: Under sub-clause (b) (ii) of clause 8 the Central Board of Revenue is authorised to regulate the procedure of the income-tax authorities in securing the assessment and collection of the tax and the granting of refunds arising therefrom. My submission is that these refunds will include rebates, which the Finance Member foreshadowed in his Budget speech that the salaried officers would get a rebate of the surtax on income-tax.

Mr. President: Rebate is one thing, refund is another thing.

Mr. B. Das: Well, Sir, I have one more point. If you will kindly turn to page 6 and read Part II of Schedule II, which comes under (2) (a), Part II deals with the procedure for regulating a deficient deduction of income-tax on salaries.

Mr. President (to Mr. B. Das): Will you please point out which part of Schedule II, Part II applies?

Mr. B. Das: Part II says:

"For the purpose of the proviso to sub-section (2) of section 13 of the Indian Income-tax Act, 1922, any person responsible for paying any income chargeable under the head 'Salaries' shall be deemed to have made a deficient deduction in respect of the additional income-tax imposed by section 8 of this Act at the time of making all payments made before the commencement of this Act, and such person may make the adjustments permitted by that proviso."

Here it refers to salaries of all Government officials.

Mr. President: For the purpose of making adjustment.

Mr. B. Das: This Part deals with sub-clause (b) (ii) of clause 8. This House is entitled to raise this discussion of salary cuts.

Mr. President: The House has been entitled to raise that question and we have had nearly 10 days' debate on the issue. The present issue is a restricted one. I have never prevented any Honourable Member from dealing exhaustively with all those issues during the last 10 days that the House has been sitting. On the present occasion the question as to the Government's decision to reduce salaries does not arise.

Mr. B. Das: This refers to rebates on income-tax.

Mr. President: I do not think there is any reference to rebates in this clause. Will the Honourable Member please speak on the clause as it stands.

Mr. B. Das: This rule-making power gives Government the authority to make rules whereby they can give salaried officials of the Government rebate or refund of the income-tax. That is my submission and my interpretation.

Sir Lancelot Graham (Secretary, Legislative Department): No, no.

The Honourable Sir George Schuster: May I point out to my Honourable friend that this sub-clause has nothing whatever to do with the point which is exercising his mind. If my Honourable friend would read the Explanation which is given in the Statement of Objects and Reasons as to why it has been necessary to add these two additional sub-clauses to clauses 7 and 8 of the Bill, I think he would be able to satisfy himself that they cannot be applied for the purpose which he has in mind. I was expecting in the course of my reply to explain to the House exactly why these two sub-clauses have been inserted; I had better leave it over till then. I can assure my Honourable friend that the point which he has in mind has no connection whatever with this sub-section and that no power is created under this sub-section to be used for that purpose.

Mr. B. Das: May I ask. . . .

Mr. President: Order, order. I cannot allow further discussion on the point of order. Will the Honourable Member restrict himself to the provisions of the clause.

Mr. B. Das: I do not wish to speak, Sir.

Mr. President: Does any other Honourable Member wish to address the House?

Mr. R. K. Shanmukham Chetty (Salem and Coimbatore cum North Arcot: Non-Muhammadan Rural): Sir, I would only like to ask one or two questions of the Honourable the Finance Member, so that he can give us an answer with a view to enable us to understand the procedure that the Income-tax Department intend to follow in this connection. Under section 18 of the Income-tax Act I find that any person responsible for paying any income chargeable under the head "Salaries" shall at the time of payment deduct income-tax on the amount payable at the rate applicable to the estimated income of the assessee under this head. We know, Sir, that in practice persons who are responsible to pay out salaries have every month to deduct the relevant income-tax from the salaries of the employees and remit it to the Income-tax Department. My Honourable friend now imposes a surcharge of 12½ per cent. on the income-tax which has already been paid this year. I would like to know whether the relevant rules are

ready now in draft and I would in particular like to know whether an employer in, say, paying out the salary of his employee for December would be asked to deduct the whole of the arrears of income-tax for the previous ten months from the pay for December or what other procedure is to be adopted. I would also like to know what happens in a case where, for example, the person under my employ who is liable to pay income-tax has left my service two months ago. Do I become liable then personally for the arrears which will fall upon the person who has left my employment? We do not find satisfactory explanation of the procedure in the Bill as given to us, and therefore in replying to the debate I would like my Honourable friend to enlighten the House on these points.

Mr. B. R. Puri (West Punjab: Non-Muhammadan): Sir, it seems to me that there exists a certain amount of confusion as to the exact scope and the meaning of sub-clause (2) of clause 8. I do not know whether I am right or otherwise, but I venture to think that sub-clause (2) of clause 8 is merely a consequential provision. The main provision is contained in sub-clause (1) of clause 8. Sub-clause (1) is really the operative part of it, the essential part of the provision, which lays down that one-eighth of the amount of the present income-tax shall be added, so far as the present year is concerned, to the income-tax amount which has already been assessed. That part of clause 8 has already been passed by the House. Now, in order to give effect to that provision. . . .

Mr. President: Order, order. The House has not yet passed that clause; the amendment to omit the clause has been defeated.

Mr. B. R. Puri: Exactly. I venture to think, Sir, that sub-clause (2), as I have already submitted, is merely a consequential provision in order to give effect to the main provision which is contained in sub-clause (1). That being so, I do not think it is a substantial provision like the main clause 8; it is really in order to make that provision workable and not to leave it as a dead letter, that this provision had to be made. Therefore my submission is that we would be stultifying ourselves to a certain extent if, after having in a way accepted the principle which is contained in the main clause we

Mr. President: Order, order. The Honourable Member is again misconceiving the position. The House has not accepted the principle underlying clause 8. The occasion when the House will be called upon to pass the clause will be when the Chair puts clause 8 to the vote. Then the House has either to pass it or to reject it. At present all that the House has done is that they have thrown out the amendment to delete the clause.

Mr. B. R. Puri: Very good, Sir. Then this provision is a necessary corollary to the main provision. It stands or falls with it. If the main clause is ultimately passed, I do not see anything offensive so far as this clause is concerned because this is only a consequential relief, and there must be some workable method of carrying out the main provision if and when that is passed. Otherwise we would be stultifying ourselves if we ultimately passed the substantive law and did not provide the procedure as required to carry it out.

I should like the House to note one more thing, and that is that this sub-clause (2) has got absolutely nothing to do with it so far as the granting

[Mr. B. R. Puri.] of refunds, etc., is concerned. It does not place any powers in the hands of the Central Board to determine and decide in what cases refunds should or should not be granted. This sub-clause merely regulates the procedure with regard to the grant of refund, and similarly in (b)(i) it lays down merely the procedure. It does not place any arbitrary powers in the hands of any board, central or otherwise, to determine the question whether in certain cases a grant should or should not be made. Therefore to my mind, this clause is not only inoffensive but an essential part of the main provision.

Mr. S. O. Sen (Bengal National Chamber of Commerce: Indian Commerce): Sir, I should like to know the import of this clause so far as sub-clause (2)(a) is concerned. It says:

"The Indian Income-tax Act, 1922, shall be deemed to be subject to the adaptations set out in Part II of Schedule II to this Act;"

Now, referring to Part II of Schedule II we find that clause 1 provides:

"For the purposes of the proviso to sub-section (2) of section 18 of the Indian Income-tax Act, 1922, any person responsible for paying any income chargeable under the head 'Salaries' shall be deemed to have made a deficient deduction in respect of the additional income-tax imposed by section 8 of this Act at the time of making all payments made before the commencement of this Act, and such person may make the adjustments permitted by that proviso."

As the Act makes the payment of this tax with retrospective effect, i.e., from an earlier date, this clause imposes an obligation on the employer to be responsible for the deficiency of the taxes which he has not realised, but which by virtue of the present Act he is supposed to have realised. Now, under section 18(7) of the Income-tax Act, "If any such person does not deduct and pay the tax as required by this section, he shall, without prejudice to any other consequences which he may incur, be deemed to be personally in default in respect of the tax". Therefore, taking the Schedule and section 18(7) of the Act, he is deemed to have made default and by this sub-section (7) of section 18 he is made personally liable. I have talked about the matter with Sir Lancelot Graham, and he assured me that it was not the intention of the Government to make the employer personally liable for this tax, and he says that the Central Board of Revenue have issued, or will issue instructions to the Income-tax Officers not to make employers personally responsible. If I get that assurance, there is no question; otherwise I shall have to object to that particular clause. I want to know what is the intention of the Government.

Sir Lancelot Graham: Sir, on this small point which is agitating my friend, Mr. Chetty, and Mr. Sen, Mr. Sen has already told the House that he had some conversation with me and I passed on his troubles to a very sympathetic Central Board of Revenue. He first pointed out that the provision itself does not require anybody to make this deduction under section 18, it merely enables him to do so. That I think will answer my friend, Mr. Chetty, in part at any rate. It enables him to do so, and in doing so he can use his discretion, and the Board of Revenue has no control over him.

The other point which my friend Mr. Sen was troubled about was that he thought that it might be held that a person was in default under section 18(7) if he failed to deduct from the salary of a person who had ceased to be in his employment. It is just possible that that is so, and

it is for that reason that the Central Board of Revenue have issued—certainly if they have not issued already, they are intending to issue a circular pointing out that this power is optional; it does not confer any obligation on the employer at all. Quite apart from that, I think it might be contended that this Schedule only empowers the employer to take this action for the purposes of the proviso to sub-section (2) of section 18 and that it does not place him in a position of default as regards sub-section (7) of that section. Actually, however, that position will not arise owing to the instructions which have been or are being issued to all Income-tax Officers.

Mr. B. K. Shanmukham Chetty: Sir, just to make the point clear, do I understand that, according to section 18 of the Income-tax Act, there is no obligation imposed upon the employer to deduct the income-tax payable by a person under his employ before he pays down the salary?

Sir Lancelot Graham: There is no obligation in respect of the deductions which are made under the proviso. There is an obligation as regards the main portion of the sub-section, but not to make adjustments and additions under the proviso. That is merely a power for the purpose of adjusting any excess or deficiency. It is merely a power conferred under the proviso and is not an obligation. I hope I have succeeded in making that clear.

The Honourable Sir George Schnitzer: I have, Sir, already explained to the House that they will find the real reason for this proviso if they read paragraph 7 of the Statement of Objects and Reasons. It was really necessary for the Government to insert a proviso of this kind in clauses 7 and 8 because we were introducing an unusual procedure. We wanted to have some latitude to deal with any points that might have been overlooked and which could not, in the short time available for the drafting of the original Finance Bill, be fully dealt with. At least we could not feel sure that we had fully dealt with them. In respect of the general line taken by my Honourable friend who moved this amendment, I would point out to him that really the object of this proviso is in the interests of the assessee. I would particularly call his attention to the wording of sub-clause 2(b) (i) where the word "equitably" occurs—"as may seem to it to be necessary to secure that the tax shall be equitably levied".

My Honourable friend, the Deputy President, has asked one or two questions. I think on the whole those questions have been satisfactorily answered by Sir Lancelot Graham; but I would like to give him the general assurance that the Central Board of Revenue in acting under this portion of the Finance Bill will certainly act in a reasonable and equitable way. I have already explained that what we are really aiming at doing is to impose the full surcharge of 25 per cent. for the six months of the year which remained when we introduced this Finance Bill, but because of the form of the Income-tax Act we could not put it in that way; we have had to make it a 12½ per cent. surcharge for the whole 12 months. That undoubtedly means that on the remaining payments which have to be made in the case of salaries, we should actually have to deduct more than the additional 12½ per cent. surcharge; we shall have arrears to recover. If there were full six months available, those arrears would obviously have been recovered

[Sir George Schuster.]

by charging the current 12½ per cent. and an additional 12½ per cent. for each of the six months, and then we should have the full amount due. There will now only be four full months after the passage of the Finance Bill, and some different arrangement will have to be adopted; but it will be our intention to work this fairly and equitably and in a way which will cause the least burden on the assesses, and also in a way which will cause the least inconvenience to employers who are bound to deduct tax from the salaries. If my Honourable friend has any points to make, I should be very glad to receive suggestions from him or from any other quarter of this House before our rules are finally issued. Our rules are now in draft; they have not been finally issued; naturally until the Finance Bill is passed they cannot be issued. But now is the time if anybody has any points to make which may not occur to us, and we should be very glad to consider them. I do not think I need say any more in opposition to my Honourable friend's amendment.

Mr. President: The question is:

"That sub-clause (2) of clause 8 be omitted."

The motion was negatived.

Mr. President: The next amendment is from Mr. B. Das.

Mr. B. Das: I don't move it, Sir.

Mr. President: The next amendment is also from Mr. Das dealing with the Schedule,—No. 129.

Mr. B. Das: I do not want to move it either.

Mr. President: The question is:

"That clause 8 stand part of the Bill."

Mr. R. S. Sarma: On a point of order, Sir. This House has rejected the motion that clause 8 be omitted; that is it means that it should stand part of the Bill. After having taken a decision to that effect, is it in order that this clause should again be put to vote?

Mr. President: The Honourable Member does not seem to realise that when there is a substantive proposition and an amendment, and when the amendment is rejected by the House, the original proposition is put to the vote. If this is not so, there would be no meaning in the Chair putting the question that a particular clause stand part of the Bill. When that question is put, the House is entitled to decide it as it likes. The question which I have now to put is that clause 8 stand part of the Bill.

"That in sub-clause (2) of clause 8 part (a) be omitted and part (b) be renumbered accordingly."

"That Part II of Schedule II to the Bill be omitted."

The assembly divided:

AYES 55.

Ahmad Nawaz Khan, Major Nawab.
Allah Baksh Khan Tiwana. Khan
Bahadur Malik.
Anklesaria, Mr. N. N.
Azizuddin Ahmad Bilgrami, Qazi.
Bajpai, Mr. R. S.
Banerji, Mr. Rajnarayan.
Bhore, The Honourable Sir Joseph.
Cesgrave, Mr. W. A.
Crefar, The Honourable Sir James.
Dalal, Dr. R. D.
DeSouza, Dr. F. X.
Desanges, Mr. H. C.
Dyer, Mr. J. F.
Fazal Haq Piracha, Shaikh.
Fox, Mr. H. B.
French, Mr. J. C.
Graham, Sir Lancelot.
Heathcote, Mr. L. V.
Hira Singh Brar, Sardar Bahadur
Captain.
Howell, Mr. E. B.
Ismail Ali Khan, Kunwar Haje.
Jawahar Singh, Sardar Bahadur
Sardar.
Knight, Mr. H. F.
Lal Chand, Hony. Captain Rao
Bahadur Chaudhri.
Lall, Mr. S.
Montgomery, Mr. H.

Moore, Mr. Arthur.
Morgan, Mr. G.
Majumdar, Sardar G. N.
Mukherjee, Rai Bahadur S. C.
Noyce, Sir Frank.
Parsons, Mr. A. A. L.
Pelly, Major H. B.
Rafuddin Ahmad, Khan Bahadur
Maulvi.
Rainy, The Honourable Sir George.
Rajah, Rao Bahadur M. C.
Rama Rao, Rai Bahadur U.
Row, Mr. K. Sanjiva.
Roy, Mr. S. N.
Sahi, Mr. Ram Prashad Narayan.
Sams, Sir Hubert.
Sarma, Mr. R. S.
Schuster, The Honourable Sir George.
Studd, Mr. E.
Suhrawardy, Sir Abdullah.
Sykes, Mr. E. F.
Tait, Mr. John.
Talib Mehdi Khan, Nawab Major
Malik.
Todd, Mr. A. H. A.
Yakub, Sir Muhammad.
Yamin Khan, Mr. Muhammad.
Young, Mr. G. M.
Zulfiqar Ali Khan, Sir.

NOES 44.

Abdur Rahim, Sir.
Aggarwal, Mr. Jagan Nath.
Azhar Ali, Mr. Muhammad.
Bhuput Singh, Mr.
Chetty, Mr. R. K. Shanmukham.
Chinoy, Mr. Rahimtoola M.
Das, Mr. B.
Dunlop, Mr. N. M.
Dutt, Mr. Amar Nath.
Gour, Sir Hari Singh.
Griffiths, Mr. G. I.
Gunjal, Mr. N. B.
Harbans Singh Brar, Sirdar.
Hari Raj Swarup, Lala.
Ibrahim Ali Khan, Lt. Nawab
Muhammad.
Isra, Chaudhri.
Jha, Pandit Ram Krishna.
Jog, Mr. S. G.
Lahiri Chaudhury, Mr. D. K.
Lalchand Navahrai, Mr.
Misra, Mr. B. N.
Mitra, Mr. S. C.

Mody, Mr. H. P.
Murtaza Sahib Bahadur, Major
Sayid.
Parma Nand, Bhai.
Patil, Rao Bahadur A. I. S.
Puri, Mr. B. E.
Raghubir Singh, Kunwar.
Ranga Iyer, Mr. C. S.
Rastogi, Mr. Badri Lal.
Reddi, Mr. P. G.
Reddi, Mr. T. N. Ramakrishna.
Sant Singh, Sardar.
Sarda, Rai Sahib Harbilas.
Scott, Mr. J. Ramsay.
Sen, Mr. S. C.
Sen, Pandit Satyendra Nath.
Singh, Kumar Gupteshwar Prasad.
Sitaramaraju, Mr. B.
Sohan Singh, Sirdar.
Sukhray Rai, Rai Bahadur.
Thampan, Mr. K. P.
Uppi Sahib Bahadur, Mr.
Wilayatullah, Khan Bahadur H. M.

The motion was adopted.

Clause 8 was added to the Bill.

Mr. President: The question is:

"That Schedule II, Part II, stand part of the Bill."

The motion was adopted.

Schedule II, Part II, was added to the Bill.

Mr. President: The question is:

"That clause 9 stand part of the Bill."

Rai Sahib Harbilas Sarda (Ajmer-Merwara: General): I move that clause 9 be omitted.

It is quite unnecessary for me to make any speech in moving this amendment. The arguments that were advanced in support of the amendment to clause 8 apply with equal force to this amendment. In fact, the force of those arguments becomes redoubled when those arguments are applied to this amendment, for the surcharge under this clause is 25 per cent., whereas under clause 8 it is 12½ per cent.

Sir, with the income-tax super-tax and the surcharge, very nearly seven annas in the rupee out of the rich man's income will be taken away by Government, resulting in capital becoming scarce. The lack of capital will injuriously affect the Indian industries and Indian trade; and this heavy, almost crushing taxation will cripple the resources of business men in this country. If the object of Government were—and I am sure it is not—if the object of Government were to stifle industrial effort in this country and to put a handicap on Indian industry in its competition with foreign industry, Government could not find a better and a more effective means of doing it than to levy the proposed taxation. The social effect of this heavy taxation will also be bad. The rich, when this heavy taxation is levied and collected, will have to sink into the upper middle class, and the people of the upper middle class will sink into the lower middle class. The taxation therefore in its present form will not only have an adverse effect on industry and trade in this country, but its social effect will be equally injurious. Sir, I move.

Rao Bahadur B. L. Patil (Bombay Southern Division: Non-Muhamadan Rural): I rise to support this amendment. Clause 9 provides for the collection of taxes for next year. In supporting this amendment, I have got a few reasons and I beg to place them before the House.

In the first place, I should like to submit that it is premature to impose taxes for the next year. In the second place, it is extremely unusual in the course of a Finance Bill to propose taxes for the coming year. The reports of the several Retrenchment Committees are not yet finally before us. They are yet to come, and the Government have also not yet made up their minds to what extent they can effect retrenchments even with regard to the present reports that have been submitted, and also with regard to the reports that have yet to come. After the reports are submitted, we will be in a position to know to what extent Government could actually retrench. That is one reason. In the next place, we have been told that there are many signs of revival of trade and that the present depression in trade is likely to abate. If such be the case, we shall be in a position at the end of this year to know how we stand. There is also another reason. At the end of this year we would know whether the law of diminishing returns has operated this year so far as the new proposals of taxation are concerned. It has been argued very strenuously by some Honourable Members on this side of the House that the law of diminishing

returns will apply if the taxes are raised to such an enormous extent. When we know that the law of diminishing returns has operated, we would be in a position to understand the value of the suggestions made on this side of the House. We hope that then the Finance Member will certainly yield to our suggestions, and lastly my reason for supporting this amendment is on the ground that we have already passed clause 8 of the Bill, and Honourable Members who opposed the passing of that clause submitted that it would operate very heavily both on the rich and the poor alike. I think that fact cannot be denied. The only answer to it is that there is a national emergency. At the end of this year we will be in a better position to know whether that national emergency is still there or has disappeared or partly disappeared. For these reasons I support the amendment.

S. G. Jog (Berar Representative): This year particularly we are in the midst of taxes and axes. Some people have been hit by the axes and some people have been bit by the taxes and some people have been hit both ways. When discussing the second clause of the Bill, I had occasion to pass some criticism as to taking such a long range and taking measures about 12 months ahead by way of taxation. By way of reply the Finance Member said that there was some difficulty in not taking such a long range, as in the case of customs it was very difficult to purchase new stock unless one was assured of the duty which would ultimately affect the selling and buying prices of those commodities. I must congratulate the Finance Member that the reasoning that he gave to my mind was really sound so far as the customs duties were concerned, but I for one cannot see whether the same reason can apply in the case of income-tax. Here, people will be seeing their incomes whether this tax exists or not, and the difficulty, which the Finance Member expressed, when giving a reply in the case of customs, does not apply in the case of income-tax. As observed by my friend the last speaker, we do not yet exactly know how we stand with respect to our several retrenchment proposals. Probably we will have to raise this tax still more if the present emergency continues. In fact the whole thing is in an uncertain state. Having passed the last clause and given the power of taxing incomes for six months this year with a surcharge, I see there is no necessity of extending this tax for another 12 months in advance. When discussing the constitutional issue on clause 2, I also made the remark that many Members of this House were absent, and a measure of this sort should not be forced on the House in their absence. The whole House will be meeting in the course of a month and a half, and we will know exactly what the financial situation then will be and what will be the necessity for further taxation of income-tax. Would it not be reasonable then to come forward with this increased income-tax when we meet next? We shall then have ample time to discuss and decide the issue more satisfactorily. For these reasons I support the amendment moved by my friend Rai Sahib Harbilas Sarda.

Pandit Satiyendra Nath Sen: (Presidency Division, Non-Muhamadan Rural): Sir I, too, rise to support the amendment. Clause 9 is practically a continuation of clause 8, and I wish to make some preliminary observations. I do admit that we were defeated in regard to the deletion of clause 8, but I beg to submit that Government won not owing to the cogency of the arguments put forward by the Finance Member, but probably owing to some neglect on our own part. I hope we shall be able in the meantime

[Pandit Satyendra Nath Sen.]

to reorganise ourselves, and I also hope that Honourable Members will grow wiser and exercise better judgment on this occasion. As was shown by more than one Honourable Member during the debates on the last two clauses, the rates of income-tax in India are much higher than those in the United Kingdom. The fact remains unshaken in spite of the figures quoted by the Finance Member with regard to the increase of percentage in England. Sir Hari Singh Gour took the trouble of quoting chapter and verse, which I think was almost superfluous, because it goes without saying that if the rates in England were as high as they are in India, the English people would at once start a movement which would be called not the "civil disobedience movement" but the "criminal disobedience movement". The rates of income-tax in our country come up to 26 pies in the rupee, and those of super-tax come up to 75 pies in the rupee. These are not uniform rates, but taking a fair and reasonable average, those rates come up to 40 to 50 per cent. This was made clear by the Explanatory Memorandum which was supplied to us during the debate on this same subject at the last Delhi Session. We are now going to have a surcharge of 25 per cent., that is to say, the rates in that case will come up to 50 to 60 per cent. We are thankful to the Finance Member that he does not demand cent. per cent. tax from us. In this connection I am reminded of a European Professor at Calcutta who sometimes when he was extremely satisfied with the answers given by the examinee would award him even 105 or 110 marks when the full marks were only 100.

Sir, it has been argued by some that this measure affects not the poor people but affects the rich men only. Sir, that is not true; it affects not only the rich men, but also the poor men, or, if not the poor men, the middle class men surely, because it deals not only with super-tax but also with income-tax, and begins with the lowest zone, namely, incomes of Rs. 2,000 per year. And to say that a person having an income of Rs. 2,000 a year only is a rich man in these days befits the mouth of an Indian only. I am sorry the Honourable Member is not here. (An Honourable Member: "Who is he?") Sir, with reference to the rich men also, I think some words may be pleaded in their justification. Everybody in society has a utility of his own. (Hear, hear.) Rich or poor, intelligent or foolish, patient or irascible, every one serves a useful purpose in society; and I think the rates of income-tax have now risen up to such an extent that it is now time to reconsider the position of the rich men, who, I submit, are not to be hanged and to be thrown to the dogs, but should be treated with all the sympathy that is due to them. I ask Honourable Members, who are the people who have kept alive this national awakening? I also ask the Government, who are the people who come forward with such lavish donations and gifts in times of famine, which is the greatest hoop of the British Government? (Laughter.) And who are the people who contribute so largely to the establishment of such useful institutions as schools and colleges and hospitals? (Mr. Amar Nath Dutt: "And also statues for ex-Viceroy's.") (Laughter.) Sir, the fact is that income-tax is always regarded by the Government as what is called "kam-dhenu" in Sanskrit, that is the milch-cow, which can yield as much as is required, and that is the reason why they always have recourse to this thing at every step. Sir, there is no denying the fact that the rates have already gone up to an unjustifiable extent, and any additional burden, I warn the Government, will only prove to be the last straw on the camel's back.

(Hear, hear.) I hope our Honourable colleagues on this side of the House will combine this time to vote against that clause and will in a body support this amendment.

Mr. N. R. Gunjal (Bombay Central Division: Non-Muhammadan Rural): (Speaking in Hindi) Sir, I deplore that, instead of finding ways and means to promote the prosperity of the masses, the Government are very often bringing in taxation measures and asking the representatives of the people to vote for them. I advise my colleagues to remember that the people in the villages are all reading the newspapers and watching our activities in the Legislature, and now if we vote for taxation, we will never again be returned to the Assembly. Government have not carried out their policy of trusteeship for the Indian people; do Government really mean that Indians should live on air and water? Twenty-five years ago, Lokamanya Tilak was of the opinion that the British Government were acting in a most unsympathetic and high-handed manner, and that view holds true even today. The Finance Bill, as it has been presented to the House, clearly shows that Government have no heart for the poor.

An Honourable Member: The question may now be put.

Mr. President: The House will now adjourn till 11 o'clock tomorrow morning.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 19th November, 1931.

LEGISLATIVE ASSEMBLY.

Thursday, 19th November, 1931.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock. Mr. President in the Chair.

STATEMENT LAID ON THE TABLE.

MEMBERS OF RETRENCHMENT COMMITTEES WHO HAVE DRAWN ALLOWANCES.

The Honourable Sir George Schuster (Finance Member): Sir, I beg to lay on the table the statement promised in reply to starred question No. 1334 asked by Mr. Badri Lal Rastogi on the 16th November, 1931, regarding the names of the Members of the Central Retrenchment Committee and its Sub-Committees who have drawn the daily and travelling allowances.

Statement showing the names of members of the Central Retrenchment Advisory Committee and its Sub-Committees who have drawn the daily and travelling allowances admissible for meetings attended by them.

MAIN ADVISORY COMMITTEE—(for meetings on 25th to 28th May).

Non-Officials.

1. The Honourable Sardar Bahadur Shivdev Singh Uberoi.
2. The Honourable Mr. G. A. Natesan.
3. The Honourable Mr. Bijay Kumar Basu.
4. R. K. Shanmukham Chetty, Esquire, M.L.A.
5. Diwan Bahadur T. Rangachariar, C.I.E., M.L.A.
6. Kshitish Chandra Neogy, Esquire, M.L.A.
7. B. Das, Esquire, M.L.A.
8. Rai Sahib Harbilas Sarda, M.L.A.
9. Amar Nath Dutt, Esquire, M.L.A.
10. Sir Abdur Rahim, K.C.S.I., Kt., M.L.A.
11. Diwan Bahadur A. Ramaswami Mudaliar, M.L.A.
12. Dr. Ziauddin Ahmad, C.I.E., M.L.A.
13. S. C. Mitra, Esquire, M.L.A.
14. J. Ramsay Scott, Esquire, M.L.A.
15. E. F. Sykes, Esquire, M.L.A.
16. Muhammad Yamin Khan, Esquire, M.L.A.
17. Maulvi Muhammad Yakub, M.L.A.
18. A. H. Ghuznavi, Esquire, M.L.A.
19. K. C. Roy, Esquire, C.I.E., M.L.A.

Army Sub-Committee

Diwan Bahadur T. Rangachariar, C.I.E., M.L.A. (Chairman.)
Honourable Major Nawab Sir Mohammad Akbar Khan, K.B.E., C.I.E.,
Member.

The Honourable Sardar Bahadur Shivdev Singh Uberoi, Member.

Up to 7th August.

Maulvi Sir Muhammad Yakub, Kt., M.L.A., Member.
 Diwan Bahadur A. Ramaswami Mudaliar, M.L.A., Member.
 Mr. E. C. Benthall, Member.
 Mr. F. C. Bovenschen, C.B., Member.

Railways Sub-Committee

Mr. R. K. Shanmukham Chetty, M.L.A. (Chairman).
 The Honourable Khan Bahadur Hafiz Mohammad Halim, Member.
 Dr. Ziauddin Ahmad, C.I.E., M.L.A., Member.
 Mr. Nalini Ranjan Sarkar, Member.
 Mr. E. F. Sykes, M.L.A., Member.
 Mr. Balaram Aiyar, Member.

Posts and Telegraphs Sub-Committee.

The Honourable Mr. B. K. Basu, Member.
 Mr. Amar Nath Dutt, M.L.A., Member.
 Mr. Muhammad Yamin Khan, C.I.E., M.L.A., Member.
 *Mr. F. C. Annesley, Member.
 Mr. N. V. Raghavan, Member.

Stores, Printing and Stationery Sub-Committee.

The Honourable Mr. G. A. Natesan (Chairman).
 Mr. B. Das, M.L.A., Member.
 Mr. A. H. Ghuznavi, M.L.A., Member.
 Mr. Jagān Nath Aggarwal, M.L.A., Member.
 Mr. S. C. Lyttelton.

General Purposes Sub-Committee.

Sir Abdur Rahim, K.C.S.I., Kt., M.L.A. (Chairman).
 The Honourable Lala Ram Saran Das, C.I.E.
 Mr. Rangaswamy Ayangar, Member.
 Mr. S. C. Mitra, M.L.A., Member.
 Mian Muhammad Shah Nawaz, C.I.E., M.L.A., Member.
 Mr. K. C. Roy, C.I.E., M.L.A., Member.
 Rai Sahib Harbilas Sarda, M.L.A., Member.
 Mr. Ramsay Scott, M.L.A., Member.
 Khan Bahadur Hafiz Wilayatullah, I.S.O., M.L.A., Member.

Public Works and Accounts and Audit Sub-Committee

Mr. K. C. Neogy, M.L.A. (Chairman).
 The Honourable Mr. Hussain Imam, Member.
 Mr. G. Morgan, C.I.E., M.L.A., Member.
 Diwan Bahadur R. N. Arogiaswamy Mudaliar, Member.
 Rai Bahadur Bishan Swarup, Member.
 Mr. M. K. Mitra, Member.

Note.—The Honourable Sir George Schuster, the Honourable Sir Arthur McWatters and Mr. J. C. Nixon, being officials did not draw any allowances. Sir Cowasji Shengir has not drawn any allowances, neither has Mr. F. C. Annesley for sittings of the Posts and Telegraphs Sub-Committee at Bombay. Mr. N. M. Joshi did not attend any meeting of the Main Committee or the Railway Sub-Committee.

*Did not draw daily allowance for Bombay sittings.

THE INDIAN FINANCE (SUPPLEMENTARY AND EXTENDING) BILL—contd.

Mr. President: Further consideration of the Finance Bill.

Mr. Lalchand Navalrai (Sind: Non-Muhammadan Bural): Sir, I support this amendment. This amendment stands in my name too and I feel it my duty to point out the difference between clause 8 and clause 9 in order that Honourable Members may not get discouraged by the failure we had on the amendment to clause 8. I personally am taught to be optimistic. I consider failures as successes in disguise. I also consider that if on questions like this there is certification from the Viceroy, that defeat also will be a blessing in disguise. I would therefore request all the Members of this House to act on this amendment in a sporting manner. They should try once more and support this amendment to clause 9, which will certainly be more beneficial to the country than not voting or remaining neutral. The principle of the two clauses is no doubt the same, but there is a vast difference between the two clauses, a difference about which we have been agitating from the beginning while delivering speeches on this debate here, and I remember that on not less than three or four occasions, if not more, I have entered into the reasons for deleting these clauses. The difference between the two clauses is, I submit, this. Clause 8 refers to the surcharge being provided to the Government for the present year, which is the year 1931-32. That means in passing that clause we have agreed to the surcharge of tax being placed upon the people for this year; whereas clause 9 refers to the surcharge which we are being asked to levy for the year beginning with April 1932. We are going to consider this clause at a time when the Budget is not before us; we are being asked to pass this clause 4 months before the Budget time. I ask those who voted against the amendment to clause 8 and have been a party to the passing of clause 8 to consider the question both on the grounds of constitution and reasonableness. Therefore I would request you to give your attention to that particular point on which these two clauses differ. There is every justification on our side not to pass this clause. Sir, I know the position of the Treasury Benches. I may say in one word they are immovable. They have one tune to play on their strings, and that tune is "national emergency". All the other reasons are overlooked. That tune I may say has by this time, to us at least, become absolutely discordant. On that tune only some of the Members of this House are also carried away to help the Government. Sir, on our part we do not accept that there is an emergency of such a nature that we should give into the hands of the Government revenues to be spent by them as they like in the year 1932-33. On this point I would submit, that personally I for one, would not call it a "national emergency"; I may call it a "British emergency" and I think it is only because the rupee has been divorced from gold that we are forced to enter on this situation. All our gold has virtually disappeared and we live here on paper currency. Sir, I am reminded of one incident, a deplorable one, that I observed in Germany when I went there in 1926. I found that one Indian boy—a student—had gone there,—I think he belonged to the United Provinces. I noticed him walking about in the streets. I questioned him, "What is the matter with you? What have you come for and what examinations have you passed?" He said he was a graduate from India,—the United Provinces. His father was able to give him Rs. 6,000 to start his career for higher education in Germany. That was

[Mr. Lalchand Navalrai.]

a time when there was a boom in marks. You all know how marks had risen—the paper money. They gave only 2 silver marks and got noted on the paper 100 marks. What that indiscreet boy then did was to invest all the Rs. 6,000 in purchasing paper currency; and he kept that treasure in his house. At night he was dreaming that he had got so rich that he would one day return to India somewhat like a Raja of Kashmere. He thought he would be carrying home not only good education, but so much money as would in life help himself, his brothers, relatives and all. But what became the fate of it? He said, "After the war was over, there came the death knell from the Government of Germany legislating that the paper money had no value". And he told me he had not enough to live upon, even to have a full meal a day. Such are the consequences of paper currency. I was amused only two days back to see a picture in, I think, the *Hindustan Times* of a parlour or a room in which this currency of Germany was eventually used as wall-paper: it was so much that it could not be thrown away so it was contrived to be used as wall paper. We may not be on the verge of such a condition. God forbid; but I think the conditions, as they are, are dragging us down.

I may be permitted to say a word with regard to my friends in the European Group. I was very pleased yesterday or the day before, when clause 8 was being considered, to see two Honourable Members of that Group, unlike their usual practice, coming into our lobby. I was very pleased to see that they had seen through the seriousness of the situation and they had realised and felt that it is their community and their constituency which was being affected first by a surcharge like this. They came in; but what about the others? I would ask them to remember the picture that was painted for them by their leader, Mr. Arthur Moore. Mr. Moore has been giving us many times his interesting speeches, though of course we know on which side they lean; but he has pictured to them one thing; he has told them, "We are going like lambs to the slaughter" in this House. I would tell my European friends, "Why do you go to the executioner at all? Do not go near him. We on this side,—the popular side,—want you; give your vote where it is due and don't give it only to the tune of simple so-called emergency". I hope at least on this point of surcharge they will go into our lobby, the popular lobby, rather than with the Government.

One word is due to my friend there,—my esteemed friend—Mr. Desanges, who represents the Anglo-Indians. The other day he delivered his brilliant maiden speech in this House, for which he has been congratulated from many parts of the House. For my own part I consider it not only brilliant, but I derived therefrom the impression that he has very many soft corners in his heart for the poor. He showed some of his independence too.

Turning now to my friend, Mr. Brooke Elliott, I find him always interesting, giving us interesting anecdotes and episodes of his life and of others. But so far as both Mr. Elliott and Mr. Desanges are concerned I have not been able to understand one thing; both of them at the end did not use their vote; they did not go into either lobby but remained neutral. I have not understood this philosophy yet. However, I must say there was some justification for them not to enter the Government lobby, because they would have simply stultified themselves, after

having spoken in that manner for the poor. But may I not justly say that it would have been right on their part to be consistent and to walk into our lobby? Perhaps it was a weak moment, that was responsible for it, but I hope this weakness will not be exhibited on the present measure. I am sorry Mr. Elliott is not in his seat.

Passing on now to some of the waverers, I submit I must tell them that this is not a matter in which they should waver; this is a matter in which they should show their strength; and they should take the word from their own consciences and not from the Government conscience. I hope that they will muster strong on this amendment.

Coming now to my respected friend, the Finance Member, I must say that, when I heard his reply yesterday, I thought at one time he introduced some heat into the debate; I have now been hearing his speeches for some four years, and I must say that his speeches are always characterised by softness and dispassion. On this occasion also he did not lose himself; but I must say that he tried to justify something which we did not expect. On our side there have been assertions not only from a humble back bencher like myself, but even from the Leader of the Opposition, who put the case so clearly and also from my Honourable friend on my right, Raja Bahadur Krishnamachariar, who put his concrete instances with regard to the maladministration in the Income-tax Department. The Finance Member merely told us that he repudiated all reflections that came from this side of the House. It was wrong of him to have done so. He should have paused and he should not have come to a conclusion so hastily and given a certificate to those who are doing this work and against whom we have made our attack. It is something like this. By that action, by giving a clean slate certificate, he has spoiled his own already spoilt children in the Income-tax Department. I expect from a considerate man like him that in his mind of minds he is thinking of issuing confidential orders requiring them to be more judicious if not judicial. I must say that on this side of the House we did not touch at all the question of the honesty of these officers; and after reading and re-reading the speech of the Finance Member on that point, I find that he has been challenging the question of their honesty. On that point I must tell him that we did not say they were dishonest from his point of view; but I must tell him that their procedure is nothing less than judicially dishonest.

Major Nawab Ahmad Nawaz Khan (Nominated Non-Official): May I ask the Honourable Member one thing? Is he not aware of the fact that shopkeepers have generally two kinds of registers, one for themselves and one to show to the Income-tax Officer? Have you any knowledge of that?

Mr. Gaya Prasad Singh (Muzaffarpur cum Champaran: Non-Muhamadan): You have justified your nomination!

Mr. Lalchand Navalrai: Nomination or no nomination, I have a fit answer to give to my Honourable friend. Sir, I think the Honourable Member is not dealing with them at all. Take it from our Leader of the Opposition, take it from so many Members on this side of the House who have had dealings with them, that the procedure of the Income-tax Officers is wrong; their decisions on appeals are reduced to a mere farce and all orders are dictated from above by the Commissioner or the Assistant Commissioner that the cases of the assessee should be disposed of in a particular manner.

Major Nawab Ahmad Nawaz Khan: You had better take it from the public.

Mr. Lalchand Navarai: I do not accept your verdict. Then, Sir, I must tell my Honourable friend the Finance Member that he should give an advice to the Government not to be so persistent or pugnacious as they have been on the question of graduation of salaries. The other day my friend Mr. Jog put a question to the Finance Member with regard to these cuts, whether they are going to be on a graduated scale or uniform, and the reply was that the cuts would be uniform. I do not agree with what the Finance Member said in his reply; "it is not a uniform cut at all." The ten per cent. cut applies to the lower paid subordinates; only in the case of some it comes to 9½ per cent., while in the case of the higher paid officers it comes to not more than 5 per cent., and therefore the contention of the Finance Member that this 10 per cent. cut is uniform is not at all correct. When my friend said that the cut would be uniform, I interjected and put him a direct question whether the Honourable Member had decided that that question would not be given any reconsideration. Well, Sir, his reply was, I should say, evasive. He simply said, "the Honourable Member is entitled to draw that inference from the form of my answer". That reply was very disappointing to me. So I again asked him if he would be good enough to be more precise in his reply. One advice, if he would care to take it from me, would be, that he should always be open to conviction until even the last moment. Sir Abdur Rahim, the Chairman of the General Purposes Committee, has established a case for a graduated cut, and there are several Honourable gentlemen on this side who support that view. Therefore, I would request my friend the Finance Member to remain open to conviction on this and not to be persistent; he should consider our suggestion over and over again, and consult the House on that point, because I can assure my friend that we are not going to pass the next Budget unless and until the retrenchment proposals are placed before the House. They must be considered very carefully and on every point, otherwise we will say, "Yours is guess work, a forecast and not even an estimate". Therefore, Sir, I ask you to give us an opportunity to consider and discuss the retrenchment proposals, and only then the Budget can be considered and discussed in a manner worthy of this House.

Then, finally, I have really only one word more to add, and I have done. I do not propose to repeat my reasons which I advanced on clause 8. Clauses 8 and 9 are, as I said, similar in principle. The difficulty with regard to clause 9 is about the time for which the House is giving the surplus amount into the hands of the Finance Member which is much in advance. For these reasons I strongly support the motion before the House.

Khan Bahadur H. M. Wilayatullah (Central Provinces: Muhammadan): Sir, a great deal has been said already in regard to clause 8, and I do not propose to go over the same ground again. I would, however, touch briefly on one or two points and will not detain the House for more than a few minutes. On the 17th instant, when the question of assessment on incomes ranging between Rs. 1,000 and Rs. 2,000 was under consideration, I remarked that frequent changes in the administration of the Income-tax Act were undesirable, and the Honourable the Finance Member was pleased to point out that, so far as incomes between Rs. 1,000 and Rs. 2,000 were concerned, they had not been assessed for

several years. Sir, in the present case all the incomes which are under consideration were revised as recently as March last, and yesterday when we passed clause 8, there was a further enhancement sanctioned. Today we are dealing with a clause which will bring about a still further enhancement from next year. For these reasons I would again repeat my remark that such frequent changes in the income-tax law are very undesirable.

Sir, it has been said again and again that there is a national emergency and that this taxation is only of a temporary character. Sir, I have read in the papers that in the House of Commons a Bill has been introduced to effect a cut of 10 per cent. in the salaries of Government servants, and there is a specific clause in it that it will not come into operation before the 31st December, 1931, and that it will not last beyond March 1933. But, so far as the present Finance Bill is concerned, there is no such provision made. There are some clauses in this Bill, which no doubt seem to indicate that the enhancement so far as certain taxation is concerned will be of a temporary character, but, sure enough, there are other clauses too which show that some fresh taxation and also some enhanced taxation will be of a permanent character. If there had been a clause in our Finance Bill similar to the clause in the Bill which is before the Parliament, a considerable amount of misunderstanding and misgiving would have been removed, and the position would have been quite clear. It would have greatly disarmed the Opposition.

Then, Sir, the retrenchments proposed by the various Retrenchment Sub-Committees have not all been formulated yet, and are not before us, some items of enquiry not having been touched at all. I have an apprehension that they are likely to be ignored to a large extent. There is still a great deal of work to be done, and I feel sure there will be a large amount of saving than is anticipated today, and as all that money will be available, it will not be difficult to balance the Budget. For these reasons, Sir, I support the amendment.

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): Sir, it is unfortunate, very unfortunate indeed, that at a time when the constitution of our country is in the melting pot, especially when the question of responsibility in the Centre is under discussion, Honourable Members adorning the Opposition Benches should show so much lack of responsibility. (Opposition Benches: "Hear, hear.")

Mr. B. Das (Orissa Division: Non-Muhammadan): I strongly object to the expression.

Sir Muhammad Yakub: I am glad that my Honourable friend has taken objection to my words, but I am sorry that my Honourable friend did not raise any objection to the most objectionable speech, to the most unbecoming speech, which was delivered, from the floor of this House, by my Honourable friend Mr. Gunjal last evening when he openly attacked the *bona fides* and the conscience of Honourable Members. I hope that Honourable Members will desist from making unbecoming remarks upon their colleagues.

Well, Sir, I was saying that the Honourable Members who adorn the Opposition Benches have shown a lack of responsibility.

Mr. D. K. Lahiri Chaudhury (Bengal: Landholders): I repudiate it.

An Honourable Member: What Benches do you represent?

(There were also some other interruptions.)

Mr. President: Order, order.

Sir Muhammad Yakub: "Heads I win, and tails you lose." That is the principle on which my Honourable friends have generally acted. On the first day it was said, "Do not raise the postage of the poor man". On the second day it was said, "Don't take the salt of the poorest man". On the third day it was said, "Don't put your hand into the pockets of the middle class people", and now, on the fourth day we are told, "Don't tax the rich man because the rich man is not rich enough". Now, Sir, if the poor man is not to be taxed, if the poorest man is not to be taxed, if a rich man is not to be taxed, and if the richest man is not to be taxed, I do not know how the Budget of the country is to be balanced. I think if my Honourable friend (Mr. D. K. Lahiri Chaudhury) and I were to be put on a scale, probably his weight would go a great deal more to balance the Budget than my weight. (Laughter.)

Mr. D. K. Lahiri Chaudhury: Thank you. I accept it.

Sir Muhammad Yakub: It has been pointed out that by giving effect to the recommendations of the Retrenchment Sub-Committees it may be possible to get more money and that it may be possible to balance the Budget, without imposing new taxes. Probably it may be right and correct. But, Sir, we know that it must take a very, very long time before the recommendations of the various Retrenchment Sub-Committees can be appreciated and given effect to. My Honourable friend Sir Abdur Rahim himself admitted yesterday that the Retrenchment Committees have not got sufficient time and that they have got to cover a wide field. It is quite correct. The Retrenchment Committees have only performed a part of their work, and probably it will take some time before they can traverse all the avenues of those wide fields, and it must take at least some years before the results of those retrenchments can be appreciated. But money is required just at present. The present Finance Bill, which is of a temporary character, has been introduced at this time of the year because money is required to balance the Budget for the current year and also the Budget of the next year. Expenditure cannot wait. The results of the recommendations of the various Retrenchment Committees are not yet fully ascertained, and so there cannot be any force in the argument that you should wait for the results of the recommendations of the Retrenchment Committees. It would be tantamount to this that Government should cease to function at least for two years, and that is an argument which cannot appeal to any reasonable minded person.

Sir, I quite agree with my Honourable friend the European Member from Burma when he says that a great deal of evasion is going on, in the country, in the realisation of the income-tax. Well, he has given his experience of Burma. My experience is confined to my own province, the United Provinces, and through you, I want to point out to the Treasury Benches that really a very great deal of evasion is going on in the collection of income-tax. If only the Government would improve the Department of income-tax and see that the income-tax is fully collected and realised, then I am certain that they would have realised probably twice as much from income-tax as they realise now, and probably there would not be any necessity to impose fresh taxation. It is chiefly the money-lender who is evading the payment of income-tax. As my Honourable friend has pointed out, in the first place they will not show their account books, or their *bahikhates*, to the Income-tax Officer. Even when they are obliged to

do so, they keep a double set of account books. One set of account books is kept only to show to the Income-tax Officer, and the other set is kept for their personal use. Then, Sir, the promissory notes and other documents are never produced before the Income-tax Officer, and the money which is lent on promissory notes and other documents is not entered in the *bahikhates*. In this way a very large amount of income which they derive through money-lending by means of promissory notes and big documents escapes the notice of the Income-tax Officer. The Honourable Member from Burma has suggested certain remedies, and I quite agree with him. Certainly, if the Government could amend their rules in such a way that no accounts books will be received in evidence in any civil court unless they are stamped with the seal of the Income-tax Officer, a great deal of this evasion would be stopped. Then, the law may also be amended in this way that no promissory note and no bond or other document would be received in evidence or would form the basis of a suit unless it is stamped with the seal of the Income-tax Officer to show that it has passed through the hands of the Income-tax Officer. One more reform in this direction can very much help in preventing the evasion of income-tax, and that is a system of registration of money-lending. If you start a system of registration of money-lending in this country, by which no man should be allowed to carry on the profession of money-lending until he is registered as a money-lender (Laughter from Nationalist Benches.)—it is not a novel system. Of course, the fraternity of money-lenders may laugh and jeer

Mr. Lalchand Navarai: Is he a money-lender or a money helper?

Sir Muhammad Yakub: He is both. He helps his own pocket, and he ruins others. So, I say if a system of registration of money-lenders is adopted in the country, I think a great deal of the evasion would be stopped.

Mr. D. K. Lahiri Chaudhury: On a point of order, Sir. Is the Honourable Member in order in talking of money-lenders under this amendment?

Sir Muhammad Yakub: I think the Whip of the Independent Party should learn something more before he tries to make these interjections

(There were some interruptions.)

Mr. President: Order, order. What is the point of order that the Honourable Member (Mr. D. K. Lahiri Chaudhury) wishes to raise?

Mr. D. K. Lahiri Chaudhury: My point of order is in connection with this amendment. Is the Honourable Member in order in speaking of money-lending business under this amendment? Is that relevant?

Mr. President: The Honourable Member (Sir Muhammad Yakub) is perfectly right in saying that this increased taxation has become necessary owing to certain defects in the administration and that if those defects were remedied there would be no occasion to impose these taxes. The Honourable Member is perfectly in order.

Mr. A. H. A. Todd (Madras: Nominated Official): May I ask the Honourable Member how he would deal with those numerous ryots who use their surplus money for the purpose of money-lending? Money-lending is not confined to the profession of money-lenders. Almost every man lends money.

Sir Muhammad Yakub: Of course, that is an evil. This system of irregular money-lending is one of the chief sources of the ruin of this country. Any man who has got a surplus of a few rupees in his pocket would start money-lending at very high rates of interest and ruin the country. Therefore I propose that the system of money-lending should be regularised in this country and money-lending should be registered. No man should be allowed to start the profession of money-lending unless he has registered himself as such. Of course it is quite a different thing to lend a small sum to a friend now and then. By that you do not become a professional money-lender and no registration is required for that. In the case of a professional money-lender, who derives his chief income from money-lending, this system should be adopted, and I think that such a system is even now in vogue in some civilised countries. By this means you will get a new source of income as well. There must be a registration fee for every professional money-lender. The income from money-lending is higher than the income from any other profession or trade. A rate of 200 per cent. in some cases, and 75 per cent. generally is the rate of profit, and no other business yields so much profit in this country. If you regulate this system of money-lending and overhaul your Income-tax Department, you will be able to realise three times the income that you now derive, and it will not be necessary for the Government to impose the new taxes and come up to the House every six months with a Finance Bill.

A hint has been thrown out by certain Honourable Members that if we do not vote with the Honourable Members on the opposite Benches, then the income derived from agriculture will also be taxed. I submit it is entirely misleading. Only those capitalists, who have got no landed property and who have got their money in Indian and foreign banks, have suggested that the income derived from land should also be taxed. It is not correct to say that the income derived from the land is not taxed. Every pie of the income which a landlord derives from his land is taxed and is taxed so heavily that no other source of income is taxed so much. A landlord has to pay 45 per cent. of his income from the land to the Government in the form of land revenue. Including cesses and other taxes, it comes to 65 per cent. If a poor landlord has to pay 45 to 65 per cent. of his income to the Government, why is so much hue and cry raised if a business man or a capitalist, who has got his money in the banks, is at a moment of national emergency asked to pay, say, 10 per cent. of his income? I submit there is no justification for it. Yesterday my Honourable friend, the Leader of the Independent Party, thought that our duty in this House is only to criticise. I agree with him to a certain extent. It is our duty to criticise the Government when they are wrong, but our duty does not end there. We have also certain responsibilities placed upon our shoulders. We must also suggest some constructive proposals. The constitution of our country is in the melting pot. We are now, so to say, undergoing a trial, and it is for us to show how far we can shoulder the burden of administration if we really want freedom for our country. Simply to make barren criticism without any constructive suggestions would not help us. I would not mind if we voted down certain demands proposed by the Government. Certainly it ought to be the attitude of every reasonable man that he should look into the merits of the case. If Honourable Members are really genuine in their criticism, I cannot understand why they have opposed every item in this Finance Bill. Is there any single demand that has not been opposed by my friends? It only shows that the sense of responsibility is not at all realised and that

opposition is carried on in this House for the sake of opposition only to gain some cheap popularity in the country.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions; Non-Muhammadan Rural): Clause 4 about customs was not opposed.

Sir Muhammad Yakub: I do not know why it was not opposed, but even the tax on machinery which was for the good of the country was opposed.

Mr. D. K. Lahiri Chaudhury: You are the only elected Member who voted with the Government in regard to the tax on machinery.

Sir Muhammad Yakub: Honourable Members do not seem to realise that by the taxation on machinery you give an impetus to the trade of the country. They do not realise that necessity is the mother of invention. A complaint has been made that we do not manufacture machinery in this country. If we go on depending upon foreign countries for our machinery we will never be able to manufacture machinery in India. It is time that India put her shoulders to the wheel and began making machinery here in order to make India independent of foreign countries in the matter of importing machinery. So I say that the tax on machinery was in favour of the country and not against it, and I was perfectly right when I voted for putting a tax on machinery. So, Sir, the opposition which has been raised to this clause clearly shows that the intention of the Opposition is not to help the poor. If you do not want even to tax the rich men, naturally the hand of the Finance Member will go deep into the pockets of the poor. Therefore, if you want to save the poor, the only way, and the most effective way, is to support the motion now before the House. For these reasons, Sir, I support the motion and oppose the amendment.

Mr. B. N. Mitra (Orissa Division; Non-Muhammadan): Sir, I do not blame you for the opportunity which I now get so late. (Laughter.) (Sir Muhammad Yakub: "Because you are wearing a new beard!") Sir, before I speak about the manner and the method and the desirability of retrenchment and about the administration of the Income-tax Act, I should like to put certain questions to the Honourable the Finance Member, and I hope he will not consider me impertinent for putting these questions which are very important. When we come to consider the question of retrenchment or of income-tax side by side, we must think over the question, what is the present position of the services, high or low, in this country? I should like to put very seriously this question to the Honourable the Finance Member: "Is there any country on the face of the earth—say Germany or America or Canada or France—where the administration is carried on at such an unconscionably high scale of expenditure as India? Is there any service in any other part of the world which can parallel the higher services in this country in pay and so forth?" Sir, before my Honourable friend gives his answer, I shall just tell him something about the comparative system of expenditure on the low and the higher paid services in some other countries. Sir, the other day the Honourable the Finance Member was telling us something about the system of taxation and so forth that obtains in America and in England. I want to put to him the question, "What is the system in the United States of America of the grades of pay of the low-paid clerks and of the high administrative Executive and Judicial officers?" Sir, I may tell you that in the United States—I am talking in rupees, not in dollars—the average pay of

[19TH Nov. 1931.]

[Mr. B. N. Misra.]

the lower-paid clerks is about Rs. 3,125 annually, and that of the highest-paid administrative or judicial officers is about Rs. 27,400, or in the proportion of 1 to 9. (That is the system in America, but will the Finance Member say that America is a badly governed country where the administration is not properly conducted? Now I shall just point out to the House the system that prevails in Germany. There the pay of the lower-paid clerks is about Rs. 1,110 and the highest salary of the higher officials is about Rs. 14,960, the proportion being 1 to 13. If my Honourable friend does not recognize these countries as being well administered, I shall put before him the case of Canada from where His Excellency the Viceroy comes, and I think His Excellency will certify that it is one of the best administered countries, and what is the system obtaining there? The pay of clerks is about Rs. 1,650 and of the highest officials Rs. 27,400, the proportion being 1 to 17. In Japan—which of course is a poorer country than the examples I have so far given—the national income per head is Rs. 295. The salary paid is Rs. 650 annually for the clerks and a member of the highest services gets Rs. 8,800, the proportion being 1 to 13. Now I shall come to the Honourable the Finance Member's own mother-country or fatherland, whatever he calls, the United Kingdom. What is the proportion there between the pay of the lower-paid clerks and that of the highest, the Prime Minister, who is now deciding the fate of India, and of the Secretary of State, and so on? Sir, the lowest clerical salary in England is Rs. 1,266 annually in rupees, and the highest salary is about Rs. 40,000 for the highest administrative posts, the proportion being 1 to 32. Now, Sir, I come to India. (Hear, hear.) What is the proportion? The annual income *per capita* is the lowest of all countries, namely, Rs. 74 or about Rs. 6 a month, and, Sir, please note that the clerks earn, as you know, say Rs. 30, or Rs. 360 annually (there are several classes who get much less than this even),—and what is the highest pay of an administrative post? It is no less than Rs. 48,000. I am not taking here into account the pay of Executive Councillors, Governors, etc., which is very much higher. Excluding the latter, the proportion between the lower-paid services and the higher-paid services is 1 to 133. Sir, that is the percentage in India, as compared with the position in the rest of the world! Now I have given these figures just to compare the system of pay of the lower and the higher grade services in India, and that in other parts of the world.

Coming to the question of retrenchment, I ask, how much can you retrench in the case of the lower-paid clerks? You cannot take away cent per cent in the case of the lower services which are already very inadequately paid. On the other hand, in the case of the higher services, is it not the case that they can bear burdens immeasurably greater than in the case of the lower services? It is contended that the sacrifices the higher services make for the benefit of India are very liberal. I wonder, Sir, that the Honourable the Finance Member and his Honourable colleagues have thought it fit and proper that a uniform ten per cent cut is reasonable both in the case of the men on princely salaries and the men on very meagre salaries. In fact the system adopted may be said to be a purely mechanical process of arithmetic. Have the authorities paid any thought to have justice, equity or reason? I submit, Sir, the procedure is grossly unjust. (You can easily work it out. A man on Rs. 60,000 annually will now, after the cut continue to get only 6,000 less, or Rs. 54,000, and he

cannot be said to be badly off; but the clerk on Rs. 600, annual income, will, after the cut, get only Rs. 540, and his primary, essential needs for his family cannot be met. So I am asking this serious question, is it equitable, is it just, is it reasonable, is it honest, to ask a man who is getting Rs. 600 pay as much, or in the same proportion, as the man who is getting Rs. 60,000? Does my Honourable friend think that that man

really turns out work which is a hundred times better or larger than the other man? We have heard of Ravana, who had ten heads. We could go to that extent, but the poor Indian clerks have probably more burdens than the higher officers. They have got more children to feed as they perhaps do not follow some of the preventive and other methods that are prevalent in the West. And I think they probably work more hours than these higher officers. From the commencement of their work down to the end of the day when they retire, they work from morning to night, which their superior officers themselves will perhaps testify. My position is that these higher officers do not deserve to draw such a high salary as 133 times more than these Indian officers. I will now put it in the reverse order. Suppose my friend the Finance Member is satisfied with the 10 per cent. cut, I ask him whether the high paid officer will be contented with getting ten times or twenty times the salary of the Indian officer. Let him pay that man 30 times more than the Indian officer. We do not find in other countries people drawing 30 times more than others. In England of course it is 32 times. We follow England in everything, so let us follow them in this also. Let him take even 32 times, or even 40 times more. We shall be content with this retrenchment on a proportionate basis. Sir, these retrenchment committees can do no good unless the whole system is completely overhauled. That is what is necessary now.

Now, Sir, with regard to income-tax, which we have been discussing, it has been said by Honourable Members on the Treasury Benches, as also by some Honourable Members here, that it is very just, as there are Indian brothers there. I shall tell you what my experience is. Some years ago when there was not the present Income-tax Act in force and it was not separately administered, and the Deputy Collectors or other officers decided these matters, I appeared in an income-tax case, and the Deputy Collector said to me, "Mr. Misra, you should not appear in these income-tax cases; Government have no pleader and why should you come in these cases?" That is how income-tax was then being administered by the authorities. They wanted to be monarchs and this was their attitude.

Mr. President: Would it not be better if the Honourable Member came down to the present times?

Mr. B. N. Misra: I will also tell you what is happening at present. I remember at one time when the limit was only Rs. 500 there were tahsildars who imposed income-tax, and a certain tahsildar who did it was suddenly transferred to another place. Another man came and he found that one man was assessed with income-tax who had not even a *thala* worth 12 annas. If he blamed his predecessor he would himself be found fault with, and so he asked all the villagers to subscribe something so that he might remit it to the treasury. This was before 1920. Now I will tell you how the present zealous officers, to whom the Finance Member yesterday gave such grand certificates, are working; and after listening to me you will see whether those certificates have any value. A particular Income-tax Officer wanted to show a greater income in the

[Mr. B. N. Misra.] district. So he went to a village of braziers who make brass and copper utensils. He told them that a Rajah wanted to give his daughter in marriage and so he would buy utensils from the man who had the biggest business. He told them to prepare figures of their business. In the hope of getting work from that Rajah, these people prepared big lists of their transactions, but after the officer got these papers, the Rajah was nowhere and the marriage was nowhere, but the people were assessed on the income shown by themselves. This happened in 1922. These income-tax people get about 150 or 200 rupees a month, whereas even our graduates and M.A.s get only Rs. 50. They commit any amount of sin that you can imagine. They can even kill a man, but then who will be responsible for all these sins? I say the Finance Member and his supporters are responsible. Once you pay them Rs. 100 or 200 these people for the sake of their belly do not hesitate to do anything. What I have told him is a true case. This is how the present officers are going on. Talking about the higher authorities, whenever you prefer an appeal, you get no other remedy than this that they cannot interfere. That is the general order that you get from the higher authorities. I think the Finance Member is taking a very grave responsibility and all these sins will surely be on his head. (Laughter.) All is not gold that glitters. We are all responsible and answerable to God. My Honourable friend should ask his conscience whether such wrongs are not committed in his Department. As regards the income-tax, supposing you want 4 pice or 5 pice, or any amount, if it is properly done, there will be some justification for it. Supposing there is an emergency. We are ready to listen to your reasons and to vote with you provided the provision is administered justly and properly. But the Administration is simply employing *goondas* to collect the money somehow or other. Why don't you employ at least experienced men, elderly men who have got consciences, who have got sons and daughters and who will fear that there will be some difficulty or calamity if they do wrong? You employ these youngsters. If you take statistics, you will find they are mostly youngsters. These Income-tax Officers are youngsters, 25 or 30 years old, just fresh from the college. They get Rs. 125 or Rs. 150 while their brethren are not getting even Rs. 50. They do not hesitate to commit any kind of crime. You are responsible for all this. They want to take away from the people as much money as they can. Don't think they will be grateful to you. They will say, "After all, we serve Government, we have got to do it". You may remember the story of Valmiki in Ramayana. He was committing all kinds of sins, robbing people and taking money for himself and his family. Some one told him, "You are committing a great sin", to which he replied, "I am doing this for my wife and children. Why should I be held responsible". When he went home, he asked them who was responsible for his sins. The children said, "You are our father; you have got to give us this"; the wife said "You are my husband, you have got to give me this. Why should we share your sins?" They won't accept any share of the sins. These young officials, who are doing this, will say, "Government want more money and we are arranging for it. Our conscience is not touched". That is the logic they will use. They will certainly say that you are responsible.

Mr. B. N. Misra: The Government will be responsible, not the President.

Mr. B. N. Misra: It is the Government certainly. What I am addressing to the President, I am addressing to the Government and the whole House. Every Member who joins in this nefarious transaction will share the sin. With these words, Sir, I support the amendment.

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhammadan): Sir, after the entertainment the House has so far received, may I ask Honourable Members to recall the real facts of this amendment? The amendment under clause 9 is intended to extend the operation of the Income-tax Act for the next year beginning with the 1st April 1932, and extending to the 31st March, 1933, and if I can show to Honourable Members that of all the clauses, that have been debated in this House, this clause is the most objectionable of them all, I shall confidently expect Honourable Members who have voted with the Government to follow me when this clause is put to the vote. Sir, in asking the Honourable Members of this House to support the amendment, I would ask them to recall the words of the Honourable the Finance Member when a similar question was under debate. It will be remembered that we on this side of the House wanted to limit the operation of the Act for the unexpired period of the present financial year. The main objection that we had to the extension of this Act for a period of 18 months was that this being an emergency measure and a measure intended to deal with the immediate deficit threatened in the revenues of the Central Government, we could not hypothecate the revenues of the next year without passing in review the expenditure, which we would do only when the Budget of next year is presented to this House. That was our objection. What is the answer of the Honourable the Finance Member? Let me read to you his exact words. He said:

"As regards the effect on revenue, I would ask Honourable Members to take account of the fact that the greatest part of the revenue which we estimate from our proposals will come from customs duties and excise duties. I think it must be clear to everybody that if we were to impose customs and excise duties for a period of 5 months, the effect on our revenue would be disastrous. Salt revenue, to take one article for example, would probably cease altogether. With that uncertainty every man would try to live on his stock, avoiding taking over new stocks liable to the temporary higher duty. Exactly the same applies to customs import duties. It is no exaggeration to say that if we had tried to put forward duties of a temporary nature designed only to operate for 5 months and liable to revision after 5 months, the effect on our revenue would have been as I have said, disastrous. Quite apart from that, as my Honourable friend Sir Muhammad Yakub himself pointed out, the disturbing effect on all those who are doing business of that uncertainty would have been one of the worst things that we could possibly have done to business at the present time. I put it to the House with absolute confidence and I am sure they appreciate this, that so far as the customs and excise portion of our programme is concerned, we could not possibly have put forward a plan designed only to bring in duties at a certain rate for 5 months."

Now, mark these words:

"As regards the income-tax proposals, if my Honourable friends had made their case on the ground of income-tax, it would have been, treated by itself, rather more difficult to meet."

Now, Sir, we are treating this part of the amendment as an amendment dealing solely with income-tax, and the Honourable the Finance Member has confessed in the speech which he delivered only a week ago that if this side of the House had limited their amendment to income-tax, it would have been difficult to meet.

The Honourable Sir George Schuster (Finance Member): I said it would have been more difficult to meet. I am quite prepared to meet it, as I shall show to my Honourable friend when my time comes.

Sir Hari Singh Gour: My Honourable friend tells us that he said it would be more difficult to meet. He never indicated how he was going to meet it when he was dealing with clause 2. His argument stopped short with the sentence I have quoted, and if between then and now the Honourable the Finance Member has had further enlightenment which would strengthen his argument, we shall hear it. But what was the argument? The very crux of his argument when we resisted clause 2 was the one great magic word "uncertainty", and he admitted that that uncertainty, which applied to the reduction of the period for which import duties and income-tax were levied, did not apply to income-tax. That being the case, and apart from his admission, how can any Member on this side of the House support the Government when they want revenues for 18 months, without giving an account of the expenditure which they would be called upon to incur during the next financial year. That I submit is the main question. The Honourable the Finance Member himself in another place admitted that in normal times the usual procedure of this House, ever since the inception of the Reforms in 1921, has been to bring in a Budget, in which this House, grant by grant and department by department, passes certain supplies and rejects the rest. Having totalled up the amount of expenditure that is required for the next financial year, you then enact a taxing measure. That is the procedure which has been in vogue ever since the advent of the reforms. A departure from this procedure can only be justified on the ground of extreme necessity, and judging from the remarks of the Honourable the Finance Member, that case of extreme necessity was proved when discussing clause 2 when he asked this side of the House to concur with him in enacting the customs and excise duties for the next 18 months on the ground that otherwise, if these duties were levied only for a period of 5 months, the whole trade would be disorganised. He then said that the case of income-tax was different. Let me point out to Honourable Members why it is different. Supposing we pass the amendment and reject clause 9, how are the Government any the worse for it? They do not want the money till the 1st of April, 1932. Before the 1st of March, 1932, they will be in a position to say as to how much money they require. The integrity and the financial capacity of this country is not to be wrecked because we do not vote income-tax for the year which has not yet begun. I therefore submit that my Honourable friend on the other side was perfectly justified in confessing to a difficulty in having to support the measure so far in advance of the immediate requirements of the case. There cannot be any uncertainty about income-tax, whether it is levied to-day for the next period of 18 months, or whether it is levied in the month of March, for a period of 12 months; there cannot be any uncertainty about it. You may vary the rates, you may increase them or you may decrease them. Whether you will do the one or the other will depend upon what retrenchments you have made by then and on what would be the aggregate amount of expenditure which the Government of India are likely to incur in the next financial year. I therefore submit that you would be lending yourself to adopting a procedure which is not only novel and unprecedented, but which, judging from what the Honourable the Finance Member himself has said, would be hypothecating the revenues

of the country for the next financial year, when you do not know what expenditure you are going to incur and when, as the Honourable Finance Member has himself repeatedly pointed out, the various Retrenchment Committees that have been sitting and are sitting, have not yet submitted their final reports. When they have done that, it may be necessary to levy taxes on income on a different scale. Time therefore is on your side; time therefore should strengthen your hands in resisting a demand which is made so much in advance of the requirements of the country, and that alone would be a sufficient justification for you to refuse the demand. Honourable Members on this side of the House have been pressing upon the Government the great necessity for drastic retrenchment. They have been subjected to a homily on responsibility and to a consciousness of feeling that they are, as patriots and popular representatives interested in the financial integrity of the country. No one on this side of the House, not one of the Members sitting on the popular section of the House has for one moment denied that they are as anxious as the occupants of the Treasury Benches to see that the finances of the Government of India are rehabilitated. But at the same time Members on this side of the House are not satisfied with the retrenchments effected; they are anxious that retrenchments must be on a more drastic and thorough-going basis. Only three years ago we drew the attention of the Honourable the Finance Member to the extreme necessity of retrenching national expenditure. That warning was unheeded. Two years ago we repeated that, and, if I mistake not, Members of the European Group joined with us in forcing the hands of the Government to study national economy. If they had taken action then, the position would have been different now. But what did they do? When they found that the value of the rupee was slipping, when they found that the rupee could no longer maintain its equilibrium in relation to gold, they in a moment of temporary panic issued one Ordinance, cancelled it and issued another, and they said "Let us now apply the axe to the various departments". All that was done in a desperate hurry. It was not done in that spirit of leisurely scientific examination which we demanded a year and a half ago it should be done. I therefore ask my Honourable colleagues on the European Benches to support us on this occasion on the short ground that the income-tax that is to be levied for the year 1932-33 will be only voted by this House in the normal course, and there is no necessity, nor indeed has any necessity been shown, why this House should be precipitated into taking action now in the month of November, five months before the normal time when it will be called upon to vote supplies.

I wish also on behalf of the Benches on this side to draw the attention of the Finance Member to a widespread complaint to which various Members on this side of the House and indeed two Honourable Members on that side of the House have given expression to. In spite of the apologies and justifications of the Finance Member, the fact remains that the machinery for the realisation of income-tax is antiquated and requires to be modernised in conformity with the principle of English law. The other day when I pointed out what the procedure in England was, I do not know who briefed the Finance Member, but somebody brought him the report of a committee, and with all solemnity he read out from the report of that committee as if it could displace or override an Act of Parliament, and he accused me, who had been reading to this House the statute of Parliament, of misleading this House. I would ask Honourable Members on both sides of the House to consider as to who had in effect tried to mislead the House, I or the Honourable Member on the other side.

[Sir Hari Singh Gour.]

But, that question apart, the grievance is there. We have often been told by Members on this side of the House, "Grievances before supplies". That one great grievance in connection with income-tax—and I am only dealing with that question of Income-tax because I think other questions are irrelevant when dealing with this clause—from which Honourable Members on this side suffer is that the assessing officer is the appellate court and the final judge of the quantum of money that he requires from the assessee. That is a vicious principle and it must be immediately rectified. That is one of the grievances from which Members on this side suffer, and to which they have given expression at various stages of the discussions on this Bill.

I therefore submit and I ask and appeal to the Finance Member to accept this amendment. He will be here in March and we hope we will all be here. What is lost by postponing the enactment of this measure till the month of March? There is no question of uncertainty about it. As a matter of fact for the last 11 years you have been annually voting the various rates of income-tax. Consequently the country is prepared to pay the income-tax from year to year according to the rates that are settled in the Finance Bill following the Budget. Some Honourable Members on this side of the House, labouring under a misconception, seem to have thought that this clause was only confined to the rich man. I wish emphatically to declare that this clause is intended to extend the operation of the Income-tax Act from 1982 to 1988, and that therefore it will affect all persons whose annual income is Rs. 2,000 or over. If you think that a person who receives Rs. 2,000 income is a plutocrat, then by all means say that it affects the rich man; but if you think that that man is as much a poor man as the man whose income was one rupee less, or Rs. 1,999, whom you have exempted by your striking vote from this impost, then I say that the Income-tax Act, which you would by this clause extend for another twelve months from April 1982, would equally affect the rich and the poor. There is no question of its being limited to the rich. There is no question of its being limited to the poor. It will affect all whose income is within the taxable limit.

An appeal was made by some Honourable Members to some of my friends on this side who are interested in agricultural prosperity, and it was said that though some of us had referred to the possibility of the tax being extended to agricultural incomes, it was a possibility which they could never dream of. No less an authority than Sir Walter Layton in his note appended to the Simon Commission's Report, has recommended the levying of income-tax upon agricultural incomes. He also recommended that a succession duty must be imposed upon the people of this country; and I do not therefore think that it is beyond the range of human possibility that agricultural incomes will be tapped in the near future, if by this slow process of acceleration we keep on yielding to the ever-growing demands of the Government. I therefore ask my friends on this side and those occupying the centre seats to join with us in supporting this amendment. (Cheers.)

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadnagar Rural): Sir, the most weighty argument in favour of the amendment was the one advanced by my Honourable friend, Sir Muhammad Yakub. He said that if you put your house in order, you will get three times the amount which is proposed in the present amendment. So I

would request, following his example, that instead of demanding fresh taxation, you simply put your house in order first, and then you will get three times what you want. Instead of asking us to pass this particular clause, it will be much better if the Finance Department will concentrate their attention on setting their house in order.

Mr. B. Das: Put Sir Muhammad Yakub at the head of the Income-tax Department.

Dr. Ziauddin Ahmad: I hope Sir Muhammad Yakub will be true to his words in this case and that he will act up to what he said in his speech.

On every taxation proposal we have been reminded that this is a national calamity and we ought to join with the Government in meeting it. On this side we are perfectly willing to agree that this is a national calamity and we are prepared to join with the Government to cope with it; but we do not agree with the peculiar logic of the Finance Member. He first starts with certain premises; do not touch the Lee concessions; do not touch increments; do not touch the pensions; do not touch this; do not touch that; and after all that he comes to the conclusion, "Let us have fresh taxation". Really speaking the most reasonable course for the Finance Member would have been that he should take the House into his confidence and say, "We want so many crores of rupees. Now, let us see what percentage could be obtained from the cuts? What percentage could be obtained by changing the organization", and then we on this side would very willingly give him the balance of the money. But my Honourable friend pays absolutely no attention to the other side of the problem, and he simply demands from us so many crores of rupees. He has of course admitted that there will be some kind of retrenchment and as a result some savings also next year. Now, if there is going to be retrenchment next year and also some saving, what is the necessity for increasing the taxation by 25 per cent. in 1982-83? Can he not wait till the end of the present year and see the effect of the fresh taxation and also of the retrenchment proposals, and if we find that he needs more money, we would be quite willing to help him if he brings forward a kind of supplementary Finance Bill about the end of the year to impose fresh taxation. But, Sir, my friend concentrates his attention only on the point of increasing taxation. The question whether the taxation affects the rich or the poor is really irrelevant to the point before us. The main question is this: how much of the money required should be met by taxation, how much should be met by reorganization and how much by the cuts, and if all these factors are taken into consideration, I am sure the Honourable Member will be able to make both ends meet. There are other broad issues which I do not like to discuss in detail on this particular point as I would like to finish my speech in two minutes.

This side of the House does not agree with the financial policy pursued by the Finance Department. In our view it would be a good thing if a sort of periodical examination were instituted. My friend, the Honourable the Leader of the House, has just established a staff college at Dehra Dun for the training of old experienced officers of the Railway Department, and it will be very desirable if another college is established for the training of the superior staff of the Finance Department and a periodical examination by the Public Service Commission were instituted before increments are given to the higher staff. I suggest some simple questions which should be asked to the members of Finance Department drawing Rs. 1,500 or

[Dr. Ziauddin Ahmad.]

more,—What is your opinion about the balance of trade? Does the balance of trade represent the prosperity of the country? What is your opinion about the artificial attempts for securing stability of exchange? Do you think that the stability of exchange should be set aside in favour of the stability of the prices? Is stability of exchange the cause or the effect of stability of prices? Why how you raised the bank rate or interest to 8 per cent., while allowing 5½ to favoured banks? Why should the rupee be linked up with paper sterling? How can you stop the flight of gold? and so on. These questions should be asked to them, and we ought to secure that the opinion of the officers of the Finance Department on these vital questions is not based on antediluvian theories which they read in their college days. This examination is important in public interest, because any wrong action on their part results in increased taxation.

The Honourable Sir George Schuster: Sir, my Honourable friend who just spoke said that if I would only put the House in order I could overcome all my difficulties without fresh taxation. I will do my best at any rate to put this House in order (Laughter) by talking as briefly and as much to the point as I possibly can. I have very little to say on this particular motion because I have covered the ground so fully on past occasions.

My friend, Mr. Lalchand Navalrai, speaking early this morning said that he was sick of the cry of a national emergency. I will try not to repeat that cry more than necessary, because I am very anxious to avoid sickening my friend further than is necessary; but I must make a reference to the point, Sir, because it is the key of our whole position.

Having said that, I would like to turn to the speech made by my Honourable and learned friend, the Leader of the Opposition. I hesitate, after what has fallen from the lips of my friend in his speech, to suggest that he has misled the House. I will only say this that if I had listened to his speech without knowing the facts of the situation, he would, Sir, have misled me. He put it before the House that in this clause 9 of the Bill the House was being asked to approve the principle of the extension of the Income-tax Act from 1981 to 1982-1983.

Sir Hari Singh Gour: Not 1981, but 1982-1983.

The Honourable Sir George Schuster: I want to put it to my Honourable friend and to the House that the House has already approved that principle in passing clause 2. Clause 2 of the Bill extended the operation of the Income-tax Act to 1982-83. Moreover, the House has already approved another principle in passing clause 8. The House has approved the principle that the situation is such that it is necessary to impose a surcharge on the income-tax at the rate of 25 per cent. per annum—for the 12½ per cent. included in clause 8 really represents a surcharge at the rate of 25 per cent. per annum,—the House has already approved the principle that it is in the present emergency necessary to impose that surcharge. I maintain, Sir, that the House would really be departing from the principles which the House itself has approved, if it were now to pass the present amendment, and to reject the surcharge in respect of the year 1982-83. That, Sir, is one of the reasons why, as I have already said, I shall be brief, because I believe that the House has by a majority already approved this principle.

Then, Sir, my Honourable friend quoted from my own speech in winding up the debate on clause 2 to which I have just referred. My friend

pointed out to the House that I had dealt first with the surcharges on customs and excise duties, and that I then went on to speak of the income-tax proposals and said that:

As regards the income-tax proposals, if my Honourable friends had made their case on the ground of income-tax, it would have been, treated by itself, rather more difficult to meet.

My friend stopped his quotation at that point. He did not go on with my speech which went as follows:

"But that brings me to my second ground which is this."

I did meet the point, and I propose to meet it again now:

"But that brings me to my second point which is this. We felt that it was absolutely necessary to tackle the position. One of the speakers has already said we knew the position, we foresaw the position, and if we had not come forward to tackle it, we should have been failing in our duty. How could we tackle it? It was too late to recover the deficit on the 6 months that had already passed. But we felt, as we knew sufficiently what the situation was likely to be to be able to frame proposals, we had to introduce proposals which would provide a balance for the next 18 months. We maintain that nothing less would have been financially sound."

Then I went on,—

"That, Sir, is the reason why we have acted as we did."

—and that, Sir, is the reason. We feel that we have two things to deal with. We have to restore budgetary equilibrium, that is the first thing, and the second thing is, that we have to convince India and the world that we are determined in our purpose to do so. I gave among my reasons first the financial reasons, and secondly the reason of the effect on our credit and of the financial stability of the country which depends on our currency stability and various other factors which are dependent on our credit. It was with that secondary object in view that we felt it absolutely necessary to make it clear that we were determined to provide a balanced Budget for the 18 months which remained before us. Sir, if we do not do that, if we limit the surcharge on the income-tax to what remains from the current year, we shall not be showing that determination which we consider to be necessary, to be essential for dealing properly with the situation. I maintain further that if we had framed our proposals in any other way, we should not have been dealing honestly with the House. I quite recognise that the future is uncertain, but as I have already said, we have no possible ground for supposing that in February next we should be able to tell a different story to the House from that which we can tell today. And if we had framed our proposals now as regards income-tax with the limit of expiry at the end of the current financial year, we should not only have failed in our own duty, but we should have been deceiving the House. What my Honourable friend asks us to do is to offer to the House this medicine in two doses. I would strongly advise the House to take the dose of medicine which we consider to be necessary, not to spread out the agony, but to take the medicine in one dose, one dose at a time being the only effective way of taking it. That, Sir, is the ground on which we support this proposal. I think I need say no more. I would put it to the House that we were right in the course which we took, and that the House itself has already in

1 P.M. substance approved of that course. Accordingly I offer my uncompromising opposition to the amendment. (Applause.)

Mr. President: The question which I have now to put is that clause 9 be omitted.

The Assembly divided:

AYES 53.

Abdoola Haroon, Seth Haji.
Abdur Rahim, Sir.
Azhar Ali, Mr. Muhammad.
Badi-uz-Zaman, Maulvi.
Bagla, Lala Rameshwar Prasad.
Bhuput Singh, Mr.
Chetty, Mr. R. K. Shanmukham.
Chinoy, Mr. Rahimtoola M.
Das, Mr. A.
Das, Mr. B.
Dudhoria, Mr. Nabakumar Sing.
Damasia, Mr. N. M.
Dutt, Mr. Amar Nath.
Gour, Sir Hari Singh.
Gunjal, Mr. N. R.
Harbans Singh Brar, Sirdar.
Hari Raj Swarup, Lala.
Ibrahim Ali Khan, Lt. Nawab
Muhammad.
Isra, Chaudhri.
Jha, Pandit Ram Krishna.
Jog, Mr. S. G.
Krishnamachariar, Raja Bahadur G.
Lahiri Chaudhury, Mr. D. K.
Lalchand Navalrai, Mr.
Liladhar Chaudhury, Seth.
Misra, Mr. B. N.
Mitra, Mr. S. C.

NOES 50.

Ahmad Nawaz Khan, Major Nawab.
Allah Bakh Khan Tiwana, Khan
Bahadur Malik.
Anklesaria, Mr. N. N.
Asizuddin Ahmad Bilgrami, Qazi.
Bajpai, Mr. R. S.
Banerji, Mr. Rajnarayan.
Bhore, The Honourable Sir Joseph.
Cosgrave, Mr. W. A.
Cresser, The Honourable Sir James.
Dalal, Dr. R. D.
DeSouza, Dr. F. X.
Desanges, Mr. H. C.
Dyer, Mr. J. F.
Elliott, Mr. C. B.
Fazal Haq Piracha, Shaikh.
Fox, Mr. H. B.
French, Mr. J. C.
Graham, Sir Lancelot.
Heathcote, Mr. L. V.
Hira Singh Brar, Sardar Bahadur
Captain.
Howell, Mr. E. B.
Ismail Ali Khan, Kunwar Hajee.
Ismail Khan, Haji Chaudhury
Muhammad.
Jawahar Singh, Sardar Bahadur
Sardar.
Knight, Mr. H. F.
Lal Chand, Hony. Captain. Rao
Bahadur Chaudhri.
Lal, Mr. S.
Montgomery, Mr. H.
The motion was negatived.

Mody, Mr. H. P.
Murtuza Saheb Bahadur, Maulvi
Sayyid.
Pandit, Rao Bahadur S. R.
Parma Nand, Bhai.
Patil, Rao Bahadur B. L.
Puri, Mr. B. R.
Puri, Mr. Goswami M. R.
Rajah, Raja Sir Vasudeva.
Rajan Bakhsh Shah, Khan Bahadur
Makhdum Syed.
Ranga Iyer, Mr. O. S.
Rastogi, Mr. Badri Lal.
Reddi, Mr. P. G.
Reddi, Mr. T. N. Ramakrishna.
Sadiq Hasan, Shaikh.
Sant Singh, Sardar.
Sarda, Rai Sahib Harbilas.
Sen, Mr. S. C.
Sen, Pandit Satyendra Nath.
Singh, Mr. Gaya Prasad.
Sitaramaraju, Mr. B.
Sohan Singh, Sirdar.
Sukhraj Rai, Rai Bahadur.
Thampan, Mr. K. P.
Uppi Saheb Bahadur, Mr.
Wilayatullah, Khan Bahadur H. M.
Ziauddin Ahmad, Dr.

Moore, Mr. Arthur.
Morgan, Mr. G.
Majumdar, Sardar G. N.
Mukherjee, Rai Bahadur S. C.
Noyce, Sir Frank.
Parsons, Mr. A. A. L.
Pelly, Major H. R.
Rafiuddin Ahmad, Khan Bahadur
Maulvi.
Raghubir Singh, Kunwar.
Rainy, The Honourable Sir George.
Rajah, Rao Bahadur M. C.
Rama Rao, Rai Bahadur.
Row, Mr. K. S.
Roy, Mr. S. S.
Sahi, Mr. Ram Prashad Narayan.
Sams, Sir Hubert.
Sarma, Mr. R. S.
Schuster, The Honourable Sir George.
Scott, Mr. J. Ramsay.
Singh, Kumar Gupteshwar Prasad.
Studd, Mr. E.
Suhrawardy, Sir Abdullah.
Sykes, Mr. E. F.
Tait, Mr. John.
Talib Mehdi Khan, Nawab Major
Malik.
Todd, Mr. A. H. A.
Wajihuddin, Khan Bahadur Haji.
Yakub, Sir Muhammad.
Yamin Khan, Mr. Muhammad.
Young, Mr. G. M.
Zulfiqar Ali Khan, Sir.

Kunwar Raghubir Singh (Agra Division: Non-Muhammadian Rural):
Sir, I move:

"That to clause 9 the following be added at the end, namely:
'on all incomes over rupees ten thousand'."

In moving this amendment, I have nothing to say beyond what I have
already said yesterday. I move my amendment.

Mr. T. N. Ramakrishna Reddi (Madras ceded Districts and Ghittoor:
Non-Muhammadian Rural): I rise to support the amendment for the same
reasons that I have advanced yesterday. Yesterday I proposed certain
other sources of income and I have not received the reply of the Finance
Member. I hope the Finance Member will reply to the points I raised.

The Honourable Sir George Schuster: I have to oppose the amendment
for the same reasons that I gave yesterday.

Mr. President: The question is:

"That to clause 9 the following be added at the end, namely:
'on all incomes over rupees ten thousand'."

The Assembly divided:

AYES 63.

Abdoola Haroon, Seth Haji.
Abdur Rahim, Sir.
Azhar Ali, Mr. Muhammad.
Badi-uz-Zaman, Maulvi.
Bagla, Lala Rameshwar Prasad.
Bhuput Singh, Mr.
Chinoy, Mr. Rahimtoola M.
Das, Mr. A.
Das, Mr. B.
Dudhoria, Mr. Nabakumar Sing.
Damasia, Mr. N. M.
Dutt, Mr. Amar Nath.
Fazal Haq Piracha, Shaikh.
Gour, Sir Hari Singh.
Gunjal, Mr. N. R.
Harbans Singh Brar, Sirdar.
Hari Raj Swarup, Lala.
Ibrahim Ali Khan, Lt. Nawab
Muhammad.
Ismail Ali Khan, Kunwar Hajee.
Ismail Khan, Haji Chaudhury
Muhammad.
Isra, Chaudhri.
Jha, Pandit Ram Krishna.
Jog, Mr. S. G.
Krishnamachariar, Raja Bahadur G.
Lahiri Chaudhury, Mr. D. K.
Lalchand Navalrai, Mr.
Liladhar Chaudhury, Seth.
Misra, Mr. B. N.
Mitra, Mr. S. C.
Mody, Mr. H. P.
Majumdar, Sardar G. N.
Murtuza Saheb Bahadur, Maulvi
Sayyid.

Pandit, Rao Bahadur S. R.
Parma Nand, Bhai.
Patil, Rao Bahadur B. L.
Puri, Mr. B. R.
Puri, Mr. Goswami M. R.
Rafiuddin Ahmad, Khan Bahadur
Maulvi.
Raghubir Singh, Kunwar.
Rajah, Raja Sir Vasudeva.
Rajan Bakhsh Shah, Khan Bahadur
Makhdum Syed.
Ranga Iyer, Mr. O. S.
Rastogi, Mr. Badri Lal.
Reddi, Mr. P. G.
Reddi, Mr. T. N. Ramakrishna.
Sadiq Hasan, Shaikh.
Sant Singh, Sardar.
Sarda, Rai Sahib Harbilas.
Sen, Mr. S. C.
Sen, Pandit Satyendra Nath.
Singh, Kumar Gupteshwar Prasad.
Singh, Mr. Gaya Prasad.
Sitaramaraju, Mr. B.
Sohan Singh, Sirdar.
Suhrawardy, Sir Abdullah.
Sukhraj Rai, Rai Bahadur.
Talib Mehdi Khan, Nawab Major
Malik.
Thampan, Mr. K. P.
Uppi Saheb Bahadur, Mr.
Wajihuddin, Khan Bahadur Haji.
Wilayatullah, Khan Bahadur H. M.
Yamin Khan, Mr. Muhammad.
Ziauddin Ahmad, Dr.

Ahmad Nawaz Khan, Major Nawab.
 Allah Baksh Khan Tiwana, Khan
 Bahadur Malik.
 Anklesaria, Mr. N. N.
 Azizuddin Ahmad Bilgrami, Qazi.
 Bajpai, Mr. R. S.
 Banerji, Mr. Rajnarayan.
 Bhow, The Honourable Sir Joseph.
 Cosgrave, Mr. W. A.
 Crerar, The Honourable Sir James.
 Dafal, Dr. R. D.
 De Souza, Dr. F. X.
 Desanges, Mr. H. C.
 Dyer, Mr. J. F.
 Elliott, Mr. C. B.
 Fox, Mr. H. B.
 French, Mr. J. C.
 Graham, Sir Lancelot.
 Heathcote, Mr. L. V.
 Hira Singh Brar, Sardar Bahadur
 Captain.
 Howell, Mr. E. B.
 Jawahar Singh, Sardar Bahadur
 Sardar.
 Knight, Mr. H. F.

Lal Chand, Hon. Captain Rao
 Bahadur Chaudhri.
 Lal, Mr. S.
 Montgomery, Mr. H.
 Moore, Mr. Arthur.
 Morgan, Mr. G.
 Mukherjee, Rai Bahadur S. C.
 Noyce, Sir Frank.
 Parsons, Mr. A. A. L.
 Pelly, Major H. R.
 Rainy, The Honourable Sir George.
 Rajah, Rao Bahadur M. C.
 Rama Rao, Rai Bahadur U.
 Row, Mr. K. Sanjiva.
 Roy, Mr. S. N.
 Sahi, Mr. Ram Prashad Narayan.
 Sams, Sir Hubert.
 Sarma, Mr. R. S.
 Schuster, The Honourable Sir George.
 Scott, Mr. J. Ramsay.
 Studd, Mr. E.
 Sykes, Mr. E. F.
 Tait, Mr. John.
 Todd, Mr. A. H. A.
 Yakub, Sir Muhammad.
 Young, Mr. G. M.
 Zulfiqar Ali Khan, Sir.

The motion was adopted.

Clause 9, as amended, was added to the Bill.

Clause 10 was added to the Bill.

Clause 11 was added to the Bill.

The Title and Preamble were added to the Bill.

The Honourable Sir George Schuster: Sir, in view of the substantial amendments that have been made in the measure as originally introduced by the Government, I would, on behalf of Government, ask you to give us time to consider the position before calling upon me to move the third reading of the Bill.

Mr. President: I would ask the Honourable the Leader of the House when he will be ready to proceed, after consideration of the position.

The Honourable Sir George Rainy (Leader of the House): It will not be possible, I think, Sir, to begin at the usual hour tomorrow. Government will be ready to proceed with the business at 2-15 P.M. tomorrow if that suits the convenience of the House.

Mr. President: Are Honourable Members agreeable to the House being adjourned to a quarter past two tomorrow?

Sir Muhammad Yakub: I think, Sir, tomorrow being a Friday, it might be better to adjourn the House till Half Past Two.

Mr. President: The Honourable Member must be aware that the Chair has been adjourning the House on Fridays at about half past twelve to a quarter past two.

The Assembly then adjourned till a Quarter Past Two of the Clock on Friday, the 20th November, 1931.

LEGISLATIVE ASSEMBLY.

Friday, 20th November, 1931.

The Assembly met in the Assembly Chamber of the Council House at a Quarter Past Two of the Clock, Mr. President in the Chair.

MEMBER SWORN:

Mr. Valangiman Krishnaswami Ayangar Aravamudha Ayangar, C.I.E.,
 M.L.A. (Government of India: Nominated Official).

THE INDIAN FINANCE (SUPPLEMENTARY AND EXTENDING) BILL—contd.

MESSAGE FROM H. E. THE VICEROY AND GOVERNOR GENERAL.

The Honourable Sir George Schuster (Finance Member): Sir, I have a Message from His Excellency the Governor General.

Mr. President: Order, order. A Message from His Excellency the Governor General has been handed over to me now and I propose to read it out to the House.

(The Message was received by the Assembly standing.)

"The circumstances in which the Legislature has been asked to consider proposals for heavy new taxation in the middle of the financial year are, as Honourable Members are aware, of a most exceptional character. They were such that it appeared to me and my Government that it was essential in the interests of the country and particularly for the protection of its financial stability that the revenue and expenditure should be balanced until the end of the next financial year. The proposals which appeared to us to afford the minimum financial provision necessary for this purpose were embodied in the emergency Finance Bill introduced at Simla on September 29th. The provisions of this Bill have now been altered by the Legislative Assembly in a manner which it is estimated would reduce the expected revenue by a total of about Rs. 4 crores over the period of 18 months which is in question. I have given most careful consideration to the position thus created and I am satisfied that I cannot consistently with my responsibilities allow this deficiency to remain uncovered. I therefore feel it to be my duty to recommend to Honourable Members the acceptance of amendments which will restore the position contemplated when the Bill was introduced. I earnestly hope that Honourable Members will support me in this action.

(Sd.) WILLINGDON,

Viceroy and Governor-General."

NEW DELHI,

The 20th November, 1931.

[Mr. President.]

In addition to this a Recommended Bill has been handed over to me with the following marginal note by His Excellency the Governor General:

"In pursuance of the provisions of sub-section (1) of section 67-B of the Government of India Act, I, Freeman, Earl of Willington, do recommend to the Legislative Assembly that it do pass the Bill to supplement the Indian Finance Act, 1931, and to extend the operation of its temporary provisions, in the form hereto annexed."

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhammadian): Sir, I rise with a full sense of my responsibilities in making the statement that I am about to make. I make it perfectly clear that it implies no reflection personally upon His Excellency the Governor General. The whole system of the Government of India was altered by the Act of 1919. His Royal Highness the Duke of Connaught when he addressed the first meeting of the Legislative Assembly declared in the name of His Majesty the King that the principle of autocracy was dead. Those of us who believed that the principle of autocracy was really dead countered the opposition we received in the country and came to this House to co-operate with the Government. Sir, I am one of the very few remnants of the first Assembly. I have sat in it continuously from its inception down to date and you will believe me when I say how sad I feel when I pass my mind in retrospect over those 10 or 12 years that I have spent in this House. I had hoped that with the growth of time the conventions which were recommended by the Joint Parliamentary Committee would be given effect to and that the Government of India, if not responsible, would be responsive to the popular action of the House. The Bill that is now to be presented to this House speaks for itself. It is the best refutation of the hopes and aspirations of those who came to this House to inaugurate the reforms and to see that a new order would take the place of the old. Sir, we have sat here since the 4th of this month deliberating day by day upon the various provisions of this Bill. Our verdict is a considered verdict, and we should be stultifying ourselves if we once more acceded to the request that we should pass the unamended Bill now presented to this House merely because the occupants of the Treasury Benches so desire it. Sir, the least we can do and the least my party will do is entirely to dissociate itself from the further progress of this Bill. The responsibility is a responsibility of the executive Government. We the representatives of the people are unable to lend our assistance to place upon the Statute-book the Bill which is recommended for enactment.

Sir Abdur Rahim (Calcutta and Suburbs: Muhammadan Urban): Sir, having heard what my Honourable friend, Sir Hari Singh Gour, had to say on this occasion, I must say that the position of the rest of us on this side of the House becomes a difficult one. We have fought the Bill put forward by Government at every stage so far, but we have succeeded only as regards three or four of the items amounting altogether to four crores of rupees. The Government are however not disposed to accept any of the amendments that this House has carried and carried in spite of the solid official block and of others who always vote with Government. The position now is that it has been recommended so that the original Bill without any amendment should be passed by us. We all feel that such a course would be impossible for us to adopt. We should be defying public opinion if we lent our assistance to the original Bill being passed without the amendments which the House carried. It is

not possible for us to go in the teeth of public opinion, about which there cannot be the least doubt. It is quite possible for the Government, constituted as it is, to override public opinion, to say to the public of India, "Our judgment is far superior to yours. Whatever the needs of the country may be, whatever the feelings of the country may be, we are the sole judges of the situation, and we are determined to act as we like." A course of conduct like that is not open to us on this side of the House. We all know that as regards some particular items there might be difference of opinion. But so far as the unamended Bill that has been carried is concerned, we have a very large consensus of opinion, almost the entire elected opinion is with us, except of course the British group. In those circumstances it is a very difficult position for us, who have always been willing to lend our best co-operation and assistance to Government in carrying out all legitimate and good measures, for we have to dissociate ourselves entirely from this proposed and to take up the attitude that we shall not take any further part in the discussion. The decision having been taken, we have to stick to it, especially when the decision we have taken is entirely in accordance with the demands of the country. We do not see that any good result will be achieved by taking any further part in these proceedings. We can talk as much as we like, but what is the good? We may criticise, we may point out what the real defects of the Bill are, but even though our criticisms may be just, they will have no effect whatever. The Bill will be passed. Sir, we have heard a great deal about unrealities and realities. Can there be anything more unreal than the position in which we are placed? A number of countrymen of ours are now sitting at the Round Table Conference in London. I would ask them, if my voice reaches there, to take note of the position, and to devise measures by which a position like this can never be repeated again in this country. I do not think I can take up the time of the House usefully by adding any further words. I would ask the Government to reconsider their position. They will not reconsider their attitude so far as this Finance Bill is concerned. But they must reconsider the whole position as regards the relations between the Government and the people of this country. This state of things cannot last. We have been sent by millions of people to this Assembly in order to help the country, but we find ourselves entirely impotent to do so. We have not got the least power to effect any change in the situation so far as Government measures are concerned. We feel, Sir, in these circumstances that it is not possible for us to take any effective part in the further discussions of this Bill. This is the position, Sir, we are driven to take up by the Government. It is not our choice. They have decided it for us. (Applause.)

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): Sir, this recommendation, I must admit, came as a bolt from the blue to many of the Honourable Members in this House.

Sir Muhammad Yalub (Rohilkhand and Kumaon Divisions: Muhammadan Rural): Not to you, Sir.

Mr. Muhammad Yamin Khan: To me also. I expected, Sir, that there would have been a kind of compromise between the Opposition and the Government, but instead, there is a kind of pre-determination that this Bill should be passed in this form. This position has been adopted by the Government in spite of the votes of all the elected Members on one side on certain particular items on which they thought they were truly

[Mr. Muhammad Yamin Khan.]

representing the feelings and the agitation in the country. The Government will think twice before overriding those decisions which have been taken by even the most moderate in this House. Consistently with the position which we took, after due deliberation and giving full thought whether retrenchment was possible or not and how the deficit could be met, we decided to vote in favour of particular amendments where we felt that there was no justification for the additional taxation and where the country felt greatly. We were convinced that retrenchment could be made to meet the amounts sought to be obtained by the items which we cut down. I expected really that there would have been a kind of revision by the House where the Government lost only by a few votes. But where there was a difference of 20 votes, and where all the elected Members had voted on one side, there was not so much scope for the Government to advise His Excellency the Governor General to recommend the Bill in the present form. As it has been recommended, the position taken up at present is that it has come up so suddenly. I think most of the Honourable Members are excited. Whatever attitude has been adopted by my Honourable friends, the Leader of the Opposition and the Leader of the Independent Party, that is mostly due to the excitement which was bound to be created by any recommendation, which comes so suddenly upon the House. We have not had sufficient time to discuss the matter in our own parties and between the parties. We have not given any time also to the Government to reconsider the position. Therefore, Sir, I would make a suggestion; if it could be possible for the Government to accept it, and if it could be possible for the two Honourable gentlemen and their parties to accept it. It is that the Assembly may adjourn till 11 o'clock tomorrow morning. By that time we may come to certain conclusions, and Government also, after knowing what is the attitude of the parties, and how far the Assembly is adopting a particular attitude, and may reconsider our position and try to come to a kind of compromise, rather than that the two sides meet in an uncompromising atmosphere. I make a suggestion, if you are pleased to agree, Mr. President, that this House may be adjourned till tomorrow at 11 o'clock.

Mr. Arthur Moore (Bengal: European): Sir, I have not myself ever been able to doubt, in view of the crisis which exists throughout the world and in view of the budgetary situation in nearly every country, the reality of the budgetary crisis which the Honourable the Finance Member had to face; but there have been certain doubts felt, one whether the Government of India were sufficiently in earnest in the pursuit of retrenchment and whether if the House would support them now and give them the supply that they required in this great emergency they would then continue to be equally zealous for retrenchments.

Mr. President: The Honourable Member is trying to deal with the question on its merits. The merits of the Bill are not before the House at present.

Mr. Arthur Moore: I was not aware that I was attempting to deal with the merits. I was merely trying to explain the reasons why in this quarter of the House we are prepared to support the Government in voting for the recommended Bill.

Mr. President: The recommended Bill will come for discussion when amendments are placed before the House. At present leading Members are making statements in regard to the recommendation by the Governor General. When the amendments are placed before the House every Honourable Member will be entitled to give expression to his views.

Mr. Arthur Moore: In view of that, Sir, I shall confine myself to stating that whereas objection has been taken to particular portions of the Bill, we in this quarter of the House are now entirely and unanimously satisfied that the reasons given by His Excellency for the course which he has felt compelled to take are such as warrant us in giving our support to the Finance Member this afternoon.

Mr. O. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): Sir, I neither rise to associate myself with the Leader of my Party, Sir Hari Singh Gour, nor to dissociate myself from his observations. Leaving the matter there at present, I should like to say with the responsibility attaching to my position both in my Party and on this side of the House that we are face to face with an extremely difficult situation. I do not propose to go into the merits of the Supplementary Finance Bill at this stage, as I respectfully bow to your suggestion, made when the Honourable the Leader of the European Group was speaking, not to discuss the merits of the Supplementary Finance Bill. I do not propose to discuss either the recommended form in which it has come back to us after our vote on that question. Sir, it is a matter certainly for deep gratification that His Excellency the Viceroy, before recommending this Bill to us in this form, inaugurated the constitutional practice of consultation before certification, which I consider as a mile stone on the road of Montagu Reforms. Sir, the Opposition nominees have had their say on the subject this morning elsewhere. So far as I was concerned I had the pleasure that my suggestion in my Party yesterday as to who should represent my Party in that discussion was unanimously accepted. Sir, it is an extremely difficult position, and opinion will certainly differ whether we should practise a vow of silence on this side of the House when the Finance Bill is taken into consideration, or use our constitutional right of discussing it and voting on it at the remaining stage. Sir, it is very sad, confronted as the Finance Member is with a terrible situation to balance the Budget, so that trade in this country may be balanced and confidence in the stability of our finances restored, it is very painful indeed to think that the Honourable the Finance Member could not find it possible to advise His Excellency the Viceroy to accept the verdict of this House. Had that been done, a greater constitutional right would have been achieved, because we have not practised obstruction from this side. We did not reject his demand for 26 crores of rupees. All that we demanded was "cut down 4 crores". Sir, there is such a thing as bowing to the verdict of the Opposition in this House which would have created greater confidence out in the country in constitutional practice.

The Honourable Sir George Rainy (Leader of the House): I rise, Mr. President, out of courtesy to my Honourable friend Mr. Yamin Khan, and the suggestion which fell from him. As regards the suggested adjournment, Mr. President, I would only say this, that our attitude has always been that, if an adjournment was asked for till tomorrow in order that the Leaders of Parties and Groups might consider what action they would take, there would be no objection from this side. But I should be misleading the House, Mr. President, if I were to give

[Sir George Rainy.]

any encouragement to the suggestion that an adjournment might lead to something in the nature of a compromise or an arrangement. Before I sit down I would add this, that in any action which the Members of the Government have had to take or to advise, they have been very deeply conscious of the responsibility that rests upon them. That is the first thing. They also fully appreciate the difficulties which Members who sit in Benches opposite have to face, and we respect the motives from which they act. Whether we consider the particular course they take is right or not, we do appreciate and respect their motives.

Mr. President: The amended Bill and the proposed amendments will now be circulated amongst Honourable Members. I will then call upon the Honourable the Finance Member to move his first amendment.

(The amended Bill and the amendments were then distributed to Honourable Members.)

Mr. President: The Honourable Sir George Schuster to move the first amendment as recommended.

The Honourable Sir George Schuster: Sir, I beg to move the amendment—and I understand it is necessary for me to read the whole of this rather complicated amendment.

Mr. President: It has to be read.

The Honourable Sir George Schuster: Sir, I beg to move:

"That in Part I of Schedule I, the following items be inserted as Items Nos. 3 and 11, namely:

"3. In Part I, the heading 'Machinery', and Items Nos. 18A, 18B, 18C and 18D shall be omitted," and

"11. After Item No. 59, the following heading and items shall be inserted, namely:

'MACHINERY.'

59A MACHINERY, namely, such of the following articles as are not otherwise specified:—

- (1) prime-movers, boilers, locomotive engines and tenders for the same, portable engines (including power-driven road rollers, fire engines and tractors), and other machines in which the prime-mover is not separable from the operative parts;
- (2) machines and sets of machines to be worked by electric, steam, water, fire or other power, not being manual or animal labour, or which before being brought into use require to be fixed with reference to other moving parts;
- (3) apparatus and appliances, not to be operated by manual or animal labour, which are designed for use in an industrial system as parts indispensable for its operation and have been given for that purpose some special shape or quality which would not be essential for their use for any other purpose;
- (4) control gear, self-acting or otherwise, and transmission-gear designed for use with any machinery above specified, including belting of all materials other than cotton, hair and canvas ply and driving chains, but excluding driving ropes not made of cotton;
- (5) bare hard-drawn electrolytic copper wires and cables and other electrical wires and cables, insulated or not and poles, troughs, conduits and insulators designed as parts of a transmission system, and the fittings thereof.

5.—The term 'industrial system' used in sub-clause (3) means an installation designed to be employed directly in the performance of any process or series of processes necessary for the manufacture, production or extraction of any commodity.

59B The following TEXTILE MACHINERY AND APPARATUS by whatever power operated, namely, heads, head cords and head knitting needles; reeds and shuttles; warp and weft preparation machinery and looms; bobbins and pins; dobbies; Jacquard machines; Jacquard harness linen cards; Jacquard cards; punching plates for Jacquard cards; weaving mills; multiples box sleys; solid border sleys; tape sleys; swivel sleys; tape looms; wool carding machines; wool spinning machines; hosiery machinery; knit shearing machines; knit fibre willowing machines; head knitting machines; dobbie cards; lattices and lags for dobbies; wooden washers; silk looms; silk throwing and reeling machines; cotton yarn reeling machines; sizing machines; doubling machines; silk twisting machines; cone winding machines; piano card cutting machines; harness building frames; card lacing frames; drawing and denting hooks; sewing thread balls making machines; cumble finishing machinery; hank boilers; cotton carding and spinning machines; mail eyes, lingoes, comber boards and comber board frames; take-up motions; temples and pickers; picking bands; picking sticks; printing machines; roller cloth; clearer cloth; sizing flannel; and roller skins.

59C PRINTING AND LITHOGRAPHIC MATERIAL, namely, presses; lithographic plates, composing sticks, chase, galleys, tables, lithographic stones, stereo blocks, wood blocks, half-tone blocks, electrotypes blocks, process blocks, and highly polished copper or zinc sheets specially prepared for making process blocks, roller moulds, roller frames and stocks, roller composition, lithographic trap rollers standing screw and hot presses, perforating machines, gold blocking presses, galley presses, proof presses, arming presses, copper plate printing presses, rolling presses, ruling machines, ruling pen making machines, lead cutters, rule cutters, slug cutters, type casting machines, type setting and casting machines, paper in rolls with side perforations to be used after further perforation for type-casting, rule bending machines, rule mitreing machines, bronzing machines, stereotyping apparatus, paper folding machines, paging machines and clarified liquid glue but excluding ink and paper.

59D COMPONENT PARTS OF MACHINERY, as defined in Nos. 59A, 59B and 59C, namely, such parts only as are essential for the working of the machine or apparatus and have been given for that purpose some special shape or quality which would not be essential for their use for any other purpose:

Provided that articles which do not satisfy this condition shall also be deemed to be component parts of the machine to which they belong if they are essential to its operation and are imported with it in such quantities as may appear to the Collector of Customs to be reasonable."

That is the end of that long amendment. I might possibly take this opportunity of explaining to the House that the amendments are all of them so framed as to restore the Bill to the form in which it was originally introduced, with two small alterations, that is to say, that the amendment moved by my Honourable colleague, Sir George Rainy, as regards printers' ink has been incorporated, together with the amendment which stood in the name of my Honourable colleague, Sir Joseph Bhoré, as regards postal rates which was not moved because there was no opportunity to move it. Those two amendments have been incorporated and otherwise the effect of these amendments is to restore the Bill to its original form. I am sure that the House will not desire to hear any long speech from me on this occasion, and if I say anything at all on the general attitude of the Government in coming back to the House with these amendments, I do so not because I wish to weary the House but because I could not be silent of this subject without myself feeling that I was not doing justice to the gravity of the occasion and to the serious nature of the action which we are taking. I should like to associate myself with what my Honourable colleague, the Leader of the House, said about the sympathy with which he listened to the remarks of the various party leaders on this subject. I can assure Honourable Members opposite that if they object to this form of procedure, their objections are felt with equal, possibly with even greater strength, by

[Sir George Schuster.]

us on this side of the House. But we feel that we have been forced into this position by the nature of the present constitution. We feel that we have been forced into this action because no other course would be consistent with the responsibility which we at present hold; and I would remind Honourable Members opposite

Mr. President (Noticing Members audibly conversing in the Chamber): Order, order.

The Honourable Sir George Schuster: I think, Sir, seeing that we have throughout listened with courtesy to everything that has fallen from the other side that we are entitled to a certain amount of attention from the opposite Benches. I am grateful to you, Sir, for having called attention to the point.

Reverting to the point which I was making, I would say this. We are not out to make debating points now, and I believe that it has been recognised by all those who have taken part in these debates that we have substantial justice in our case and also—I am referring now to certain definite speeches made on the other side—that the speaking, and perhaps, more than the speaking, the voting has taken place in something of an atmosphere of unreality. Honourable Members opposite have often, or at any rate some of them have, I believe, recorded their votes rather in support of a principle than in opposition to the particular measures on which they voted, and I hope that I am not incorrect in feeling that they have on some occasions been impressed by the arguments which we ourselves advanced in favour of certain proposals, and that the fact they did not vote accordingly is not in itself a condemnation of the course which we recommend.

Sir, the speakers on the Opposition Benches have put some emphasis on the fact that this House has passed almost the whole of our proposals. We feel grateful for that support which has enabled us to secure a majority of the House for the outstanding part of our proposals. But I would remind my Honourable friends who sit directly opposite to us that we have not had very much support from them in this matter, and that if our proposals have got through with the loss of only 4 crores, it has not been on their votes that we have relied for getting the bulk of what we have received votes for in the House. I would refer to one other point, and that is, that the particular measures, which have been rejected, amounting as they do to measures which would produce the substantial sum of 4 crores, were measures which it would have been particularly difficult for us to abandon, because they were those which went outside the ordinary field and which tapped new sources and which gave us some hope of broadening the basis on which we were relying. That made it particularly difficult for us to consider any modification under those heads.

Apart from that, I must come back to our general position which was this, that the only way, in which we could perform that task, which we considered to be necessary in the interest of India, was to provide a balance for the next 18 months, and that if we had accepted these amendments, we should have had to stand before the world as having failed to give effect to that purpose. We do not believe that we should have been justified in accepting that failure. That, Sir, is the ground on which we stand.

I think if I may give expression to the feelings which I and my colleagues entertain, that aspect of the matter which gives us most concern is that, having come to this conclusion, we should appear to be ignoring the whole effect of the past 15 or 16 days' discussion. I wish to assure

Honourable Members that that is not the case, that the discussion which we have had has not been fruitless. I should like to remind Honourable Members of a similar situation which arose in connection with the last Finance Bill, and on that occasion I, speaking on behalf of Government, said that we understood that the main point which had been made by the Opposition, the main principle for which they stood, was that the campaign of retrenchment must be pursued. I would like to put it to Honourable Members that in their action in the discussion of the last Finance Bill they did achieve a very substantial purpose. If we had not had that discussion, if we had not had that expression of public opinion, I doubt very much whether we should have felt we had that support necessary to carry out the measures of retrenchment which we are now introducing. I as Finance Member at any rate can express my gratitude to Honourable Members opposite for the support which I received from them in carrying out what was a very necessary task. I think the same thing holds good to-day, and that even if we find, for the reasons which I have explained, that we cannot give exact effect to the course which stands with the support of the vote of the House, if we cannot give exact effect to that course, we will endeavour to give the fullest possible effect to the spirit which we understand to lie behind what has fallen from Honourable Members opposite. We believe that in their attitude, rather than expressing opposition to particular proposals, they have intended to emphasise to the Government the need for further pursuit of the policy of retrenchment, and I should like to repeat once more on this occasion the assurance which I have already given that the Government fully respect that opinion, and that all that has been said on that subject or any other subject connected with it will not go unheeded.

Sir, I do not propose to say any more on the subject. No doubt Honourable Members opposite would like some more substantial acknowledgment, but I assure them that the acknowledgment which I have given them is a very real one.

On the merits of this particular amendment regarding the question of machinery, it is unnecessary to go over again the ground which has been traversed, but I would like to inform the House that in this case and in the case of some other duties which were in question, the fact that they were in question has elicited from the public or rather from the persons engaged in those particular trades some expression of opinion, and I have been approached now in these last few days by representatives of machinery works in India who have represented that they are doing an important business,—one particular concern has sent up an account of its affairs, it is employing about 2,000 men in Bengal,—that there is an important machinery industry which will be very severely prejudiced by the increased duties on raw materials and other articles which are being imposed in this Finance Bill, and whose difficulties in carrying on will be very great unless they get some sort of protection from countervailing duties on their own products. I do not wish to give the House figures on the subject, because such figures as I have got come from interested parties, and I have not had time to verify them, but, Sir, I think it is worth while to mention the point because it was not made in the earlier discussions that there is a very important machinery industry in India which employs a very large number of men and that, therefore, in imposing this duty there would be achieved some benefit to Indian industry. It is not merely a case of imposing burdens on those industries that use machinery, but there is a very important industry engaged in the manufacture of machinery. Sir, I move.

Mr. B. Das (Orissa Division: Non-Muhammadan): Sir, I think the Honourable the Finance Member, when he moved the recommended Bill, expected that his proposal would meet with the same fate that it met with last March. Sir, for us, there is no other way but to consistently oppose it and vote it down. It does not matter if under the constitution the Governor General has the power to certify. Let it be certified, but the non-officials by a majority have signified their intention, namely, they want to cut down the taxation by four crores. If we analyse the four crores of taxation, one crore would not come to the exchequer in the current year, and if the Honourable the Finance Member thinks that there is some common sense left in the Opposition, he could come back next March if he finds himself in a difficulty and we might be able to consider and revise our opinion. Not only will we give him then the four crores of rupees that we have taken off at present, but there are some of us here who think that the present taxation proposals will not be sufficient to meet the encumbrances of the Government of India. The Government of India will need more, and an emergency may arise as a result of which the Government of India will have to come forward with fresh proposals for taxation in March next. There is the possibility of such an emergency. If the Honourable the Finance Member can be an oracle and say that there will be no such occasion, I can only say, good luck to him. His prophecy of last March did not come true, and he had to summon a special session of this House.

The Honourable Member said that a certain Bengali machinery merchant has wanted protection. I am interested in machinery manufacture, but I am more interested in the industrial development of India. I would ask the Honourable the Finance Member to apply the test which his colleague the Leader of the House applied as the Commerce Member, whether machinery manufactured at present in India comes up even to 1 per cent. of the requirements of machinery in India. If that be not the case, then there is no necessity of trying to give protection to machinery when industries will suffer. The Honourable the Finance Member said that his taxation proposals will give protection, which will be an incentive to Indian industries. The Indian industries want to profit, but if there is heavy taxation on machinery, then there is no chance for the industries to supplement new machinery or for a new industry to start. On that consideration alone there should have been no taxation on machinery, but the Honourable the Finance Member thought it advisable, and his colleagues thought it wise that they must advise His Excellency the Governor General to recommend the Finance Bill in its original form to this House. Sir, in spite of this recommendation from a very high quarter, I think that it has been done in haste, and so I oppose it.

Mr. N. E. Gurnal (Bombay Central Division: Non-Muhammadan Rural): (Made a speech in Hindustani, a translation of which is printed as an appendix to these proceedings.)

Mr. C. S. Ranga Iyer: Sir, I should not have risen to make the speech that I am making now but for several reasons, the most direct of which is the Finance Member's statement that the "Opposition sitting directly against us" contributed so very little in this debate by way of co-operation. I hope I am representing the Finance Member correctly. He is an old Member of this House, even as I am an old Member of this House, and on one historic occasion, both of us happened to co-operate against the Government. I may describe as parliamentary—I was almost going to say

We have certainly opposed the Government. The duty of the Opposition is to oppose the Government, and nobody knows this better than the Finance Member himself, who has been not only a close student, but an active student of, an active partaker I should say, in British politics. Sir, I do not believe in being on the Opposition Benches and not opposing. I do not believe in *flight* but *fight*. Perhaps the Finance Member thought that if the direct Opposition had its own way, we would not have cut down only four crores. Sir, it is a question of how much the House has voted, and the House has voted against four crores out of 26 crores. When we had effected such a moderate cut,—the Honourable the Finance Member knows as much as any one on this side of the House, though there do not seem to be many people on this side of the House, (Laughter.)—the Honourable the Finance Member is surely aware that if we had not opposed, even those four crores would not have been voted against.

The Honourable the Finance Member has used that interesting phrase that he proposes to pursue "a campaign of retrenchment" and he said that he has already pursued a campaign of retrenchment. I wish he had pursued that campaign of retrenchment a little further, at any rate to the extent to which the Assembly refused him money. It is only four crores out of 26. What will people out in the country say? I wish there had been some imagination on the side of the Government. I wish that the Honourable the Finance Member had exercised some little imagination, for what will the country say? If what Mahatma Gandhi has stated in his letter to Lord Irwin is true, that the Round Table Conference is crumbling, he and his associates will come to this country to wreck every constitutional movement, and once again proclaim the policy of walk out, obstruction within and destruction outside, and no one has contributed, Sir, more to that policy of obstruction within and destruction outside than the Honourable the Finance Member by advising His Excellency the Governor General to bring this Bill back in the form in which it has been brought back. I am afraid I am talking with a certain amount of feeling, but it is my duty, representing as I do the feeling in the country, to speak as I feel. I know the Honourable the Finance Member is faced with great difficulties, but surely the Government can borrow four crores, if borrowing was absolutely necessary, but if it was not sound finance to get the four crores by retrenchment, in some way or other. They have appointed Retrenchment Committees and no one repudiated my pessimism more enthusiastically than the Finance Member himself when he said the other day that the Retrenchment Committee's Reports will be of "considerable use" to the Government. That is not my phrase. It is his phrase and he said, "I entirely repudiate the Honourable Member". Yes, he repudiated me and I stand repudiated, but why has he repudiated the Retrenchment Committee itself when he said that the recommendations of the Retrenchment Committee will be of considerable use and not put them to use on this occasion? That is a thing which I cannot understand. I wish the Government had found these four crores by retrenchment.

I do not want to prolong this debate. I am as anxious as others to conclude the deliberations today, being a party to the agreement between you, Sir, and certain Members of the House that we should not prolong the discussion beyond a certain stage. That is the only reason why I have not taken part so much as some Honourable gentlemen on this side during the discussions of this session, and that is also the reason why I do not want to speak further. Lastly, Sir, I wish that the verdict of

[Mr. C. S. Ranga Iyer.]

the Assembly on this particular matter had been accepted by the Government, for that would have been an effective reply to those who say, "Boy-cott the Legislature".

Mr. President: The question is:

"That in Part I of Schedule I, the following items be inserted as Items Nos. 5 and 11, namely:

3. In Part I, the heading 'Machinery', and Items Nos. 18A, 18B, 18C and 18D shall be omitted, and

11. After Item No. 59, the following heading and items shall be inserted, namely:

'MACHINERY.

59A MACHINERY, namely, such of the following articles as are not otherwise specified:—

- (1) prime-movers, boilers, locomotive engines and tenders for the same, portable engines (including power-driven road rollers, fire engines and tractors), and other machines in which the prime-mover is not separable from the operative parts;
- (2) machines and sets of machines to be worked by electric, steam, water, fire or other power, not being manual or animal labour, or which before being brought into use require to be fixed with reference to other moving parts;
- (3) apparatus and appliances, not to be operated by manual or animal labour, which are designed for use in an industrial system as parts indispensable for its operation and have been given for that purpose some special shape or quality which would not be essential for their use for any other purpose;
- (4) control gear, self-acting or otherwise, and transmission-gear designed for use with any machinery above specified, including belting of all materials other than cotton, hair and canvas and driving chains, but excluding driving ropes not made of cotton;
- (5) bare hard-drawn electrolytic copper wires and cables and other electrical wires and cables, insulated or not and poles, troughs, conduits and insulators designed as parts of a transmission system, and the fittings thereof.

Note.—The term 'industrial system' used in sub-clause (3) means an installation designed to be employed directly in the performance of any process or series of processes necessary for the manufacture, production or extraction of any commodity.

59B The following TEXTILE MACHINERY AND APPARATUS by whatever power operated, namely, healds, heald cords and heald knitting needles; reeds and shuttles; warp and weft preparation machinery and looms; bobbins and pins; dobbies; Jacquard machines; Jacquard harness linen cards; Jacquard cards; punching plates for Jacquard cards; warping mills; multiples box sleys; solid border sleys; tape sleys; swivel sleys; tape looms; wool carding machines; wool spinning machines; hosiery machinery; coir mat shearing machines; coir fibre willowing machines; heald knitting machines; dobby cards; lattices and lags for dobbies; wooden winders, silk looms; silk throwing and reeling machines; cotton yarn reeling machines; sizing machines; doubling machines; silk twisting machines; cone winding machines; piano card cutting machines; harness building frames; card lacing frames; drawing and denting hooks; sewing thread balls making machines; cumbli, finishing machinery; hank boilers; cotton carding and spinning machines; mail eyes, lingoes, comb boards and comb board frames; take-up motions, temples and pickers; picking bands; picking sticks; printing machines; roller cloth; clearer cloth; sizing; and roller skins.

THE INDIAN FINANCE (SUPPLEMENTARY AND EXTENDING) BILL.

2009

59C PRINTING AND LITHOGRAPHIC MATERIAL, namely, presses, lithographic plates, composing sticks, chase, imposing tables, lithographic stones, stereo-blocks, wood blocks, half-tone blocks, electrotypes, process blocks and highly polished copper or zinc sheets specially prepared for making process blocks, roller moulds, roller frames and stocks, roller composition, lithographic nap rollers, standing screw and hot presses, perforating machines, gold block-ing presses, galley presses, proof presses, arming presses, copper plate printing presses, rolling presses, ruling machines, ruling pen making machines, lead cutters, rule cutters, slug cutters, type casting machines, type setting and casting machines, paper in rolls with side perforations to be used after further perforation for type-casting, rule bending machines, rule mitreing machines, bronzing machines, stereotyping apparatus, paper folding machines, paging machines and clarified liquid glue but excluding ink and paper.

59D COMPONENT PARTS OF MACHINERY, as defined in Nos. 59A, 59B and 59C, namely, such parts only as are essential for the working of the machine or apparatus and have been given for that purpose some special shape or quality which would not be essential for their use for any other purpose:

Provided that articles which do not satisfy this condition shall also be deemed to be component parts of the machine to which they belong if they are essential to its operation and are imported with it in such quantities as may appear to the Collector of Customs to be reasonable."

The Assembly divided:

AYES 48.

Ahmad Nawaz Khan, Major Nawab.
Allah Baksh Khan Tiwana, Khan
Bahadur Malik.
Ayangar, Mr. V. K. A. Aravamudha.
Azizuddin Ahmad Bilgrami, Qazi.
Bajpai, Mr. B. S.
Banerji, Mr. Rajnarayan.
Bhargava, The Honourable Sir Joseph.
Cragg, Mr. W. A.
Cresser, The Honourable Sir James.
Dalal, Dr. R. D.
DeSouza, Dr. F. X.
Desanges, Mr. H. C.
Dyer, Mr. J. F.
Elliott, Mr. C. B.
Fox, Mr. H. B.
French, Mr. J. C.
Graham, Sir Lancelot.
Heathcote, Mr. L. V.
Hira Singh Brar, Sardar Bahadur
Captain.
Howell, Mr. E. B.
Jawahar Singh, Sardar Bahadur
Sardar.
Knight, Mr. H. F.
Lal Chand, Hony. Captain Rao
Bahadur Chaudhri.

Lall, Mr. S.
Montgomery, Mr. H.
Moore, Mr. Arthur.
Morgan, Mr. G.
Mukherjee, Rai Bahadur S. C.
Noyce, Sir Frank.
Parsons, Mr. A. A. L.
Rafiquddin Ahmad, Khan Bahadur
Maulvi.
Rainy, The Honourable Sir George.
Rajah, Rao Bahadur M. C.
Rama Rao, Rai Bahadur U.
Row, Mr. K. Sanjiva.
Roy, Mr. S. N.
Sahi, Mr. Ram Prashad Narayan.
Sams, Sir Hubert.
Sarma, Mr. R. S.
Schuster, The Honourable Sir George.
Scott, Mr. J. Ramsay.
Studd, Mr. E.
Sykes, Mr. E. F.
Tait, Mr. John.
Todd, Mr. A. H. A.
Yakub, Sir Muhammad.
Young, Mr. G. M.
Zulfiqar Ali Khan, Sir.

NOES 8.

Anklesaria, Mr. N. N.
Das, Mr. A.
Das, Mr. B.
Dumasia, Mr. N. M.

Krishnamachariar, Raja Bahadur G.
Maswood Ahmad, Mr. M.
Rajah, Raja, Sir Vasudeva.
Ranga Iyer, Mr. C. S.

The motion was adopted.

The Honourable Sir George Schuster: Sir, I beg to move:

"That in the second proviso to clause 4, after sub-clause (b), the following sub-clause be inserted as sub-clause (c), namely:

"(c) machinery, comprised in Items Nos. 59A, 59B, 59C and 59D."

The amendments are consequential.

The motion was adopted.

The Honourable Sir George Schuster: Sir, I beg to move:

"That the following be inserted as clause 6, namely:

"6. In section 5 of the Indian Finance Act, 1931, the following proviso shall be added, namely:
Increase of certain inland postage rates.

"Provided that from a date to be appointed in this behalf by the Governor General in Council, by notification in the Gazette of India, each rate specified in the said Schedule in respect of letters and single postcards shall be increased by one quarter of an anna and the rate specified in respect of reply postcards shall be increased by half an anna."

The motion was adopted.

The Honourable Sir George Schuster: Sir, I beg to move:

"That the following be inserted as clause 7, namely:

"7. (1) In part I of Schedule IV to the Indian Finance Act, 1931, for the item—
Lowering of limits of total income liable to income-tax.

'When the total income is less than Rs. 2,000 :

the following shall be substituted, namely:

'When the total income is Rs. 1,000 or upwards but is less than Rs. 2,000. Four pies in the rupee.'

Provided that for the year beginning on the 1st day of April, 1931, the rate chargeable on any such total income shall be two pies in the rupee only.

(2) For the purpose of assessing and collecting the tax imposed by the proviso to sub-section (1),—

(a) the Indian Income-tax Act, 1922, shall be deemed to be subject to the adaptations set out in Part I of Schedule II to this Act, and

(b) the Central Board of Revenue may make rules:

(i) making such further adaptations in the Indian Income-tax Act, 1922, as may seem to it to be necessary to secure that the tax shall be equitably levied, and

(ii) regulating the procedure of income-tax authorities in securing the assessment and collection of the tax and the granting of refunds arising therefrom.

The motion was adopted.

Part I of Schedule II was added to the Bill.

The Honourable Sir George Schuster: Sir, I beg to move:

"That in clause 9 the words 'on all incomes over rupees ten thousand' be omitted."

The motion was adopted.

The Honourable Sir George Schuster: Sir, I beg to move that the Bill, as recommended, be passed.

The Assembly divided:

AYES 48.

Ahmad Nawaz Khan, Major Nawab.
Allah Baksh Khan Tiwana, Khan Bahadur Malik.
Ayangar, Mr. V. K. A. Aravamudan.
Azizuddin Ahmad Dargami, Qazi.
Bajpai, Mr. R. S.
Banerji, Mr. Rajnarayan.
Bhore, The Honourable Sir Joseph.
Congrave, Mr. W. A.
Cramer, The Honourable Sir James.
Dalal, Dr. R. D.
DeSouza, Dr. F. X.
Desanges, Mr. H. C.
Dyer, Mr. J. F.
Elliott, Mr. C. B.
Fox, Mr. H. B.
French, Mr. J. C.
Graham, Sir Lancelot.
Heathcote, Mr. L. V.
Hira Singh Brar, Sardar Bahadur Captain.
Howell, Mr. E. B.
Jawahar Singh, Sardar Bahadur Sardar.
Knight, Mr. H. F.
Lal Chand, Hony. Captain Rao Bahadur Chaudhri.

Lall, Mr. S.
Montgomery, Mr. H.
Moore, Mr. Agthar.
Morgan, Mr. G.
Mukherjee, Rai Bahadur S. C.
Noyce, Sir Frank.
Parsons, Mr. A. A. L.
Rafuddin Ahmad, Khan Bahadur Maulvi.
Rainy, The Honourable Sir George.
Rajah, Rao Bahadur M. C.
Rama Rao, Rai Bahadur U.
Row, Mr. K. Sanjiva.
Roy, Mr. S. N.
Sahi, Mr. Ram Prashad Narayan.
Sams, Sir Hubert.
Sarma, Mr. R. S.
Schuster, The Honourable Sir George.
Scott, Mr. J. Ramsay.
Studd, Mr. E.
Sykes, Mr. E. F.
Tait, Mr. John.
Todd, Mr. A. H. A.
Yakub, Sir Muhammad.
Young, Mr. G. M.
Zulfiqar Ali Khan, Sir.

NOES 63.

Abdoola Haroon, Seth Haji.
Abdur Rahim, Sir.
Anklesaria, Mr. N. N.
Azhar Ali, Mr. Muhammad.
Badi-uz-Zaman, Maulvi.
Baqi, Lala Ramneshwar Prasad.
Chand Mal Gola, Bhagat.
Chetty, Mr. R. K. Shanmukham.
Chinoy, Mr. Rahimtoola M.
Das, Mr. A.
Das, Mr. B.
Dumasia, Mr. N. M.
Dutt, Mr. Amar Nath.
Fazal Haq Piracha, Shaikh.
Gour, Sir Hari Singh.
Gunjal, Mr. N. R.
Harbans Singh Brar, Sirdar.
Hari Raj Swarup, Lala.
Ibrahim Ali Khan, Lt. Nawab Muhammad.
Ismail Ali Khan, Kunwar Hajee.
Isra, Chaudhri.
Jog, Mr. S. G.
Krishnamachariar, Raja Bahadur G.
Lahiri Chaudhury, Mr. D. K.
Lalchand Navalrai, Mr.
Liladhar Chaudhury, Seth.
Maswood Ahmad, Mr. M.
Misra, Mr. B. N.
Mittra, Mr. S. C.
Mody, Mr. H. P.
Muazzam Sahib Bahadur, Mr. Muhammad.
Mujumdar, Sardar G. N.

Murtuza Saheb Bahadur, Maulvi Sayyid.
Pandit, Rao Bahadur S. R.
Parma Nand, Bhai.
Patil, Rao Bahadur B. L.
Puri, Mr. B. R.
Puri, Mr. Goswami M. R.
Raghubir Singh, Kunwar.
Rajah, Raja Sir Vasudeva.
Rajan Bakhsh Shah, Khan Bahadur Makhdum Syed.
Ranga Iyer, Mr. C. S.
Rastogi, Mr. Badri Lal.
Reddi, Mr. P. G.
Reddi, Mr. T. N. Ramakrishna.
Sadiq Hasan, Shaikh.
Sant Singh, Sardar.
Sarda, Rai Sahib Harbilas.
Sen, Mr. S. C.
Sen, Pandit Satyendra Nath.
Shah Nawaz, Mian Muhammad.
Singh, Kumar Gupteshwar Prasad.
Singh, Mr. Gaya Prasad.
Sitaramaraju, Mr. B.
Sehan Singh, Sirdar.
Sukhraj Rai, Rai Bahadur.
Talib Mehdi Khan, Nawab Major Malik.
Thampan, Mr. K. P.
Uppi Saheb Bahadur, Mr.
Wajihuddin, Khan Bahadur Haji.
Wilayatullah, Khan Bahadur H. M.
Yamin Khan, Mr. Muhammad.
Ziauddin Ahmad, Dr.

The motion was negatived.

The Assembly then adjourned sine die.

INDEX

TO

THE LEGISLATIVE ASSEMBLY DEBATES

Volume VII, 1931.

A

BDOOLA HAROON, SETH HAJI—

Indian Finance (Supplementary and Extending) Bill—
Consideration of Schedule I, part I. 1887, 1897, 1898, 1923-24.
Consideration of clause 5. 2036.

BDUR RAHIM, SIR—

Indian Finance (Supplementary and Extending) Bill—
Motion to consider. 1753, 1760-76, 1791.
Consideration of clause 2. 1876.
Consideration of Schedule I, part I. 1901.
Consideration of clause 8. 2127-31.
Statement in regard to the recommendation by the Governor General.
2198-99.

Question (Supplementary) *re* prisoners whipped in the Peshawar jail.
1548.

ACCOUNTANT—

Question *re* reversion of Mr. N. A. Dalvi from the post of —, Dharwar
Head Post Office. 2017-18.

ACCOUNTS DEPARTMENT—

Question *re* appointments in the Military —. 1914.

ACCOUNTS SERVICE—

Question *re*—
Appointments to the superior Military —. 1910-13.
Reduction of appointments in the Civil and Military —. 1914.

ADVERTISEMENTS—

Question *re* newspapers in Delhi selected for Government — and Court
notices. 1569.

ADVISORY BOARDS—

Question *re* appointment of — in Cantonments. 1549-50.

AGARWAL, MR. JAGAN NATH—

Indian Finance (Supplementary and Extending) Bill—
Consideration of clause 2. 1882-83.
Consideration of clause 7. 2084-86.
Question *re* claims of Indians for payment of Russian rouble notes. 1730.

AGRICULTURAL ASSISTANTS—*See* "Assistant(s)".**AGRICULTURAL PRODUCTS—**Question *re* reduction of railway freight on —. 1726.**AGRICULTURAL SITUATION—**Question *re* strained — and preparations for a no-rent campaign 2010.**AHMAD NAWAZ KHAN, MAJOR NAWAB—**

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1607-08.

Consideration of Schedule I, part I. 1929-30.

Consideration of clause 5. 2024-25.

Consideration of clause 8. 2138.

Consideration of clause 9. 2177, 2178.

Oath of Office. 1533.

AHMED, MR. K.—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1755.

AIR FORCE—Question *re* appointment of East Indian Railway apprentices to the Technical and Follower Corps of the Indian —, Karachi. 2003-04.**AIRWAYS—**Question *re* annual subvention given to Imperial — Limited. 1536-37**AJMER—**Question *re* use of forced labour in — District and for the Pushkar fair. 1724.**ALIGARH—**Question *re* proposed abolition of the Postal Workshop at —. 1917-18**ALIGARH MUSLIM UNIVERSITY (AMENDMENT) BILL—***See* "Bill(s)".**ALLOWANCE(S)—**Question *re*—

Abolition of the overseas —. 1851.

— attached to the posts of Secretaries and Under Secretaries in the Government of India Secretariat. 1851-52.

Conveyance — paid to clerks and officers in Delhi. 1850.

Daily and travelling — drawn by members of the Retrenchment Committees. 2016.

Exchange compensation —. 2069.

Pay and — of the Indian Civil Service and concessions recommended by the Lee Commission. 1851.

Pay and — of travelling ticket inspectors. 1861.

Recommendations of the Retrenchment Committee *re* taxation of pensions and leave — payable outside India, and rent of Government buildings. 1723.

Statement laid on the Table by the Honourable Sir George Schuster, Members of Retrenchment Committees who have drawn —. 2172-74

AMENDMENT(S)—Ruling *re* sanction to — to Money Bills. 1803-04.**AMERICAN EXPRESS COMPANY—**Question *re* posters by Misses Nixon and Newsome exhibited by the —, Calcutta. 1748.**ANKLESARIA, MR. N. N.—**

Indian Finance (Supplementary and Extending) Bill—

Consideration of clause 2. 1856-61.

Consideration of Schedule I, part I. 1888, 1892-93, 1897, 1898.

Consideration of clause 8. 2104-08.

APPRENTICE(S)—Question *re*—

Appointment of — on the East Indian Railway. 2002-03, 2004.

Appointment of East Indian Railway — to the Technical and Follower Corps of the Indian Air Force, Karachi. 2003-04.

— trained in the Lillooah Workshops. 2005.

Racial discrimination in training of certain — at Jamalpore. 2005.

ARAVAMUDHA AYANGAR, MR. V. K. A.—

Oath of Office. 2197.

ARAVANKADU—Question *re* retrenchment in the Cordite Factory at —. 2123.**ARMED FORCE(S)—***See* "Force(s)".**ARMY—**Question *re*—

Future strength of the British — in India. 1728-29.

Pay of soldiers of the British —. 1725-26.

Reported despatch to the Secretary of State on Indianisation of the —. 1847.

Separate electric supply for — quarters in certain towns. 1848.

ARMY HEADQUARTERS—Question *re*—

Appointment of Indians of the Indian Medical Service at — and Command Headquarters. 1544.

Appointment of Indians to staff appointments at — Command and District Headquarters. 1544.

Non-grant of last Saturday holidays in the office of the Director of Contracts, —. 1556-57.

Recruitment of staff in the office of the Contracts Directorate, —. 1848-50.

ARMY REMOUNT OFFICERS—Question *re* alleged victimization of horse-breeders by — in the Sargodha circle. 1855.

ARTISTS—

Question re employment of Indian — for poster designing. 1749.

ASSESSMENT—

Question re conditions for reopening of income-tax — in Sind. 1735.

ASSISTANT(S)—

Question re—

Appointment of agricultural — in the North-West Frontier Province. 2066.

Pay of — in the office of the Director-General of Posts and Telegraphs. 1567.

ASSISTANT COMMISSIONERS—

See "Commissioner(s)".

ASSISTANT SUPERINTENDENT(S)—

See "Superintendent(s)".

ASSISTANT TRAIN CONTROLLERS—

Question re cancellation of confirmation orders of — on the North Western Railway. 1916-17.

ATTACHED OFFICES—

Question re promotion of first division clerks in — and second division clerks in the Government of India Secretariat. 1566-67.

AZHAR ALI, MR. MUHAMMAD—

Indian Finance (Supplementary and Extending) Bill—
Consideration of clause 2. 1817-18.

B**BADI-UZ-ZAMAN, MAULVI—**

Question re—

Income-tax work in Bihar and Orissa. 2006-07.

Shortage of income-tax staff in Bihar and Orissa. 2007.

BAHAWALPUR STATE—

Question re loan to the —. 1533, 2007-08.

BALUCHISTAN—

Question re—

Abolition of the appointment of Director of Posts and Telegraphs, Sind and —. 1731-32.

Earthquake shocks in British —. 1736-37.

BANK(S)—

Question re — failures following enforced holidays during the financial crisis. 2069-70.

BATTERIES—

Question re dry cells and — imported into India. 1569-70.

BAZAR—

Question re cost of water works and amount of water tax collected from the — and military areas in Subathu. 1554-55.

BERTH(S)—

Question re—

Non-reservation of a railway — at Patna junction station. 1738.

Reservation of railway — at intermediate stations. 1738.

BHORE, THE HONOURABLE SIR JOSEPH—

Indian Finance (Supplementary and Extending) Bill—

Consideration of clause 6. 2044, 2047, 2056-61.

Oath of Office. 1533.

BHUPUT SING, MR.—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1604-07.

Consideration of Schedule I, part I. 1884-86, 1950-51.

Question re—

Abuse of the concession for removal of salt in Ramnad district. 2006-09.

Amount of the Gold Standard Reserve. 2010.

Anomaly at Howrah Railway Station. 2019.

Appointment of caretaker for the Secretariat and Council House in New Delhi. 2121-22.

Appointment of Indians to posts of Superintendent of Quarters, etc. 2122.

Employment of Indian artists for poster designing. 1749.

Pay of caretakers and allegations against Mr. Palmer. 2122.

Posters by Misses Nixon and Newsome exhibited by the American Express Company, Calcutta. 1748.

Posters designed by Miss Newsome for the Eastern Bengal Railway. 1747-48.

Posters designed for the Central Publicity Bureau and Railway Administrations. 1744-47.

Posters for the East Indian Railway printed at their own press and outside. 1742.

Posters prepared by the Canadian Pacific Railway. 1748.

Procedure after conclusion of the Round Table Conference. 2008.

Purchase of blocks by the Manager, Government of India Press, Calcutta. 1741-42.

Purchase of blocks by the Publicity Officer, East Indian Railway. 1740-41.

Railway Court of Inquiry. 2009.

Recent alterations in the Viceregal train. 2008.

Representatives of landholders at the Round Table Conference. 2019.

Reproduction of posters in India. 1743.

Securities purchased out of the Currency Reserve. 2011.

Silver bullion and Government reserves. 2011.

Speedy introduction of political reforms. 2019.

Strained agricultural situation and preparations for a no-rent campaign. 2010.

Subjects of posters issued by the Central Publicity Bureau and Railway Administrations. 1743.

BIHAR AND ORISSA—**Question re—**

Income-tax work in —. 2006-07.

Shortage of income-tax staff in —. 2007.

BILL(S)—

Aligarh Muslim University (Amendment)—

Assent of Governor General. 1575.

Governor General's assent to —. 1575.

Heavy Chemical Industry (Protection)—

Assent of Governor General. 1575.

Indian Finance (Supplementary and Extending)—

Motion to consider. 1575-1617, 1625-76, 1677-1720, 1751-1802.

Consideration of clause 2. 1806-45, 1856-84.

Consideration of clause 4. 1965-82.

Consideration of Schedule I, part I. 1884-1904, 1914-59, 1961-64.

Consideration of clause 5. 1962-93, 2020-38.

Consideration of clause 6. 2038-62.

Consideration of clause 7. 2077-97.

Consideration of clause 8. 2097-2119, 2127-67.

Consideration of clause 9. 2168-71, 2175-96.

Message from His Excellency the Viceroy and Governor General asking for the passage of the — in the Legislative Assembly in the recommended form. 2197-98.

Statements in regard to the recommendation by the Governor General. 2198-2202.

Consideration of clauses, as recommended by the Governor General. 2202-11.

Motion to pass, as recommended by the Governor General, negatived. 2211.

Indian Mines (Amendment)—

Assent of Governor General. 1575.

Indian Press (Emergency Powers)—

Assent of Governor General. 1575.

Indian Succession (Amendment)—

Assent of Governor General. 1575.

Land Customs (Amendment)—

Assent of Governor General. 1575.

Provisional Collection of Taxes—

Assent of Governor General. 1575.

Sheriff of Calcutta (Powers of Custody)—

Assent of Governor General. 1575.

Sugar Industry Protection—

Question re the —. 2063.

See also "Ruling(s)".

BISHOPS—

Question re number of — in India. 1909.

BLOCKS—**Question re—**

Purchase of — by the Manager, Government of India Press, Calcutta.

1741-42.

Purchase of — by the Publicity Officer, East Indian Railway. 1740

41.

BOMBAY—**Question re—**

Abolition of certain posts of Inspectors in the Railway Mail Service, — circle. 1622.

Appointment of an Income-tax Inspecting Officer in the — Presidency. 1735.

Cash security required from the contractor of postal treasury work in —. 1624.

Departmental victimisation of railway servants appearing before the Court of Inquiry at —. 1998.

Reduction of staff in the — Currency Office. 2014-15.

Reduction of staff in the Customs and Salt Departments in —. 2013-14.

Transfer to a contractor of the treasury work of Post Offices in —. 1622-24.

Travel of a leper in the — Calcutta Mail. 2000.

BOMBAY PRESIDENCY—**Question re—**

Appointments in the Income-tax Department in the —. 1910.

Recruitment of additional staff to the Income-tax Department in the —. 1910.

Recruitment of non-Brahmins in the Income-tax Department in the —. 1909.

Strength of certain communities in the Income-tax Department in the —. 1909-10.

BRAHMINS—

Question re recruitment of non- — in the Income-tax Department in the Bombay Presidency. 1909.

BRITISH ARMY—

See "Army".

BRITISH BALUCHISTAN—

See "Baluchistan".

BROADCASTING—

Question re recommendation of the Retrenchment Committee re — and for the withdrawal of the Lee concessions. 1722.

BROOKE-ELLIOTT, Mr. C.—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1720, 1751-60, 1767, 1779.

Consideration of clause 2. 1827-28, 1829, 1836, 1837, 1838, 1856.

Consideration of clause 4. 1979-81.

Consideration of clause 6. 2049-51.

Consideration of clause 7. 2079.

Consideration of clause 8. 2131-35, 2146.

BUDGET(S)—**Question re—**

Deficit — in European countries and cuts in salaries. 1739.

Savings under the military —. 1727.

BUILDING(S)—

Question *re* recommendations of the Retrenchment Committees *re* taxation of pensions and leave allowances payable outside India, and rent of Government —. 1723.

BUILDING COMPLETION CERTIFICATES—

Question *re* issue of — in New Delhi. 1571, 1852.

BULLION—

Question *re*—
Quantities of — and coins held against Currency Reserves. 1739-49.
Silver — and Government reserves. 2011.

BURMA—

Question *re*—
Casualties in the — rebellion. 1540.
Military charges in connection with the — rebellion. 1540-41.

CALCUTTA—

Question *re*—
Posters by Misses Nixon and Newsome exhibited by the American Express Company, —. 1748.
Purchase of blocks by the Manager, Government of India Press, —. 1741-42.
Travel of a leper in the Bombay — Mail. 2000.

CANADIAN PACIFIC RAILWAY—

See "Railway(s)".

CANTONMENT(S)—

Question *re*—
Appointment of Advisory Boards in —. 1549-50.
Collection of fees from outpatients of the — dispensary at Subathu. 1553.
Taxes collected in Subathu —. 1550-51.
Yearly grants made to Subathu —. 1551-52.

CAPITATION GRANT—

See "Grant".

CARETAKER(S)—

Question *re*—
Appointment of — for the Secretariat and Council House in New Delhi. 2121-22.
Pay of — and allegations against Mr. Palmer. 2123.

CASHEW KERNELS—

Exemption of — from additional duty [Discussed under the Indian Finance (Supplementary and Extending) Bill]. 1970-73.

CASUALTIES—

Question *re* — in the Burma rebellion. 1540.

CELLS—

Question *re* dry — and batteries imported into India. 1569-70.

CENTRAL GOVERNMENT—

Question *re* cost of the Lee concessions in the — and the Provinces. 1729-30.

CENTRAL PUBLICITY BUREAU—

See "Publicity Bureau".

CERTIFICATE(S)—

Question *re*—
Issue of building completion — in New Delhi. 1571, 1852.
Payment of proceeds of postal cash — to heirs of deceased purchasers. 1740.

CHAPLAINS—

Question *re* number and pay of — in India. 1907-08.

CHETTY, MR. R. K. SHANMUKHAM—

Indian Finance (Supplementary and Extending) Bill—
Motion to consider. 1625-35, 1639.
Consideration of Schedule I, part I. 1895-99, 1900, 1922-23, 1964.
Consideration of clause 5. 2022-23.
Consideration of clause 8. 2162-63, 2165.
Point of order raised by Mr. S. C. Mitra *re* order of discussion of clauses of the Indian Finance (Supplementary and Extending) Bill. 1805.
Point of order raised by the Honourable Sir George Rainy that the previous sanction of the Governor General is required for making the amendment. "That in part I, Schedule I to the Bill amendment No. 4 be omitted". 1957-58.

CHIEF ENGINEER—

Question *re*—
Appointment of Personal Assistant to the —, New Delhi. 2072-73.
Necessity for a — in the Public Works Department, New Delhi. 2072.

CHITTAGONG—

Question *re* armed forces located in —. 1541-42.

CINEMATOGRAPH FILM COMPANIES—

Question *re* — in India. 2017.

CIVIL ACCOUNTS SERVICE—

Question *re* reduction of appointments in the —. 1914.

CLERK(S)—

Question *re*—
Conveyance allowance paid to — and officers in Delhi. 1850.
Insolvent — of the office of the Director General, Indian Medical Service. 2001.
Pay of Head — to Station Masters, etc., at Moradabad and Lucknow. 1888.
Postal insurance of — forced to retire before 55. 1867-68.

CLERK(S)—*contd.*Question *re—contd.*

- Preponderance of Non-Muslim — in the Survey of India. 2076.
 Promotion of first division — in attached offices and second division
 — in the Government of India Secretariat. 1566-67.
 Reduction of rents of houses occupied by — in Simla. 1917.

COINS—

- Question *re* quantities of bullion and — held against Currency Reserves.
 1739-40.

COLLEGE(S)—

Question *re—*

- Expenditure on the Railway Staff —, Dehra Dun. 2018.
 Schools and — in the Province of Delhi. 1750.

COMMAND HEADQUARTERS—

Question *re—*

- Appointment of Indians of the Indian Medical Service at Army Head
 quarters and —. 1544.
 Appointment of Indians to staff appointments at Army, — and
 District —. 1544.

COMMISSION(S)—

- Question *re* pay and allowances of the Indian Civil Service and conces-
 sions recommended by the Lee —. 1851.

COMMISSIONER(S)—

- Question *re* transfer of the Assistant — of Income-tax, Sind. 1783.

COMMITTEE(S)—

Question *re—*

- Daily and travelling allowances drawn by members of the Retrench-
 ment —. 2016.
 Employment of two Members of the Legislature on the Orissa Boundary
 —. 2126-27.

- Income from the Pushkar fair, and expenditure of the "Shamlat" —.
 1721.

- Members appointed to the Postal Retrenchment Sub- —. 1541.

- Recommendations of the Retrenchment — *re* broadcasting and for
 the withdrawal of the Lee concessions. 1792.

- Recommendations of the Retrenchment — *re* taxation of pensions
 and leave allowances payable outside India, and rent of Government
 buildings. 1723.

- Recommendations of Retrenchment Sub- — accepted by Government.
 1725.

- Statement laid on the Table by the Honourable Sir George Schuster
re Members of Retrenchment — who have drawn allowances. 2173.

COMMUNAL INEQUALITIES—

- Question *re* — in the staff of the Forest Research Institute, Dehra Dun.
 1854.

COMPENSATION ALLOWANCE—

See "Allowance(s)".

COMPULSORY RETIREMENT—

See "Retirement".

CONCESSION(S)—

Question *re—*

- Abuse of the — for removal of salt in Ramnad district. 2008-09.
 Employees in Government of India Offices granted passage and other
 —. 2064-65.
 Lee passage — granted to superior and non-superior services. 1848.
 Pay and allowances of the Indian Civil Service and — recommended
 by the Lee Commission. 1851.

CONFERENCE(S)—

Question *re—*

- Cost of official delegations to the League of Nations and other —
 1537.
 Expenses of delegates to the Round Table —. 1739.
 Procedure after conclusion of the Round Table —. 2008.
 Representatives of landholders at the Round Table —. 2019.

CONFIRMATION—

Question *re—*

- Cancellation of — orders of Assistant Train Controllers on the North
 Western Railway. 1916-17.
 Rules for — of employees in Government offices. 1915.

CONSPIRACY CASE—

Question *re—*

- Dates of trial, etc., in the Meerut —. 1905.
 Expenditure for counsel for the Meerut —. 1906.
 Expenditure incurred in connection with the Meerut —. 1905-06,
 1906-07.

CONTRACTOR(S)—

Question *re—*

- Cash security required from the — of postal treasury work in Bom-
 bay. 1624.
 Transfer to a — of the treasury work of Post Offices in Bombay.
 1622-24.

CONTRACTS DIRECTORATE—

- Question *re* recruitment of staff in the office of the —, Army Head-
 quarters. 1848-50.

CONTRACTS, DIRECTOR OF—

- Question *re* non-grant of last Saturday holidays in the office of the —,
 Army Headquarters. 1556-57.

CONTROL SYSTEM—

- Question *re* guards appointed on the — of the North Western Railway.
 2125.

CONTROLLER(S)—

Question *re* appointment of — on the North Western Railway. 2124-25.

CONVEYANCE ALLOWANCE—

See "Allowance(s)".

CORDITE FACTORY—

Question *re* retrenchment in the — at Aravankadu. 2123.

CORPORATION—

Question *re*—

Amenities provided and expenditure incurred by the Subathu —. 1552-53.

Expenditure incurred by the — in Subathu. 1551.

CORRESPONDENCE—

Question *re* police surveillance and scrutiny of — of Sardar Jaswant Singh Danewalia. 2073-74.

COSGRAVE, MR. W. A.—

Oath of Office. 1533.

COTTON—

Abolition of the proposed duty on raw — [Discussed under the Indian Finance (Supplementary and Extending) Bill]. 1884-1904, 1918-44.

Question *re* Indian Semal — Plantations, Ltd. 1750.

COUNCIL HOUSE—

Question *re* appointment of caretaker for the Secretariat and — in New Delhi. 2121-22.

COUNSEL—

Question *re* expenditure for — for the Meerut conspiracy case. 1906.

COURT NOTICES—

Question *re* newspapers in Delhi selected for Government advertisements and —. 1569.

COURT OF INQUIRY—

Question *re*—

Departmental victimisation of railway servants appearing before the — at Bombay. 1998.

Railway —. 2009.

CRERAR, THE HONOURABLE SIR JAMES—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1877.

CURRIANTS—

Duty on — [Discussed under the Indian Finance (Supplementary and Extending) Bill]. 1953-59.

CURRENCY OFFICES—

Question *re*—

Increase of work and retrenchment of staff in —. 2063-64.

Pay of shroffs in —. 1620.

Rates of pay in certain —. 1620.

Reduction of staff in the Bombay —. 2014-15.

CURRENCY RESERVE(S)—

Question *re*—

Quantities of bullion and coins held against —. 1739-40.

Securities purchased out of the —. 2011.

CUSTOMS DEPARTMENT—

Question *re* reduction of staff in the — and Salt Department in Bombay. 2013-14.

CUT(S)—

Question *re*—

— in salaries of Government of India officials. 1570.

Graduated — in salaries of Government employees. 2015.

D**DAILY ALLOWANCE—**

See "Allowance(s)".

DALAL, DR. R. D.—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1652-55.

DALVI, MR. N. A.—

Question *re* reversion of — from the post of accountant, Dharwar Head Post Office. 2017-18.

DAS, MR. A.—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1608-11.

Consideration of clause 4. 1978-79.

Question *re*—

Cost of the Opium Department. 1847.

Lee passage concessions granted to superior and non-superior services. 1848.

New appointments made in the Postal Department. 1625.

Separate electric supply for Army quarters in certain towns. 1648.

Retrenchments in the Postal Departments. 1625.

DAS, MR. B.—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1588-93, 1615, 1640, 1655.

Consideration of clause 5. 2025-28, 2033.

Consideration of clause 6. 2060.

Consideration of clause 7. 2089, 2090, 2091.

Consideration of clause 8. 2097, 2105, 2107, 2109, 2160-62.

Consideration of clause 9. 2179, 2181.

Consideration of clauses, as recommended by the Governor General. 2206.

DAS, Mr. B.—*contd.*

Question re—

- Amenities provided and expenditure incurred by the Subathu Corporation. 1552-53.
- Appointment of Advisory Boards in cantonments. 1549-50.
- Appointment of Indians of the Indian Medical Service at Army Headquarters and Command Headquarters. 1544.
- Appointment of Indians to certain posts. 1542-43.
- Appointment of Indians to Staff appointments at Army Command and District Headquarters. 1544.
- Appointment of Military officers to the Military Accounts Department. 1545.
- Annual subvention given to Imperial Airways, Ltd. 1536-37.
- Casualties in the Burma rebellion. 1540.
- Collection of fees from outpatients of the Cantonment dispensary at Subathu. 1553.
- Cost of official delegations to the League of Nations and other Conferences. 1537.
- Cost of water works and amount of water tax collected from the bazar and military areas in Subathu. 1554-55.
- Expenditure incurred by the Corporation in Subathu. 1551.
- Extensions of service granted to Military Accounts Officers. 1543-44, 1545.
- Military charges in connection with the Burma rebellion. 1540-41.
- Revenue derived from increased duty on imported salt. 1536.
- Revision of the capitation grant. 1537.
- Salt production at Pachbadra. 1536.
- Taxes collected in Subathu Cantonment. 1550-51.
- Yearly grants made to Subathu Cantonment. 1551-52.
- Water rates in Subathu. 1555-56.
- Question (Supplementary) re—
 - Export of gold from India. 1737-38.
 - Loan granted to the Bahawalpur Durbar. 1535.

DEATH CLAIMS—

- Question re payment of — by the Postal Insurance Fund. 1917.

DEBATES—

- Question re supply of — of the Legislative Assembly to District Board and Municipal Libraries. 1915.

DEFICIT BUDGETS—

- See "Budget(s)".

DEHRA DUN—

Question re—

- Communal inequalities in the staff of the Forest Research Institute, —. 1854.
- Expenditure on the Railway Staff College, —. 2018.
- Officers of the Research Institute, —. 2073.
- Schools of instruction for railway employees at — and Kot Lakhpat. 1907-08.

DeLACRIOX, Mr.—

- Question re appointment of — as Station Master, Lhaksar. 1563.

DELEGATES—

- Question re expenses of — to the Round Table Conference. 1739.

DELEGATION(S)—

- Question re cost of official — to the League of Nations and other Conferences. 1537.

DELHI—

Question re—

- Conveyance allowance paid to clerks and officers in —. 1850.
- Newspapers in — selected for Government advertisements and court notices. 1569.
- Schools and colleges in the province of —. 1750.

DEPARTMENTAL CANDIDATES—

- Question re appointment of — to the first division in the Government of India Secretariat. 1564-66.

DESANGES, Mr. H. CECIL—

- Indian Finance (Supplementary and Extending) Bill—
- Consideration of clause 7. 2081-84.
- Oath of Office. 1533.

DESPATCH(ES)—

- Question re reported — to the Secretary of State on Indianisation of the Army. 1847.

DESOUZA, Dr. F. X.—

- Indian Finance (Supplementary and Extending) Bill—
- Consideration of clause 4. 1970-74, 1978.
- Consideration of clause 7. 2086-90.

DHARWAR—

- Question re reversion of Mr. N. A. Dalvi from the post of accountant, — Head Post Office. 2017-18.

DHOND—

- Question re abolition of a Railway Mail Service Sorting Section between — and Manmad. 1621-22.

DIRECTOR GENERAL, INDIAN MEDICAL SERVICE—

Question re—

- Appointment of Sikhs to the office of the —. 1853.
- Insolvent clerks of the office of the —. 2001.

DIRECTOR GENERAL OF POSTS AND TELEGRAPHS—

- Question re pay of Assistants in the office of the —. 1567.

DIRECTOR OF POSTS AND TELEGRAPHS—

- See "Posts and Telegraphs".

DISPENSARY(IES)—

Question *re* collection of fees from outpatients of the Cantonment — at Subathu. 1553.

DISTRICT BOARD—

Question *re* supply of debates of the Legislative Assembly to — and Municipal Libraries. 1915.

DISTRICT HEADQUARTERS—

Question *re* appointment of Indians to staff appointments at Army, Command and —. 1544.

DIVISION(S)—

- on Kunwar Raghubir Singh's motion to amend clause 8 of the Indian Finance (Supplementary and Extending) Bill. 2157-58.
- on Kunwar Raghubir Singh's motion to amend clause 9 of the Indian Finance (Supplementary and Extending) Bill. 2195-96.
- on the Honourable Sir George Schuster's motion that "Machinery" be included in part I, Schedule I of the Indian Finance (Supplementary and Extending) Bill, as recommended by the Governor General. 2209-10.
- on the motion that clause 2 of the Indian Finance (Supplementary and Extending) Bill be omitted. 1880-81.
- on the motion that clause 3 (increase of certain inland postage rates) of the Indian Finance (Supplementary and Extending) Bill be omitted. 2061-62.
- on the motion that clause 7 (lowering of limits of total income liable to income-tax) of the Indian Finance (Supplementary and Extending) Bill be omitted. 2096-97.
- on the motion that clause 8 (Additional Income-tax and Super-tax for the current financial year, *i.e.*, 1931-32) of the Indian Finance (Supplementary and Extending) Bill be omitted. 2153.
- on the motion that clause 8 (Additional Income-tax and Super-tax for the current financial year, *i.e.*, 1931-32) stand part of the Indian Finance (Supplementary and Extending) Bill. 2167.
- on the motion that clause 9 (Additional Income-tax and Super-tax for the financial year, 1932-33) of the Indian Finance (Supplementary and Extending) Bill be omitted. 2194.
- on the motion that in part I of Schedule I to the Indian Finance (Supplementary and Extending) Bill, amendment No. 1 (Abolition of the proposed duty on raw cotton) be omitted. 1943-44.
- on the motion that in part I of Schedule I to the Indian Finance (Supplementary and Extending) Bill, amendment No. 3 (Abolition of the proposed duty on Machinery) be omitted. 1955.
- on the motion that salt be exempted from the additional duty. 2033-34.
- on the motion that the Indian Finance (Supplementary and Extending) Bill, as recommended by the Governor General, be passed. 2211.

DUDHORIA, MR. NABAKUMAR SING—

Indian Finance (Supplementary and Extending) Bill—
Motion to consider. 1715-17.
Consideration of Schedule I, part I. 1903-04, 1949-50.

DUMASIA, MR. N. M.—

Indian Finance (Supplementary and Extending) Bill—
Motion to consider. 1643-52.
Consideration of clause 8. 2140-43.

DUTT, MR. AMAR NATH—

Indian Finance (Supplementary and Extending) Bill—
Motion to consider. 1653, 1655, 1671-76, 1677-79.
Consideration of clause 7. 2095.
Consideration of clause 8. 2117-19, 2158-60.

Question *re*—

Appointment and promotion of an "Outsider" in the Lillooah Workshops. 2005.
Appointment of apprentices on the East Indian Railway. 2002-03, 2004.
Appointment of East Indian Railway apprentices to the Technical and Follow-up Corps of the Indian Air Force, Karachi. 2003-04.
Apprentices trained in the Lillooah Workshops. 2005.
Non-transfer of the Works Manager, Lillooah Workshops. 2006.
Racial discrimination in training of certain apprentices at Jamalpore. 2005.
Question (Supplementary) *re* earthquake shocks in British Baluchistan. 1737.

DUTY(IES)—**Question *re*—**

Revenue derived from increased — on imported salt. 1536.
Revenue expected from additional — on sugar. 1729.

DYER, MR. J. F.—

Indian Finance (Supplementary and Extending) Bill—
Motion to consider. 1772.
Consideration of Schedule I, part I. 1932-33.

E**EARTHQUAKE—**

Question *re* — shocks in British Baluchistan. 1736-37.

EAST INDIAN RAILWAY—

See "Railway(s)".

EASTERN BENGAL RAILWAY—

See "Railway(s)".

ECCLIESIASTICAL DEPARTMENT—

Question *re* retrenchment in the Indian —. 1908-09.

EDGE, MR.—

Question *re* appointment of — as officer in charge of stores in the Public Works Department, New Delhi. 2071.

ELECTRIC SUPPLY—

Question *re* separate — for Army quarters in certain towns. 1648.

EMPLOYEE(S)—**Question re—**

- Duties of certain postal — consequent on retrenchments. 1922.
 Graduated cut in salaries of Government —. 2015.
 Schools of instruction for railway — at Dehra Dun and Kot
 Lakhpat. 1997-98

ENGLAND—

- Question re scale of cuts in salaries and pensions in —. 1727-28.

ENGINEERING STAFF—

- Question re — of the Public Works Department, New Delhi. 2071.

EPIGRAPHIST—

- Question re the Government —. 2126.

ESTATE OFFICE—

- Question re the —, New Delhi. 2072.

EXCHANGE COMPENSATION ALLOWANCE—

- Question re —. 2069.

EXPENDITURE—**Question re—**

- for counsel for the Meerut conspiracy case. 1906.
 — incurred in connection with the Meerut conspiracy case. 1905-06,
 1906-07.
 — on the Railway Staff College, Dehra Dun. 2018.

EXPORT(S)—

- Question re — of gold from India. 1737.

F**FACTORY(IES)—****Question re—**

- Erection of a — in India for the manufacture of vegetable ghee by
 the Hindustan Holland Vanaspati Trading Company. 2074-75.
 Retrenchment in the Cordite — at Aravankadu. 2123.

FAIR—**Question re—**

- Income from the Pushkar —, and expenditure of the "Shamilat"
 Committee. 1721.
 Use of forced labour in Ajmer District and for the Pushkar —.
 1724.

FARES—

- Question re passenger — on Indian Railways. 2066-68.

FILM COMPANIES—

- Question re cinematograph — in India. 2017.

FINANCE (SUPPLEMENTARY AND EXTENDING) BILL—

See "Indian —" under "Bill(s)".

FINANCIAL CRISIS—

- Question re bank failures following enforced holidays during the —.
 2069-70.

FIRING—

- Question re inquiry into — at the Hijli detention camp. 1995.

FIRST DIVISION—**Question re—**

- Appointment of departmental candidates to the — in the Govern-
 ment of India Secretariat. 1564-66.
 Promotion of — clerks in attached offices and second division clerks
 in the Government of India Secretariat. 1566-67.

FOLLOWER CORPS—

- Question re appointment of East Indian Railway apprentices to the
 Technical and — of the Indian Air Force, Karachi. 2003-04.

FORCE(S)—

- Question re armed — located in Chittagong. 1541-42.

FOREMEN—

- Question re Indian Loco. —, etc., on the North Western Railway.
 2125.

FOREST RESEARCH INSTITUTE—

- Question re communal inequalities in the staff of the —, Dehra Dun.
 1854.

FREIGHT(S)—

- Question re reduction of railway — on agricultural products. 1726.

FUND(S)—**Question re—**

- Facilities for remittance of — for officers and soldiers. 2069.
 Payment of death claims by the Postal Insurance —. 1917.
 Provident — scheme for Government servants. 1999.

FUNDAMENTAL LEAVE RULES—

- Question re interpretation of —. 2016.

G**GAZETTED APPOINTMENTS—**

- Question re promotions to lower grade — on the North Western Rail-
 way. 1852.

GENERAL POST OFFICE—

See "Post Office(s)".

GOLD—

- Question re export of — from India. 1737.

GOLD STANDARD RESERVE—

Question *re* amount of the —. 2010.

GOUR, SIR HARI SINGH—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1638, 1685-94, 1709, 1711, 1799.

Consideration of clause 2. 1863, 1870.

Consideration of Schedule I, part I. 1918-22.

Consideration of clause 4. 1974-75.

Consideration of clause 8. 2104, 2108-13, 2115, 2152.

Consideration of clause 9. 2187-90, 2192.

Statement in regard to the recommendation by the Governor General.
2198.

Point of Order by the Honourable Sir George Rainy that the previous sanction of the Governor General is required for moving the amendment, "That in part I, Schedule I to the Bill, amendment No. 4 be omitted". 1957.

Question (Supplementary) *re*—

Erection of a factory in India for the manufacture of vegetable ghee by the Hindustan Holland Vanaspati Trading Company. 2075.

Insufficient number of days allotted for non-official business in the Legislative Assembly. 2012.

Recommendations of the Retrenchment Committee *re* taxation of pensions and leave allowances payable outside India, and rent of Government buildings. 1724.

Revision of the capitation grant. 1538-39.

GOVERNMENT ADVERTISEMENT(S)—

See "Advertisement(s)".

GOVERNMENT BUILDINGS—

See "Building(s)".

GOVERNMENT EMPLOYEES—

See "Employee(s)".

GOVERNMENT EPIGRAPHISTS—

Question *re* the —. 2126.

GOVERNMENT OF INDIA—

Question *re*—

Allowances attached to the posts of Secretaries and Under Secretaries in the — Secretariat. 1851-52.

Cuts in salaries of — officials. 1570.

Employees in — offices granted passage and other concessions. 2064-65.

Orders for selection of Personnel for Retrenchment in — offices. 1824-25.

Pension of inferior servants of the —. 1821.

Recruitment of the ministerial staff of — offices. 1850.

GOVERNMENT OF INDIA PRESS—

See "Press(es)".

GOVERNMENT OF INDIA SECRETARIAT—

See "Secretariat".

GOVERNMENT PUBLICATIONS—

See "Publications".

GOVERNMENT RESERVES—

Question *re* silver bullion and —. 2011.

GOVERNMENT SERVANTS—

See "Servant(s)".

GOVERNOR GENERAL, HIS EXCELLENCY THE—

—'s assent to Bills. 1575.

Message from — asking for the passage of the Indian Finance (Supplementary and Extending) Bill in the Legislative Assembly in the recommended form. 2197-98.

GRAHAM, SIR LANCELOT—

Indian Finance (Supplementary and Extending) Bill—

Consideration of clause 8. 2162, 2164-65.

Point of order raised by Mr. S. C. Mitra *re* order for discussion of clauses of the Indian Finance (Supplementary and Extending) Bill. 1806.

GRANT(S)—

Question *re*—

Revision of the capitation —. 1537.

Yearly — made to Subathu Cantonment. 1551-52.

GUARDS—

Question *re*—

Appointment of — in the Multan Division of the North Western Railway. 1855-56.

— appointed on the control system of the North Western Railway.

2125.

Retrenchment and reduction of — in the Multan Division of the North Western Railway. 1856.

GUNJAL, MR. N. R.—

Indian Finance (Supplementary and Extending) Bill—

Consideration of clause 9. 2171.

Consideration of clauses, as recommended by the Governor General. 2206.

GWYNNE, MR. C. W.—

Oath of Office. 1533.

H

HAMALS—

Question *re* grievances of — at Victoria Terminus Station. 2121.

HARBANS SINGH BRAR, SYEDAR—

Indian Finance (Supplementary and Extending) Bill—

Consideration of clause 2. 1823-26.

HARBANS SINGH BRAR, SIRDAR—contd.**Question re—**

- Cost of military motor transport. 2065-66.
- Erection of a factory in India for the manufacture of vegetable ghee by the Hindustan Holland Vanaspati Trading Company. 2074-75.
- Loan granted to the Bahawalpur Durbar. 1533.
- Officers of the Research Institute, Dehra Dun. 2073.
- Police surveillance and scrutiny of correspondence of Sardar Jaswant Singh Danewalia. 2073-74.
- Sugar Industry Protection Bill. 2068.

HARI RAJ SWARUP, LALA—**Indian Finance (Supplementary and Extending) Bill—**

- Motion to consider. 1717-20, 1773.
- Consideration of Schedule I, part I. 1944-46.

Question re—

- Alleged victimization of officials of the East Indian Railway Union, Moradabad. 1558.
- Appointment of Mr. DeLacriox as Station Master, Lhaksar. 1563.
- Appointments in the Military Accounts Department. 1914.
- Appointments to the superior Military Accounts Service. 1910-13.
- Bank failures following enforced holidays during the financial crisis. 2069-70.
- Complaints against Mr. C. Pearce, Superintendent, Power, Moradabad Division, East Indian Railway. 1562-63.
- Compulsory retirement of Government servants. 1914-15.
- Cost of the Lee concessions in the Central Government and the Provinces. 1729-30.
- East Indian Railway subordinates appointed as Assistant Superintendents in the Moradabad and Lucknow Divisions. 1564.
- Establishment of a branch of the League of Nations in India. 1740.
- Exchange compensation allowance. 2069.
- Facilities for remittance of funds for officers and soldiers. 2069.
- Future strength of the British Army in India. 1798-29.
- Grant of recognition and facilities to Railway Unions. 1557.
- Pay and allowances of travelling ticket inspectors. 1561.
- Pay of certain ticket examiners on the East Indian Railway. 1562.
- Pay of Head Clerks to Station Masters, etc., at Moradabad and Lucknow. 1563.
- Pay of soldiers of the British Army. 1725-26.
- Payment of proceeds of postal cash certificates to heirs of deceased purchasers. 1740.
- Quantities of bullion and coins held against Currency Reserves. 1739-40.
- Recognition of the Rohilkhand and Kumaon Railway Union. 1557-58.
- Reduction of appointments in the Civil and Military Accounts Service. 1914.
- Reduction of railway freight on agricultural products. 1726.
- Revenue expected from additional duty on sugar. 1729.
- Savings from Retrenchment and cost of pensions and compensation to officials retrenched. 1728.
- Savings under the Military Budget. 1727.
- Scale of cuts in salaries and pensions in England. 1727-28.

HARI RAJ SWARUP, LALA—contd.**Question re—contd.**

- Sugar Industry Protection Bill. 2068.
- Supply of debates of the Legislative Assembly to District Board and Municipal Libraries. 1915.
- System of ticket checking on the East Indian Railway. 1558-59.
- Temporary employment of ticket examiners on the East Indian Railway. 1561-62.
- Uniforms of travelling ticket examiners. 1561.

HEAD CLERK(S)—

See "Clerk(s)".

HEATHCOTE, Mr. L. V.—**Indian Finance (Supplementary and Extending) Bill—**

- Motion to consider. 1707-11.
- Consideration of clause 5. 2035.

HEAVY CHEMICAL INDUSTRY (PROTECTION) BILL—

See "Bill(s)".

HIJLI—

Question re inquiry into firing at the — detention camp. 1995.

HINDUSTAN HOLLAND VANASPATI TRADING COMPANY—

Question re erection of a factory in India for the manufacture of vegetable ghee by the —. 2074-75.

HIRA SINGH BRAR, SARDAR BAHADUR CAPTAIN—**Indian Finance (Supplementary and Extending) Bill—**

- Consideration of Schedule I, part I. 1901, 1935-36.
- Oath of Office. 1533.

HOLIDAYS—**Question re—**

- Bank failures following enforced — during the financial crisis. 2069-70.
- Non-grant of last Saturday — in the Office of the Director of Contracts, Army Headquarters. 1556-57.

HOLLAND—

Question re erection of a factory in India for the manufacture of vegetable ghee by the Hindustan — Vanaspati Trading Company. 2074-75.

HORSE-BREEDERS—

Question re alleged victimization of — by Army Remount Officers in the Sargodha circle. 1855.

HORSE-BREEDING—

Question re conditions of — in the Sargodha circles. 1854-55.

HOUSES—

Question re reduction of rents of — occupied by clerks in Simla. 1917.

HOWRAH—

Question re anomaly at — railway station. 2019.

I

IMPERIAL AIRWAYS—

See "Airways".

INCOME-TAX—

Additional — and super-tax for the financial year, 1931-32. [Discussed under the Indian Finance (Supplementary and Extending) Bill.] 2097-2119, 2127-87.

Additional — and super-tax for the financial year, 1932-33. [Discussed under the Indian Finance (Supplementary and Extending) Bill.] 2168-71, 2175-96.

Lowering of limits of total income liable to —. [Discussed under the Indian Finance (Supplementary and Extending) Bill.] 2077-97.

Question re—

Appointment of an — Inspecting officer in the Bombay Presidency. 1735.

Conditions for reopening of — assessments in Sind. 1735.

— appeals in Sind. 1733-34.

— work in Bihar and Orissa. 2006-07.

Orders for non-refund of — in certain cases. 1734.

Transfer of the Assistant Commissioner of —, Sind. 1733.

INCOME-TAX DEPARTMENT—

Question re—

Appointments in the — in the Bombay Presidency. 1910.

Recruitment of additional staff to the — in the Bombay Presidency. 1910.

Recruitment of non-Brahmins in the — in the Bombay Presidency. 1909.

Strength of certain communities in the — in the Bombay Presidency. 1909-10.

INCOME-TAX STAFF—

Question re shortage of — in Bihar and Orissa. 2007.

INDIAN(S)—

Question re—

Appointment of — to certain posts. 1542-43.

Appointment of — to posts of Superintendent of Quarters, etc. 2122.

Claims of — for payment of Russian rouble notes. 1730.

INDIAN AIR FORCE—

Question re appointment of East Indian Railway apprentices to the Technical and Follower Corps of the —, Karachi. 2008-09.

INDIAN CIVIL SERVICE—

Question re pay and allowances of the — and concessions recommended by the Lee Commission. 1851.

INDIAN ECCLESIASTICAL DEPARTMENT—

Question re retrenchment in the —. 1908-09.

INDIAN FINANCE (SUPPLEMENTARY AND EXTENDING) BILL—
See "Bill(s)".

INDIAN MEDICAL SERVICE—

Question re—

Appointment of Indians of the — at Army Headquarters and Command Headquarters. 1544.

Appointment of Sikhs to the office of the Director General, —. 1853.

Insolvent clerks of the office of the Director General, —. 2001.

INDIAN MINES (AMENDMENT) BILL—

See "Bill(s)".

INDIAN PRESS (EMERGENCY POWERS) BILL—

See "Bill(s)".

INDIAN RAILWAYS—

See "Railway(s)".

INDIAN SANDHURST—

Question re location of the —. 1999.

INDIAN SEMAL COTTON PLANTATIONS, LIMITED—

Question re —. 1750.

INDIAN STATES—

Question re Government loans from —. 1999.

INDIAN SUCCESSION (AMENDMENT) BILL—

See "Bill(s)".

INDIANISATION—

Question re reported despatch to the Secretary of State on — of the Army. 1847.

INFERIOR SERVANTS—

See "Servant(s)".

INK—

Increase of duty on printer's —. [Discussed under the Indian Finance (Supplementary and Extending) Bill.] 1961-62.

INSPECTOR(S)—

Question re—

Abolition of certain posts of — in the Railway Mail Service, Bombay Circle. 1622.

Pay and allowances of travelling ticket —. 1661.

INSPECTING OFFICER—

See "Officer(s)".

INSTITUTE(S)—

Question re officers of the Research —, Dehra Dun. 2073.

INSURANCE—

Question *re* postal — of clerks forced to retire before 55. 1867-68.

INSURANCE COMPANIES—

Question *re* — in India. 1750-51.

INSURANCE FUND—

Question *re* payment of death claims by the Postal —. 1917.

INTERMEDIATE STATIONS—

Question *re* reservation of railway berths at —. 1738.

ISMAIL ALI KHAN, KUNWAR HAJEE—

Question *re*—

Preponderance of Non-Muslim clerks in the Survey of India. 2076.

Recruitment to Departments through the Public Service Commission. 2076.

J**JAIL(S)—**

Question *re* prisoners whipped in the Peshawar —. 1545-49.

JAMALPORE—

Question *re* racial discrimination in training of certain apprentices at —. 2005.

JASWANT SINGH DANEWALIA, SARDAR—

Question *re* police surveillance and scrutiny of correspondence of —. 2073-74.

JHA, PANDIT RAM KRISHNA—

Question *re* insufficient number of days allotted for non-official business in the Legislative Assembly. 2011-12.

JOG, MR. S. G.—

Indian Finance (Supplementary and Extending) Bill—

Consideration of clause 2. 1818-22.

Consideration of clause 5. 1885-86.

Consideration of clause 9. 2169.

Question *re*—

Cancellation of confirmation orders of Assistant Train Controllers on the North Western Railway. 1916-17.

Cash security required from the contractor of Postal treasury work in Bombay. 1324.

Departmental victimisation of railway servants appearing before the Court of Inquiry at Bombay. 1998.

Employment of two Members of the Legislature on the Orissa Boundary Committee. 2126-27.

Government loans from Indian States. 1999.

Graduated cut in salaries of Government employees. 2015.

JOG, MR. S. G.—contd.

Question *re*—contd.

Increase of work and retrenchment of staff in Currency Offices. 2063-64.

Location of the Indian Sandhurst. 1999.

Orders for selection of personnel for retrenchment in Government of India Offices. 1624-25.

Provident Fund Scheme for Government servants. 1999.

Reduction of rents of houses occupied by clerks in Simla. 1917.

Reduction of staff in the Bombay Currency Office. 2014-15.

Reduction of staff in the Customs and Salt Departments in Bombay. 2013-14.

Retrenchment on railways. 2013.

Rules for confirmation of employees in Government Offices. 1915.

Transfer to a contractor of the treasury work of Post Offices in Bombay. 1622-24.

Travel of a leper in the Bombay-Calcutta Mail. 2000.

K**KARACHI—**

Question *re*—

Appointment of East Indian Railway apprentices to the Technical and Follower Corps of the Indian Air Force, —. 2003-04.

Platform for prayers for Muslims provided at the — General Post Office. 1732-33.

KASAUJI—

Question *re* annual migration to — of the Sind Malaria Inquiry Department. 1997.

KOT LAKHPAT—

Question *re* schools of instruction for railway employees at Dehra Dun and —. 1997-98.

KRISHNAMACHARIAR, RAJA BAHADUR G.—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1655, 1656-59, 1771.

Consideration of clause 5. 1989-93.

Consideration of clause 8. 2136-40.

L**LABOUR—**

Question *re* use of forced — in Ajmer District and for the Pushkar fair. 1724.

LAHRI CHAUDHURY, MR. D. K.—

Indian Finance (Supplementary and Extending) Bill—

Consideration of clause 7. 2092.

Consideration of clause 9. 2179, 2180, 2181, 2183.

LAHORE—

Question re—

Amalgamation of Pension Controllers' Offices of —, Mhow and — district. 1571-73.

Cost of amalgamation of the —, Mhow and — District Pensions Offices. 1573-74.

LALCHAND NAVALRAI, Mr.—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1652, 1613-17, 1683.

Consideration of clause 2. 1829-36, 1878.

Consideration of clause 4. 1966-67.

Consideration of clause 5. 1982-85.

Consideration of clause 6. 2046-49.

Consideration of clause 8. 2097-99.

Consideration of clause 9. 2175-78, 2181.

Question re—

Abolition of the appointment of Director of Posts and Telegraphs, Sind and Baluchistan. 1731-32.

Annual migration to Kasauli of the Sind Malaria Inquiry Department. 1997.

Appointment of agricultural assistants in the North West Frontier Province. 2066.

Appointment of an Income-tax Inspecting Officer in the Bombay Presidency. 1735.

Appointment of Controllers on the North Western Railway. 2124-25.

Conditions for reopening of income-tax assessments in Sind. 1735.

Earthquake shocks in British Baluchistan. 1736-37.

Guards appointed on the control system of the North Western Railway 2125.

Income-tax appeals in Sind. 1733-34.

Indian Loco. Foremen, etc., on the North Western Railway. 2125.

Inquiry into firing at the Hijli detention camp. 1995.

Orders for non-refund of income-tax in certain cases. 1734.

Platform for prayers for Muslims provided at the Karachi General Post Office. 1732-33.

Results of malaria research and retrenchment of the Malaria Survey of India. 1995-98.

Schools of instruction for railway employees at Dehra Dun and Kot Lakhpat. 1997-98.

System of pensions for Government servants. 1730-31.

Transfer of the Assistant Commissioner of Income-tax, Sind. 1733.

Question (Supplementary) re—

Bank failures following enforced holidays during the financial crisis. 2070.

Casualties in the Burma rebellion. 1540.

Graduated cut in salaries of Government employee. 2015.

Insolvent clerks of the office of the Director General, Indian Medical Service. 2301.

Loan granted to the Bahawalpur Durbar. 1533-34.

Postal insurance of clerks forced to retire before 55. 1568.

Prisoners whipped in the Peshawar jail. 1549.

Recommendations of the Retrenchment Committee re taxation of pensions and leave allowances payable outside India, and rent of Government buildings. 1724.

LALCHAND NAVALRAI, Mr.—*contd.*Question (Supplementary)—*re—contd.*

Rules for confirmation of employees in Government offices. 1915.

System of ticket checking on the East Indian Railway. 1559-60.

LAND CUSTOMS (AMENDMENT) BILL—

See "Bill(s)".

LANDHOLDERS—

Question re representatives of — at the Round Table Conference. 2019.

LEAGUE OF NATIONS—

Question re—

Cost of official delegations to the — and other Conferences. 1537.

Establishment of a branch of the — in India. 1740.

LEAVE ALLOWANCE(S)—

See "Allowance(s)".

LEAVE RULES—

Question re interpretation of Fundamental —. 2016.

LEE COMMISSION—

Question re pay and allowances of the Indian Civil Service and concessions recommended by the —. 1851.

LEE CONCESSIONS—

Question re—

Cost of the — in the Central Government and the Provinces. 1729-30.

Recommendation of the Retrenchment Committee re broadcasting and for the withdrawal of the —. 1722.

LEE PASSAGE CONCESSIONS—

Question re — granted to superior and non-superior services. 1848.

LEGISLATIVE ASSEMBLY—

Message from His Excellency the Viceroy and Governor General, asking for the passage of the Indian Finance (Supplementary and Extending) Bill in the — in the recommended form. 2197-98.

Question re—

Insufficient number of days allotted for non-official business in the —. 2011-12.

Supply of debates of the — to District Board and Municipal Libraries. 1915.

LEGISLATURE—

Question re employment of two Members of the — on the Orissa Boundary Committee. 2126-27.

LEPER—

Question re travel of a — in the Bombay-Calcutta Mail. 2000.

LHAKSAR—

Question re appointment of Mr. DeLacrieux as Station Master, —. 1563.

LIBRARY(IES)—

Question *re* supply of debates of the Legislative Assembly to District Board and Municipal —. 1915.

LILLOOAH WORKSHOPS—

Question *re*—
Appointment and promotion of an "Outsider" in the —. 2005.
Apprentices trained in the —. 2005.
Non-transfer of the Works Manager, —. 2006.

LOAN(S)—

Question *re*—
Government — from Indian States. 1999.
— to the Bahawalpur State. 1533, 2007-08.

LOCO. FOREMEN—

Question *re* Indian —, etc., on the North Western Railway. 2125.

LOWER GRADE GAZETTED APPOINTMENTS—

See "Gazetted Appointments".

LUCKNOW—

Question *re*—
East Indian Railway subordinates appointed as Assistant Superintendents in the Moradabad and — Divisions. 1564.
Pay of Head Clerks to Station Masters, etc., at Moradabad and —. 1563.

M

MACHINERY—

Abolition of the proposed duty on —. [Discussed under the Indian Finance (Supplementary and Extending) Bill]. 1644-55, 1934.

MAIL(S)—

Question *re*—
Non-stoppage of the Punjab — at certain stations in the Patna district. 2017.
Travel of a leper in the Bombay-Calcutta —. 2000.

MALARIA INQUIRY DEPARTMENT—

Question *re* annual migration to Kasauli of the Sind —. 1997-98.

MALARIA RESEARCH—

Question *re* results of — and retrenchment of the Malaria Survey of India. 1995-96.

MALARIA SURVEY OF INDIA—

Question *re* results of malaria research and retrenchment of the —. 1995-96.

MANAGER—

Question *re*—
Non-transfer of the Works —, Lillooah Workshops. 2006.
Purchase of blocks by the —, Government of India, Press, Calcutta 1741-42.

MANMAD—

Question *re* abolition of a Railway Mail Service, sorting section between Dhond and —. 1621-22.

MASWOOD AHMAD, MR. M.—

Indian Finance (Supplementary and Extending) Bill—
Consideration of clause 2. 1814-15.
Question *re* members appointed to the Postal Retrenchment Sub-Committee. 1541.

MEERUT—

Question *re*—
Dates of trial, etc., in the — conspiracy case. 1905.
Expenditure for counsel for the — conspiracy case. 1906.
Expenditure incurred in connection with the — conspiracy case. 1905-06, 1906-07.

MEERUT CONSPIRACY CASE—

See "Conspiracy Case".

MESSAGE(S)—

— from His Excellency the Viceroy and Governor General asking for the passage of the Indian Finance (Supplementary and Extending) Bill in the Legislative Assembly in the recommended form. 2197-98.

MHOW—

Question *re*—
Amalgamation of Pension Controllers' Offices of Lahore — and Lahore district. 1571-73.
Date of amalgamation of the Lahore — and Lahore district Pensions Offices. 1573-74.

MILITARY—

Question *re* — charges in connection with the Burma rebellion. 1540-41.

MILITARY ACCOUNTS DEPARTMENT—

Question *re*—
Appointment of Military officers to the —. 1545.
Appointments in the —. 1914.

MILITARY ACCOUNTS SERVICE—

Question *re*—
Appointments to the superior —. 1910-13.
Reduction of appointments in the Civil and —. 1914.

MILITARY ACCOUNTS OFFICERS—

Question *re* extensions of service granted to —. 1543-44, 1545.

MILITARY AREAS—

Question *re* cost of water works and amount of water-tax collected from the bazar and — in Subathu. 1554-55.

MILITARY BUDGET—

See "Budget".

MILITARY MOTOR TRANSPORT—

Question re cost of —. 2065-66.

MILITARY OFFICER(S)—

See "Officer(s)".

MINISTERIAL STAFF—

Question re recruitment of the — of Government of India offices. 1850.

MISRA, MR. B. N.—

Indian Finance (Supplementary and Extending) Bill—

Consideration of clause 9. 2183-87.

Question re—

Appointment of departmental candidates to the First Division in the Government of India Secretariat. 1584-66.

Expenses of delegates to the Round Table Conference. 1739.

Non-reservation of a railway berth at Patna junction station. 1738.

Promotion of First Division clerks in attached offices and Second Division clerks in the Government of India Secretariat. 1566-67.

Reservation of railway berths at intermediate stations. 1738.

MISTRIES—

Question re retrenchment of —, etc., in the Public Works Department, New Delhi. 2071.

MITRA, MR. S. C.—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1615, 1616, 1652, 1723.

Consideration of Clause 2. 1806-14.

Consideration of clause 5. 2020-24.

Consideration of clause 6. 2046.

Consideration of clause 9. 2183.

Point of order re order of discussion of clauses of the Indian Finance (Supplementary and Extending) Bill. 1805.

Question re—

Abolition of highly paid posts in the Public Works Department, New Delhi. 2070-71.

Appointment of Mr. Edge as officer-in-charge of stores in the Public Works Department, New Delhi. 2071.

Appointment of Personal Assistant to the Chief Engineer, New Delhi. 2072-73.

Armed forces located in Chittagong. 1541-42.

Cost of the Opium Department. 1847.

Cuts in salaries of Government of India officials. 1570.

Dates of trial, etc., in the Meerut conspiracy case. 1905.

Engineering staff of the Public Works Department, New Delhi. 2071.

Erection of a new shed for Public Works Department stores in New Delhi. 2071.

Estate Office, New Delhi. 2072.

Expenditure for counsel for the Meerut conspiracy case. 1906.

Expenditure incurred in connection with the Meerut conspiracy case. 1905-06, 1906-07.

Export of gold from India. 1737.

Issue of building completion certificates in New Delhi. 1571.

MITRA, MR. S. C.—contd.

Question re—contd.

Lee passage concessions granted to superior and non-superior services.

1848.

Necessity for a Chief Engineer in the Public Works Department, New Delhi. 2072.

Pay of Assistants in the office of the Director-General of Posts and Telegraphs. 1567.

Postal insurance of clerks forced to retire before 55. 1567-68.

Retrenchment of mistries, etc., in the Public Works Department, New Delhi. 2071.

Separate electric supply for Army quarters in certain towns. 1648.

Question (Supplementary) re subsidies paid to newspapers. 1568.

MODY, MR. H. P.—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1639, 1679-84, 1702, 1708, 1709, 1758.

Consideration of Schedule I, part I. 1886-92, 1894, 1895, 1897, 1899, 1900, 1937, 1940, 1941.

Consideration of clause 6. 2049.

Consideration of clause 7. 2078-81, 2083.

Consideration of clause 8. 2102, 2113-16, 2144.

Question (Supplementary) re earthquake shocks in British Baluchistan. 1737.

MONTGOMERY, MR. H.—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1772.

MOORE, MR. ARTHUR—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1635-41, 1667.

Consideration of clause 2. 1839, 1843-45.

Consideration of Schedule I, part I. 1899-1900, 1901, 1922.

Consideration of clause 8. 2116-17, 2119, 2129.

Statement in regard to the recommendation by the Governor General. 2200-01.

Question re payment of death claims by the Postal Insurance Fund. 1917.

MORADABAD—

Question re—

Alleged victimization of officials of the East Indian Railway Union. 1558.

Complaints against Mr. C. Pearce, Superintendent, Power, Division, East Indian Railway. 1562-63.

East Indian Railway subordinates appointed as Assistant Superintendents in the — and Lucknow Divisions. 1564.

Pay of Head Clerks to Station Masters, etc., at — and Lucknow. 1563.

MORGAN, MR. G.—

Indian Finance (Supplementary and Extending) Bill—

Consideration of clause 4. 1969, 1970.

MOTOR TRANSPORT—

Question *re* cost of military —. 2065-66.

MOTOR VEHICLE(S)—

See "Vehicle(s)".

MUAZZAM SAHIB BAHADUR. MR. MUHAMMAD—

Indian Finance (Supplementary and Extending) Bill—

Consideration of Schedule I, part I. 1952-53.

Question *re* time-scale of pay for the Second Division in the Government of India Secretariat. 1619.

MUHAMMADAN(S)—

Question *re* — officials in Pushkar. 1721.

See also "Muslim(s)".

MUJUMDAR, SARDAR G. N.—

Question *re*—

Abolition of a Railway Mail Service sorting section between Dhond and Manmad. 1621-22.

Abolition of certain posts of Inspectors in the Railway Mail Service, Bombay Circle. 1622.

Duties of certain postal employees consequent on retrenchments. 1622.

Pay of shroffs in Currency Offices. 1620.

Pension of inferior servants of the Government of India. 1621.

Rates of pay in certain Currency Offices. 1620.

Substitution of Provident Fund for pension system. 1620-21.—

MULTAN—

Question *re*—

Appointment of guards in the — Division of the North Western Railway. 1855-56.

Retrenchment and reduction of guards in the — Division of the North Western Railway. 1856.

MUNICIPAL BOARD—

Question *re* supply of debates of the Legislative Assembly to District Board and — Libraries. 1915.

MURTUZA SAHEB BAHADUR, MAULVI SAYYID—

Indian Finance (Supplementary and Extending) Bill—

Consideration of clause 2. 1828-29.

Question *re* prisoners whipped in the Peshawar jail. 1545-49.

MUSLIM(S)—

Question *re*—

Preponderance of Non- — clerks in the Survey of India. 2076.

Platform for prayers for — provided at the Karachi General Post Office. 1732-33.

See also "Muhammadan(s)".

N

NEW DELHI—

Question *re*—

Abolition of highly paid posts in the Public Works Department, —. 2070-71.

Appointment of caretaker for the Secretariat and Council House in —. 2121-22.

Appointment of Mr. Edge as officer in charge of stores in the Public Works Department, —. 2071.

Appointment of Personal Assistant to the Chief Engineer, —. 2072-73.

Engineering staff of the Public Works Department, —. 2071.

Erection of a new shed for Public Works Department stores in —. 2071.

Estate Office, —. 2072.

Issue of building completion certificates in —. 1571, 1852.

Necessity for a Chief Engineer in the Public Works Department, —. 2072.

Retrenchment of mistries, etc., in the Public Works Department, —. 2071.

NEWSOME, Miss—

Question *re*—

Posters by Miss Nixon and — exhibited by the American Express Company, Calcutta. 1748.

Posters designed by — for the Eastern Bengal Railway. 1747-48.

NEWSPAPER(S)—

Question *re*—

— in Delhi selected for Government advertisements and court notices. 1569.

Subsidies paid to —. 1568.

NIXON, Miss—

Question *re* posters by — and Miss Newsome exhibited by the

American Express Company, Calcutta. 1748.

NO-RENT CAMPAIGN—

Question *re* strained agricultural situation and preparations for a —. 2010.

NON-OFFICIAL BUSINESS—

Question *re* insufficient number of days allotted for — in the Legislative Assembly. 2011-12.

NORTH WEST FRONTIER PROVINCE—

Question *re* appointment of agricultural assistants in the —. 2066.

NORTH WESTERN RAILWAY—

See "Railway(s)".

NOTES—

Question *re* claims of Indians for payment of Russian rouble —. 1730.

NOYCE, SIR FRANK—

- Indian Finance (Supplementary and Extending) Bill—
 Motion to consider. 1772.
 Consideration of Schedule I, part I. 1919.
 Oath of Office. 1533.

O

OATH OF OFFICE—

- Ahmad Nawaz Khan, Major Nawab. 1533.
 Aravamudha Ayangar, Mr. V. K. A. 2197.
 Bhow, The Honourable Sir Joseph William. 1533.
 Cosgrave, Mr. William Alexander. 1533.
 Desanges, Mr. H. Cecil. 1533.
 Gwynne, Mr. Clement Wansbrough. 1533.
 Hira Singh Brar, Sardar Bahadur Captain. 1533.
 Noyce, Sir Frank. 1533.
 Pelly, Major Hutchison Raymond. 1533.
 Roy, Mr. S. N. 2063.

OFFICER(S)—

- Question re—
 Appointment of an Income-tax Inspecting — in the Bombay Presidency. 1735.
 Appointment of Military — to the Military Accounts Department. 1545.

OPIUM DEPARTMENT—

- Question re cost of the —. 1847.

ORISSA BOUNDARY COMMITTEE—

- Question re employment of two Members of the Legislature on the —. 2126-27.

OUT-PATIENT(S)—

- See "Patient(s)".

OVERSEAS ALLOWANCE—

- See "Allowance(s)".

P

PACHBADRA—

- Question re salt production at —. 1536.

PALMER, MR.—

- Question re pay of caretakers and allegations against —. 2112.

PAPER—

- Exemption of printing — from the additional duty. [Discussed under the Indian Finance (Supplementary and Extending) Bill] 1973-02.

PARMA NAND, BHAI—

- Indian Finance (Supplementary and Extending) Bill—
 Motion to consider. 1611-13.

Question re—

- Appointment of agricultural assistants in the North West Frontier Province. 2066.
 Dry cells and batteries imported into India. 1569-70.
 Insolvent clerks of the office of the Director General, Indian Medical Service. 2001.
 Newspapers in Delhi selected for Government advertisements and court notices. 1569.
 Subsidies paid to newspapers. 1568.

PASSAGE CONCESSIONS—

- See "Concession(s)".

PASSENGER FARES—

- Question re — on Indian Railways. 2066-68.

PATIENT(S)—

- Question re collection of fees from out- — of the Cantonment dispensary at Subathu. 1553.

PATIL, RAO BAHADUR B. L.—

- Indian Finance (Supplementary and Extending) Bill—
 Consideration of clause 9. 2168-69.

Question re—

- Appointments in the Income-tax Department in the Bombay Presidency. 1910.
 Grievances of *hamals* at Victoria Terminus Station. 2121.
 Number and pay of chaplains in India. 1907-08.
 Number of bishops in India. 1909.
 Recruitment of additional staff to the Income-tax Department in the Bombay Presidency. 1910.
 Recruitment of non-Brahmins in the Income-tax Department in the Bombay Presidency. 1909.
 Retrenchment in the Indian Ecclesiastical Department. 1908-09.
 Reversion of Mr. N. A. Dalvi from the post of accountant, Dharwar Head Post Office. 2017-18.
 Strength of certain communities in the Income-tax Department in the Bombay Presidency. 1909-10.

PATNA—

Question re—

- Non-reservation of a railway berth at — junction station. 1738.
 Non-stoppage of the Punjab Mail at certain stations in the —. 2017.

PAY—

- Question re—
 Number and — of chaplains in India. 1907-08.
 — and allowances of the Indian Civil Service and concessions recommended by the Lee Commission. 1851.
 — and allowances of travelling ticket inspectors. 1141.

PAY—contd.**Question re—contd.**

- of Assistants in the office of the Director-General of Posts and Telegraphs. 1567.
- of caretakers and allegations against Mr. Palmer. 2122.
- of certain ticket examiners on the East Indian Railway. 1562.
- of shroffs in Currency Offices. 1620.
- of soldiers of the British Army. 1725-26.
- Rates of — in certain Currency Offices. 1620.
- Time-scale of — for the Second Division in the Government of India Secretariat. 1619.

PEARCE, MR. C.—

- Question re complaints against —, Superintendent, Power, Moradabad Division, East Indian Railway. 1562-63.

PELLEY, MAJOR H. R.—

- Oath of Office. 1533.

PENSION(S)—**Question re—**

- of inferior servants of the Government of India. 1621.
- Recommendations of the Retrenchment Committee re taxation of pensions and leave allowances payable outside India, and rent of Government buildings. 1723.
- Savings from Retrenchment and cost of — and compensation to officials retrenched. 1728.
- Scale of cuts in salaries and — in England. 1727-28.
- System of — for Government servants. 1730-31.

PENSION CONTROLLERS' OFFICES—

- Question re amalgamation of — of Lahore, Mhow and Lahore district. 1571-73.

PENSION SYSTEM—

- Question re substitution of Provident Fund for —. 1620-21.

PENSIONS OFFICES—

- Question re cost of amalgamation of the Lahore, Mhow and Lahore District —. 1573-74.

PERSONAL ASSISTANT—

- Question re appointment of — to the Chief Engineer, New Delhi. 2072-73.

PESHAWAR—

- Question re prisoners whipped in the — jail. 1545-49.

PETROL—

- Exemption of — from the additional duty. [Discussed under the Indian Finance (Supplementary and Extending) Bill.] 2004-38.

PLANTATION(S)—

- Question re Indian Semal Cotton —, Limited. 1700.

PLATFORM(S)—

- Question re — for prayers for Muslims provided at the Karachi General Post Office. 1732-33.

POINT OF ORDER—

- raised by Mr. S. C. Mitra re order of discussion of clauses of the Indian Finance (Supplementary and Extending) Bill. 1805-06.
- raised by the Honourable Sir George Rainy that the previous sanction of the Governor General is required for moving the amendment, "That in Part I, Schedule I, to the Bill, amendment No. 4, be omitted". 1956.
- raised by the Honourable Sir George Rainy, whether it is relevant, when discussing the period during which the taxation proposed by the Indian Finance (Supplementary and Extending) Bill is to remain in force, to raise the question whether railway staffs are superfluous or not. 1833.

POLICE—

- Question re — surveillance and scrutiny of correspondence of Sardar Jaswant Singh Danewalia. 2073-74.

POST OFFICE(S)—**Question re—**

- Platform for prayers for Muslims provided at the Karachi General —. 1732-33.
- Transfer to a contractor of the treasury work of — in Bombay. 1622-24.

- [Discussed under the Indian Finance (Supplementary and Extending) Bill.] 2038-62.

POSTAL CASH CERTIFICATES—

- Question re payment of proceeds of — to heirs of deceased purchasers. 1740.

POSTAL DEPARTMENT—**Question re—**

- New appointments made in the —. 1625.
- Retrenchments in the —. 1625.

POSTAL EMPLOYEE(S)—

- See "Employee(s)".

POSTAL INSURANCE—

- See "Insurance".

POSTAL INSURANCE FUND—

- Question re payment of death claims by the —. 1917.

POSTAL RETRENCHMENT SUB-COMMITTEE—

- See "Committee(s)".

POSTAL TREASURY—

- See "Treasury(ies)".

POSTAL WORKSHOP—

Question re proposed abolition of the — at Aligarh. 1917-18.

POSTER(S)—

Question re—

Employment of Indian artists for — designing. 1749.
— by Misses Nixon and Newsome exhibited by the American Express Company, Calcutta. 1748.

— designed by Miss Newsome for the Eastern Bengal Railway. 1747-48.

— designed for the Central Publicity Bureau and Railway Administrations. 1744-47.

— for the East Indian Railway printed at their own press and outside. 1742.

— prepared by the Canadian Pacific Railway. 1748.

Reproduction of — in India. 1743.

Subjects of — issued by the Central Publicity Bureau and Railway Administrations. 1743.

POSTS AND TELEGRAPHS—

Question re—

Abolition of the appointment of Director of —, Sind and Baluchistan. 1731-32.

Pay of Assistants in the office of the Director-General. 1567.

PRESIDENT, MR.—

Point of Order by the Honourable Sir George Rainy that the previous sanction of the Governor General is required for moving the amendment, "That in Part I, Schedule I, to the Bill, amendment No. 4, be omitted". 1956, 1957.

PRESS(ES)—

Question re—

Posters for the East Indian Railway printed at their own press and outside. 1742.

Purchase of blocks by the Manager, Government of India —, Calcutta. 1741-42.

PRICE(S)—

Question re — of certain Government publications. 2000.

PRINTER'S INK—

Increase of duty on —. [Discussed under the Indian Finance (Supplementary and Extending) Bill.] 1961-62.

PRINTING PAPER—

Exemption of — from the additional duty. [Discussed under the Indian Finance (Supplementary and Extending) Bill.] 1978-82.

PRISONER(S)—

Question re — whipped in the Peshawar jail. 1545-49.

PROVIDENT FUND—

Question re—

— scheme for Government servants. 1999.

Substitution of — for pension system. 1620-21.

PROVINCES—

Question re cost of the Lee concessions in the Central Government and the —. 1729-30.

PROVISIONAL COLLECTION OF TAXES BILL—

See "Bill(s)".

PUBLIC SERVICE COMMISSION—

Question re recruitment to Departments through the —. 2076.

PUBLIC WORKS DEPARTMENT—

Question re—

Abolition of highly paid posts in the —, New Delhi. 2070-71.

Appointment of Mr. Edge as officer in charge of stores in the —, New Delhi. 2071.

Engineering staff of the —, New Delhi. 2071.

Erection of a new shed for — stores in New Delhi. 2071.

Necessity for a Chief Engineer in the —, New Delhi. 2072.

Retrenchment of mistries, etc., in the —, New Delhi. 2071.

PUBLICATIONS—

Question re prices of certain Government —. 2000.

PUBLICITY BUREAU—

Question re—

Posters designed for the Central — and Railway Administrations. 1744-47.

Subjects of posters issued by the Central — and Railway Administrations. 1743.

PUBLICITY OFFICER—

Question re purchase of blocks by the —, East Indian Railway. 1740-41.

PUNJAB MAIL—

Question re non-stoppage of the — at certain stations in the Patna District. 2017.

PURI, MR. B. R.—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1640, 1784.

Consideration of clause 2. 1865-69.

Consideration of Schedule I, part I. 1927-29, 1943.

Consideration of clause 6. 2052, 2055-56.

Consideration of clause 8. 2104, 2105, 2107, 2163-64.

PURI, MR. GOSWAMI M. R.—

Question re taxation of motor vehicles. 1556.

PUSHKAR—

Question re—

Income from the — fair, and expenditure of the "Shamilat" Committee. 1721.

Muhammadian officials in —. 1721.

Use of forced labour in Ajmer District and for the — fair. 1724.

Q

QUARTER(S)—

Question *re*—Appointment of Indians to posts of Superintendent of —, etc.
2122.

Separate electric supply for Army — in certain towns. 1648.

R

RACIAL DISCRIMINATION—

Question *re* — in training of certain apprentices at Jamalpore.
2005.

RAGHUBIR SINGH, KUNWAR—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1597-98.

Consideration of clause 8. 2154-55.

Consideration of clause 9. 2195.

Question *re* proposed abolition of the Postal Workshop at Aligarh.
1917-18.

RAILWAY(S)—

Canadian Pacific—

Question *re* posters prepared by the —. 1748.

East Indian—

Question *re*—Alleged victimization of officials of the — Union, Moradabad.
1558.

Appointment of apprentices on the —. 2002-03, 2004.

Appointment of — apprentices to the Technical and Follower
Corps of the Indian Air Force, Karachi. 2003-04.Complaints against Mr. C. Pearce, Superintendent, Power, Morada-
bad Division, —. 1562-63.— subordinates appointed as Assistant Superintendents in the
Moradabad and Lucknow Divisions. 1564.

Pay of certain ticket examiners on the —. 1562.

Posters for the — printed at their own press and outside. 1742.

Purchase of blocks by the Publicity Officer, —. 1740-41.

System of ticket checking on the —. 1558-59.

Temporary employment of ticket examiners on the —. 1561-62.

Eastern Bengal—

Question *re* posters designed by Miss Newsome for the —. 1747-
48.

Indian—

Question *re* passenger fares on —. 2066-68.

North Western—

Question *re*—

Appointment of Controllers on the —. 2124-25.

Appointment of guards in the Multan Division of the —. 1855-
58.Cancellation of confirmation orders of Assistant Train Controllers
on the —. 1918-17.RAILWAY(S)—*contd.*North Western—*contd.*Question *re*—*contd.*

Guards appointed on the control system of the —. 2125.

Indian Loco. Foremen, etc., on the —. 2125.

Promotions to lower grade gazetted appointments on the —.
1852.Retrenchment and reduction of guards in the Multan Division of
the —. 1856.Question *re*—

Passenger fares on Indian —. 2066-68.

Retrenchment on —. 2013.

Robilkhand and Kumaon—

Question *re* recognition of the — Union. 1557-58.

RAILWAY ADMINISTRATIONS—

Question *re*—Posters designed for the Central Publicity Bureau and —. 1745-
47.Subjects of posters issued by the Central Publicity Bureau and —.
1743.

RAILWAY BERTHS—

See "Berth(s)".

RAILWAY COURT OF INQUIRY—

See "Court of Inquiry".

RAILWAY EMPLOYEE(S)—

See "Employee(s)".

RAILWAY FREIGHTS—

See "Freight(s)".

RAILWAY MAIL SERVICE—

Question *re*—Abolition of a — sorting section between Dhond and Manmad.
1621-22.Abolition of certain posts of Inspectors in the —, Bombay Circle.
1622.

RAILWAY SERVANTS—

See "Servant(s)".

RAILWAY STAFF COLLEGE—

Question *re* expenditure on the —, Dehra Dun. 2018.

RAILWAY UNION(S)—

See "Union(s)".

RAINY, THE HONOURABLE SIR GEORGE—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1693, 1697, 1703-07.

Consideration of Schedule I, part I. 1893-95, 1896, 1952, 1959.

Consideration of clause 4. 1981-82.

Consideration of clause 8. 2161.

Statement in regard to the recommendation by the Governor Gen-
eral. 2201-02.

RAINY, THE HONOURABLE SIR GEORGE—contd.

Point of Order by — that the previous sanction of the Governor General is required for moving the amendment, "That in, part I, Schedule I to the Bill, amendment No. 4 be omitted". 1956, 1957.

Point of Order whether it is relevant when discussing the period during which the taxation proposed by the Indian Finance (Supplementary and Extending) Bill is to remain in force to raise the question whether railway staffs are superfluous or not. 1833.

Ruling *re* sanction to amendments to money Bills. 1804.

RAJAH, RAO BAHADUR M. C.—

Question *re* interpretation of Fundamental Leave Rules. 2016.

RAMNAD—

Question *re* abuse of the concession for removal of salt in — district. 2008-09.

RANGA IYER, MR. C. S.—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1637, 1638, 1639, 1664, 1707, 1720.

Consideration of clause 2. 1836-43, 1876.

Consideration of Schedule I, part I. 1901-03, 1961-62, 1964.

Consideration of clause 6. 2051-52.

Statement in regard to the recommendation by the Governor General. 2201.

Consideration of clauses, as recommended by the Governor General. 2206-08.

Question (Supplementary) *re* prisoners whipped in the Peshawar jail. 1549.

Ruling *re* sanction to amendments to money Bills. 1804.

RASTOGI, MR. BADRI LAL—

Indian Finance (Supplementary and Extending) Bill—

Consideration of clause 5. 2030.

Question *re*—

Appointment of caretaker for the Secretariat and Council House in New Delhi. 2121-22.

Cinematograph film companies in India. 2017.

Daily and travelling allowances drawn by members of the Retrenchment Committees. 2016.

Deficit Budgets in European countries and cuts in salaries. 1735.

Indian Semal Cotton Plantations, Limited. 1750.

Insurance Companies in India. 1750-51.

Non-stoppage of the Punjab Mail at certain stations in the Patna district. 2017.

Schools and colleges in the Province of Delhi. 1750.

RAW COTTON—

Abolition of the proposed duty on —. [Discussed under the Indian Finance (Supplementary and Extending) Bill]. 1918-44.

REBELLION—

Question *re*—

Casualties in the Burma —. 1540.

Military charges in connection with the Burma —. 1540-41.

REDDI, MR. P. G.—

Indian Finance (Supplementary and Extending) Bill—
Consideration of clause 5. 2030-31.

REDDI, MR. T. N. RAMAKRISHNA—

Indian Finance (Supplementary and Extending) Bill—
Motion to consider. 1652, 1711-15.

Consideration of Schedule I, part I. 1925-27, 1948-49, 1958.

Consideration of clause 8. 2155-56.

Consideration of clause 9. 2195.

Question (Supplementary) *re* revision of the capitation grant. 1540.

REFORMS—

Question *re* speedy introduction of political —. 2019.

REMITTANCE—

Question *re* facilities for — of funds for officers and soldiers. 2003.

RENT(S)—

Question *re*—
Recommendations of the Retrenchment Committee *re* taxation of pensions and leave allowances payable outside India, and — of Government buildings. 1723.
Reduction of — of houses occupied by clerks in Simla. 1917.

REPORT(S)—

Question *re* preparation of the daily weather —. 2001-02.

RESEARCH(S)—

Question *re* results of malaria — and retrenchment of the Malaria Survey of India. 1995-96.

RESEARCH INSTITUTE—

Question *re* officers of the —, Dehra Dun. 2073.

RESERVE(S)—

Question *re*—
Amount of the Gold Standard —. 2010.
Securities purchased out of the currency —. 2011.
Silver bullion and Government —. 2011.

RETIREMENT—

Question *re* compulsory — of Government servants. 1914-15.

RETRENCHMENT—

Question *re*—
Duties of certain postal employees consequent on —. 1623.
Increase of work and — of staff in Currency Offices. 2063-64.
Orders for selection of personnel for — in Government of India Offices. 1624-25.
Results of malaria research and — of the Malaria Survey of India. 1995-96.
— and reduction of guards in the Multan Division of the North Western Railway. 1856.
— in the Cordite Factory at Aravankadu. 2123.

RETRENCHMENT—contd.**Question re—contd.**

- in the Indian Ecclesiastical Department. 1908-09.
- in the Postal Department. 1625.
- on railways. 2013.
- of mistries, etc., in the Public Works Department, New Delhi. 2071.
- Savings from — and cost of pensions and compensation to officials retrenched. 1728.

RETRENCHMENT COMMITTEE(S)—

Question re daily and travelling allowances drawn by members of the —. 2016.

Statement laid on the Table by the Honourable Sir George Schuster re Members of — who have drawn allowances. 2173-74.
See also "Committee(s)".

RETRENCHMENT SUB-COMMITTEE—

See "Committee(s)".

REVENUE(S)—**Question re—**

- derived from increased duty on imported salt. 1536.
- expected from additional duty on sugar. 1729.

ROHILKHAND AND KUMAON RAILWAY—

See "Railway(s)".

ROUBLE NOTES—

See "Note(s)".

ROUND TABLE CONFERENCE—**Question re—**

- Expenses of delegates to the —. 1739.
- Procedure after conclusion of the —. 2008.
- Representatives of landholders at the —. 2019.

RULE(S)—**Question re—**

- Interpretation of Fundamental Leave —. 2016.
- for confirmation of employees in Government offices. 1915.

RULING(S)—**Finance Bill—****Amendment(s)—**

Honourable Members are entitled to move — to money Bills for reducing taxation without the previous sanction of the Governor General. 1803-04.

Previous sanction of the Governor General should be obtained when the actual burdens on the people are proposed to be increased by — to money Bills. 1803-04.

Right to decide whether a certain — to a money Bill requires the previous sanction of the Governor General or not vests entirely in the Chair. 1803-04.

RULING(S)—contd.**Indian Finance (Supplementary and Extending) Bill—****Amendment(s)—**

Previous sanction of the Governor General is not necessary in moving the — "That in part I, Schedule I to the Bill, amendment No. 4 be omitted". 1958.

Consideration of clauses—

Honourable Members are not entitled to go into details of retrenchments on the — but they can indicate in broad outlines that more retrenchment could be effected. 1833.

Miscellaneous—

Honourable Members cannot make a speech while asking for leave to withdraw a motion. 1978.

In making personal explanations, Honourable Members must restrict themselves strictly to a personal explanation and cannot reply to criticisms levelled against them. 1923.

It is perfectly open to Honourable Members to criticise the recommendations of any Committee which they may have appointed. 1855.

Newspapers are not allowed to be read in the House. 1696.

RUSSIAN—

Question re claims of Indians for payment of — rouble notes. 1730.

ROY, MR. S. N.—

Oath of Office. 2063.

S**SADIQ HASAN, SHAIKH—****Indian Finance (Supplementary and Extending) Bill—**

Consideration of Schedule I, part I. 1951-52.

SALARY(IES)—**Question re—**

- Cuts in — of Government of India officials. 1570.
- Deficit Budgets in European countries and cuts in —. 1739.
- Graduated cut in — of Government employees. 2015.
- Scale of cuts in — and pensions in England. 1727-28.

SALT—

Exemption of — from the additional duty. [Discussed under the Indian Finance (Supplementary and Extending) Bill]. 1982-83, 2020-34.

Question re—

- Abuse of the concession for removal of — in Ramnad district. 2008-09.
- Revenue derived from increased duty on imported —. 1536.
- production at Pachbadra. 1536.

SALT DEPARTMENT—

Question re reduction of staff in the Customs and — in Bombay. 2013-14.

SAMS, SIR HUBERT—

Indian Finance (Supplementary and Extending) Bill—
Consideration of clause 6. 2050.

SANDHURST—

Question re location of the Indian —. 1999.

SANT SINGH, SARDAR—

Indian Finance (Supplementary and Extending) Bill—

Consideration of Schedule I, part I. 1948.

Consideration of clause 4. 1967.

Consideration of clause 5. 1988-89.

Question re—

Abolition of the overseas allowance. 1851.

Alleged victimization of horse-breeders by Army Remount Officers in the Sargodha circle. 1855.

Allowances attached to the posts of Secretaries and Under Secretaries in the Government of India Secretariat. 1851-52.

Appointment of guards in the Multan Division of the North Western Railway. 1855-56.

Appointment of Sikhs to the office of the Director-General, Indian Medical Service. 1853.

Communal inequalities in the staff of the Forest Research Institute, Dehra Dun. 1854.

Conditions of horse-breeding in the Sargodha circle. 1854-55.

Conveyance allowance paid to clerks and officers in Delhi. 1850.

Cost of military motor transport. 2065-66.

Issue of building completion certificates in New Delhi. 1852.

Pay and allowances of the Indian Civil Service and concessions recommended by the Lee Commission. 1851.

Promotions to lower grade gazetted appointments on the North Western Railway. 1852.

Recruitment of ministerial staff of Government of India offices. 1850.

Recruitment of staff in the office of the Contracts Directorate, Army Headquarters. 1848-50.

Retrenchment and reduction of guards in the Multan Division of the North Western Railway. 1856.

Question (Supplementary) re loan granted to the Bahawalpur Darbar. 1835.

SARDA, RAI SAHIB HARBILAS—

Indian Finance (Supplementary and Extending) Bill—

Consideration of clause 2. 1861-63.

Consideration of clause 4. 1967.

Consideration of clause 7. 2077-78.

Consideration of clause 9. 2168.

Question re prices of certain Government publications. 2000.

SARGODHA—**Question re—**

Alleged victimization of horse-breeders by Army Remount Officers in the — circle. 1855.

Conditions of horse-breeding in the — circle. 1854-55.

SARMA, Mr. R. S.—

Indian Finance (Supplementary and Extending) Bill—

Consideration of Schedule I, part I. 1924-25.

Consideration of clause 5. 1989, 2035.

Consideration of clause 8. 2135-36.

SCHOOL(S)—**Question re—**

— and colleges in the Province of Delhi. 1750.

— of instruction for railway employees at Dehra Dun and Kot Lakhpat. 1997-98.

SCHUSTER, THE HONOURABLE SIR GEORGE—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1575-98, 1655, 1662, 1664, 1683, 1684, 1685, 1687, 1695, 1700, 1709, 1753, 1761, 1762, 1775, 1787-1802.

Consideration of clause 2. 1872-80.

Consideration of Schedule I, part I. 1919-20, 1937-43, 1938-54.

Consideration of clause 4. 1967-69, 1969-70, 1977-78.

Consideration of clause 5. 2020-21, 2022, 2023, 2031-32, 2037.

Consideration of clause 7. 2083, 2092-93.

Consideration of clause 8. 2109, 2142, 2143-52, 2156-57, 2162, 2165-66.

Consideration of clause 9. 2168, 2192-93, 2195.

Consideration of clauses, as recommended by the Governor General. 2202-05, 2210.

Motion to pass in the recommended form. 2210.

Statement laid on the Table by — re Members of Retrenchment Committees who have drawn allowances. 2173-74.

SECOND DIVISION—**Question re—**

— of the Division clerks in attached offices and — clerks in the Government of India Secretariat. 1566-67.

Time-scale of pay for the — in the Government of India Secretariat. 1619.

SECRETARIAT—**Question re—**

Allowances attached to the posts of Secretaries and Under Secretaries in the Government of India. —. 1851-52.

Appointment of caretaker for the — and Council House in New Delhi. 2121-22.

Appointment of departmental candidates to the First Division in the Government of India. —. 1564-66.

Promotion of First Division clerks in attached offices and Second Division clerks in the Government of India. —. 1566-67.

Time-scale of pay for the Second Division in the Government of India. —. 1619.

SECRETARIES—

Question re allowances attached to the posts of — and Under — in the Government of India Secretariat. 1851-52.

SECRETARY OF STATE—

Question re reported despatch to the — on Indianisation of the Army. 1847.

SECURITY (IES)—

Question re—

- Cash — required from the contractor of postal treasury work in Bombay. 1624.
— purchased out of the currency reserve. 2011.

SEMAL COTTON—

- Question re Indian — Plantations, Limited. 1750.

SEN, Mr. S. C.—

- Indian Finance (Supplementary and Extending) Bill—
Consideration of Schedule I, part I. 1933.
Consideration of clause 8. 2164.
Question re the Government Epigraphist. 2126.

SEN, PANDIT SATYENDRA NATH—

- Indian Finance (Supplementary and Extending) Bill—
Consideration of clause 2. 1815-17, 1881-82, 1884.
Consideration of clause 6. 2043-45.
Consideration of clause 9. 2169-71.
Question re the Government Epigraphist. 2126.

SERVANTS—

Question re—

- Compulsory retirement of Government —. 1914-15.
Departmental victimisation of railway — appearing before the Court of Inquiry at Bombay 1998.
Pension of inferior — of the Government of India. 1621.
Provident Fund scheme for Government —. 1999.
System of pensions for Government —. 1730-31.

SERVICE, EXTENSIONS OF—

- Question re — granted to Military Accounts Officers. 1543-44, 1640.

SHAH NAWAZ, MIAN MUHAMMAD—

- Indian Finance (Supplementary and Extending) Bill—
Motion to consider. 1593-97, 1663.
Consideration of clause 8. 2101.

"SHAMILAT" COMMITTEE—

- See "Committee(s)".

SHED—

- Question re erection of a new — for Public Works Department stores in New Delhi. 2071.

SHERIFF OF CALCUTTA (POWERS OF CUSTODY) BILL—

- See "Bill(s)".

SHROFF(S)—

- Question re pay of — in Currency Offices. 1620.

SIKH(S)—

- Question re appointment of — to the office of the Director-General, Indian Medical Service. 1853.

SILVER—

- Question re — bullion and Government reserves. 2011.

SIMLA—

- Question re reduction of rents of houses occupied by clerks in —. 1917.

SIND—

Question re—

- Abolition of the appointment of Director of Posts and Telegraphs, — and Baluchistan. 1731-32.
Conditions for reopening of income-tax assessments in —. 1735.
Income-tax appeals in —. 1733-34.
Transfer of the Assistant Commissioner of Income-tax, —. 1733.

SIND MALARIA INQUIRY DEPARTMENT—

- Question re annual migration to Kasauli of the —. 1997.

SINGH, KUMAR GUPTESHWAR PRASAD—

- Indian Finance (Supplementary and Extending) Bill—
Motion to consider. 1599-1604.

SINGH, Mr. GAYA PRASAD—

- Indian Finance (Supplementary and Extending) Bill—
Motion to consider. 1772, 1776-82, 1783.
Amalgamation of Pension Controllers' offices of Lahore, Mhow and Lahore District. 1571-73.
Cost of amalgamation of Lahore, Mhow and Lahore District Pensions Offices. 1573-74.
Expenditure on the Railway Staff College, Dehra Dun. 2018.
Income from the Pushkar fair, and expenditure of the "Shamilat" Committee. 1721.
Muhammadian officials in Pushkar. 1721.
Non-grant of last Saturday holidays in the Office of the Director of Contracts, Army Headquarters. 1556-57.
Passenger fares on Indian Railways. 2066-68.
Recommendation of the Retrenchment Committee re broadcasting and for the withdrawal of the Lee concessions. 1722.
Recommendations of Retrenchment Committee re taxation of pensions and leave allowances payable outside India, and rent of Government buildings. 1723.
Recommendations of Retrenchment Sub-Committees accepted by Government. 1725.
Reported despatch to the Secretary of State on Indianisation of the Army. 1847.
Use of forced labour in Ajmer District and for the Pushkar Fair. 1724.
Question (Supplementary) re loan granted to the Bahawalpur Durbar. 1534, 1535.

SITARAMARAJU, Mr. B.—

Indian Finance (Supplementary and Extending) Bill—
Motion to consider. 1641-48.

Consideration of clause 2. 1883.

Consideration of Schedule I, part I. 1946-48, 1956, 1958, 1959.

Consideration of clause 4. 1967.

Consideration of clause 5. 1988-88.

Consideration of clause 6. 2038-43.

Question re—

Cancellation of confirmation orders of Assistant Train Controllers on the North Western Railway. 1916-17.

Employees in Government of India offices granted passage and other concessions. 2064-65.

Reduction of rents of houses occupied by clerks in Simla. 1917.

Rules for confirmation of employees in Government offices. 1915.

SOLDIERS—

Question re—

Facilities for remittance of funds for officers and —. 2060.

Pay of — of the British Army. 1725-26.

SORTING SECTION—

Question re abolition of a Railway Mail Service — between Dhond and Manmad. 1621-22.

STATEMENT(S) (LAID ON THE TABLE)—

— by the Honourable Sir George Schuster re Members of Retirement Committees who have drawn allowances. 2172-74.

STATES—

Question re Government loans from Indian —. 1999.

STATION MASTER(S)—

Question re—

Appointment of Mr. DeLacriox as —, Lhaksar. 1563.

Pay of Head Clerks to —, etc., at Moradabad and Lucknow. 1563.

STORES—

Question re—

Appointment of Mr. Edge as officer in charge of — in the Public Works Department, New Delhi. 2071.

Erection of a new shed for Public Works Department — in New Delhi. 2071.

STUDD, Mr. E.—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1615.

Consideration of Schedule I, part I. 1934-35.

Consideration of clause 7. 2090-91.

SUBATHU—

Question re—

Amenities provided and expenditure incurred by the — Corporation. 1552-53.

Collection of fees from out-patients of the Cantonment dispensary at —. 1553.

SUBATHU—contd.

Question re—contd.

Cost of water works and amount of water tax collected from the bazar and military areas in —. 1554-55.

Expenditure incurred by the Corporation in —. 1551.

Taxes collected in — Cantonment. 1550-51.

Water rates in —. 1555-56.

Yearly grants made to — Cantonment. 1551-52.

SUBCOMMITTEES—

See "Committee(s)".

SUBORDINATES—

Question re East Indian Railway — appointed as Assistant Superintendents in the Moradabad and Lucknow Divisions. 1564.

SUBSIDIES—

Question re — paid to newspapers. 1568.

SUBVENTION—

Question re annual — given to Imperial Airways, Limited. 1536-37.

SUGAR—

Question re revenue expected from additional duty on —. 1720.

SUGAR INDUSTRY PROTECTION BILL—

See "Bill(s)".

SUHRAWARDY, SIR ABDULLAH—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1644.

Consideration of clause 8. 2120.

SUKHRAJ RAI, RAI BAHADUR—

Indian Finance (Supplementary and Extending) Bill—

Consideration of clause 5. 2028-30.

SUPERINTENDENT(S)—

Question re—

Appointment of Indians to posts of — of Quarters, etc. 2122.

Complaints against Mr. C. Pearce, —, Power, Moradabad Division,

East Indian Railway. 1562-63.

East Indian Railway subordinates appointed as Assistant — in the Moradabad and Lucknow Divisions. 1564.

SUPERIOR SERVICES—

Question re Lee passage concessions granted to — and non — 1848.

SUPER-TAX—

Additional income-tax and — for the financial year, 1931-32.

[Discussed under the Indian Finance (Supplementary and Extending) Bill.] 2097-2119, 2127-27.

Additional income-tax and — for the financial year, 1932-33.

[Discussed under the Indian Finance (Supplementary and Extending) Bill.] 2102-51, 2175-96.

SURVEILLANCE—

Question *re* police — and scrutiny of correspondence of Sardar Jaswant Singh Danewalia. 2073-74.

SURVEY OF INDIA—

Question *re* preponderance of non-Muslim clerks in the —. 2076.

T**TAIT, MR. JOHN—**

Indian Finance (Supplementary and Extending) Bill—
Consideration of clause 8. 2099-2104.

TALIB MEHDI KHAN, NAWAB MAJOR MALIK—

Indian Finance (Supplementary and Extending) Bill—
Consideration of Schedule I, part I. 1930-32.

TAX(ES)—

Question *re*—
Cost of water works and amount of water — collected from the bazar and military areas in Subathu. 1554-55.
— collected in Subathu cantonment. 1550-51.

TAXATION—

Question *re* — of motor vehicles. 1556.

TAXATION OF PENSIONS—

See "Pension(s)".

TECHNICAL CORPS—

Question *re* appointment of East Indian Railway apprentices to the — and Follower Corps of the Indian Air Force, Karachi. 2003-04.

THAMPAN, MR. K. P.—

Indian Finance (Supplementary and Extending) Bill—
Consideration of clause 2. 1883-84.
Consideration of clause 4. 1970, 1973, 1975-76, 1977.

Question *re*—

Departmental victimization of railway servants appearing before the Court of Inquiry at Bombay. 1998.
Government loans from Indian States. 1999.
Interpretation of Fundamental Leave Rules. 2016.
Location of the Indian Sandhurst. 1999.
Preparation of the daily weather reports. 2001-02.
Provident Fund scheme for Government servants. 1999.
Retrenchment in the Cordite Factory at Aravankadu. 2123.
Travel of a leper in the Bombay-Calcutta Mail. 2000.

TICKET CHECKING—

Question *re* system of — on the East Indian Railway. 1558-59.

TICKET EXAMINER(S)—

Question *re*—
Pay of certain — on the East Indian Railway. 1582.
Temporary employment of — on the East Indian Railway. 1561-62.
Uniforms of travelling —. 1561.

TICKET INSPECTOR(S)—

See "Inspector(s)".

TODD, MR. A. H. A.—

Indian Finance (Supplementary and Extending) Bill—
Motion to consider. 1771.
Consideration of clause 9. 2181.

TRAIN(S)—

Question *re* recent alterations in the Viceregal —. 2008.

TRANSFER(S)—

Question *re* — of the Assistant Commissioner of Income-tax, Sind. 1733.

TRANSPORT—

Question *re* cost of military motor —. 2065-66.

TRAVELLING ALLOWANCE—

See "Allowance(s)".

TRAVELLING TICKET EXAMINER(S)—

See "Ticket Examiner(s)".

TRAVELLING TICKET INSPECTOR(S)—

See "Inspector(s)".

TREASURY(IES)—

Question *re*—
Cash security required from the contractor of postal — work in Bombay. 1624.
Transfer to a contractor of the — work of Post Offices in Bombay. 1622-24.

TRIAL(S)—

Question *re* dates of —, etc., in the Meerut conspiracy case. 1905.

U**UNDER SECRETARIES—**

Question *re* allowances attached to the posts of Secretaries and — in the Government of India Secretariat. 1851-52.

UNIFORMS—

Question *re* — of travelling ticket examiners. 1561.

UNION(S)—

Question re—

Alleged victimization of officials of the East Indian Railway, —, Moradabad. 1558.

Grant of recognition and facilities to railway —. 1557.

Recognition of the Rohilkhand and Kumaon Railway —. 1557-58.

UPPI SAHEB BAHADUR, Mr.

Indian Finance (Supplementary and Extending) Bill—

Consideration of clause 4. 1976-77.

V

VANASPATI TRADING COMPANY—

Question re erection of a factory in India for the manufacture of vegetable ghee by the Hindustan Holland —. 2074-75.

VEGETABLE GHEE—

Question re erection of a factory in India for the manufacture of — by the Hindustan Holland Vanaspati Trading Company. 2074-75.

VEHICLES—

Question re taxation of motor —. 1556.

VICEREGAL TRAIN—

Question re recent alterations in the —. 2003.

VICEROY, HIS EXCELLENCY THE—

Message from — asking for the passage of the Indian Finance (Supplementary and Extending) Bill in the Legislative Assembly in the recommended form. 2197-98.

VICTORIA TERMINUS—

Question re grievances of *hamals* at — station. 2121.

W

WAJHUDDIN, KHAN BAHADUR HAJI—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1659-60.

Consideration of clause 6. 2055.

WATER RATES—

Question re — in Subathu. 1555-56.

WATER TAX—

See "Tax(es)".

WATER WORKS—

Question re cost of — and amount of water tax collected from the bazar and military areas in Subathu. 1554-55.

WEATHER REPORTS—

Question re preparation of the —. 2001-02.

WILAYATULLAH, KHAN BAHADUR H. M.—

Indian Finance (Supplementary and Extending) Bill—

Consideration of clause 7. 2091-92.

Consideration of clause 9. 2178-79.

WORKSHOP(S)—

Question re—

Appointment and promotion of an "Outsider" in the Lillooah —. 2005.

Apprentices trained in the Lillooah —. 2005.

Non-transfer of the Works Manager, Lillooah —. 2003.

Proposed abolition of the Postal — at Aligarh. 1917-18.

WORKS MANAGER—

Question re non-transfer of the —, Lillooah Workshops. 2006.

Y

YAKUB, SIR MUHAMMAD—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1697, 1783-87.

Consideration of clause 2. 1841, 1863-65.

Consideration of Schedule I, part I. 1929, 1930, 1939.

Consideration of clause 5. 2036, 2037.

Consideration of clause 6. 2045-49, 2047, 2055, 2056.

Consideration of clause 9. 2179-83.

Question (Supplementary) re—

Loan granted to the Bahawalpur Durbar. 1534.

Prisoners whipped in the Peshawar Jail. 1548-49.

YAMIN KHAN, MR. MUHAMMAD—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1694-1703.

Consideration of clause 6. 2049, 2052-55.

Statement in regard to the recommendation by the Governor General. 2199-2200.

Z

ZIAUDDIN AHMAD, Dr.—

Indian Finance (Supplementary and Extending) Bill—

Motion to consider. 1660-71, 1703, 1709, 1764, 1788.

Consideration of clause 2. 1869-72, 1873.

Consideration of Schedule I, part I. 1931, 1953.

Consideration of clause 4. 1965-66.

Consideration of clause 5. 2034-37, 2038.

Consideration of clause 6. 2053.

Consideration of clause 9. 2190-92.

Point of Order raised by Mr. S. C. Mitra re order for discussion of clauses of the Indian Finance (Supplementary and Extending Bill.) 1805-06.

ZIAUDDIN AHMAD, DR.—*contd.*

Question *re* loan to the Bahawalpur State. 2007-08.

Question (Supplementary) *re*—

Appointment of Personal Assistant to the Chief Engineer, New Delhi. 2073.

Bank failures following enforced holidays during the financial crisis. 2070.

Loan granted to the Bahawalpur Durbar. 1535.

Non-stoppage of the Punjab Mail at certain stations in the Patna district. 2017.

Placing of replies to questions not answered in the House on the table. 1855.

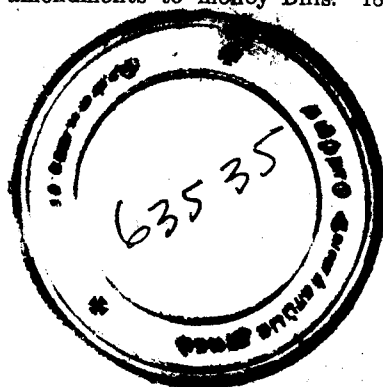
Prisoners whipped in the Peshawar jail. 1549.

Results of malaria research and retrenchment of the Malaria Survey of India. 1996.

Schools of instructions for railway employees at Dehra Dun and Kot Lakhpat. 1998.

System of ticket checking on the East Indian Railway. 1560-61.

Ruling *re* sanction to amendments to money Bills. 1804.



V2, 31 N31
N31.7