

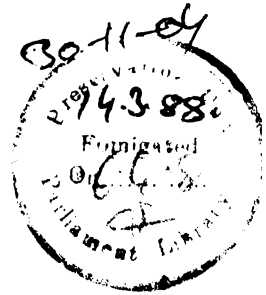
Monday, 5th March, 1934

THE
COUNCIL OF STATE DEBATES

VOLUME I, 1934

(8th February to 27th April, 1934)

SEVENTH SESSION
OF THE
THIRD COUNCIL OF STATE, 1934



PUBLISHED BY MANAGER OF PUBLICATIONS, DELHI.
PRINTED BY THE MANAGER, GOVERNMENT OF INDIA PRESS, NEW DELHI.
1934.

CONTENTS.

Thursday, 8th February, 1934—

	PAGES.	
Members Sworn	1	7—82
Death of Mr. Abdul Hamid	1	2—96
Questions and Answers	2—11	1—403
Statements laid on the table	11—13	
Messsages from His Excellency the Governor General	13—14	
Committee on Petitions	14	
Resolution <i>re</i> placing on record the deep sympathy of the Council with sufferers in the recent earthquake—Adopted	14—19	425
Governor General's Assent to Bill	19	5—27
Bills passed by the Legislative Assembly laid on the table	19	7—28
Motion for the election of two non-official Muslim Members to the Standing Committee on Pilgrimage to the Hejaz—Adopted	19—20	8—37
Statement of Business	20	7—54
		454

Saturday, 10th February, 1934—

Question and Answer	21—22	
Bill passed by the Legislative Assembly laid on the table	22	455
Nominations for the election of two non-official Muslim Members to the Standing Committee on Pilgrimage to the Hejaz	22	5—65
Resolution <i>re</i> Indianisation of the Indian Civil Service—Withdrawn	23—35	5—81
		1—86

Tuesday, 13th February, 1934—

Questions and Answers	37—38	1—93
Reserve Bank of India Bill—Motion to consider, adjourned	38—69	493

Wednesday, 14th February, 1934—

Members Sworn	71	
Questions and Answers	71—78	495
Reserve Bank of India Bill—Motion to consider, adopted	79—111	—97
		—98

Thursday, 15th February, 1934—

Reserve Bank of India Bill—Consideration of clauses and Motion to pass, adjourned	113—46	—519
---	--------	------

Friday, 16th February, 1934—

Bill passed by the Legislative Assembly laid on the table	147	—38
Reserve Bank of India Bill—Passed, as amended	147—63	538
Imperial Bank of India (Amendment) Bill—Considered and passed	163—65	
Statement of Business	165	541
		—62

Saturday, 17th February, 1934—

Question and Answer	167—68	563
Presentation of the Railway Budget for 1934-35	168—73	—64
Motion for the election of two non-official Members to the Standing Committee to advise on subjects other than "Indians Overseas—Emigration" and "Haj Pilgrimage" dealt with in the Department of Education, Health and Lands—Adopted		—65
		—87
		587
		607

HIRD

New
the
t of
ckji

ign

y).
ai-

s :

n-

e

D

e

l

3

5

-

t

Saturday, 17th February, 1934—contd.

Motion for the election of four non-official Members to the Standing Committee on Emigration—Adopted	174
Election of two non-official Muslim Members to the Standing Committee on Pilgrimage to the Hejaz	174

Monday, 19th February, 1934—

Question and Answer	175
Indian Tariff (Amendment) Bill—Considered and passed	175—95

Tuesday, 20th February, 1934—

General Discussion of the Railway Budget for 1934-35	197—246
Election of four non-official Members to the Standing Committee on Emigration	247
Election of two non-official Members to the Standing Committee to advise on subjects other than "Indians Overseas—Emigration" and "Haj Pilgrimage" dealt with in the Department of Education, Health and Lands	247

Monday, 26th February, 1934—

Questions and Answers	246—56
Resolution re further revision and reduction of the new scales of pay—Negatived	251—58
Resolution re protection to the silk industry—Withdrawn	258—67

Tuesday, 27th February, 1934—

Member Sworn	269
Death of Sir Charles Watson	269
Message from the Legislative Assembly	269
Bills passed by the Legislative Assembly laid on the table	269—70
Congratulations to the Honourable Rai Bahadur Promode Chandra Dutt on his appointment to the Executive Council of Assam	270
Presentation of the General Budget for 1934-35	270—83
Statement of Business	283

Monday, 5th March, 1934—

Member Sworn	285
General Discussion of the General Budget for 1934-35	285—354

Tuesday, 6th March, 1934—

Questions and Answers	355—67
Wheat Import Duty (Extending) Bill—Considered and passed	367—73
Indian Medical Council (Amendment) Bill—Considered and passed	373—75
Cotton Textile Industry Protection (Amendment) Bill—Considered and passed	375
Steel and Wire Industries Protection (Extending) Bill—Considered and passed	375—76
Statement of Business	376

COUNCIL OF STATE.

Monday, 5th March, 1934.

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

MEMBER SWORN:

The Honourable Sir Suleman Cassim Haji Mitha, Kt., C.I.E. (Bombay: Muhammadan).

GENERAL DISCUSSION OF THE GENERAL BUDGET FOR 1934-35.

THE HONOURABLE THE PRESIDENT: The discussion will now proceed on the Budget, Part II, but I desire to point out that I am compelled on account of the paucity of time to prescribe a time limit of 20 minutes for individual speakers. I may also state for the information of the Council that the new taxation proposals need not at this stage be elaborated as they will come up for discussion in the shape of three separate Bills and Honourable Members will have ample and unrestricted opportunity to speak on those Bills when they are before the House. The debate will now proceed.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I am sorry that it has now become the habit of the Finance Department of the Government of India to balance their budgets by additional taxation. The balancing of the budget ought to take place on the expenditure side, but not on the receipt side. We must cut our coat according to our cloth. But here we see that we first determine the expenditure and then make up the income by additional taxation. It is a matter of great regret that the emergency budgets which from time to time have been introduced in this House as an emergency measure are now being consolidated into a permanent one. As far as surcharge of income-tax and super-tax and the other surcharges are concerned, I find that they are now coming into the Finance Bill as a matter of course instead of being done away with. The export of gold is being allowed notwithstanding the great protest which the country as a whole, public bodies and public men have been making from time to time, and this is being done to maintain the present vicious rate of exchange. Sir, generally speaking, the agricultural income of India, which concerns more than 76 per cent. of the population, is constantly going down. I will give some figures to show how agriculture is now

[Rai Bahadur Lala Ram Saran Das.]

faring. I will give the values of agricultural income of various provinces in lakhs of rupees.

Province.	1928-29.	1931-32.	(In lakhs of rupees.)	
			Change in value.	Percentage of decrease.
Madras	180,78	101,25	-79,53	44
Bombay	120,52	66,56	-53,96	44.8
Bengal	232,59	106,71	-125,88	54.1
United Provinces	140,52	92,21	-48,31	34.4
Punjab	76,78	37,49	-39,29	51.2
Burma	63,38	29,20	-34,18	53.9
Bihar and Orissa	135,17	71,05	-64,12	47.4
Central Provinces	68,77	32,44	-36,35	52.8
Total	10,18,51	536,89	-481,62	47.3

Now, Sir, from this we find that although the income has practically dwindled down to half, the land revenue has dwindled down only by 15 per cent. The agriculturist has to pay the revenue, as much revenue as he paid when the prices were almost double and the poor cultivator has now to offer twice as much of his produce to his creditors, whether they be Government, money-lenders or others. Real efforts should be made to raise prices as commerce and industry are in a very bad plight.

Sir, the imposition of excise duties is a measure only for revenue purposes and which according to the economic principles is detrimental to the development of industries. The surcharges on the imports of sugar and matches continue, but no guarantee is given that when the surcharges are taken off the excise duty will be decreased. We want some sort of guarantee by the Honourable the Finance Member in this case. The import duty on machinery and cotton and on other raw materials is against all accepted principles of economics accepted in various countries of the world. Here, Sir, we find that in India this is not observed and this duty was first put in by the certified Supplementary Finance Bill of November, 1931. Surcharges even on mill stores continue. This year the Government has withdrawn the export duty on hides. This is against the recommendation of the Hides Committee which sat some time back and which was presided over by Dr. Meek. The export duty was put on in the interests of the Indian tanning industry and I see no reason why the Indian tanning industry should be made to suffer by the withdrawal of such duties.

So far as the Army budget is concerned, Sir, I find that no reduction has been made in it for some time, notwithstanding the very low prices of foodstuffs and other stores. I mean, Sir, that as compared with last year our Army budget this year is more by Rs. 50 lakhs and that Rs. 50 lakhs has been met out of the Reserve Fund. I should like the Honourable the Finance Member to explain how far this increase in army expenditure which is being met from the reserve is justified, and whether

it does or does not amount to actual increase in the army estimates? We find that some years ago our army expenditure was practically half of what it is now and when all over the world disarmament proposals are being discussed, we see no reason why in India we should go on maintaining this extraordinarily heavy burden of our army. As far as the European army is concerned, I consider it an army of occupation and as it is kept here purely for the British and other interests, I think the total expenditure on that army ought to be met by the British exchequer. Indianization is going on at a snail's pace. The Capitation award which has been given to India and which has to a great deal helped the Honourable the Finance Member to balance his budget is totally inadequate and we request the Government of India to fight for a better share in this respect.

Sir, the Government has seen its way to reduce a trifle on the postage rates on letters; but, Sir, on the other hand, they have increased the postage rate on sample packets and other things which are sent by book post. This is not quite welcome because it seriously affects the commerce and trade of the country.

Sir, we expected that the Government of India will let us know how much further they have gone in the way of retrenchment. When the Retrenchment Committee sat and made certain proposals, those proposals were partly accepted and, if I mistake not, the Government assured us that later on they will consider whether any other retrenchment is possible. We have seen, Sir, that as far as the salaries and allowances of the lower services are concerned and which are under the control of the Government of India, a reduction has been made, but, Sir, it is astonishing to find that no definite announcement has yet been made as regards the scales of pay and allowances of future entrants to the superior services which are under the control of the Secretary of State. It is quite unjust and unfair that the superior cadre of services should remain untouched, while the lower cadre should be made to accept lower salaries. I would therefore request the Honourable the Finance Member to say how far they have succeeded and whether or not it is correct that the Secretary of State for India has ruled that he will not allow any reduction whatsoever in the scale of salaries of the superior services under his control?

Sir, it is gratifying to note that some progress is being made in civil aviation in India and I request the Government to move faster in that direction and keep pace with other countries. I know, Sir, that due to the efforts of the Honourable Sir Frank Noyce and Mr. Tymms, the Director of Civil Aviation, some progress is going on in civil aviation, though at a snail's pace. I understand that this year nearly Rs. 14 lakhs have been budgeted for civil aviation, out of which Rs. 4 lakhs go as contribution to the Telegraph Department, and when we come actually to the encouragement of flying and contributions to flying clubs, we find that only a meagre sum remains for allotment. The contribution to the various aero clubs are such that they do not even meet the expenditure on the establishment of even pilot instructors and ground engineers leaving aside the other staff. I wish, Sir, the Government of India would see their way to make India more air-minded by giving a substantial increase in yearly donations to flying clubs and introduce and encourage air services into India on the same scale as in other countries. It may be said that aviation does not benefit the agriculturist directly; but, Sir,

[**Bai Bahadur Lala Ram Saran Das.**]

that argument would not stand. There are a number of other departments which indirectly benefit the cultivator but do not directly benefit him. *e.g.*, the Archæological Department and other scientific departments. We must keep pace with other countries in civil aviation.

Sir, I must bring in the question of the exchange ratio and that 1s. 6d. ratio is being maintained now at great sacrifice and India is suffering from it.

The question of unemployment has not been solved though various committees were appointed by the Government of India and by the different provinces. The time has now come, Sir, when Government should take effective steps to meet this question. Even in England there was a sort of invasion on the House of Commons by the unemployed who wanted their case to be heard. Here unemployment, particularly among the educated classes, is becoming more and more acute every day. As regards other industrial and agricultural workers, the numbers of unemployed are also swelling. I should like to ask the Honourable the Finance Member if he has only lip sympathy with the unemployed or whether he means to move in the matter in right earnest?

Sir, I might cite the example of Italy as far as the appreciation of currency is concerned. Signor Mussolini tried to appreciate the currency by means of a big loan in America. The price of the lira which used to be 107 to the £ fell to 83 to the £ and it was then decided that the appreciation could not be maintained.

Sir, I find that the Department of Industries and Labour in the Government of India is simply a misnomer. The only industrial work the Department under the Central Government does is factory and labour legislation. Sir, in matters of industrial development, the present constitution has created a divorce between power and responsibility. The provinces which are interested in the development of industries have got no power in their hands and they only carry responsibility, while the actual power for stimulating industrial development are in the hands of the Government of India, *viz.*, tariffs, fixation of railway freights, currency and exchange. Under the present constitution, Sir, the Viceroy has, under the Devolution Rules, the power to include any important industry which he considers fit as being treated as a central subject and if I mistake not textiles and the steel industry and a few other industries have been treated as such. I wish, Sir, that industrial development could not take place until and unless power and responsibility are united. High taxation is killing trade and industry in which the salvation of India lies.

Sir, the Government of India had promised to try to make further retrenchments. This year we find that in the Political Department which is already a very well patronized department and where reversal in Indianisation is going on a new Agency to the Governor General has been formed at Raipur, and the work that used to be done through the Central Provinces Government and the Bihar and Orissa Government has been withdrawn. I should like to know, Sir, why this was made and what was the serious defect in the previous arrangement?

THE HONOURABLE THE PRESIDENT: The Honourable Member will please conclude his speech now.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I will not take long. Finally, I would request the Government of India to be generous towards their subjects as the subjects are the root of every Government and unless the prosperity of the subjects is kept in view, and which is the right policy it might involve the Government in great difficulties. "Live and let live" should be the policy of Government.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal: Muhammadan): Sir, this is the last speech of an eminent financier, Sir George Schuster, who is leaving India for good after strenuous work for about six years. (Hear, hear.) Sir, India like the rest of the world had to pass through great economic distress during his regime. Sir, I agree with him that the economic depression has already touched bottom and we can expect trade and industry gradually to improve in future. We have a balanced budget on paper though actually we have deprived the Debt Redemption fund of about Rs. 4 crores. Contribution from the Capitation arbitration brings in Rs. 1,78,00,000 a year in future. In the year 1924 it was Sir Basil Blackett who provided for a Debt Redemption fund on the basis of payment of one-eightieth part of all future debts and a lump sum of Rs. 3 crores for the past National Debt. Now, Sir, it was Sir George Schuster who gave effect to this scheme and even in hard times provided for the payment of nearly Rs. 7 crores a year to reduce our debts. Sir, I do not fully agree with his view of reducing the amount to Rs. 3 crores though for the purpose of balancing the budget that is the best alternative. I admit, Sir, that the balancing of the budget scientifically is a very difficult task which can only be done by an able financier and a genius like Sir George Schuster who had to face realities and run the Government of India.

Sir, as an elected representative from Bengal for the last nine years in this House I cannot but congratulate Sir George Schuster for his far-sighted policy and broad vision. Bengal will be grateful to Sir George Schuster for doing her bare justice by providing nearly Rs. 2 crores as its share of the jute excise duty. Strictly speaking, Sir, Bengal should rightly claim the entire amount of Rs. 5 crores of this excise duty from jute.

THE HONOURABLE MR. BIJAY KUMAR BASU: We have come down to Rs. 2 crores now.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: Well, Sir, this excise duty on jute was meant for the benefit of the Central Government as an exigency war measure. What justification has the Government of India to keep it on for decades after peace? What answer can you give?

THE HONOURABLE MR. BIJAY KUMAR BASU: None.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: Sir, jute is the monopoly production of Bengal and so any excise duty on it is really borne by the jute cultivators of Bengal, and without this money it is impossible for any Government in Bengal, whether a *Swaraj* Government or this Government, to have a balanced budget. Every year Bengal has

[Mr. Mahmood Suhrawardy.]

been incurring a debt of nearly Rs. 2 crores while all the beneficial schemes of nation-building department, such as health, industry and education, have been ruthlessly curtailed.

Sir, by anticipating the future federal adjustment of revenue, Sir George Schuster has put the people of Bengal under a deep debt of gratitude.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON: What about the rest of India?

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: Sir, I began by saying that as an elected representative of Bengal I stand here on the floor of this House, and I have been knocking at the door of Government for the last nine years. The door has now been opened and Sir George Schuster with his broad vision and political wisdom has done this justice to Bengal.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: You have been fortunate enough.

THE HONOURABLE SIR DAVID DEVADOSS: Thankful for doles!

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: He has also saved the poorer classes by not increasing the duty on salt and by granting a special fund for earthquake relief measures in Bihar caught the imagination of the masses in this vast country of India and has really laid claim to be "a better *Swarajist* than the *Swarajists* themselves"—as once claimed by a Bengali financier, Sir Bhupendra Nath Mitra, in the other House.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: The relief to Bihar so far has been quite inadequate.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: It was, I think—

THE HONOURABLE THE PRESIDENT: Will the Honourable Member address the Chair?

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: Very well, Sir, I bow to the Chair.

Now, Sir, I have to criticise Sir George Schuster for his policy of not imposing an export duty on gold; nor do I support him for turning a deaf ear to all our entreaties to have a full review and thorough enquiry into the ratio question and to bring the exchange ratio if possible to 1s. 4d. which would greatly help the poor agriculturists of India.

Sir, I come now to postal and telegraph rates. I would have liked the price of the postcard to be lowered to two pice and the weight of envelopes costing one anna should be at least one tola and not half a tola as in the Finance Bill. Telegraph rates have been rightly lowered but I would suggest that the general rate of an anna a word with a surplus of an additional anna on the total for ordinary telegrams without fixing any minimum rates would have been best.

With these remarks, Sir, I wish the Finance Member God-speed, excellent health and prosperity in his future career.

THE HONOURABLE SIR HOMI MEHTA (Bombay: Non-Muhammadan): Sir, this is the last budget that our Honourable friend Sir George Schuster is placing before this House. Before I come to the subject of the present budget, I must say that it would be very ungrateful on the part of the whole of India if the services rendered by him during the last five years are not viewed in the manner in which it should be viewed. Sir George Schuster, since he arrived in India in 1929, had a more strenuous time than any Finance Member of India has ever had before. From 1929 onwards the times began to get worse and worse till 1931 when a real emergency arose and our Honourable friend took courage in both hands and presented before the House a supplementary budget so as to balance the budget of that year. Not only did he try to do that but he put forward a scheme for three years so that the losses may be wiped out and the budgetary position of the country may be restored by the end of 1933. It is history that he has succeeded enormously, if not completely. The previous losses have been wiped out, money conditions in India have been restored, the rates of interest have fallen, and an amount of good has been done which only those who are in the depths of finance in the Indian world can understand. Sir, if he has not been able to take off the surcharge duties which were charged in 1931, it cannot be helped, but I should think that within a year or so these things would become a thing of the past. I congratulate the Honourable Member for the work done, and the whole of India feels most exceedingly grateful to him for what he has done and my Honourable friend has navigated the ship in the stormy waters of 1930-32, and brought it safely to harbour. (Hear, hear.)

Coming to the budget proper, there are two departures from the previous budgets. The Honourable the Finance Member has had to have recourse to putting an excise duty on sugar so as to get some revenue for the revenue lost by the import duty on foreign sugar. The import of foreign sugar, as you are all aware, is falling and consequently the import duty is falling. Government has to govern and has to find money to conduct the affairs of the country, and therefore must have recourse to some measures and I think this excise duty on sugar is the most equitable way of finding some help for Government to recoup the losses they had on account of less import duty on sugar. But my Honourable friend thinks that the putting of Rs. 1-5-0 a cwt. excise duty on sugar will curtail the shipments or possibly do away with all the imports of sugar in this country. I have my own doubts about it. The present price of sugar-cane is about six annas a maund. Eleven maunds of sugar-cane are required to produce one maund of fine sugar. In other words, it is Rs. 4-2-0 a maund for the raw materials before a maund of sugar is produced. The working charges in the most efficient up-to-date mill are about Rs. 2-8-0 per maund. That brings the total to Rs. 6-10-0 a maund cost at the factory door. On the top of that there is the excise duty of Rs. 1-5-0 per cwt. which is equivalent to 15 annas per maund; and that brings the total to nearly Rs. 7-9-0 a maund at the factory. Also the factories have to send the sugar to various parts of the country and if the railway freight is added it brings the cost price at the ports, Calcutta, Bombay, Karachi, to about Rs. 9 per maund. Indian sugar, as we know, is sold at the factory according to quality at prices between Rs. 8-4-0 and Rs. 9. I do not know of a single mill which sells at more than Rs. 9 per maund.

[Sir Homi Mehta.]

Now the imported sugar at the ports, Calcutta, Bombay and Karachi, sells at about Rs. 10-2-0. But at the Kathiawar ports it sells at much under that price. I do not want to throw any mud at the management of those ports, but there must be a screw loose somewhere, because otherwise how could they sell at a lower figure, when with an import duty of Rs. 9-1-0 per cwt. the price should be somewhere about Rs. 13 to Rs. 14 per cwt.? Actually, Java and other countries exporting sugar to India are selling it at a price of 7s., 6s. 9d., and the lowest price is 6s. 6d. according to prices quoted in sterling in Lahore. I cannot understand, with a duty of Rs. 9-1-0 how these ports can sell at the price they do, unless they are making a tremendous loss? Those are the facts. I do not know whether they get a refund or whether the Kathiawar ports are remitting any of the duties to the buyers. I do not want to pursue the matter, but there is some loophole through which this is being done. Then, Sir, the margin of profit, taking account of this proposed excise duty of Rs. 1-5-0 a cwt., would be very small. I must admit that some sugar factories have made enormous profits; but those are factories which only came into existence a couple of years ago and they have the most modern machinery and most up-to-date arrangements that you can imagine. That is why they are making a profit and a very handsome profit at that. But the mills installed five to seven years ago are not equipped with the same modern machinery, and they do not obtain half as good results as modern mills, and consequently they are bound to suffer. Their profits will go down tremendously, I should say to almost next to nothing, and I should not be surprised if a few of them close down altogether. So I hope the Finance Member will consider these points and when presenting the Bill he might think it wise not to put on the whole Rs. 1-5-0 per cwt. excise, but only half that amount, and obtain the balance by raising the duty on imported sugar. He would thus balance the position and would do a good turn to both the industry and the Government. Then the Government must also consider that while sugar factories were making good profits Government was receiving a large sum by way of income-tax and super-tax. I have not got the figures before me, but I understand it is a very large sum. But if the profits are reduced Government will be hit on the other side through lesser receipts from income-tax and still lesser receipts from super-tax. I draw the attention of my friend to these points.

Then, Sir, as to the cotton industry. I will not take up much time as you, Sir, have said that we will have ample opportunity later on to argue the matter in full. But one thing is important and I mention it while our friend the Honourable Sir George Schuster is over here. The import duty of Rs. 25 per candy on Egyptian, Kampala and American cotton is a source of real trouble to Bombay and more than that to British India and I will explain how this is. All this cotton used to come to Bombay harbour and the Port Trust used to get its landing fees and other charges, the bankers had the bills of exchange and insurance companies derived some benefit from it, etc. And all that on account of this pernicious duty, which is equivalent to an excise, has been lost owing to the diversion of more than 50 per cent. of the cotton to the ports of Bhavnagar, Okha, Bedi and others. I do not blame exporters one bit for sending their cotton to those ports, and if the British Indian Government were getting the full benefit of that Rs. 25 per candy import duty and having it credited to the exchequer I would have no grouse. But Bhavnagar, Bedi

and other Kathiawar ports have not got a single mill where they can use that cotton, and they get something like Rs. 50 lakhs from this import duty which they take for their own purposes. Why should they? It is most illogical that that money should go into the coffers of Indian States and not into the coffers of the Indian Government so as to reduce our taxation. If there were mills in those parts, let them have it by all means; nobody could grumble or say anything against it. If Government insist on retaining the duty of Rs. 25 per candy, it is easy for the Government to collect it from the actual users, that is, the mills which use this cotton and pay for it. I do not see how there can be any difficulty in so collecting, and then the British Government can get every pie of taxation into their own coffers.

Then there is another thing which kills the Bombay harbour trade. It is the town duty and all the port trust charges which are far more than in any of the other ports; in short this trade is diverted to these other ports, and at that rate Bombay would be a second rate station or perhaps a third rate city. I hope the Government will take this into account and do something to help the Local Government of Bombay.

I see that His Excellency the Commander-in-Chief is not here and one must give a tremendous amount of credit to him for, though a military man, he has done more than a financier can do, to reduce the expenses from Rs. 56 crores in 1930 to Rs. 46 crores in 1934, a reduction of Rs. 10 crores. Making allowance for what was given by the British Government as a refund, nearly about Rs. 2 crores, still a great saving of Rs. 8 crores has been effected. If the civil departments of the Government of India were to exert themselves in the same manner as the Commander-in-Chief has done, possibly they would save a few crores of rupees per year and that would relieve taxation to a large extent.

Now I come to the windfall which Bengal had at the hands of the Honourable Sir George Schuster. I do not grudge it for one moment; not the slightest. As a matter of fact I congratulate them for having it. But, Sir, I wish Government would find ways and means to help other provinces also. Bombay has been hit hard and her case deserves careful attention. The Governor of Bombay is here today; he will put before His Excellency the Viceroy and the Finance Member and others the difficulties under which the Bombay Government is suffering. I hope the Executive Council Members and others will pay heed to it and will do something for the amelioration of that province also.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: But Bombay has already balanced its budget?

THE HONOURABLE SIR HOMI MEHTA: I was not going to touch on this controversial subject. As my Honourable friend Mr. Suhrawardy says that Bombay has already balanced its budget, he must understand that the Bombay Government are even charging on electricity supplied a surtax. Bombay have done everything in their power to get their budget square; they have reduced the Executive Council Members from seven to four, which Bengal has not yet done. Bengal still has seven Members. I did not like to say that, but my Honourable friend must understand that before he wants help for his province, his province must do everything possible to square its budget.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: Provincial jealousy.

THE HONOURABLE SIR HOMI MEHTA: The Bombay Retrenchment Committee under the guidance of Sir Frederick Sykes, the late Governor, recommended a tremendous amount of retrenchment and the Government of Bombay carried out and saved more than Rs. 45 lakhs. These are things that Bombay have done so as to balance its budget. I do not know if Bengal has done all this, because I am not a Bengali. I have no idea; but I feel that because they have not done all these things that they are still in deficit. I congratulate them on the benefit that they have got from the Government of India. But certainly there should not be a premium on inefficiency. If other provinces have tried to do their best to balance their budget, certainly Bengal should do the same, and it should not set an example for the other provinces to slack.

THE HONOURABLE THE PRESIDENT: Your time limit is over now.

(The Honourable Member resumed his seat.)

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras: Non-Muhammadan): Sir, we have been presented a few days back with an account of India's financial administration and proposals for the coming year, by Sir Alfred Parsons which undoubtedly—to make use of the words of the Honourable the Finance Member—“marks the last chapter in the story” of our present Finance Member, whose last budget proposals we have met to discuss today. We will indeed be failing in our duty if we do not congratulate the Honourable Finance Member for having manned the ship of India's financial administration over troubled waters, right through the period of his term of office, a period that was characterized by the “severest economic disturbance and depression which our modern system has experienced”. While congratulating the Finance Member for his logically framed budget speech, I cannot approve of some of the measures proposed therein—such as taxing the common necessities of life like matches.

The over-burdened taxpayer, for instance, gets no redress of his grievances in the new budget. The surcharge on income-tax that was launched as a temporary emergency measure still continues and I am afraid that it has become a permanent feature of income for the Imperial Government.

The measure that has been introduced by the Finance Member in the postal and telegraph rates demands our attention. “With the growing competition provided by telephone and air mail facilities” it is undoubtedly true that “the telegraph business will be permanently damaged”, and the proposal of the Finance Member to introduce a minimum charge of nine annas for a telegram of eight words and an additional charge of one anna for every additional word in the case of the ordinary telegrams and double the amount in the case of express telegrams is really commendable. This reduction will surely prove in the long run to be a source of increased income and will heartily be welcomed by all.

But the charges proposed in the postal tariff by which the initial weight of the inland letters will be reduced from two and half tolas to half a tola "coupled with a reduction in charge from one and a quarter annas to one anna" will in no way be conducive to help the poor. The fact that an envelope and a letter paper will weigh together half a tola is inconceivable unless special papers of low weight are specially manufactured for the purpose. The new proposal may be very advantageous to the business man but on the other hand I fear that this proposal will lead to much confusion among the poor and the Government alone will be ultimately benefited by the collection of excesses if I am not mistaken, and this reduction will ultimately prove to be an indirect tax on the poor and the illiterate. This reduction in charge from one and a quarter annas to one anna is quite welcome, provided the initial weight of the letter is also reduced in proportion to the reduction in charge, viz., to one and a half tolas from two and a half tolas; but the enviable reduction of four-fifths of the initial weight for one-fourth reduction in charge cannot but be very much resented.

"It is regretted that the Government cannot contemplate making similar experiment in the matter of postcards. The loss involved in reducing it to half an anna is estimated at Rs. 56 lakhs".

These words of the Finance Member induce us very much, to regret in turn, that the Government is not evincing the necessary interest in the poor man's postcard. I have drawn the attention of this House more than once to the fact that the reduction in the price of the postcard is a dire need, and the cause of the poor must necessarily be taken into consideration. I do grant that this reduction will involve a loss of Rs. 56 lakhs, but the farce of reduction of charges in inland letters with a detrimental and inconceivable reduction in the initial weight which, we understand, will involve a loss in revenue of Rs. 27 lakhs, may safely be set aside and instead the cost of the postcard may be reduced since it is the only commodity that is made use of by the poor and the middle classes, and indeed the taxes on the luxuries of the rich may be increased to meet the remaining loss of Rs. 29 lakhs. The Finance Member, instead of stopping with pious regrets, should have reduced the price of postcards and brought in a new measure to make up the much feared loss of Rs. 56 lakhs from the reduction of the postcard without in any way affecting the poor.]

Again, the proposal to levy a tax on matches made in British India is another parting blow of the Finance Member. It is a growing national industry which is badly in need of protection and not taxation. The poor and the middle classes will be very much affected by this taxation and the growing industry will be heavily handicapped by foreign competition. This tax on matches is levied by the Central Government—"the banker to the provinces"—as the Finance Member proudly terms it, for the plain reason of making up the loss which the Central Government will sustain if it were to hand over half the jute export duty to Bengal which has been incurring deficits at the rate of Rs. 2 crores per annum since 1930. The fundamental reason for this continuous deficit of Rs. 2 crores per annum in Bengal is self-evident as Bengal has incurred abnormal expenditure since 1930 to suppress the terrorist movement. But, I fail to comprehend the logic of helping Bengal in spending large amounts of money for suppressing terrorist movements. Bengal, on the

[Diwan Bahadur G. Narayanaswami Chetti.]

other hand, must levy new taxes or bring in new measures to make up for the regular deficits. To relieve the financial strain of Bengal the poor man's consumption like matches should not be taxed. The Government may act as the banker of the provinces but certainly not at the cost of the poor and the middle classes.

The lot of the agricultural population has in no way been bettered 11 A.M. by the new budget. Rice which forms 50 per cent. of the agricultural produce of India is forsaken completely to face the storm of foreign imports like Siamese rice and wheat which forms only 9 per cent. of the agricultural produce of India has been loaded with protection after protection. In addition to the burden of the fixed money charges which the cultivator has to pay, like taxes, interest and rent, he is also forced to face the damaging storm of foreign import, and the Central Government have turned a deaf ear to the imploring cry of agony from the poor cultivator. I urge on the Government to take immediate steps to completely prohibit the import of foreign rice into India in the interest of the agricultural population.

We readily welcome the proposal of the Finance Member to transfer the estimated surplus of Rs. 1,20,00,000 to Bihar for the calamity of Bihar is a national calamity which demands the help of every Indian. The abolition of the export duty on raw hides will no doubt encourage the export trade which is at very low ebb at present but it will at the same time, kill the nascent tanning industry, and the reduction of duty on silver from seven and a half annas to five annas is really commendable and it will certainly result in the increase of the import of silver.

The increase of duty on raw tobacco and cigarette needs our attention. The duty on manufactured cigarettes imported was Rs. 10-10-0 per thousand and the tobacco needed for manufacturing 1,000 cigarettes is two and a half lbs. But the duty on the raw tobacco is only Rs. 2 per lb. Hence in the face of high duty on manufactured cigarettes tobacco was imported and cigarettes were manufactured here in India by foreign companies with Indian labour. Therefore the increase of duty on raw tobacco imported and the *ad valorem* duty on manufactured cigarettes will not only protect cigarette manufacture in India but also stimulate the use of Indian tobacco.

The Finance Member is justified in levying an excise duty of Rs. 1-5-0 per cwt. on sugar, leaving a protective margin of Rs. 7-12-0 the maximum duty recommended by the Tariff Board. We understand that the rapid rise of the sugar industry results only in "large profits" being made by the sugar manufacturing companies, but the actual grower of sugar-cane gets very little for his cane. We are glad to find that the Government are proposing to fix the minimum price for the cane and thus help the grower of sugar-cane.

It is indeed gratifying to note that the defence budget for 1934-35 is no less than Rs. 10½ crores below the expenditure of 1928-29, which is undoubtedly due to the untiring efforts of His Excellency the Commander-in-Chief, to whom we take this opportunity of expressing our grateful thanks.

Let me conclude by pointing out that the present budget is very unsatisfactory as far as the reduction of debt is concerned. "The obligation to pay completely the allotted share towards debt reduction" has been purposely evaded to present a parting surplus budget of Rs. 1,29,00,000 which would have otherwise been a deficit budget of nearly Rs. 2 crores. Steps should be taken by the Central Government to reduce their expenditure still further and thus enable the Finance Member to present a real surplus budget, after paying the allotted share towards debt reduction. Though the present budget is not satisfactory from the poor man's point of view, India will ever remember the great services Sir George Schuster has rendered to her in the past and I join my Honourable friends in congratulating him and wishing him every success in his career.

THE HONOURABLE MR. E. MILLER (Bombay Chamber of Commerce): Sir, the Honourable Sir Alan Parsons when presenting the budget in this House last Tuesday tendered an apology for the time he would occupy in delivering his speech, but I am sure all Honourable Members will agree that such an apology was unnecessary for every word was full of interest and his review of the financial position today and the prospects of the future, were most instructive.

The Honourable the Finance Member's speech in another place and delivered at the same time, dealt with the same subject in much greater detail and at considerable length, which enabled me to hear the latter half and I was particularly impressed with his discourse on the economic situation and the possibilities of future development. I should like however to defer making any comments on this until later.

I will refer first to the fact which the Government of India cannot fail to realize, namely, that in the matter of taxation on imports and income-tax they are now up against the law of diminishing returns. This is due to some extent to the protective policy on which India has embarked and figures given in regard to the sugar trade are certainly staggering, for as a result of the enormous duty imposed on imported sugar the revenue on this one item alone has fallen from Rs. 10½ crores in 1930-31 to an estimated income in 1934-35 of something in the neighbourhood of Rs. 2 crores.

The excise duty now proposed on sugar produced in Indian factories is a clear indication that the cost of protection for the development of indigenous industry, must involve the introduction of fresh methods of indirect taxation if the public services are to be maintained. I have no serious objections to make to the proposed new excise duties as such, but I do protest most strongly to the Government deciding to utilize the proceeds derived from an all-India tax, which is in fact being introduced for this special purpose, so that they can give a rebate to certain provinces, mainly Bengal, who have to pay an excise duty on jute which is only produced within a certain restricted area and not elsewhere in India. I wish to make it clear that I have no objection to the Government of India remitting half the jute tax but to the manner in which they have imposed an all-India tax in order to enable them to do so. This seems wrong in principle and Burma will no doubt have something to say in regard to rice, but I can leave that in other hands.

[Mr. E. Miller.]

I shall confine myself to Bombay who for years past have been asking for more generous recognition of their claims. Her position is now even worse than in the past. The transfer of imports into India from Bombay to Kathiawar ports is a growing menace and will end in irretrievable disaster if prompt action is not taken by the Government of India. The following figures will show how the imports into the maritime states of Kathiawar are growing:

Year.	Imports into	Share of
	Kathiawar State.	Bhavnagar.
	Rs.	Rs.
1931-32	2½ crores	75 lakhs.
1932-33	4 ..	233 ..

Of the total of Rs. 4 crores in 1932-33, goods to the value of Rs. 2½ crores crossed the Viramgam line into British India. I have not complete figures, but I am informed that the imports for the official Bhavnagar year 1933 were up to November last, approximately Rs. 415 lakhs. Customs duty on imports into Bhavnagar which in 1926 amounted to just over Rs. 9 lakhs, rose in 1931 to Rs. 51 lakhs and I understand they are now approaching the figure of Rs. 1 crore per annum.

A complementary aspect to this question, which should not be lost sight of when considering the increasing diversion of the import trade to Kathiawar ports, is the effect which this has in stimulating the export trade as well. Increased shipments to Kathiawar lead to the provision of more direct shipping facilities, which in turn make direct shipments from Kathiawar for certain districts considerably cheaper than shipment from ports in British India.

As Honourable Members are aware, the State of Bhavnagar in virtue of certain treaty rights, enjoys the unique privilege of being allowed to retain the whole of the customs duties levied on goods entering the port of Bhavnagar and the growth in customs revenue which accrues to that State is lost to the Government of India. The process has been going on with ever-increasing intensity for the past ten years, during which time representations without number have been made to the Government of India in the endeavour to enlist their active co-operation in order to check this transfer of trade. The causes are well known and the remedy can only be found by revision in one way or another of the long established treaty rights to which I have already referred. I am aware this may not be easy to arrange but the Government of India must face the situation and until they do, their revenue will continue to suffer increasingly severe depletion.

The latest manifestation of the injury which Bombay is suffering from this cause is the rapid growth in the movement of exporters of cotton to make their shipments through new channels in order to avoid the admittedly high cost of shipment through Bombay. This challenge by other ports to deprive Bombay of the trade which has been immemorially its own is one which cannot be ignored for a moment. It is no exaggeration to state that in this issue is involved the economic existence of the presidency, for that must be wrapped up in the economic survival of the City and Port of Bombay. There has been no lack of evidence of the

determination of the commercial community to defend themselves and to retain the flow of trade for this City, and I think I can also say that the Government of Bombay and its public bodies have now come to see that the problem will not brook delay. It remains for the Government of Bombay and with it the Municipal Corporation, to make their contribution by removing the town duty. It is here that the Government of India can afford immediate financial assistance in a form similar to that now offered to Bengal and the other eastern provinces already referred to. Loss of town duty on cotton is calculated to cost the Government of Bombay a sum of about Rs. 10 lakhs yearly, and the Corporation only a little less. The finances of both are in the most stringent condition, and neither can on the face of it afford to forego even this comparatively modest part of their revenue, though foregone it must be if Bombay's export trade in cotton and probably in other commodities also, is not gradually to sink to extinction.

The Government of India could make no better use of part of their receipts from the new match taxation than by allocation to Bombay's Government and Corporation of the sum necessary to cover their loss of revenue which it is fervently hoped they will have the courage to give up by immediate suspension of the cotton town duty. The sum involved may appear trifling beside Bengal's two crores. The need is every bit as urgent. The Honourable the Finance Member has promised in another place that the Government of India will discuss the matter this week with His Excellency the Governor of Bombay. This is certainly a move in the right direction but having done this I would urge prompt action of some sort and not merely the carrying on of conversations and enquiries. The Government must have or should have up to date knowledge of the position if not it is readily obtainable and Bombay want something more than an assurance that the matter is having attention. I hope the Honourable the Finance Member will make some further reference to this important subject in his reply.

Now, with regard to the removal of the export duty on hides, the proposal is one which must have a mixed reception for no doubt while it will meet with strong disapproval from Madras and Cawnpore, it will receive strong support from Karachi, Calcutta and Rangoon. It is not a trade of which I have much intimate knowledge but speaking generally I am of the opinion that export duties are to be deprecated and therefore the proposed measure seems a very sound and wise one.

I note that the Government in proposing to continue the salary cut emphasize the fact that it is "for one more year" and I would therefore like to remind them that the firm opinion of the European commercial community so often expressed, still remains that the restoration of the cut in pay must be accompanied by the simultaneous removal of the 25 per cent. surcharge on income-tax.

The Government's proposal in regard to provision for the reduction and avoidance of debt is one that may be open to criticism, but in the circumstances it seems to me to be justified. I have sufficient confidence in Sir George Schuster's knowledge of the position and of his cautious policy to believe that he has satisfied himself that the credit of India in the world's markets will be in no way impaired by the measure he suggests. It is not intended that the proposed change shall be permanent as it will only apply to the current year 1933-34 and the coming financial year of 1934-35, and I think we may accept it.

[Mr. E. Miller.]

There is a minor but an important point to which I should like to refer and that is the urgent need for the consolidation of the tariff. This is a matter in regard to which action has been deferred too long and there is no excuse for further delay.

Another matter to which I should like to refer is to join with Sir George Schuster and Sir Alan Parsons in expressing appreciation of the manner in which His Excellency the Commander-in-Chief and all ranks under him have contributed with goodwill to the general scheme of all-round economy. It must have gone against the grain many a time and His Excellency's co-operation has set a wonderful example for which he deserves our grateful thanks.

Now, Sir, in conclusion I should like to refer to a matter which I mentioned in my opening remarks and that is the question of economic development. This I very much regret is Sir George's last budget and for this comprehensive view of the economic situation I think his speech will go down as the greatest one he has ever made and possibly as the greatest of any Finance Member. It is most timely and the wonderful insight and broadness of vision displayed by Sir George will I hope result in a definite scheme taking shape for a comprehensive plan of economic development. This can only be achieved by the formation of an advisory council in the first place whose duty it will be to see that every avenue is explored and that schemes are co-ordinated so that there is no overlapping. In this connection, I should like to suggest that possibly one of the first and most important matters requiring investigation is the re-distribution of portfolios and I would again urge on the introduction of a new one, namely, the appointment of a Member for Communications whose portfolio would include all forms of communications—railways, roads, airways, waterways and also posts and telegraphs. I think this is the third year that I have pressed for some such measure in this House and whatever may have been Government's reply in the past, as to the time not being opportune, can no longer be accepted. It has now become an urgent necessity, if the country is to be developed on right and economic lines otherwise Government and private money will be wasted on half-baked schemes which will have to be scrapped at a later date.

Another important matter that requires more detailed investigation is the possibility of developing on a much wider scale mechanical aids to agriculture. The Council of Agricultural Research have done much in this direction as they have in many others, but only the fringe of the mechanical side has been touched. Now some people say that if mechanism is developed to any extent, it will increase unemployment, but this is not the case if it is carried out on proper lines such as I would propose. I am thinking particularly of deep ploughing for the eradication of weeds. I have some practical experience of work of this nature and it is a work that cannot be carried out adequately with hand labour. Because of this, large tracts of land now lying fallow would if so treated be brought under cultivation thereby providing further employment. Increased production may not be necessary at the moment, but we must prepare for the future. It will take years to reach a stage of efficiency in this direction and therefore a start should be made without any undue delay.

Now, one last word. I have already referred to the fact that this is Sir George Schuster's last budget and because I know others will wish to

refer to this, my remarks will be brief. He is leaving India in a financial position which in these times of stringency must be a cause for envy in many other countries and his successor is indeed fortunate in taking over charge at such a favourable moment. Sir George Schuster will be a difficult man to follow and when he leaves I am sure he will take with him not only the goodwill of this House, but of all who have come in contact with him, and the country as a whole.

THE HONOURABLE MAJOR NAWAR SIR MAHOMED AKBAR KHAN (North-West Frontier Province: Nominated Non-Official): Sir, it is indeed a very creditable achievement on the part of the Honourable the Finance Member to present one surplus budget after the other in the circumstances well known to every Honourable Member of this House. The surplus estimate as it has been calculated at this moment stands at Rs. 19.15 lakhs, and although it shows a decrease of Rs. 5.46 lakhs as compared with the surplus estimate of last year, it is satisfactory to note that the revenue of the Government of India is expected to yield so much of a surplus after making provision for the province of Bihar to the extent of Rs. 3½ crores to enable it to meet its unforeseen liabilities rendered necessary by the recent earthquake. Had it not been so there would have been a different aspect of the country's budget, but as the earthquake in Bihar is an unforeseen calamity which has fallen on that unfortunate province and its inhabitants quite unexpectedly, proving disastrous in its results to the Government as well as the people, the provision of this relief sum was a matter of great urgency and to cut the matter short it could not be helped. Although the provision of this sum will surely affect the general taxpayer to a great extent, the motive underlying its transfer as such quite justifies the action of the Honourable the Finance Member in advancing it to the Government of Bihar either in the shape of a grant or a loan. Whatever the result of this timely assistance to the unfortunate people of the province of Bihar may be in regard to the Central Budget, I think the Honourable the Finance Member rightfully deserves the congratulation of every Honourable Member for his second surplus budget, no matter whether the surplus estimate for the next year is calculated to stand even at a lower figure as compared with the current one. He is more to be congratulated for the reason that he has succeeded in presenting two successive surplus budgets in the teeth of so many ups and downs in the economic condition of the country, fraught at every moment with great difficulties on account of the general depression throughout the world.

Well, Sir, all credit is due to the Finance Department of the Government of India and especially the Honourable the Finance Member as the Member in charge of that Department in preparing two successive surplus budgets one after the other, this year as well as in the previous one, but if we look at the other side of the picture we will see that these little bits of surpluses as shown in the preceding year and as calculated in the next one, are simply due to the operation of the Supplementary Finance Bill of September, 1931. As Honourable Members are well aware the Supplementary Finance Bill of September, 1931, was only adopted as a temporary measure for a period of a year and a half, and it was clearly promised during the course of its consideration in this Honourable House that its operation will not be required after the lapse of a year and a half. It is now nearly two years and a half since the Supplementary Finance Bill of September, 1931, has been enforced, i.e., it has been in

[Major Nawab Sir Mahomed Akbar Khan.]

operation almost a full year in excess of its stipulated period and still there seems to be no sign of its repeal. As I have already pointed out it was only a temporary measure. It was not designed to become a permanent one. On the other hand, we see that, in spite of its working for almost a year over and above its stipulated life, there seems to be no likelihood of its withdrawal in the near future for no mention to this effect has been made in the speech of the Honourable the Finance Member while presenting the budget under discussion. May I ask my friend the Honourable the Finance Member or the Honourable the Finance Secretary to please explain whether there is any intention on the part of the Government of India to cease the enforcement of the Supplementary Finance Bill of 1931 in the near future? At the same time, I take the opportunity to point out that unless the Supplementary Finance Bill ceases to operate, there is not much to rejoice over surplus budgets.

What the country needs most at the present moment is the abolition of high excessive taxation and some stimulus for the export trade. Is it not a matter of regret to see that both these measures are denied to the country at large? As I have said above no mention has been made of the abolition or reduction of any kind of tax in the speech of the Honourable the Finance Member. The Honourable the Finance Member himself admits that the export trade in our main staples has declined both in value and in quantity. In paragraph 8 of his speech the Honourable the Finance Member remarks:

“That whereas in the ten years ending March 31, 1930, the value of India's exports and re-exports of merchandise averaged just under Rs. 326 crores, in 1930-31 that fell to just under Rs. 226 crores, in 1931-32 to about Rs. 160 crores, and in 1932-33 to Rs. 135½. Imports of merchandise though they did not fall quite in the same proportion as exports, owing to the well-known fact that private gold exports gave India a supplementary purchasing power, nevertheless fell very steeply from an average of Rs. 242 crores for the ten years ending March 31, 1930 to Rs. 163 crores in 1930-31, Rs. 125 crores in 1931-32, and Rs. 132 crores in 1932-33.”

As a result of the world depression we may or may not have been so hard hit as some other countries, but we have been constantly told that India being mainly an agricultural country should be one of the worst sufferers on account of the fall in prices. No doubt it ought to have been the case to some extent, but will my friend the Honourable the Finance Member kindly explain as to what steps have so far been taken to restore the prices of agricultural produce in India. It is no use simply telling the people that because other people are suffering, the people of India should also suffer. What is urgently required of him is to find ways and means to remove the cause of distress and suffering. Honourable Members know full well that the masses in India and particularly the agricultural classes were already living on just enough to keep body and soul together and that the present world depression, as well as the heavy rates of taxation, have deprived them of that little also. Honestly speaking, they are living on the verge of starvation and a large number of them are in a state of actual starvation. Under the circumstances, it is highly imperative to explore some effective means to remove their miseries and distress. Some fresh markets ought to be found for the agricultural produce of India and thereby provide restoration of their prices which is the only way to bring relief to the poor agriculturists.

In this state of the country, Sir, it is no use increasing taxation, which gives no relief to the general taxpayer. As it is, the budget figures

show a steady level of tax receipts and a slight decrease in expenditure with three or four exceptions whereas on the contrary the national income is declining day by day. It is said to have declined by over 47 per cent. It is therefore no question of 5 or 10 per cent. cut in expenditure. What is needed is a heavy axe that will bring down the expenditure almost in the same ratio as the fall in the national income. May I therefore ask the Honourable the Finance Member if he has ever considered the question of reducing Government expenditure to the pre-war level? This, to my mind, is the only way to restore the equilibrium of the country.

Reduction in the present rates of income-tax and super-tax is urgently called for. As Honourable Members are fully aware this tax was brought into force in the year 1886. Up to 1918 it was assessed by a tahsildar or the deputy commissioner and it was then a benevolent assessment for there was no question of a close scrutiny or looking into the accounts of an assessee for this purpose. During the war the yield from this source was not found to be sufficient and it was therefore proposed to have it levied by means of a special department. The super-tax was added as a purely war measure. Now, Sir, if we pause for a moment to examine the actual yield of this tax annually, it will be seen that in the year 1911-12 it amounted to something like Rs. 2.40 crores. In 1913-14 it was about Rs. 3 crores and again in 1915-16 it was also about the same amount. In the year 1918-19 it rose to Rs. 11 crores on account of the addition to it of super-tax, which was represented by Sir Malcolm Hailey, the then Finance Member, to be exclusively a temporary war measure. In 1919-20 it rose to nearly Rs. 22 crores but since the abnormal increase of, say, Rs. 17 or Rs. 18 crores was understood to be a temporary increase with the sole purpose of meeting the exigencies of war, it was received by the taxpayers without complaint. In 1920-21 it was reduced to Rs. 15 crores and later on there were small and gradual increases in it until the year 1929-30 when the income under this head was placed at Rs. 16.70 crores. In 1930-31 it was estimated at a reduced sum of Rs. 15.79 crores and in the budget under discussion it has again been increased to about Rs. 17.25 crores. Thus, Sir, Honourable Members can see for themselves how the yields from this source have gradually worked up during the last 20 years from Rs. 2 crores to Rs. 17.25 crores. To make short work of the matter it is undoubtedly a serious inroad on the income of the private individual.

In spite of all this the system to determine the income of an Indian assessee for purposes of income-tax assessment is greatly at variance with that provided in English law. For instance, in English law allowances are made for a family, wife, children and dependents, while there is nothing of the sort in the Indian Income-tax Act. In England the married man is allowed a certain allowance for his wife. He is also allowed a reasonable sum for his children of school-going age, while there is no provision to the effect in the Indian Income-tax law. In England there is also provision for relief to persons without wives and they are given allowances for house-keepers to look after their children and also for a dependant mother or anybody enjoying their support. All these concessions have been absolutely disallowed here. Again, in the case of refunds granted on appeal against an assessment, no cost of appeal is allowed at present, whereas in the ordinary course of law there ought to be some provision for it.

[Major Nawab Sir Mahomed Akbar Khan.]

I would further say that there should be some duty on the export of gold. Gold is the only stabilising factor in this world, and the exportation of gold from this country should be stopped by imposing a prohibitive duty on it. Gold has been exported to the value of 180 crores £ last year and had there been some duty on it this would have brought in very substantial revenue to the Government, and at the same time this essence of wealth styled in different countries as *Lakshmi* or *Deni* in the shape of a goddess should be more zealously watched by the high priest called the Reverend Finance Member and his assistant the Finance Secretary and the lower priests of the Finance Department should consider it a great sacrilege to permit the disappearance of this goddess from this country who has entrusted them to the sacred guardianship of this shrine.

*THE HONOURABLE SIR SULEMAN CASSIM HAJI MITHA (Bombay: Muhammadan): Sir, I am sorry I cannot congratulate the Honourable the Finance Member for the budget he has presented to the Council. It is true that there is no substantial addition to the existing taxation but at the same time to maintain the taxes at their present high level is not a matter for satisfaction. It is admitted that in the present condition of the country the limit of maximum taxation has been reached as is established by diminishing returns, and in order that both industries and agriculture may prosper a substantial reduction in taxes all round would appear to be called for. It will be argued that the cost of administration has to be met, and to obtain the necessary income the present rate of taxation has to be maintained. To this the reply is that the cost of administration should not be beyond the capacity of the taxpayer and the only remedy to keep it within this limit is to retrench in every possible direction.

Coming to the proposals in the budget I must express my satisfaction at the small reliefs afforded with regard to the postal and telegram charges, but they do not go far enough, and I am afraid that this small reduction will not fulfil the expectation of the Honourable the Finance Member that the loss which is likely to result from the reduction of these charges will be more than compensated by the increase in the use of these services. The reduction in the duty on silver was long overdue in view of its prevailing price and the facilities for smuggling from neighbouring ports outside British India.

The proposals contained in the budget introduce a change in the practice of utilizing all imperial revenue for general imperial purposes, in that, half of the revenue from the export duty on jute is proposed to be given to the provinces which produce this article. This money is to be provided from the levy of an excise duty on matches. I must state at the outset that this duty on an industry which has only very recently established itself against foreign competition in this country will be a serious handicap to its growth. But to devote the income from this duty to return half the revenue from the export duty on jute, to the jute-producing provinces is an entirely novel procedure. Bombay presidency has a great share of the match industry, and to tax this industry to give relief to another province is a proposal to which I cannot reconcile myself.

*The Honourable Member spoke in Urdu and submitted the translation here produced.

I do not grudge the relief proposed to be afforded to the jute-producing provinces, but what I do urge, with all the emphasis at my command, is that it should not be given at the expense of other provinces. I may be permitted to observe that Bombay is at present in a very sad plight financially. It has to bear a heavy load of unproductive debt and has therefore to spend a large part of its revenue in payment of interest with the result that in order to balance its budget it had to pitch its taxation to the highest possible level and even then to starve nation-building departments.

In addition to this, it is a well-known fact that the heavy charges of the Municipality, the Port Trust, Railways and the Local Government have led to the diversion of the trade of the presidency town to ports in Kathiawar and recently to neighbouring coastal towns and villages. Further the mill industry, which is the premier industry of the presidency is also faring very badly on account of foreign competition. The question of the abolition of the town duty leveid on cotton imported into Bombay is at present under very serious consideration of the Government of Bombay, and if the duty is done away with, the provincial finances will suffer a serious set-back.

In view of these facts no elaborate comments are required from me to show that the presidency of Bombay stands in need of great relief from Central Revenues and the fact that it has managed to balance its budget should not be allowed to stand in the way of granting this relief.

In this connection I may be allowed to strike a personal note. His Excellency the Viceroy is fully aware of the conditions of the presidency of Bombay, and during His Excellency's term of Viceroyalty this presidency, which was the first in India to be under His Excellency's Governorship, expected some favourable treatment and it is very painful to find that, not only is this expectation not realized up to now, but on the contrary, the presidency of Bombay is now being singled out for financial injustice. I have every hope that this appeal to His Excellency the Viceroy will not go unheeded.

THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT (Bombay: Non-Muhammadan): Sir, the presentation of the annual budget of a country is one of the most difficult of tasks. It is as gigantic in magnitude as it is onerous. I admit that the Finance Member's position is most unenviable as he finds it next to impossible to satisfy all parties. In 1931 when he uttered the following passage I think he depicted the true picture about the difficulties of a Finance Member. With your permission, Sir, I quote the passage which reads as follows:

"I think, he would be one possessed of a bottomless purse, and a magic wand that could transform human misery everywhere into prosperity. He must be rigid in economy and yet he must not resist demands for beneficial expenditure, always taking care to see that Ajmer-Merwara gets as much as Delhi, and that the North-West Frontier Province is not left behind. He must be able to impose customs duties which will prevent the entry of foreign goods and yet produce a large revenue. And, lastly, I think I may say that he must have the patience of a Job and the hide of a rhinoceros".

But, Sir, in spite of all difficulties I think he has done his duty to this country to the best of his abilities and proved himself to be a true friend of India. I even go further and say that he has established a convention which has a constitutional bearing for the future as well—I

[Sardar Shri Jagannath Maharaj Pandit.]

mean the introduction of the cut in salary of all officials of the Government of India. The emergency in 1931-32, which arose out of a deficit budget was not the only emergency of its kind. In 1921-22 when the Honourable Sir Malcolm Hailey was the Finance Member, the deficit was more and the emergency of balancing the budget was felt by all to be as great as in 1931. But in spite of the non-official pressure then, it was not possible to tap the very source of cut in salary. I think, Sir, what was not possible for the then Finance Member, the Honourable Sir George did that very thing, after a strenuous silent struggle with the Government of India and the Secretary of State, and brought them round to his point of view. As a Finance Member he has come out successful in balancing the budget at a time of world trade depression, the like of which probably the world has not witnessed in living memory. I am not one of those who would like to bring in provincial jealousies between Bombay and Bengal or Bihar and Orissa and the Punjab, between Madras and the Central Provinces or between Orissa and Sind. I believe in the ordered progress of the whole of India and so far as that part of the task is concerned, the Honourable Sir George has played his part well, as he came to the rescue of all the provinces, whenever they needed help. Punjab wheat was helped, Bombay textiles were helped, Bihar and Orissa has been helped in her present dire distress and Bengal has been given relief in the present budget. The North-West Frontier Province has been given a subvention to the tune of a crore. Considering all these things I heartily congratulate him.

If I say anything about the present budget, it will not be with any idea of criticism, but by way of suggestions which, to my mind, may benefit this country more. Firstly, I think the sugar excise has been brought too early as the industry has had no time to adjust itself in regard to capital and labour. Capital was still pouring in, and more time should have been allowed to the industry to adjust itself by competitive prices and the principle of the survival of the fittest should have been given the fullest opportunity to come into play. In regard to the excise on matches, I have only one word to say. The industry was given protection by an import duty on matches, and on veneers and splints and if an excise duty on the matches manufactured in India is levied, the import duty on matches, veneers and splints should have been increased by a corresponding amount which would have maintained the present protection.

THE HONOURABLE SIR GEORGE SCHUSTER: May I interrupt my Honourable friend? That is part of the budget proposals.

THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT: As far as the tobacco duty is concerned, I welcome it and I think the duty levied is too small. Opportunity should be taken to raise it by at least four annas per pound of imported tobacco.

On the expenditure side I think, Sir, the expenditure on defence, which has been estimated at Rs. 44.38 crores, is still too high for India to bear. There appears to be no reason why the military estimates cannot be brought down to the pre-war level, unless the Government openly declare that the present huge army in India is required for military occupation of the country. I would request His Excellency the Commander-in-Chief to rely on the inherent loyalty of the Indians. Train Indians in all

branches of the army. Remove racial distinctions in the army, and amalgamate at least the University Training Corps with the Auxiliary Forces and you will find a large volume of the educated section, who have kept themselves aloof from such forces up till now will come forward to join them. I think His Excellency will agree with me that he cannot expect educated young men of respectable Indian families to go to the training corps and draw a monthly salary of Rs. 12 or Rs. 14, which is given to the sepoy. It is this feeling which is standing in the way of the development of University Training Corps and Territorial Forces. If His Excellency the Commander-in-Chief could see his way to amalgamate the two forces he would find a great change which would ultimately lead to economy.

Then, Sir, I would submit that the introduction of reduced scales of pay will not give the Finance Member any relief. Steps should be taken for the compulsory retirement of all hands on old scales of pay after twenty-five years' service irrespective of age. It may increase temporarily the pensionary charges but, at the same time, it will bring down the normal expenditure. Further, the top-heavy administration in India is the main cause of budget deficits and consequent heavy taxation. If we compare the taxation imposed in this country it may not appear to be very high in comparison with taxes paid by people of other countries, but if we take the *per capita* income in India and other countries and compare such figures, then and then only we find the magnitude of the problem of taxation in this country.

As regards the reduction in the rates of envelopes and telegrams I welcome the proposal but, as it will not give much relief to the poor masses, who do not use these means of communication, I would request the Honourable the Finance Member to consider the reduction of the rates of postcards as well.

With these words, Sir, I conclude my remarks but before I resume my seat I would like again to congratulate the Honourable the Finance Member for the yeoman service he has done to this country during this troublesome period of Indian finance, and as he is leaving shortly I may assure him that he is leaving a memory behind which will remain with us for ever.

THE HONOURABLE MR. J. A. HUBBACK (Bihar and Orissa: Nominated Official): Sir, there is only one aspect to which I wish to refer and I propose to refer to it as briefly as possible, and that is, the provision for helping Bihar in the earthquake disaster. The view has been put forward, and I am glad to say that it has elicited very little support, that the provision is thoroughly—or I think this is the expression used—pitifully inadequate. It seems to me that such criticism is neither decorous nor politic. To put it on the lowest possible ground, a grumbling recipient is not likely to get much more. A display of gratitude is a more likely stimulus to further generosity. Indeed it has been cynically said that the emotion of gratitude is really nothing more than a lively sense of favours to come. It is not that kind of gratitude, Sir, that I propose to express myself here today. I am in a position to say that the Government of Bihar and Orissa appreciate very fully the exceedingly sympathetic attitude of the Government of India in the Finance Department towards that province, in this appalling disaster. If there is any doubt in the matter, I trust that this

[Mr. J. A. Hubback.]

will clear it up. From what I have heard and read of the course of debate in another place, that appreciation is shared there by the chosen representatives of the province, and I am confident that it is also shared by the Honourable Members of this House, whether they come from Bihar or whether they do not. Further I feel sure that the people of Bihar as a whole will heartily endorse the same view. The Government of India have undertaken to bear entirely half the cost of the damage to Government buildings, a free gift of perhaps half a crore. They will advance on favourable terms the cost of the rest. Anybody who has seen, as I have seen, the destruction to Government buildings in Muzaffarpur which is by no means the worst affected place in the province will feel that this estimate is by no means too high. Another crore is to be given as a free gift to Local Bodies for the restoration of their buildings and their roads, and to enable them to carry on their administration until their revenues recover. The importance of preserving communications in the devastated area is simply immense. It will be impossible to deal with the situation during the coming months. I myself saw a few days ago a bridge half-way between Muzaffarpur and Sitamarhi which had as a result of the earthquake assumed the aspect of a two humped camel. It is over such bridges that relief has to be carried now in the dry weather. The Honourable Members of this House can well imagine the difficulties that will set in when the rains begin, unless there is money to do the best we can. Further, the Government of India have undertaken to bear the entire cost of helping the cane growers to find a market for their cane which mills in their immediate neighbourhood are unable to take owing to the damage caused to these mills by the earthquake. The cost of this is relatively small, perhaps about Rs. 5 lakhs, but it is none the less very welcome. Taking all these items together, I reckon that the Government of India have undertaken to give at least something like Rs. 1½ crores as a free gift to the province, and that is something like one-third of the revenue receipts of the province as a whole. Sir, if,—an unlikely event,—the competent authority were to offer myself an increase of one-third of my income even for one year, I should endeavour to work up at least a decent semblance of gratitude. But, Sir, we gather from the speech of the Honourable the Finance Member and of the Honourable the Finance Secretary that this does not by any means cover all the help which the Government of India are prepared to give. There are two other problems which remain, namely, the rebuilding of private houses in the towns and in the villages, and the reconditioning of land damaged by the sand which the earthquake has forced up. For the former problem arrangements are, I believe, almost complete, and I anticipate that those arrangements when announced will be found as generous as those of which we have already full knowledge. Much assistance will be given to the poorer classes from the Viceroy's and other relief funds, as much indeed as the liberality of the public permits. To supplement this so as to help those who are unwilling to accept charity but still require substantial aid, I gather from the speech of the Honourable the Finance Secretary that money will be made available to the Bihar and Orissa Government in such a fashion that Government can make loans to individuals on easy terms. I gained the impression during my visit to Patna last week that probably a crore of rupees will be required for this purpose. It is obvious that anything like

an exact estimate is impossible till the terms have been announced, applications received and the committees with a strong non-official element have been able to scrutinize the applications.

Finally there remains the very important problem of restoring to
 12 Noon. fertility the land on which the seismic forces have thrown up through innumerable blow holes and cracks large quantities of sand. Viewed from the air, as I viewed it about a month ago, the land looked in the worst places as if it was suffering from two of the worst diseases known to man, small-pox and leprosy simultaneously. To ascertain with some degree of precision the extent of the damage, a special survey is in progress and it was mainly to organize this that I went to Bihar last week. We shall have to cover by survey at least 4,000 square miles and possibly 5,000. My own estimate, which, of course, is no more than a guess at present—I trust, Sir, an intelligent guess—is that it will be found that at least 250 square miles are so badly damaged as to require substantial financial aid for the unfortunate cultivators and owners of the land that has been damaged. I walked over a considerable portion of this land. I found in one particular place that at least half a village was covered with sand. I tested the depth in a number of places. I found frequently more than one foot of sand on the land and in places as much as two feet, and there is perfectly sound evidence that in certain places there is four feet or even more of sand above the original level of the ground. Fortunately, the standing crop has not been very severely damaged, though it has by no means fully escaped. This gives us a little valuable time for devising our scheme of relief. We hope that the survey will be completed by the first week of May and it is intended to give out a considerable degree of relief as it proceeds. More will have to follow and perhaps in some of the worst places it will be deferred until after the hot winds of April and May and the rains of June to October. By then it will be seen to what extent nature has herself shown repentance for her harsh treatment of this area, for it is possible that as the sand dries it will be spread by the wind in manageable depths over the neighbouring country, or even some of it may be washed away down into the rivers and *jheels*. How far this will be the effect no one can say at present. Even at the best there will be a large area which will not in the present year carry any crop whatever and cannot be put into a condition to carry a crop in future years without expenditure of much money and labour. For this it is essential that finance should be provided. I understand that the plan is that the cost will in the first instance be borne by the Famine Relief fund which the Bihar and Orissa Government has built up in the last 13 years. In so far as this proves insufficient—and there is no doubt whatever that it will be gravely insufficient—the Government of India will give financial support.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: May I ask what the amount of that fund is now?

THE HONOURABLE SIR ALAN PARSONS: I am not quite sure of the exact sum. At the beginning of this year it was, I think, Rs. 38 lakhs, but I believe it will be reduced by the end of this year to about Rs. 25 lakhs, of which Rs. 10 lakhs may be said to be a free balance. But my Honourable friend must not take these as absolutely definite figures.

THE HONOURABLE MR. J. A. HUBBACK: My own private estimate for the total amount required for this purpose is at least Rs. 40 lakhs, and how much more will be needed will have to wait until the damage survey which I have just described has made some more progress. It was impossible to start the damage survey any earlier owing to the very large amount of water which had come up with the sand and spread over the land which we are trying now to survey.

There is yet one more aspect of the disaster as it affects the land. There is no doubt whatever that levels have been materially altered, a matter of special importance in a tract where over an area of 5,000 square miles there is no difference of level which exceeds 60 feet. There is strong ground for apprehension that even moderate upheavals will direct the drainage into new courses, while the choking of old channels will aggravate the trouble if floods occur. Thus it is by no means pessimistic to expect that further relief will be required after the rains, quite apart from that which will be required for re-conditioning sanded land.

Sir, I have only to repeat that the Government of Bihar and Orissa, and I feel sure the great mass of the population of that province, sincerely thank the Government of India in the Finance Department for the prompt and generous assistance already rendered in this calamity and have every confidence that similar sympathy will be shown in dealing with problems still outstanding. With your permission, Sir, I should like to add that that gratitude is extended to other departments, notably the Army Department for the admirable help given by the soldiers of all ranks, to the Air Force and, as I said the other day, to the Railway Board.

THE HONOURABLE SIR KURMA VENKATA REDDI (Madras: Nominated Non-Official): Sir, as has been observed by previous speakers and as we all know; the Honourable Finance Minister arrived in this country in the year 1929 when the goddess of fortune was smiling on our country with all the exuberance and brilliance of her heart. Unfortunately, however, within a few months after he came here and before he could settle down, clouds were seen in the skies and within a short period, before he could prepare his budget, the ship of the finances of this country which he was piloting was caught in the midst of a storm the fury of which had not been known within living memory before. Let it be said, Sir, to his credit that he has tried his best, used all his energy and skill in trying to save the ship from sinking. On occasions perhaps when the storm was at its full fury, when the waves were high and the wind was blowing, he may have thrown overboard a few goods, a little luggage, some bags, but the passengers and the valuables on the boat have been kept safe by his skill. Our thanks and gratitude are due to him and though we are not yet out of the storm, it is gratifying to note that we are leaving that storm behind us and perhaps seeing on the horizon our haven. We will reach it and when we reach it we will realize the service he has rendered to our country in saving the ship of the finances of the country so well and so nicely. Sir, he will be leaving us very soon. Time passes, but I may on behalf of my province also tell him this, that he will be remembered in this country and the people of this country will be grateful to him for the services he has rendered.

Sir, on an occasion like this, when a budget of such volume has been placed before us, it is impossible for any one to deal with even the most important of the subjects. I shall therefore content myself with referring to two or three points. First some points which we appreciate; next,

some points on which we may have to say something not by way of criticism but by way of suggestions for the consideration of the Government, to be weighed in the balance, to be rejected, if found wanting, and to be used in case some sense is found in them.

Sir, we have got so many subjects, and as regards almost all the subjects, with the exception perhaps of a few, I have nothing to say against. On the good points, I will only choose a few out of the many. First, I would like to congratulate the Honourable the Finance Member and the Honourable Member for Posts and Telegraphs on the little help they have given to this country and to the poor people in particular by reducing postage and telegraph rates. The postage rate is not a very great boon perhaps, but the poor people can use some light paper and the postal envelope, the cost of which also has been reduced, and they will find it a great boon indeed; and in commercial circles, short telegrams will be sent at less cost and thereby those people and others are helped.

The next question to which I would like to refer is this vexed question of sugar duty. Sir, objections have been raised in certain quarters that this excise duty has been levied too soon. It occurred to me, Sir, that it is not a day too early. I wonder whether the Government considered fully at the time what the effect of the protection that they were giving a few years ago on the manufacture of sugar in this country; but within three short years we have noticed what it means to this country. As has been pointed out, Rs. 10 crores was the income on this commodity in the year 1929-30 and it has come down to Rs. 2 crores in the current year. Within three years commencing from the year in which this protection was given, we find the tax coming down to Rs. 7 crores, Rs. 5 crores and Rs. 2 crores; in other words the country has lost Rs. 14 crores in three years in the place of Rs. 31 crores; that meant a loss of Rs. 17 crores and if the same rate of Rs. 2 crores revenue continues for another four years—for I believe that this protection is in the first instance for seven years—the result will be a loss of Rs. 37 crores or more. Sir, if this protection was not given, if the imposition of a heavy tax on foreign sugar was not introduced, the poor people in the country would have had the benefit of purchasing sugar cheaply. Sugar, Sir, is not a luxury; it is a necessity of life. From the biggest man to the lowest peasant sugar is a necessity, but yet the country put up with the import duty because they were anxious that this industry should be developed, that India should be in a position to supply her own sugar, and with that object opposition was not raised in this country even though it meant a heavy tax upon the people of this country. Now, Government have discovered that they have gone too far; and those that object to the present proposals do not realize how much profit has been made by the capitalists of the factories and mills. Sir, I would not in the least grudge my countrymen getting as much money as they can from industries, but it should not be allowed to hit other classes altogether. When certain factories were making as much as half the capital as profits in one year, they did not raise the price of the cane which was reaching their factories. We have it on evidence, and it was admitted in another place, that though the nominal price of the cane is fixed at six annas per maund, fixed not merely by these factory owners but by the Tariff Board itself, in very few factories, Sir, was this six annas a maund given to these cane growers; in many places four annas and even three annas were given, with the result that the agriculturist has lost heavily. He has never been

[Sir Kurma Venkata Reddi.]

benefited by this industry at all and now we are thankful to the Government for having raised this tax, this excise duty of Rs. 1-5-0, with a view to utilize a portion of it towards grants to the provinces, so that the province might see that the agriculturist and the producer is not deprived of his just dues.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will that go for the relief of the agriculturist?

THE HONOURABLE SIR KURMA VENKATA REDDI: Not all; Rs. 7 lakhs of it will go for that purpose if I am not mistaken. I wish the whole of it goes to the relief of the agriculturist and he gets more than he does at present. But, Sir, it is something; it is better than the existing state of things and therefore I welcome this excise duty. After all, what the Tariff Board recommended was only Rs. 7-12-0, and in fact at one stage they recommended only Rs. 7-4-0 and they were prepared to add eight annas more in case foreign sugar sold at anything higher than Rs. 4. The Government have added an extra duty, a surcharge of Rs. 1-5-0; now they want to remove it and levy an excise duty of Rs. 1-5-0. But when Rs. 1-5-0 is levied, factories would be at a disadvantage; therefore a countervailing duty is placed in the place of a surcharge of Rs. 1-5-0 to equalize the loss that will be caused to these factories. Sir, this country has been committed to a policy of safeguarding industries. We all recognize it, but when the effect of this safeguarding is to enrich a particular section at the expense of others, we have to pay heavily for, as I told the House, we are paying a higher rate for purchasing sugar, which we could have got if this protection Bill had not been passed. If this protection was not given we could have easily purchased foreign sugar at a much cheaper rate indeed. The country has been making a sacrifice and I do hope that the millowners and the factory owners will be prepared in their turn to make a little sacrifice on account of the Rs. 1-5-0 new excise duty imposed on them.

Sir, I should like now to proceed to the few points on which I said I have something to say not exactly in consonance with the Government's views. First, there is this question of this grant to Bengal. In another place we have seen there was wrangling between the various representatives of the different provinces. The dignity of this House, the sober nature for which it has been famous will not admit of us entering into those wrangles. Speaking for Madras, I will say that we do not grudge this grant to Bengal. If, as the Honourable the Finance Member has told us in his speech the other day, that Government have examined the situation, found that the Bengal Government have been getting into debt year after year and that they have satisfied themselves that there is no other way of extricating them out of the mire into which they have got, help from the Imperial Government is a necessity, and we are prepared to accept it. But, Sir, this subject has got a number of facets and viewed from a different angle, from a different standpoint of view, things will appear in a different light; and if I am speaking on this subject at all, it is not to question the right of Bengal to receive this amount, but to place before the Honourable the Finance Member the fate of Madras and her financial condition. Outside, people believe that Madras has got a very flourishing budget, that the cut in salaries has also been restored and that Madras

must be a prosperous province indeed; but to those that come from that province, it tells altogether a different tale. Sir, the Honourable the Finance Member could not have been ignorant of the description that is given of Madras and the United Provinces as the milch cows of India. It is an old, old story, Sir, and I do not like to go over the whole of it, especially as the Honourable the President has been pleased to give us only twenty minutes each.

THE HONOURABLE MR. BIJAY KUMAR BASU: At present the milch cows are dry.

THE HONOURABLE SIR KURMA VENKATA REDDI: No, Sir. They were bled and bled white to save other provinces.

Sir, the history of the financial relations between Madras and the Central Government is a long one. From the time of 1871, before which all revenues were considered to be the revenues of the Government of India, from the time of the period which we used to call the period of doles when Government used to allot certain funds to the provinces for their expenditure, during the 22 or 23 years of the quinquennial settlements, during the period of *quasi*-permanent settlement, during the period of permanent settlements, during all those years Madras had to economize and hand over the funds and balances into the treasury of the exchequer of the Government of India or had to receive a smaller share than other provinces. (*An Honourable Member:* "About Rs. 3 crores a year.") I have yet to come to that. That brings us to the period of the Meston Award. The Indian Government was faced with a deficit of Rs. 983 lakhs or roughly Rs. 10 crores. And how was it distributed? Out of all the principal provinces, Madras was made to pay Rs. 348 lakhs or more than one-third of the whole debt or deficit of the Government of India. Bengal, Sir,—and my friends from Bengal need not be offended when I speak of this,—Bengal ought to have got Rs. 183 lakhs to pay if the Meston Award was correct. They managed to get off with Rs. 63 lakhs—

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: Managed?

THE HONOURABLE SIR KURMA VENKATA REDDI: I am perhaps not very accurate in my English but we are all foreigners and we ought to be excused if the exact word is not used.

Well, Sir, it will be noticed that even these Rs. 63 lakhs were dispensed with immediately after the Devolution Rules were passed. In rule 17 or rule 18 of the Devolution Rules, there is a clause which says that if there should be any change in the contributions fixed thereunder, that change ought to be placed on the table of the House of Commons and the House of Lords for a certain period. Even without that constitutional formality—now I use the word deliberately—Bengal managed to get the Rs. 63 lakhs excused.

(The Honourable Mr. Mahmood Suhrawardy again protested, but the Honourable the President said as the House was pressed for time he would ask Honourable Members not to interrupt the speakers.)

But, Sir, there is another aspect of looking at this matter. When the Government of India say that they have examined the case and found it to be a fit case, we are bound to accept it and I do accept it. But may I in all humility suggest if it has been considered whether this would not be placing

[Sir Kurma Venkata Reddi.]

a premium on extravagance? Whether it is not a test that one should be only capable of spending and not of saving? Whether we are not actually inviting Finance Members of the provinces to show deficits in their budgets so that they may send out an S. O. S. to the Government of India that more money might be given to them? It is that principle that I would like to be considered and if it has already been considered and the Government have come to the same conclusion that they have come to, I, for one, would have nothing more to say. But what I do say, Sir, is this, that whereas we find Madras collecting Rs. 17 crores a year. If you look at the budget figures of the United Provinces, Bombay and Bengal, Sir, you will notice that my province is the one in which the incidence of taxation is the highest. We collect Rs. 17 crores a year, whereas Bengal only collects Rs. 9 or Rs. 11 crores, and the United Provinces Rs. 11 crores, and Bombay Rs. 13 crores, and yet, Sir, our population is less than that of the United Provinces or Bengal. The population of Bengal is 51 millions, ours is 47 millions, and of the United Provinces 49½ millions, and it cannot be denied that Bengal is the richest province of India and the land there is the most fertile, and if you take the figures given in this review on pages 8 and 9, in tables 5 to 10, you will notice that Bengal comes first in the value of agricultural produce. And when these values have gone down and when Madras is purely an agricultural province with no industry like that of jute in Bengal, would that not appeal to the Government that, while they might be perfectly justified in helping Bengal, there is a case and a very strong case for Madras for similar help?

Sir, all that glitters is not gold. The fact that we have been paying more taxes than other provinces, the fact that we are a peaceful race, the fact that we do not commit dacoities, ought not to be used against us. We are a law-abiding race, we pay taxes cheerfully during prosperous times because we know that with the advancing needs of civilized society, Government will be called upon to discharge duties and render services much more than they used to do in earlier times. Our people were willing to pay as long as they could. But what is their present condition? And that leads me, Sir, to my next subject.

THE HONOURABLE THE PRESIDENT: The Honourable Member's time is up and he cannot embark on a fresh subject.

THE HONOURABLE SIR KURMA VENKATA REDDI: Sir, I shall be glad to resume my seat. I only wish to point out that this question of rice is very important to us.

THE HONOURABLE THE PRESIDENT: Honourable Members must remember that there are other speakers.

THE HONOURABLE SIR KURMA VENKATA REDDI: Sir, I obey the Chair.

THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTT (Assam: Non-Muhammadan): Sir, the budget has been discussed at length in the press and in the other House as also by the Honourable Members who have preceded me and little that could be said for or against has been left

unsaid except that Assam—that Cinderella of the provinces—is no where in the picture. If I intervene at this stage, it is to make a last attempt to impress on this House as well as the Government how grave is the financial position in that hapless province. I use no language of exaggeration or panic when I say that there is serious risk of a breakdown unless its all too meagre resources are not materially strengthened without further delay. Allow the present state of things to continue for a year or two more and you will have either to dissolve the province or reduce its status—there is no escape from that position.

The situation in a word is this. Up till 1874, the territories constituting the province of Assam were parts of Bengal. By a notification of that year, the Government of India took those territories into their immediate management. The separation was not of our own seeking and it was their bounden duty to see that it did not in any way hamper the moral and material progress of the people concerned. The history of Assam since that fateful notification is however a history of cruel neglect. It was constituted a Chief Commissionership and relegated to a backward standard of administration. Constitutionally however it was a direct charge on the Government of India and it could call upon them for any assistance, financial or otherwise, that it might require.

In 1921, with the introduction of the Montford Reforms, there were two fundamental changes made. On the one hand it was raised to a Governorship with its costly paraphernalia, on the other hand it was deprived of the constitutional advantage of calling for financial assistance from the Centre and thrown entirely upon its own resources. In the allocation of revenues however a standard plan was followed—no allowance being made for the special needs of the undeveloped provinces. The Meston Award made the position of Assam worse, for it levied on the province an annual contribution of Rs. 15 lakhs without at all taking into account her need for working up to standards of administration which previous circumstances had made possible for more developed provinces. Add to this the fact that a lot of backward tracts has been attached to Assam which cannot pay for their own upkeep. The Government of India have consistently refused to grant a subsidy to cover the deficit on this account which annually amounts to nearly Rs. 8 lakhs. But this is not all. Assam has been saddled with part of the cost of maintaining the Assam Rifles which are Central Police and intended to guard the North-Eastern Frontiers. This costs her Rs. 4 lakhs a year although for the protection of the North-West Frontier the North-West Frontier Province has been granted a permanent subsidy of a crore of rupees. The cumulative effect of all these has been to place Assam in a permanent deficit although she lacks even the minimum requisites of a self-contained unit. It is now proposed to invest Assam with an autonomous constitution which will entail additional expenditure. There is, of course, the promise of the grant of a subvention to cover the deficit but that cannot meet her needs. And lastly, it is assumed that later on Assam will join the Federation. The prospects of Assam are gloomy in all conscience. What do I suggest will be the question asked? My suggestion is to place forthwith at her disposal enough resources to enable her to make up the leeway. Nobody knows when autonomy will come and to postpone assistance till then is to hasten the breakdown. When indeed is autonomy coming? The Statutory Enquiry began in 1927, the Committee reported in 1929, the Round Table Conference and the Joint Parliamentary Committee

[Rai Bahadur Promoda Chandra Dutt.]

concluded their labours in November, 1933, and the Committee is not expected to be able to report before May next. It will be a miracle if the necessary legislation can be got through by December next as some people would seem to think. Supposing the days of miracles are not yet over, there will be much spadework needed before the next general election can be held. As far as one can see, there is little chance of autonomy coming before 1936 and that late in the year. But there is another factor to be reckoned with, which Sir Samuel Hoare has been so anxious to stress. The Constitution Act will not be put in force unless and until an enquiry which has yet to be held it is found that the provinces will be able to bear the burden of expenditure which the new constitution will entail and he envisages the possibility that the provincial resources may prove to be insufficient, in which case the whole position will have to be reconsidered. What are the deficit provinces to do in the meantime? The North-West Frontier Province is already in receipt of a substantial subsidy. Sind and Orissa which will be deficit have yet to be created. The trouble for the moment is about Bengal and Assam. I am extremely glad to find that Bengal has been provided for in the budget and I congratulate her on her good fortune with all my heart. But if Bengal is piling up deficits at the rate of Rs. 2 crores a year—a fact which justifies this special treatment—what is the position in Assam? She is piling up deficits at the rate of half a crore a year. Her annual receipts from the revenue heads which are steadily diminishing were Rs. 220 lakhs in 1932-35. For the current year the revised estimate is Rs. 197 lakhs and the budget for the next year provides only for Rs. 194 lakhs. Her loan operations are insignificant and may be left out of account. Taking the best view of things, her income for the year 1934-35 cannot exceed Rs. 200 lakhs. What would be her debit balance on the 31st March, 1935? It was Rs. 89 lakhs on the 31st March, 1933, the deficit of the present year is estimated at Rs. 40 lakhs and that for the next year at Rs. 61 lakhs. Her total debit at the end of March, 1935 will therefore be Rs. 190 lakhs. What to think of a province of which the revenue is Rs. 200 lakhs and the debit balance Rs. 190 lakhs? Am I exaggerating when I say that Assam is heading for financial breakdown? It is the loans from the Provincial Loans Fund which keep the province going and that on a mere subsistence basis. No development is possible—expenditure has been cut down to the bone. Can there be a stronger case for immediate financial relief? In a statement to the Joint Parliamentary Committee, Sir Samuel Hoare stated that of all the provinces Assam and Bengal are in permanent deficit—he brackets them together—and that, and I emphasise these words:

“Whether changes take place in the constitutional field or whether they do not it is necessary to put a stop to it”.

It will be a fatal mistake to wait till the inauguration of autonomy before rendering help to Assam.

The Government of Assam has asked that the excise revenue derived from the oil produced within her borders may be allocated to her. In this demand it has been backed by public opinion and the Legislative Council of the province. But it is an open secret that the Government of India are opposing it on the ground that the Central Government cannot spare it. How do they make a distinction between revenue on account

of jute and the revenue on account of oil? Bengal holds a monopoly of jute with two other provinces. Assam produces oil which yields no less than Rs. 125 lakhs a year. The only difference is that in the case of jute it is subject to an export duty while in the case of oil it is subject to an excise duty. If you can assign export duty to one province I do not see why you cannot assign excise duty to another without doing violence to your financial conscience. In fact, the Percy Committee has laid down that while the excise duty should be levied by the Central Government the proceeds thereof may be made over to a Provincial Government in whole or in part. If the Centre cannot do without the oil revenue, the province which produces it cannot also do without it and if the Government of India were not to top dog the province would not part with it. We have been told that the matter is under the consideration of the Joint Parliamentary Committee. But Assam was not allowed to be represented before it and nobody knows what is taking place behind the scenes. Bengal has extorted the jute duty in spite of the Government of India and the latter were probably afraid that to allow representation to Assam would be to invite an open demand to the oil revenue on her behalf. Assam can be safely ignored, she was and is being ignored. Nothing can better describe her helplessness *vis-a-vis* the Government of India than the words her Governor used when His Excellency last addressed his Legislative Council. May I, Sir, point out in this connection that the policy of discriminating protection adopted by the Government of India at the instance of the industrial provinces which now seem to rule the roost, is throwing great burdens on the agricultural provinces. Although there has been a separation of the central and the provincial revenues, the position is such that the Central budget reacts on the provincial ones in so far as it affects the capacity of the people to bear future taxation for provincial purposes. An agricultural province like Assam in return for the sacrifice she is called upon to make in the interest of the country's industrial development can legitimately ask that she should be helped out of the central revenues if necessary at the expense of those provinces into whose pockets the protective tariffs are putting in her money. We are told that we are paying more now in order to pay less in the future. This may indeed be true, but we must survive before we can enjoy.

Sir, in all the discussions relating to the constitutional changes the question of finance has been kept in the background. But no constitution, however good, can avail in the least unless it has a sound financial backing. This aspect of the matter has been lost sight of even by our leaders in their anxiety to see responsible government established in this country. I for one do not want any constitutional advance whatsoever if the price for it is the perpetuation of a backward administration and no prospect whatever of future development. I would rather go back than forward to find money for nation-building purposes. It would be a mockery and a curse to introduce an expensive constitution without providing adequate finance.

As to Federation. I view with great anxiety the prospect of Assam having to join it. An unequal combination is always disadvantageous to the weaker side and until Assam has approached the other provinces much nearer in moral and material development she will be more helpless in a Federation than even she is under the present constitution. What the Government should in fairness do is to prescribe a minimum standard for every province that will be called upon to join the Federation. Place

[Rai Bahadur Promode Chandra Dutt.]

funds at its disposal to enable it to attain to that standard and postpone its entry into the Federation till that standard has been attained. In the Federal Legislature Assam will be very poorly represented. She has been given representation in the Lower House mainly on the basis of population and hers will be the feeblest voice there. In the Upper House where each province should have been allowed equal representation irrespective of its size, population or wealth as is the case in several federal constitutions, the bigger provinces have again been given preponderating representation, and the Upper House, instead of safeguarding the interests of every unit, will be at the mercy of a combination of the bigger provinces. This does not augur well for the weaker provinces.

Sir, I was reading yesterday morning the Honourable Sir George Schuster's reply to the budget debate in the other House. He did not in so many words reply to the appeal made on behalf of Assam. But while vigorously defending his action in assisting Bengal, he is reported to have said :

"That was all that Government could do at present and no province should entertain the hope that there were other schemes up their sleeves that would enable them to answer an appeal *ad misericordiam*. If the Government of India under a particular constitution raised a particular tax allotted as a source of federal income, that did not mean that the tax was taken away from the Federal Government".

Sir, the significance of this rebuke is perfectly clear, but I have a sort of impression that there was a time when he was dead against giving Bengal any part of the jute duty. Inexorable necessity has forced his hands and I am certain that even if he has said his last word on the subject, his successor will find his hands equally forced and rush to the rescue of Assam. It is at least in this hope that I have taken up so much of your time.

THE HONOURABLE MR. J. B. GLASS. (Burma Chamber of Commerce):
Sir, I would associate myself with all that my leader has said in regard to the presentation of the budget by the Honourable Sir Alan Parsons in this Council and the masterly speech by the Honourable the Finance Member in another place. |

My friend the Honourable Mr. Miller has dealt generally with certain special features of the budget and I being in the main in agreement with his views will not waste the time of the House in covering similar ground. In regard, however, to diversion of trade to the Kathiawar ports and the suggested suspension of the cotton town duty I feel sure Bombay timber merchants will be grateful to me for calling Government's attention to a similar duty on timber of considerably higher incidence which has I consider assisted in the divergence to Kathiawar ports of much timber formerly handled through Bombay.

I now come to the point of view of my province on the budget and welcome the removal of the import duty on hides, a measure my Chamber has long pressed for and which I hope will materially assist an almost dying industry to meet competition with our other sources of supply.

In regard to the refund of half the jute export duty to producing provinces I do not cavil, under the circumstances, at the assistance given to

producing provinces even out of what should be, under the present constitution, central funds as the method is obviously based on the proposals for federal finance under the new constitution. I do, however, consider the needs of my province, with annual recurring deficits of a crore, are equally urgent and my Chamber has requested me to record their emphatic opinion that similar treatment should be accorded to Burma in respect to the rice export duty. Burma contributes over 90 per cent. of this duty and refund of half to producing provinces would be only equitable. Omission of Burma from the White Paper cannot be regarded as a valid reason for differential treatment, and adjustment now made in the jute duty should, correspondingly and automatically, in all fairness, be applied to the rice duty.

In Bengal some 80 per cent. more rice is produced than in Burma but relatively Bengal exports only a small quantity and imports rather more. The fall in the price of rice in Bengal is therefore of lesser importance than in Burma as in Bengal many other crops can be grown and are grown. The rice growers certainly suffer to the extent that they sell their produce but others in Bengal, including the jute growers, profit by the fall and get their food cheap. In Burma it is impossible in the main to substitute other crops for rice, which has to be grown in such quantity, that some can be exported to buy other necessaries, therefore every section suffers more severely through the fall in value.

In India as elsewhere it has perhaps not been altogether fully appreciated what the wider world consequences of protective policies adopted may be. Take as an example the protective duty on sugar which has involved a loss in revenue to the Government of India of some Rs. 8 crores and which even under the excise now proposed is the equivalent of 200 per cent. *ad valorem*. This has resulted in the loss to Java of an important market for sugar and Java is now turning her attention to rice resulting in the practical cessation of Burma, Siam and Indo-China exports of rice to that country. It may therefore be claimed that Burma pays in fact indirectly for the prosperity which crushers, if not always the cultivators, are now deriving from the growth of the sugar industry in India.

Burma also suffers under the new tariff schemes as they are almost uniformly disadvantageous to the province, apart from our association with India, and these I think are arguments for India giving Burma the utmost assistance possible, one direction I would suggest being in regard to a duty on imports of foreign rice, which have been increasing alarmingly, in view of the already restricted markets for the Burma surplus.

Burma's revised estimates for 1933-34 are in deficit by Rs. 118 lakhs about one-seventh of the total revenue receipts and its budget estimates for 1934-35 show again a deficit of close on a crore.

Many drastic economies have already been effected in Burma which have brought expenditure very much below normal while the report of a Retrenchment Committee, on which business interests are represented, is shortly expected and it is understood further large savings will be suggested. Until, however, prices for Burma produce, mainly rice, rise substantially sums borrowed must continue largely to exceed sums actually repaid. |

[Mr. J. B. Glass.]

The remissions which it has been found necessary to grant to payers of revenue in 1933-34 as against the budget figures estimated for in February, 1933, compare as follows:

	Estimated. February, 1933.	Since found necessary.
	Rs.	Rs.
Land revenue	20,00,000	87,00,000
Capitation tax	7,50,000	22,00,000
Thathameda tax	2,50,000	8,60,000
Forest royalty	15,00,000
Total	<u>30,00,000</u>	<u>1,32,00,000</u>

These concessions account for the major portion of the fall in revenue but naturally the depression has affected other heads.

Despite these reductions the people are pleading for further relief and in many districts of Upper Burma prices have to be settled by barter instead of in terms of money. The person who is perhaps suffering the most is the landlord who was hit so badly in 1930-31 when he generally failed to recover loans made to his tenants before the slump developed. Lands have had to be taken over by Burman and Indian money lenders alike, as against failure to pay even reduced principal and interest, and this from the business point of view is not the rapacious grabbing of land it is sometimes depicted to be. The actual facts as I understand them are that advances and interest frequently extended to 75 per cent., or more of the original value of the land say perhaps Rs. 150 per acre whereas today much of the land is to all intents and purposes unsaleable.

In further reference to the cultivator, after a reduction of capitation tax by 20 per cent. to Rs. 4 for a married man and Rs. 2 for a bachelor and despite the cheap cost of living the demand for these surus in cash is heavy and he also perhaps at times fails to recognise that the passing of his land to others on the terms above stated, has relieved him of a burden. My fear therefore is, if the present depression continues with a continuance of current low prices, that landlords and money lenders will be so destructively hit by the slump that credit for cultivation may dry up. Government cannot finance the paddy crop of Burma and their experiences over agricultural advances can hardly have been a happy one. Should my fear materialize I see danger of a possible recrudescence of trouble, particularly in a province which was so recently involved in a rebellion, which, while initially political in aim, was nourished by economic conditions.

I think, Sir, the Honourable House will agree with me that in the facts that I have just put before you the allocation of at least half the export duty on rice on lines similar to the jute tax would be only fair and equitable.

Before I sit down I should first like to say how much I welcome the Honourable the Finance Member's most able and thoughtful survey of economic prospects, in his speech, and trust that the provincial conference which is being called for in April will lead to concerted and co-ordinated measures to improve the general economic situation particularly in regard to agriculture.

Secondly, in regard to the reductions which have had to be made on timber royalties in Burma, I suggest that the Indian Government operations in the Andamans may be regarded as a contributory factor. Government there are trading, which is always a bad thing, and further are conducting operations at a loss except so far as the extraction of match-woods is concerned and this, without the allocation to costs of royalties, such as forest lessees have to meet in Burma and elsewhere. They have also been working on lines which can be regarded as sylviculturally unwise if not unsound. How long is this unfair competition with private enterprise to continue at the expense of provincial forest revenues and the taxpayers of India?

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal: Non-Muhammadan): Sir, at the outset I also join hands with my other colleagues in congratulating the Honourable the Finance Member for two things—one is the relief given to the province which I have the honour to represent and the other for giving such prompt and generous help to the sister province of Bihar which has been affected so very badly by the recent earthquake. I think the help rendered by the Finance Member will remain for ever in the hearts of the people of India as a living monument.

Then, Sir, I come to the present budget which consists mainly of two parts—one is the revenue side and the other the expenditure side. Taking the revenue side first we find that the Honourable the Finance Member has tapped three main sources, *viz.*, excise on sugar, duty on imported tobacco and excise on matches. Sir, the sugar industry was given protection only about three years ago and after giving protection for three years to come forward with an excise duty is, to my mind, not at all justifiable. If I may be permitted to say so I would say it is most objectionable on the part of the Central Government. I admit that factories were being raised very rapidly and I do not know how far it will be advisable to bring in the argument of over-production before allowing all the factories to work and come into competition with each other. In any field of production it is not the Government who should stop over-production but it is the competitive prices which always diverts capital from one field of production to another. Secondly, Sir, as far as I could gather, in Java the Dutch Government has a central distillery for preparing spirit as a by-product from molasses but in India no such steps have been taken to allow the sugar manufacturers from earning a revenue from the manufacture of such a by-product. If the sugar excise is a central revenue then it is the duty of the Central Government to take steps for the establishment of central distilleries where all the sugar manufacturers can dispose of their molasses, for the purposes of distillation. If such a step is taken it will ultimately bring Government greater revenue from this excise. At the same time the manufacture of such spirits will give a good income to the sugar manufacturers.

In coming to the question of the imported tobacco I wish to observe one thing. Government should watch the situation very carefully and, if necessary, steps should be taken to increase the duty on imported tobacco leaves further if it can bear it without decrease in revenue. I feel that imported tobacco will be able to bear an increased duty due to the fact that foreign factories are being established in India using imported tobacco.

(At this stage the Honourable the President vacated the Chair, which was taken by the Honourable Rai Bahadur Lala Ram Saran Das.)

[Mr. Jagadish Chandra Banerjee.]

As regards the excise on matches I have got the strongest objection possible in the levy of such an excise as no differentiation has been made between the foreign factories established in India who prepare matches from all articles imported and those indigenous factories using indigenous raw materials for the production of their matches. I think the duty on imported veneers and splints should also have been raised so that the unfair competition between those manufacturers using foreign veneers and splints and those using indigenous veneers and splints may be stopped. In the alternative I would ask the levy of two different scales of excise duty according to the matches manufactured from foreign materials and those manufactured from indigenous raw materials. As a result of this equal duty for all kinds of matches the importers and the middlemen will increase their prices on all classes of that article and the poor consumers who use the inferior quality of such article will also have to pay dearly. I can quote from practical experience today that the matches which used to be sold for half a pice a box has been raised to one pice per box as a result of the proposed duty.

In coming to the question of the expenditure side, Sir, I congratulate once more the Honourable the Finance Member for giving relief to Bengal, my own province, by the refund of half the export duty on jute. But, Sir, I take this opportunity of asking the Government to take steps to put a check on the Bengal Government who should not squander more money for pampering the Police Department which is already a privileged and the most-favoured department in that province. If we are asked to pay it is our bounden duty to see that the nation-building departments in Bengal in charge of Ministers are given sufficient money for opening out fields of employment by which unemployment may be removed, and the necessity for more police may ultimately be decreased. The tendency of all bureaucracy is to check expenditure when in deficits and as soon as they are made affluent they will always try to spend money on schemes which will give benefit not to the masses but to the bureaucrats themselves and their henchmen and the Bengal Government is not free from this general vice.

In coming to the question of retrenchment, I may say that the House is already aware of the circumstances under which the Government of India brought into existence a retrenchment committee. I would like to quote the following passage from the speech of the Honourable Sir George Schuster regarding this Committee delivered by him in the other House on the 6th March, 1931. It reads as follows:

"I now come to my proposal for a Retrenchment Committee. Now, I have been forced to draw some rather surprising conclusions from the way in which that proposal has been treated. It was a perfectly honest and fair proposal intended to meet what I expected would be the wishes of the House. But its reception leads me to the conclusion that if the Government want to avoid an embarrassing obligation, the best thing for them to do is to come to this Assembly and offer to undertake that very course. The Assembly then apparently will say, 'This is only a bait; we are suspicious of your motives: we will not touch it at any price.' That is what has happened in this case".

In the passage quoted the Finance Member complained bitterly about the suspicions which arose in the minds of the Members even before the Committee was appointed. I ask here, Sir, as to who is responsible for such suspicions? It is the treasury benches and no one else. The Committee was appointed and recommendations were made. I ask the Honourable the Finance Member whether all the recommendations made by

the Committee were accepted by Government and given effect to by them. After getting the report what did the Government do? It is an open secret that they accepted only those portions of the recommendations which affected the subordinates and low paid clerks. So far as the superior staff is concerned practically nothing has been done. Men superannuated in the gazetted ranks have been retained. Posts held by Europeans recommended for retrenchment have been found essential for the discharge of responsibilities of the bureaucrats. The future scales of pay of all services manned mostly by Indians and recruited by the Government of India have been reduced, not on the recommendations of the Committee but on their own initiative, whereas the reduction in the scales of pay of superior services have been deferred to the Greek Kalends. Many nation-building departments which used to be manned by Indians have been crippled and the department of my Honourable friend the Finance Member is increasing in bulk because he is the sanctioning authority for his own department. In this connection I would seriously suggest that for any sanction of posts of the Finance Department some independent authority must be appointed and I think the Auditor General being independent of the Government of India will be the most suitable authority for such purposes.

As regards the steps taken for economic research for ameliorating the
1 P.M. distress of the agricultural population of India, as far as I know the Government of India indented for the services of Sir Arthur Salter. He, like an honest man, placed certain recommendations before the Government of India. They did not take much action on such recommendations because probably they did not suit the desires of the bureaucracy. I understand another indent has been made from Great Britain to have two experts from there. As usual every opportunity is taken to bring experts from England so that a few more Englishmen may go back with a little more looted treasure from India. I know for certain that those experts will produce "a mole hill" after "the mountain has been in labour" as is usually the case with all such committees and commissions. The present Government is so much obsessed with their own power that they forget that such false promises will ultimately bring ruin and disaster for themselves and to this country as well. It was the guilt-edged promises of past generations of Britishers which were responsible for the establishment of this vast British Indian Empire and it is the false pledges and promises of the present generation of Britishers which will bring in sooner or later the dismemberment of the Empire unless the present Government takes steps to redeem their pledges. I say these things not with any spirit of bitterness but I say them to the Government as we, being the representatives of the masses, have better opportunities of hearing them directly and feeling their pulse.

So far as military expenditure is concerned, I find a note of warning given to the country to prepare itself for a big jump in the figures of army estimates in the next budget when it comes. The Finance Member has in his usual way complimented His Excellency the Commander-in-Chief who in his turn whenever opportunity arises will compliment the Honourable the Finance Member because the Central Cabinet is constituted on the basic principle of a mutual admiration society. This House cannot agree to take these warnings without protest. The pay of British military personnel was reduced in 1925. But why should that question be not now reopened and a further reduction made in their pay to meet extra expenses in the event of any rise in the rate of interest or in the event of a general

[Mr. Jagadish Chandra Banerjee.]

rise in the prices. The system of contract budget made in 1929 should not be enforced with any fixed amount but with a fixed percentage of the total annual revenue so that with such fixed percentage let the army swim in rose baths if they can. There appears to be no justification of the over head charges as is borne by the army in its cost of maintaining Army Headquarters in its present bulk. Year in and year out the people are asked to pay more by way of new taxation. This year we have been asked to pay Rs. 140 lakhs on sugar, Rs. 30 lakhs on tobacco and Rs. 210 lakhs on matches—in all about Rs. 4 crores. How long can this state of affairs continue? If the present bureaucracy whether in the provinces or in the centre cannot cut their coat according to the cloth they have, then they have no justification to demand more cloth. Bureaucracy thrives in wastage because they play with money that is not their own. They can lay down maxims for good finance and economy when it suits them and they can conveniently ignore them when that very maxim does not suit them. Here, in this case of reduction and avoidance of debt provision, this is exactly what has happened. On the 28th February, 1931, the Honourable Sir George Schuster claimed from the house tops that diminution in the provision for this item would be fatal in view of the impending constitutional changes. With your permission, Sir, I quote what he actually told us on that occasion :

“Lastly, there is the automatic increase, in the provision for Reduction and Avoidance of Debt, of Rs. 78 lakhs. This is a heavy item, but at this stage in India's constitutional development, when the outside world is watching closely the effect of the coming constitutional changes on India's financial stability, I am sure that all Honourable Members will agree that it would be fatal to make any diminution in this provision”.

In subsequent years he also held fast to that very maxim but now he comes with his statement regarding this question as follows :

“In proposing a reduction in the Debt Avoidance provision we have looked on that as a margin of strength on which in the present exceptional circumstances it is legitimate to draw”.

Sir, when first this maxim was introduced there was no question of taking it as a reserve to fall back upon in lean years. But being probably his last budget he twisted that formula in a way which gives him the advantage of showing a surplus budget and of satisfying the Provincial Governments as well. Before I conclude I would suggest the imposition of an export duty on gold if not for prohibiting export of that article but at least for raising a good deal of revenue out of that source. The recent increase in the dollar price of gold has further stimulated gold export from India as appears from the present budget speech. I read his own words :

“One side of that policy has been still further to increase the dollar price of gold. This has been followed by a similar increase in its sterling price, with the result that gold exports have again been stimulated from India”.

Secondly, I would suggest the imposition of higher import duty and a corresponding excise duty on vegetable ghee. By these means Government may be able to reduce the income-tax on those persons having incomes up to Rs. 1,000 per annum and to reduce the price of the postcard which will go a long way to relieve the poor masses. The reduction in the cost of envelopes and telegrams do not for all practical purposes affect the masses at all. It is only a small percentage of the poor people, a practically negligible number, who go to the luxury of writing letters in envelopes and still less is the percentage for those amongst such classes who use telegrams

as a means of ordinary communication. I would therefore suggest the lowering of the postcard rate and leave the cost of envelopes and telegrams at their present price.

With these few observations, Sir, and thanking you for allowing me the valuable time of this Honourable House I resume my seat.

THE HONOURABLE MR. J. S. HENDERSON (Bengal Chamber of Commerce): Sir, I desire to swell what, I am sure my Honourable friends opposite will later describe as the general chorus of praise with which the Honourable Finance Member has been greeted on the introduction of what, I am confident, we must all genuinely deplore to be his last budget. In another year of grim depression, and under circumstances which have not only continued to be as difficult and baffling as before, but have indeed in some respects outrivalled previous years in the way of financial gloom and discouragement, he has presented a budget which shows all his former courage and imagination, and I congratulate him upon it.

Sir, this budget is as financially sound and sternly uncompromising as its predecessors, and once again there is no gilding of the pill which the unfortunate taxpayer is being asked to swallow. We must be thankful for small mercies in these days, however, and we can at least derive some small measure of satisfaction from the decision that the 5 per cent. cut in the pay of the Services is to be retained for another year. I would refer here to the representations made to Government by the Associated Chambers of Commerce that the restoration of this cut should not be effected unless at the same time some substantial and general relief by the reduction or removal of the 25 per cent. income-tax surcharge is afforded, to be shared alike by the Services and the public. It now appears, as I have pointed out on a recent occasion, that we are to be saddled with the 25 per cent. surcharge for another year, and must just make up our minds to grin and bear it, hoping that the time is not far distant when some reduction of this crushing burden might be possible.

Coming as I do, Sir, from Bengal, and speaking on behalf of the interests in that province which I represent, I have to express our full approval of the proposed excise duties on factory-produced sugar, and, incidentally, to the scheme for enforcing a minimum price for cane to be paid by the factory to the grower. For some time past we have been persuaded that some such step as the former was necessary and desirable in the general interests, and we welcome this proposal, the effect of which will be to lower the present high protective duty to a level more in keeping with the basic duty recommended by the Tariff Board. We believe with the Honourable Finance Member that even after the imposition of the excise, the sugar manufacturer can pay a fair price for his cane, make a fair profit, and sell at a fair price. Again, the proposal to abolish the export duty on raw hides is one which we in Bengal have been pressing for, and one which has accordingly met with considerable satisfaction on the part of the interests concerned there. Apart from the fact that except in certain exceptional circumstances, export duties are a form of taxation to which I am opposed as being unsound in principle, there can be little doubt that in this particular case the continuance of the duty was likely to have led to the total extinction of an important trade in a very short time, and we welcome its proposed abolition accordingly.

And now, Sir, I should indeed be wanting in gratitude if I failed to voice the satisfaction of the interests which I represent at the proposal

[Mr. J. S. Henderson.]

to hand over at least half the jute export duty to the jute-producing provinces as an urgent measure of sorely wanted financial relief, so far at least as Bengal is concerned. Although, to be quite frank, this proposal represents nothing more than what might fairly be termed a somewhat tardy act of financial justice, we are nevertheless duly grateful for it. As the Honourable Finance Member has already pointed out, Bengal could not be expected of its own efforts to restore financial equilibrium, and no other province in India was in a comparable position. We are most grateful, also, for Government's proposals of financial assistance to Bihar and the other provinces which have suffered from the recent earthquake. It has been contended in some quarters that the proposed assistance is over generous, and in others that it is not generous enough, but all must surely be agreed, I think, that the need is pressing and very great, and I am sure the Members of this Honourable House will strongly deprecate the unfair criticism of the Government's help to Bihar to which I have referred.

In regard to the proposed readjustment of the tobacco duties, it would appear from the representations which have since been made by those concerned that further consideration of the revised rates is called for, and that, for example, the cost of imported materials used in the making and packing of the cigarettes in question has not been taken into account.

In the matter of the reduction and avoidance of debt, the Honourable the Finance Member has explained that it is proposed to make provision for Rs. 3 crores for the current year as well as for next year as against the figure of Rs. 6·89 crores in the current year which would be called for under the Convention which was settled in 1924. In this regard we were glad to learn from the Honourable Member that there was no country in the world that had either not cut its sinking fund provision or incurred budgetary deficits, and to have his subsequent assurance that India's credit in the world's markets will not be in any way affected by the cutting down of the Debt Redemption provision this year.

Finally, Sir, I should like to express the pleasure felt by every Member of this House at having Sir George Schuster with us here today. It is a pleasure which is only vouchsafed to us once a year, and we are sorry indeed to think that that pleasure must on this occasion be tempered with deep and sincere regret when we remember that this is the last time we shall be able to welcome Sir George to this Honourable House, at least in his present capacity of Finance Member. As a result of his five difficult years of stewardship, India's credit today is high, the Government can borrow money on cheap terms, heavy short term debts have become light long term liabilities, and the burden of interest greatly lightened. He has served this country well if ever a man did and I am sure I can say without fear of contradiction that he has earned the admiration and gratitude of this House, and that when he leaves India he will take with him the sincerest good wishes and affection of every Member of it.

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

The Council re-assembled after Lunch at Half Past Two of the Clock, the Honourable Rai Bahadur Lala Ram Saran Das in the Chair.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official): Sir, I have no desire to go over the same ground that has been covered by the speakers who have preceded me. As a matter of fact, I do not want to go into the details either of the budgetary position or of the budgetary proposals which have been thoroughly discussed. Two subjects on which I want to concentrate my remarks are, firstly, the generous contribution proposed to be made to Bengal, namely, half of the jute export duty,—and, by the way, I hold that the whole of the jute export duty was the due of my province,—and secondly, the most humane way in which the Government of India proposes to pay for repairing the damages caused by the earthquake in the unfortunate province of Bihar. I think there was some misreading and misunderstanding of the claim which Bengal puts forward for the jute export duty. First of all, Sir, we ought to remember that the jute industry is the monopoly of Bengal. By jute industry I mean to refer not only to the jute mills but also to the jute grower. The prosperity of the province and generally of the provincial finances depends in a great measure on the prosperity of their industry. If the industry is prosperous, provincial revenues improve. Although export duties, on principle, may be open to very serious objection, as I think that export duties generally always tend to fall on the home producers, yet in the case of a monopoly commodity like jute it may be justified because, in certain given circumstances, it can be passed on to the consumer. Sir, the treatment accorded to Bengal under the Meston Settlement was, as was well known, very much to their disadvantage, and if we compare the share of the revenue that was used for provincial purposes and the proportion taken by the Centre, Bengal's percentage was 30·3, whereas in Madras, for example, it was 69·5 and in Bombay it was 40·7. Bengal, I find from the list, was practically taking the least portion of their revenue than any other province in India. Other sources of revenue were taken as the central source of revenue. We were denied those. Therefore, Sir, this allocation of half the jute export duty is somewhat of a tardy financial justice to my province but certainly a matter of great political wisdom. The Third Round Table Conference recommended and recognized that as regards Bengal, the difficulties arising from the present distribution of resources were exceptional. They recognized that and suggested that they might be made up by according to the province some share in the tax on jute, and that is what is now being translated into action by the Government of India. Sir, there are very cogent grounds, I submit, on which Bengal claims the whole of the jute export duty. To begin with, the jute export duty was imposed in the year 1916, long before Federation was thought of, and as my Honourable friend Mr. Suhrawardy has pointed out as an exceptional after-war measure. Otherwise, this question of the jute export duty would not have troubled the Government of India now. If it was sought to be imposed now, it would have been regarded as a source of provincial revenue and the whole of the jute export duty would have been utilized and spent for Bengal. It is an accepted principle that the determining voice in regard to a duty which may directly affect the prosperity of the whole province and the provincial finance should lie with the Provincial Government; secondly, that jute is a monopoly of Bengal and small areas in Bihar and Assam, and the proceeds of the duty are therefore attributable

[Mr. Bijay Kumar Basu.]

entirely to a definite geographical area; thirdly, that since the duty is treated as a provincial source of revenue, it will be impossible to secure uniformity of provincial burdens as between the jute-producing provinces and other units of Federation.

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

When the conditions of the jute trade were prosperous, the jute export duty, as I said, could have been passed on to the consumer. It actually did not affect the growers of jute in the least. But when we are passing through very difficult times at the present moment, the whole of the duty falls on the producer. Another argument that has been used by some of the critics in Bengal—of course I am very glad to say not in this House but elsewhere—is that all the difficulties that are now being faced by the Government of Bengal have been due more or less to the existence of what is known as the permanent settlement. I do not think, Sir, that the question of the permanent settlement is really relevant to this issue because as you know, the permanent settlement was introduced in the 18th Century and not by the Provincial Government but by the Central Government of the time. So, about the distribution of the resources I do not think it is strictly relevant to the issue that we have now before us. But had there been no permanent settlement and no special taxation on the production of jute, the rent receivable by the zamindars for the jute lands would have been greatly enhanced and the Local Government would have enjoyed a corresponding increase in the land revenue if there had been no permanent settlement. Who can deny that? Then, for the last two or three years, we are passing through very critical and very troublous times. What do we find? Portions of the land revenue in all the other provinces have to be remitted to a large extent, but what has Bengal done? It has paid to the pie. No, they have not defaulted in their land revenue, whatever the stress and strain they might have passed through. But up to the present moment the benefit of jute, a crop peculiar to Bengal, has been enjoyed not by Bengal through enhancement of land revenue but by the Central Government through an export duty. After all is said and done, so far as the internal trade of India is concerned, it cannot be denied that Bengal is primarily a consumer's province and the protective duties on cotton textiles and wheat or iron and steel products, imposed entirely in the interests of producers elsewhere, have told hardly on the consumers of Bengal. That fact ought to have been taken notice of by the critics. Bengal has little to gain from a policy of protection, and duties imposed for the benefit of producers elsewhere in India, will damage not merely the consumers of Bengal throughout the countryside but also those engaged in the more important sea-borne trade of ports. These are some of the reasons which I think will be taken note of by the Government of India in revising their decision in after years. At the present moment I certainly congratulate myself on having got half a loaf instead of the full loaf that we want and to which Bengal has an undeniable right. There is another little point with regard to this which I think ought to be taken note of. In more than one place in his speech in the other House the Honourable the Finance Member has repeated and our friend the Honourable Mr. Banerjee has rubbed it in, that the

Government of India should be satisfied that the Bengal Government and Legislature were doing all that was possible to help themselves. In another place he says that :

“We should satisfy ourselves that the Government of Bengal is taking every possible measure on its own account to restore financial equilibrium”.

No doubt when a grant is made it is certainly the privilege of the grantor to call upon the grantee to show cause why, if he misuses or misspends it, the grant should not be stopped. I view the thing absolutely from a different angle. I began by saying that we have a right to this duty and the Government of India have for so long been denying us the financial justice to which we are entitled. Mr. Banerjee in the course of his remarks said that the Government of India should keep a strict eye on the Government of Bengal that the money so given may not be wasted. I am surprised at the remark. My friend Mr. Banerjee is not in his place. I would have liked to know from him if he is prepared to charge the Government of Bengal with extravagance and waste. He mentioned the police budget and accused them of pampering the police. But I can retort by saying that it is his city of Dacca which has given rise to this sort of pampering of the police, along with two other small districts, Chittagong and Midnapore. He of all people to complain that the police are being pampered in Bengal is really astounding. I have heard of people not throwing stones when they are living in glass houses, but surely in this case he is himself living in a house built with more fragile material than glass and still he throws stones at others. Bengal through its 1922 Retrenchment Committee reduced her expenditure by about Rs. 35 lakhs and through its 1932 Retrenchment Committee still further reduced her expenditure by another Rs. 40 lakhs. There was a remark which was made in the other House by the Honourable the Leader of the European Group that hereafter when any man in India would strike a match, he will think that he is benefiting Bengal. I say, yes, it is quite true that when a man will strike a match in India he will think of Bengal, but what I would ask him to do is to think of Bengal sympathetically and not enviously, because, after all, Bengal is as much a province of India as the province from which the other gentleman comes. You cannot take Bengal apart from the rest of India.

Sir, I now come to the other point I wanted to make, as to the grant of the surplus of this year's budget to Bihar for repairing the ravages done by the earthquake. I think I will be excused by the Honourable the Finance Member and will not be considered impertinent if I say that his action in granting the whole of the surplus of this year's budget to Bihar has not only captured the imagination of the people, but it has shown to the people that the affairs of the Government of India are managed not by bureaucratic soulless automatons but by people possessing human hearts and human sympathy for human miseries. Comments have indeed been made that the contribution which the Government of India has made to Bihar is not adequate, and people have gone so far as to forget themselves in their misery to say that it was a pitiable contribution. But I think that when the Government of India's finances are in the condition in which they are today, the gesture of giving the whole of the surplus to the stricken province of Bihar certainly calls for all the credit that one can possibly imagine.

[Mr. Bijay Kumar Basu.]

Sir, the speech of the Honourable Finance Member in the other House although it might in normal circumstances be considered long, was a fine literary production and almost classical in its matter and diction. It captures one's imagination and once one starts reading it one cannot but read it through to the end. Sir George Schuster is going home for his well-earned rest. It is practically his swan-song in the Indian Legislature. I only hope that when he makes his swan-like end he will fade in music and go home with a chorus of praises following him and the goodwill of a grateful nation.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): Sir, as the time at our disposal is very short I do not wish to prolong the discussion. First, I wish to thank the Honourable the Finance Member for the two gifts which he has given to Bihar. The first and more valuable is the Rs. 12½ lakhs recurring help in the shape of our share of the jute export duty. At the rate of interest which Government is at present paying, if that were capitalized, it would be Rs. 3 crores. This is a free gift. Secondly, Sir, I thank him for the help which the Government of India is rendering to the province of Bihar, and as it is a gift it is not quite proper for us to look it in the mouth. There is no doubt that Government had done a great deal for this afflicted province, but the need of the province is so great that even this generosity does not satisfy us. We are not unmindful of the position of the Government. We know in what difficult circumstances the Finance Member has given us this help. We appreciate it; therefore we do not complain against it. What we are stating is that our requirements are greater still and we hope that if it is not possible to do more in this year's budget, at least next year he or his successor will be more helpful to the province of Bihar. In this connection I should like to draw the attention of the House to the fact that responsible persons in my province like Rajendra Babu have expressed their dissatisfaction at the assistance. I am not going to quote his message, but I will lay it on the table.* It shows how great is the dissatisfaction in my province. A former Finance Member of the Government of Bihar has also condemned this measure as insufficient in no uncertain terms. These things show, Sir, that our requirement is great and therefore it is not in any spirit of ingratitude that we say this. It is only in desperation that we say that it is insufficient and we hope that the Government will be more helpful.

Sir George Schuster had set for himself a standard about presentation of the budget which he carried out throughout. He always anticipates our criticism and replies to them in advance and this disarms us and makes it difficult to find fault with his budget. Sir, to add to this, we come after the Assembly and therefore all the points are practically exhausted; but there is this thing to be said that this is an occasion when this Council generally wants to speak and it is rather difficult to allow all the people to speak in the short space of one day. The Assembly is given two days, while this Council of State is given only one day. I would therefore request you to convey to the Governor General in Council

*"Budget provision Bihar relief most disappointing exhibit inadequate appreciation gravity situation callous disregard elementary needs no provision land reclamation rebuilding towns of famine relief needed extensive scale Government rebuilding its own Local Bodies' houses, roads, etc., and well-to-do persons with loans poorer classes left to private charity and paltry Viceroy's fund—Rajendra Prasad."

that it will be better if we are allowed two days to discuss the budget. Last time we had to sit till 7 P.M. You gave us indulgence and you allowed us to have our say and we discussed till 7 P.M. on last budget day.

Sir, my Honourable friend Mr. Jagadish Chandra Banerjee drew attention to the fact that sometimes maxims are changed. I am not going to attack, but rather I am going to praise the fact that the Government has now changed its provision for reduction and avoidance of debt from what it was formerly to its present level. When I dared to suggest even after the Finance Member's warning in this Council that the provision for reduction and avoidance of debt should be reduced to Rs. 2½ crores, the Honourable the Finance Secretary took me to task and told me that it is a provision which bankrupt Governments only made and Government was far from that position; but adversity does made us change our ways and we find that the Government is now in full concurrence with me that this provision should be reduced. But there is one thing which is unsound in the sinking fund provision which the Finance Member has made. In the Finance Secretary's Memorandum we find that provision has been made for payment of the capitalized value of the English War Loan. That has come to me as a great surprise. We were under the impression that with the talk going on between America and England and with the question of the German reparation arrangements that it has been finally decided that India will not be charged with that; at least that has not been finally decided. The action of the Government in making no payment during the last year was a sufficient indication of the way in which the British Government was going to proceed. Last year too we made provision for Rs. 1.66 crores in two ways, Rs. 88 lakhs being provided under the interest head and Rs. 78 lakhs in the sinking fund head. The whole of that money remained with the Government of India. This year again the same unsound policy has been adopted. We have provided for payment of debt of Rs. 58 lakhs and Rs. 84 lakhs has been provided in the sinking fund for repayment of war loan. If for no other reason, the fact that the Government in England did not charge us for the last year was sufficient indication that it was not the intention of His Majesty's Government to fix upon our shoulders this burden. This means that the Honourable the Finance Member has in his usual prudent way kept a hidden reserve of Rs. 1,44 lakhs—

THE HONOURABLE SIR GEORGE SCHUSTER: I do not know where my Honourable friend gets his figure of Rs. 1,44 lakhs from. I do not want to interrupt him as his time is very short, but the provision last year was Rs. 88 lakhs, which has not been called upon, and the provision we are making this year is Rs. 58 lakhs.

THE HONOURABLE MR. HOSSAIN IMAM: In the Finance Secretary's Memorandum on the sinking fund, provision has been made for the repayment of debt in the sinking fund for Rs. 3 crores in which the sum of Rs. 84.59 is mentioned. I am taking that.

The basis for the sinking fund is the contractual obligation which has been fixed at Rs. 1,36 lakhs for the 5 per cent. loan and Rs. 26 lakhs for the railway annuity. That is the only obligation which we are obliged to make and this was an important point which I stressed last year too, that we should not have anything extra in this direction.

[Mr. Hossain Imam.]

Sir, as you have pointed out in the beginning that we are going to have separate Bills and we can discuss new measures of taxation, I am not going to discuss them here; but I should like to point out that when the Honourable the Finance Member painted a rosy picture of reduction in debts of Rs. 4,22 lakhs he did not put the whole truth. There is no doubt that there has been a substantial reduction in the interest payment where the internal debts are concerned, but our external debt position is not so good as that of our internal debts, and if we take into account that any repayment in internal debt has a repercussion on the incomes from the Income-tax Department, it will be seen that these reductions have been made at the cost of revenue from the Income-tax Department. Whereas expenditure on English interest is down by less than 5 per cent. the Indian expenditure is down by more than 10 per cent. In paragraph 14 the Honourable the Finance Member draws our attention to the fact that even with the increased loans we have got to make decreased payment. That is a good picture, but it is only one side. While on this side our expenditure in India has been reduced; on the other side our expenditure in England has gone up. I am following his precedent and quoting the actual figures of 1922-23 and 1932-33. In the former year, Sir, just ten years before we were spending Rs. 30 crores in England out of a total expenditure of Rs. 136 crores. Then our external expenditure was about 22 per cent. of the total income. But this year with all our economies, with everything done to meet this eventuality we find that actually our commitment outside on revenue account has increased to Rs. 36.39 crores, while our expenditure in India has fallen to Rs. 88.46 crores. There is a reduction of more than Rs. 17 crores in expenditure in India and there is an increase of Rs. 6 crores in expenditure outside India during the ten years that the Finance Member has taken. This shows, Sir, that the drain of Indian wealth is still on the increase. We have seen how on the Continent this drain has upset equilibrium everywhere. Repudiations of debts have been made and still this thing is continuing. It is therefore, Sir, incumbent that good finance means not only that expenditure inside India should be reduced, but it is still more incumbent upon us that our expenditure outside India should be stopped. And it is there, Sir, that all the Members should concentrate their attention and India as a whole should concentrate its attention—that is on expenditure in outside countries which acts as a sort of tribute.

The Honourable the Finance Member in paragraph 60 of his speech drew our attention to the deplorable condition of the finances of Japan. They have incurred enormous deficits rising to a thousand million yen. But did he pause to think how much of this money has been spent in giving bounties to the trade, how much of it in fighting in Manchuko, and how much of it went to help the country itself? The Government has taken no care, we have always said, of our industries. You have replied that Government has done everything. We will see it in more detail, Sir, when the time comes to discuss the effects of the Ottawa Agreement.

In conclusion, it is very pleasing to me to find that even the European non-official Members are now associating with us and Mr. Glass's solicitude for the rice-growers and Mr. Henderson's approval of the retention of the cut was a welcome sign of change of tactics. When all non-official opinion is going in one direction, we all feel and we all realize that the interests of non-officials are the same without any difference of caste, creed or colour.

THE HONOURABLE THE PRESIDENT: I am anxious not to stifle the debate in any way and to give Honourable Members the opportunity of speaking and ventilating their views but you know today is Their Excellencies' Garden Party and most of the Members are anxious to attend. Last year I allowed the debate to continue till 7 o'clock but on this occasion some sort of exception must be made and I therefore request Honourable Members whom I will now call upon to speak as briefly as possible and limit their speeches to ten minutes, if possible. At three-forty I propose to call upon the Finance Member to reply and the debate after his speech will be closed.

3 P.M.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central: Non-Muhammadan): Sir, the budget as has been presented to us bears two aspects, one of which has nothing but commendation from us and the other is the most unsatisfactory or the dark side as I should say. So far as the commendable acts are concerned, the foremost among them is the generous contribution of Rs. 3½ crores that Government has proposed to give to Bihar. Most of the Members have expressed their gratitude on the point and have dealt with it fully, so I leave it there. The other aspect of the budget is about the proposal of new taxation on certain articles of necessity—sugar, matches and cigarettes. So far as sugar is concerned, I must say it is an article of daily consumption. I do not grudge the Government taxing profits of the factories but when they have come forward to tax the production of the factories, I must lodge a strong protest. Sir, when protection was given to this industry, Government did so with their eyes open. The Government deliberately subordinated revenue considerations when they decided to afford protection to this industry. But even after the lapse of two years they have come forward with the proposal of a heavy duty of Rs. 1-5-0 per cwt. This, I should say, will kill the industry as has been pointed out by Honourable Members here. What the Java people are now doing is this: they are selling their sugar at a loss. Their cost price according to the Tariff Board report came to Rs. 4 at our ports. But they are now selling at about 10 to 12 annas less than the cost price and their object is to kill the industry that has just risen here in India. From the figures that were quoted by the Honourable the Finance Member in his speech I find that this year Java is going to import 13,50,000 maunds of sugar and with the destruction of seven factories in Bihar and serious damage to two factories, I think Java will be importing much more than these figures which were based on the pre-earthquake position. Then, Sir, so far as the factories in the western side of the United Provinces are concerned, they are going to be closed very soon,—I mean the factories round about the Meerut district,—because a certain insect has destroyed the sugar-cane crops. Some have already been closed and others are going to be closed in a week's time. So there will be still less production by the Indian industries. Then, Sir, I admit that Government has lost crores of rupees in import duty but they have gained indirectly by it. For instance, so many factories have been started and they are getting income-tax and super-tax upon their profits. Then, Sir, so much machinery has been imported, on which they must have collected import duties. Then, my third point is that if so many factories have sprung up in such a short time, it has solved partially, if not wholly, the problem of unemployment by so many more persons being employed in the country. That is also one of the foremost duties of the Government. Then the last and

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

the most important feature is that they have relieved greatly the distress of the agriculturists and by relieving the lot of the agriculturist Government is able to get more revenue at the proper time. The sugar industry in the United Provinces and Bihar has become the principal industry and but for this industry I do not know what would have been the fate of the agriculturists of these provinces, and consequently, they have got more in revenue than they would have got without them. Considering all these points, it is not proper to say that the Government has lost so much on the import duty. Therefore, Sir, I oppose this duty and will oppose it when the Bill is brought forward in this House.

As far as taxation on matches is concerned, this will hit the poorest of the poor. Everybody uses matches, the price of which will be doubled, so this tax hits the poorest of the poor. (*An Honourable Member*: "It hits everybody!") It hits everybody, but I am speaking for the masses. Then, Sir, this tax—

THE HONOURABLE THE PRESIDENT: The Honourable Member will have an opportunity of speaking on those two Bills when they come up before the House.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, as far as the reduction in postal rates are concerned, the Government of India have taken action out of their own necessity. They have worked it out for many years and found that they were losing in the Postal Department, and now they have realized the mistake they have committed and are reducing the price of envelopes by three pies only. If they increase the weight from half a tola to one tola, I am sure it will enable Government to be much more a gainer. It was also proper that Government should have reduced the price of postcards to three pies but they have not done so. I hope the Honourable the Finance Member will consider that question very seriously. Sir, as the time at my disposal is over, I cannot deal with the other subjects with which I wanted to deal.

THE HONOURABLE Mr. VINAYAK VITHAL KALIKAR (Central Provinces: General): Sir, I cannot see my way to congratulate the Government over presenting this budget, which though on paper appears a surplus budget is, to my mind, really a deficit budget. When the purchasing power of the people has gone down admittedly and when there is economic depression of such great extent, the taxation proposals which the Honourable the Finance Member has introduced in his budget will not in any way alleviate the sufferings of the masses. Therefore, the Rs. 153 lakhs which he wants to get from these proposals will not in any way balance the budget and therefore I say that though this budget may be a sound one on paper, yet so far as the country is concerned, it is practically a deficit budget.

Much has been said, Sir, and I do not want to repeat the arguments, about the sugar tax and the match tax. But one point has struck me from the point of view of the cane grower. It has been suggested that this excise duty on sugar will help the cane grower to a very great extent. My Honourable friend, Rai Bahadur Lala Mathura Prasad Mehrotra, who is intimately connected with sugar manufacture, has ably put forward the case of the manufacturer before the

House. I, as a cane grower, would be personally glad if the cane growers are benefited. But I take a broader view of the position. My Honourable friend Sir Kurma Venkata Reddi has said, and I fully agree with him, that this commodity is used by all people for consumption. It is not an article of luxury, but it is an article of necessity. From that point of view I submit that if this excise duty hard hits the manufacturer, the cane grower will not really get any money for his produce. I am myself a cane grower and if the factories do not purchase our cane, then ultimately we will not be able to get as much price as the Government expects that we should get and as we desire that we should get. So, I cannot agree to this proposal.

Then, as regards the match duty, it will hit the poorer classes as well as the other classes. I do not mind if it hits me, but I really feel for the poorer classes. In these days of depression I do not think it is a sound policy for Government to burden the taxpayer, because he is already overburdened with other taxes. The taxpayer has to pay the provincial tax; he has to pay the tax of the local bodies; he has to pay the tax of the Central Government, and now he has to pay also the additional taxes which the Central Government want to impose every year. In fact, I should call this not a normal but an emergency budget. If the Honourable the Finance Member had found his way to reduce the burden of over-taxation under which we are suffering, I would have been really glad and I would have said that he has really managed the finances of the country well. Scientifically, he might have managed the budget well. But go to the country and see the position of the agriculturist and the poorer classes. You will find that there is hardly anything left for them. They cannot even meet the cost of production and there is very little left for them to live upon. In my own province, which is mainly agricultural, it is very difficult for a farmer to get even two meals every day. They have not been able to pay land revenue; they have not been able to pay their debts and find the means to meet the ordinary necessities of life. If the Honourable the Finance Member had come to the rescue of my province I would have thanked him very much. Of course I know that my Government are managing their budget well. They have not produced a deficit budget. I congratulate the Bengal Members that they have got nearly Rs. 2 crores, but I think it is a bad precedent, because if Bengal claims that amount today, tomorrow the Central Provinces, the poorest province in India, will claim something. The Central Provinces Government have curtailed their expenditure to a very great extent both on the Reserved side and on the Transferred side. Most of the grants to local bodies for useful activities have been curtailed. Not only that. On the Reserved side, expenditure has been very much curtailed that in various places the posts of Sub-Judges have been abolished, and people have to go a long way for their litigation. Because we manage our budget very successfully, I am afraid the Government of India do not come to our rescue. Not only that. The Government of India have increased the freight on coal. The other day I made a remark about it, and now I find that from the 1st April the freight on coal is going to be raised. The surcharge is there and the freight is also going to be raised, so that other industries will also suffer.

Sir, as the time at my disposal is short I shall briefly deal with military expenditure. My point is that you have to curtail expenditure and though I may congratulate the Honourable the Finance Member

[Mr. Vinayak Vithal Kalikar.]

for having curtailed expenditure on the military side, still, according to a very eminent authority—I mean the present Prime Minister of England—the military expenditure of India should not be more than Rs. 20 crores. That is what he said in his book entitled “Government of India”. He says that the expenses of the British Army should be borne by the Imperial Exchequer and not by the Indian Exchequer. So the position is that new taxation proposals are there and the purchasing power of the masses has not in any way increased while the position of the agriculturist is very distressful. If, therefore, taking these things into consideration, my friend thinks that the budgetary position is sound, I am sorry I cannot agree with him.

THE HONOURABLE KHAN BAHADUR CHAUDRI MUHAMMAD DIN (East Punjab: Muhammadan): Sir, the Finance Member has given an excellent picture of India's financial administration, of his difficulties and his successes since the end of 1929. Sir Alan Parsons' Explanatory Memorandum gives most useful and illuminating information. It was fortunate for India that during the severest period of world-wide depression we had a financial expert of Sir George Schuster's experience as the custodian of our public finances. It is due to him that in spite of the terrible depression and slump India's credit today is high. The burden of interest has been reduced and heavy short-term debts have been converted into light long-term liabilities. The Government of India is to be congratulated on the generous provision for financing the measures to help the needy victims of the earthquake in Bihar. The re-introduction of the one-anna postage for letters and cheaper telegrams are satisfactory features of the budget. Sir, owing to the lower prices of agricultural produce rural India is in a very sad plight. It is not life but a struggle for existence with the villagers today. It appears as if the fate of agriculture were sealed. The Government should take special measures to find markets for Indian agricultural produce and to improve prices. During the Simla session I urged the necessity of reducing railway freight on agricultural produce. It is one of the methods by which Government could help the agriculturist. Nothing has been done to tackle the problem of rural indebtedness. The complex ratio question is causing a good deal of discontent and should be threshed out thoroughly to the satisfaction of agriculturists and traders of this country.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras: Muhammadan): Sir, the period during which the present Finance Member has had to manage the finances of the country has been one of acutest financial stringency. By the time he had assumed office the financial prospects in the country had become dark and discouraging. Hardly a year and a half had elapsed since his assumption of office, when the ship of India's finance was caught in the severe storm of depression which overtook the world. Besides this, there were internal difficulties owing to the disruptive movements in the country which went only to add to the embarrassment of the situation. If in the teeth of the storm, through those troubled waters, the ship of India's finance has been able to keep above water it has been due only to Sir George Schuster's skilful steering of it. Without resorting to any drastic measures, unlike other countries which have been taking great risks in their effort to rehabilitate their finances, India has been able not only to make both ends meet, but

also to budget for a surplus however small. India has succeeded in getting its burden of debt substantially reduced and the interest charges lowered. India has so far succeeded in weathering the storm, with its credit absolutely unimpaired. These are achievements, Sir, of which any Finance Member may well be proud. But even though the able Finance Member has in the teeth of tremendous difficulties succeeded in adhering to his principles of sound finance, it is distressing to find that he has not been able to see his way to giving any relief to the taxpayer or to the poor agriculturist. While the present burden of taxation in the existing economic conditions obtaining in the country is already unbearably oppressive it is very disappointing to find that there are proposals in the budget to levy fresh taxes. Sir, nothing has yet been done to improve the hard lot of the agriculturist. It is true that India's credit stands high. It is true that we have been able not only to balance our budget but even to produce some surplus. But it is no less true that unless the position of the agriculturist is improved it is not possible to stave off any longer the disaster which threatens the country. However, it is gratifying to find that the Government have realized the necessity of taking action in this direction and intend to convene a conference where proposals in this connection will be considered. In addition to the general conditions which have tended to bring down the prices of commodities all over India, there are some factors which have caused an enormous fall in the price of rice in southern India. Owing to large quantities of rice imported from Burma the paddy grower in southern India is not in a position to recover even the money which he has spent on cultivation. Unless steps are taken forthwith to strengthen his position and to try and find a market abroad for rice grown in southern India, and also unless measures are taken to stimulate prices locally, the paddy grower in Madras is sure to be ruined altogether. Sir, there are different ways in which the Government could come to the rescue of the paddy grower in Madras. First of all, Sir, the export duty on rice might be removed. Again, Sir, the Government of India might negotiate with Hyderabad and try to bring down the import duty which is now imposed by that State. According to the treaty only Re. 0-1-6 ought to be imposed on a maund of rice which is worth Rs. 1-14-0; but as it is, Sir, a duty of six annas is imposed on rice in the Hyderabad State. It is therefore necessary that negotiations should commence in order that the duty imposed by the Hyderabad State on rice imported from South India might be reduced to proper proportions, that is, Re. 0-1-6 a maund. Again, Sir, the duty imposed on rice exported from South India into Malaya also may be tried to be removed. If this is not possible, I would at least suggest that the Ottawa Agreement might be applied to Malaya and the preference of one penny per pound may be given to rice imported into the Malay States from South India. Again, Sir, the price of rice could be stimulated by restricting the acreage of rice cultivation; just as in the case of tea and wheat a restriction might be placed on the area in which rice could be cultivated. In addition to this, I would also suggest that the other railways, for instance, the Madras and Southern Mahratta Railway, might also be induced to give concessions in respect of rice freight as the South Indian Railway has already done.

Now, Sir, just one word more about another feature of the budget which concerns my province particularly. Sir, Madras is always forgotten whenever the Government of India has got to make any concessions. It is too

[Saiyed Mohamed Padshah Sahib Bahadur.]

far away from Delhi and Simla for the Government of India to take note of its needs and requirements. Sir, as you know, the same indifference has again been shown to the needs of Madras as had been shown previously. While a great impetus has been given to Karachi and Calcutta and other provinces to their trade in hides, no such concession has been shown in the case of the skin industry in Madras. Sir, the fact that the skin merchants have in spite of free export duty been able to maintain their business has gone to induce the authorities here to make an invidious distinction between the case of hides and that of skins. Sir, the authorities by making this distinction have conveniently forgotten the fact that by their action they have done something which is very likely to give a set back to the tanning industry which is one of the growing and most important industries in the Madras presidency.

Sir, I do not want to refer to any other features of the budget as enough has been said about the rest; but before I sit down I would like to express my gratitude on behalf of my province for the generous manner in which the Government of India has come to the rescue of stricken Bihar.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: Sir, I will hand over my speech.

THE HONOURABLE THE PRESIDENT: I understand that some of the Honourable Members have written speeches and if they are willing and have no objection I will take them as read and see that they are published in the proceedings if they will kindly hand them over to the Secretary.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern: Non-Muhammadan): Sir, the budget that has been presented to us is such that although for some of its features the Finance Member no doubt deserves congratulations, yet there are others which have rightly caused a certain amount of dissatisfaction. In other words, the budget has been received with mixed feelings of commendation and hostile criticism in the country. The announcement about the financial help which the Government of India have generously decided to render to the province of Bihar for repairing the damage caused by the earthquake should of course evoke high appreciation in the country. Then, the revision in postal and telegraphic rates, which has been forced on the Government by the general decline in the volume of business, will be welcomed by the public. Yet another commendable proposal is the introduction of legislation empowering the Provincial Governments to prescribe a minimum price for sugarcane to be paid by the sugar factories to cultivators. This proposal will go a long way to help the hard hit agriculturist. And, lastly, the growing reduction in military expenditure—although said to be only temporary, and however inadequate from the point of view of Indian public opinion—is deserving of all praise. But, Sir, apart from these happy features there is perhaps nothing else that can be placed on the credit side while there is much that can be placed on the debit side of the budget. The unhappiest feature of the budget is that no relief is proposed in the burden of the taxpayer who continues to groan under the crushing burden of taxation. The top heaviness of the administration continues in spite of retrenchments made here and there and the cost of administration continues

to be beyond the paying capacity of a poor country like India. Although I have acknowledged the reduction effected in the military expenditure, which has been from Rs. 55.10 crores in 1929-30 to Rs. 44.38 crores in the budget year, nevertheless the fact remains that there is yet large scope for economy under this head and there is no reason why according to the demand of Indian public opinion the military budget should not be brought down to the pre-war level of about Rs. 29½ crores, and why the reduction so far effected in it should be said to be only temporary and why this reduction at any rate should not be made permanent. Then, the surcharge on income-tax and the super-tax continue in operation which were emergency measures and the minimum taxable income for purposes of income-tax continues to be Rs. 1,000. This, Sir, is not a matter on which the Finance Department could be congratulated, for, the taxpayer has been all these years expecting relief in the burden of taxation as he has been hard hit by the unprecedented economic depression on the one hand and by the growth in the incidence of taxation on the other. Then, the losses in private income for purposes of assessment of income-tax are not carried forward in India while, I understand, they are carried forward up to a limit of three years in England for purposes of assessment of income-tax. It would be only fair if the same practice is introduced here and I hope that the Government will please consider this matter. Again, no steps have been taken to raise commodity prices, unlike certain other countries the latest instance of which is furnished by the United States of America which has devalued its dollar. India is being bled white on account of the drain on her gold reserves but no measures are taken to check the flight of gold from the country. If a duty had been imposed on the export of the yellow metal it would have enabled the Finance Member to balance his budget perhaps much more easily than the proposed excise duty on sugar and matches. I would therefore strongly urge the imposition of an export duty on gold.

Now I come to the actual budget proposals. I have already said at the outset that the revision of postal and telegraphic rates is a welcome sign. But, Sir, the initial weight of half a tola proposed to be fixed for inland letters as entitling them to be transmitted on payment of a postal tariff of one anna would have been better appreciated by the general public if the initial weight for one anna letters would have been fixed at one tola, because I fear that only thin paper and of a limited size would have to be used for letters in order to keep their weight below half a tola.

As regards the proposal of levying an excise duty on sugar I am afraid the arguments advanced by the Finance Member in support of it are unconvincing. Sir George Schuster giving reasons in support of his proposal has observed in his budget speech in the other House that

"In many cases large profits are being made by sugar manufacturing companies, and the attraction of these profits is so great and factories are being set up so rapidly, that there is a real danger of over-production on a scale which may lead to very serious reactions both on the manufacturing industry and on the cane-growers who rely on it".

But my idea is that the proposed duty will affect the sugar manufacturing companies only to a certain extent and will not benefit the cane-growers to an appreciable extent. On the other hand, it is the poor consumer who will ultimately have to share the burden for the price

[Rai Bahadur Lala Jagdish Prasad.]

of sugar is likely to be increased as a result of this duty. If the interests of the agriculturist are to be protected then the proposed legislation enabling the fixation of a minimum price for sugar-cane is the proper remedy for it. Then, Sir, it does not seem quite fair that when once protection was given to the sugar industry in India for a certain number of years against foreign competition and when Indian capitalists have on the basis of that protection sunk their capital in the industry an excise duty should all of a sudden be imposed so soon after the imposition of a protective duty. It will surely be in the nature of a blow to an industry which is yet in its infancy. If the idea is to restrict the profits of the sugar factory owners then perhaps the surcharge on the import duty of sugar should be removed instead of levying an excise duty on it. Besides this, excise duty on an article of food is objectionable in itself.

Apart from this, the question arises that the sugar manufacturers having in the existing state of affairs entered into forward contracts whether the excise duty proposed will be payable by the buyer or the seller. I hope the Honourable the Finance Member will enlighten the House on this point.

Another objectionable feature of the budget is the proposed imposition of an excise duty on matches which apparently is being done only to enable the Government to render financial assistance to Bengal. Sir, I do not grudge relief to Bengal if she really needs it, but I hope that the Government of India will keep a watch that this does not lead the Bengal Government and Legislature to slacken their efforts in exploiting their own resources. Otherwise the giving of the proposed gratuity and taxing the match industry on that account will be quite indefensible. As regards the enhanced duty on imported raw tobacco and the new method adopted of taxing foreign cigarettes imported into the country I am of opinion that the duty should be levied only to an extent that the indigenous cigarette industry, which is a growing industry, may not be adversely affected thereby.

If the Finance Member be willing to forego any of the proposed excise duties he can still balance his budget by levying an export duty on gold as already suggested by me.

Sir, I want to make two more points before I conclude. With the stay of the present financial depression in our midst for the last several years it has, I think, become very essential that the pay of future entrants to all-India services, or Imperial services as they are called, should be revised for India can no longer afford to pay her services such high emoluments as at present. It might have come to the notice of the Government of India that in the last month the United Provinces Legislative Council adopted a Resolution recommending to the Provincial Government not to fix reduced scales of pay for the new entrants to any of the provincial services unless concurrently with a similar reduction made in the emoluments of new recruits to the all-India services. From a report of the speech made by Mr. Blount, the Finance Member of the United Provinces Government in connection with the debate on that Resolution it appears that the question of reduction of pay of future entrants to the imperial services is under the consideration of the higher authorities. But it is not known how far the matter has proceeded. In order that the much desired relief may be afforded to the taxpayer it is

essential that speedy action be taken in this matter, for, at least, in the case of one province it can be said that the Provincial Legislature is unwilling to help the Local Government financially by effecting a reduction in the emoluments of new recruits to the provincial services unless a similar reduction is concurrently made in the scales of pay of the imperial services. And it may be that other Provincial Legislatures may hold the same view. So both in the interest of the general taxpayer and in that of the Central and Provincial Governments it is desirable that the pay of future entrants to the imperial services should be revised as early as possible.

The other point is, that the United Provinces Legislative Council has recently passed a piece of legislation known as "the United Provinces Agriculturists' Relief Bill" which is awaiting the assent of the Governor of the United Provinces. This Bill is likely to affect the revenues of the Government of India derived from income-tax and hence I propose to refer to it in this debate. One of the provisions of this Bill is that accounts between a creditor and a debtor in respect of loans taken between the years commencing from the 1st January, 1917 and ending with 1st January, 1930 can be re-opened and interest reduced in certain cases, and that any amount already received by the creditor on account of interest in excess of that due under the provisions of the Bill shall be credited towards the principal. Now, it is obvious that from 1917 to 1930 numerous payments of interest must have been made under the terms of bonds; these must have been included in the income-tax statements and assessed, and income-tax must have been paid on them. Now, under the Bill, the lowering of the rate of interest will necessarily result in reducing the amount of interest income, and as the income-tax paid on the bases of old statements must be in excess of that legally due on the income as now calculated, the income-tax paid on the difference between the interest payable under the deed and that payable under the new Act should have to be refunded to the assesseees. As the matter is likely to affect the revenues of the Central Government, I venture to bring it to the notice of the Government of India on this occasion of the general discussion on the budget.

In conclusion, Sir, I may say that one day which is allowed to this House for general discussion on the budget is very inadequate and a number of Honourable Members today are going without having their say on the budget for want of time. I therefore request the Government to give two days to this House for the general discussion of the budget in future as in the case of the Lower House.

THE HONOURABLE MR. V. C. VELLINGIRI GOUNDER (Madras: Non-Muhammadan): Sir, the budget presented to this Honourable House is not an unmixed blessing. There are many of us who would feel happy that the state of finances of the country is sound and that the credit of the country is high. But the question arises whether the country is not being made to pay too heavy a price for it. So I will call it a time serving budget.

My Honourable friend Sir George Schuster speaking in another place thought that the only alternative to raid on the sinking fund was additional taxation. He could think of no other alternative. That is unfortunately the official mentality today. There is an alternative and the only alternative which will appeal to this heavy tax-ridden country, namely, further retrenchment. This country cannot bear the incidence of taxation at the present scale.

[Mr. V. C. Vellingiri Gounder.]

There are many points which I would like to touch on this occasion but as so many other Honourable Members have either spoken or will speak I will confine myself to a few of them. First, let me bring to the notice of Government the import of foreign rice which has up to now come to more than 50,000 tons into Madras is causing havoc to the vast rice-growing area of the province. Something should be done at once to prevent this.

I would suggest that the postal rates be revised and that the two pice postcard be restored. Sir, when originally the postcard price was doubled we were told it was a temporary measure. Now not only has that been standardized, but the Finance Member wishes to make a three pice postcard a permanent feature of the taxation system of this country. I am amazed, Sir, that in a country where you can get a first class newspaper for half an anna per issue, you have to spend three pice on carrying a small message through the post. There must be found some solution to restore the two pice postcard. And if it is the case that people are resorting to the book post then I would let them do so rather than raise the price of the book post.

There is another point, Sir, which I would like to urge. There is no meaning in half a tola letter for one anna. It would either involve very heavy burdens in the form of extra staff to weigh every letter to see whether it will exceed the prescribed limit and extra staff to collect bearing charges or the postal authorities will not be strict and the one anna letter will replace the five pice letter. I would like the Finance Member to consider whether it would not be fair to him and to the country to make the one anna letter one tola in weight.

Much may be said about the plan for taxation, but I would confine myself to recording our protest against the proposed abolition of the excise duty on hides. If industries with a smaller stake were allowed recently under the Tariff Bill to grow under a protective wall, why should the silk and tanning industry of Madras be thrown overboard. The duty on matches is unfortunate as it has taken away a source of income-tax on which all the provinces were counting for a permanent equitable settlement of their financial relationship with the centre. The duty on sugar is far too heavy, when considered in combination with the decision to fix the minimum price for sugar-cane and license marketing associations and individuals for the purpose. The marvellous response to the policy of sugar protection in the form of capital investment will receive a set-back at such an early stage and any financial failures in this industry would give such a shock to people that confidence in joint stock enterprises will disappear for long.

Here I would request a portion of this tax to be set apart to sugar research such as small scale sugar manufactured as a cottage industry. The rupee higher ratio question, in spite of the unanimous protests all over the country, Government remains quite unconcerned.

I am sure all my Honourable colleagues would have preferred to know what the views of the Government of India are on the constant outflow of gold from this country—which outflow is a better indication of the distress in the country than the reassuring estimates of the economic life of our people given by the Finance Member. How long will this outflow of gold continue? Now, at least, when a balance of trade has been restored a new policy should be chalked out in the best interests of India.

THE HONOURABLE MR. Y. RANGANAYAKALU NAIDU (Madras: Non-Muhammadan): Sir, the Honourable the Finance Member will be leaving us shortly after five years of strenuous labour in this country and I should have been very glad to wish him a kindly farewell. I regret to say, however, that I am not able to congratulate him on the present budget. Sir, I am not an educated man. I do not know English well. At any rate I can not speak fluently. I was born an agriculturist and that is my main profession although I have some sailing ships which we have owned for the last 73 years. I take more interest in agriculture than in trade.

Viewing then, this budget from an agriculturist's point of view I regret to find nothing in this budget which is helpful to the agriculturists. My province is mainly agricultural and 80 per cent. of the people depend on land. At one time land was considered to be very valuable. We invested all our money in land. Today land has gone down very much in value. Even then there is nobody to purchase the land. Prices of our produce have fallen and our people have become poor. During the 50 years of my life's experience I have never known such hard times as the present. No doubt there were times when prices were as low as at present, but the people never suffered. The reason seems to be that taxes have grown up, domestic expenditure also has gone up by twice the amount of my early days. Today people are starving, unable to pay their taxes and unable to maintain their families. Debt has increased and nobody is prepared to purchase their lands especially for cash. The time has arrived when they may give up their lands to their creditors and the creditors must take them at double or treble the present price of the lands, because the debt is more than the cost of the land.

There is a saying in Sanskrit "Durbalasya Rajatalam" which means the strength of the weak and the poor lies in their sovereign. The Government of India are our rulers. We look upon them as our protectors. There is one saying called "Navishnu Prudvypathy" which means no one who has not got a spirit of God in him will be a ruler. You are our rulers. So you must have the spirit of God in you. If God does not protect the poor who will protect them? But I regret to say that there is nothing in this budget to save ryots from hunger and starvation.

On the other hand I find fresh imposition of taxes. Take for instance, the excise duty on sugar. Government have protected this industry, but agriculturists get no benefit out of it. Still we are hoping that in the next few years the price of sugar-cane may rise and the agriculturists will get more money for it. Now, if we impose an excise duty on sugar, it means there will be less production of sugar. Factories will take less cane from us and we will get less money. Therefore this tax is not good.

Next there is a tax imposed upon matches made in our country. How are you protecting the industry? On the other hand matches will become dear. All people want matches and poor people also want them. How can poor people pay more? Is it not a hardship on such poor people? Why can not the tax be removed?

Then there is the income-tax. It was originally put in as a temporary measure. Now it has become permanent. Moreover, when once a man is taxed income-tax it will never be reduced or removed. It goes on increasing. In 1931, when the Finance Bill was introduced, a surcharge and an enhanced income-tax was added to the ordinary income-tax. At the same time a cut in the salaries was also made. But when the cut is

[Mr. Y. Ranganayakalu Naidu.]

restored the income-tax is not reduced, and the surcharge still remains. Why? Some relief must be given to the taxpayers in this budget. It did not appear necessary to the Government of India to reduce the income-tax when they thought of restoring their salaries.

Taxpayers and the agriculturists today are like children without a mother, and no help comes from anywhere. If these things go on like this human beings will lose all their flesh and blood and bones only will remain. Government authorities would appear to be looking after their own affairs. Only persons now well off are Government officials and salaried people. All others are starving without any help. Are Government aware that there have been more insolvencies during the last three or four years, four or five times more than the previous years? The sufferings of the people are great but the Government do not feel the pain. One doctor once said thus:

"I performed an operation on many people for boils and I never felt any pain. When I opened my own small boil I felt great pain".

Government are in the position of that doctor. They will feel the pain only when they suffer. Finally my request is that Government must try to save by cutting their coat according to their cloth.

I have only one more important subject to refer to and that is rice. My province is essentially a rice-producing province. We have the great Deltas of the Godavery, the Kristna, the Cauvery and the Penna. Besides these four rivers there are several small rivers and many tanks. We have the Resicula and Mopoor projects. We produce immense quantities of rice. We export a good deal of it. The Hyderabad State used to purchase large quantities from us. Today they have put a tax on it, with the result that very little rice is now going from the Madras presidency to Hyderabad State. Further, the duty of two and a quarter annas per maund on exported rice is killing our trade with Ceylon and other countries. These taxes must be removed. I would therefore press on the immediate attention of the Government to come to our rescue by completely stopping all imports of foreign rice without further delay or at least levy an adequate duty which will save us from unreasonable and unhealthy competition. I hope Government will tell us definitely what they propose to do in this matter so that we may know where we stand.

With these observations I regret to say that I am unable to support the budget.

THE HONOURABLE KUMAR NRIPENDRA NARAYAN SINHA (West Bengal: Non-Muhammadan): Sir, despite a surplus the Honourable Sir George Schuster's budget cannot very well be termed a "balanced budget". In my mind it is nothing more than an emergency budget, particularly when all those taxations which he introduced in 1981, purely as emergency measures, still continue, and specially when in achieving a so-called surplus he proposes to resort to a lot of excise duty.

One proposed duty in particular, I mean, the duty of Rs. 1-5-0 per cent. on all mill-made Indian sugar, I cannot but whole-heartedly condemn. It is a well-known canon that all indirect taxes are bad, more so, when they are on the country's production, specially when that duty falls on

an industry which is, in all conscience, yet in a struggling state. But the Government have evidently based their conclusions only on the rapid growth of the industry, decreasing imports of sugar, the heavy fall of the income from the import duty on sugar, and above all, revenue considerations. But it will not be gainsaid for a moment that there has been no investigation beforehand, either by any expert committee or by the Tariff Board, into the present conditions of the industry. As the protection was originally intended for a period of 15 years, the proposal involves a breach of faith to those who have invested their capital in the industry in the belief that it had been assured shelter for that period. To my mind, Sir, the removal of the surcharge would have meant a less evil than the imposition of the obnoxious local tax on production. But the Government think that the excise duty is an alternative to the removal of the surcharge of Rs. 1-18-0, it is a sort of countervailing duty. They seem to think that the price of the Indian product is always governed by the price of the imported article. But it is not necessarily so. Once the import of sugar from abroad has considerably diminished and the flow of the supplies from ports to up-country has ceased or become irregular, the price of the up-country produced sugar is not necessarily governed by the conditions prevailing in the maritime provinces, not so much even by the cost of production of the commodity here, but very largely by the conditions of demand here, by inter-factory competition, by the presence or absence of large stocks of sugar in the factories, and by the ability or inability of those factories to hold them. The value of a season's produce is roughly equal to the capital investment in the industry. Applying these tests, how many factories are there in northern India, which are in a position to double their capital with a view to enable them to hold on to their stocks in order to prevent a sudden glut in the market in the season and obtain fair prices for their goods at a later period? Again, Sir, it is really an irony of fate that when the Government should have paid their full attention to the improvements in the internal organizations of the industry, they have chosen to scotch it by the levy of this duty. Protection with one hand, and excise duty with the other is an indefensible attitude. But I must congratulate my Honourable friend, the Finance Member, on his announcement regarding the forthcoming legislation with a view to fix the price of sugar-cane; but I must say that unless co-operative marketing is developed side by side, it will be impossible to regulate and enforce by legislation the most irresistible forces of demand and supply in the case of sugar-cane and for that matter of any other commodity.

Sir, as a representative from Bengal, I owe the Honourable the Finance Member a deep debt of gratitude for the timely financial assistance which he proposes to give to my province. The fair province of Bengal, which has ever been the hunting-ground for the peoples of Bombay, Madras, Punjab and other sister provinces, has been financially crippled ever since the inauguration of the Reforms through the inequitable arrangement imposed upon us by the Meston Award. So any financial aid or windfall which we may have has even been welcome to us. But our financial difficulties will never be surmounted unless and until both the Government here and the British Parliament have duly recognized the unjust position in which we have been placed by that Award.

THE HONOURABLE MAHARAJA JAGADISH NATH RAY OF DINAJPUR
(Bengal: Nominated Non-Official): Sir,

"The Moving Finger writes; and having writ moves on;"

[Maharaja Jagadish Nath Ray of Dinajpur.]

These significant lines of the poet were the first to be brought to my mind by the Honourable the Finance Member's budget speech as I read it the other day, and I felt that it was his taxation proposals and such other things that worked in my mind first. But, when paragraph 38 was reached, my heart really leapt up with joy and a feeling of immense thankfulness filled my mind. I may frankly say that we Bengalis had been this time intently looking forward to what might be done towards the "valid claim" of Bengal in respect of the revenue from the export duty on jute in reply to the pathetic appeal from the Government of Bengal. The White Paper recognized it; now the Government of India confirms it. The strong plea for the redress of the financial injustice of the Meston Settlement made by the Honourable Mr. Woodhead in the Bengal Council in presenting the budget estimates for 1934-35 could not but move us all to some extent at least; but I am afraid that an anticipation of the music that is already being sounded was probably at the root of this concession of only "half a loaf". Nevertheless, I do not really understand what led the Honourable Sir George Schuster, wise as he is, to put forward a plan of imposing an excise duty on matches as a condition precedent to the handing over of the jute export duty to the jute-growing provinces. He must have known that even an attempt at doing such justice to a province might light up the embers of provincial jealousies. Could he not realise that to make it contingent upon the strengthening of resources by some kind of taxation was to set them into a conflagration? Shrewd people smell a rat again in such a move. I know, Sir, that all the anticipated deficit of the Bengal budget amounting to about 25 per cent. of her present income cannot be entirely due to the flagrant mistake of 1921. Her woes are partly due to the vicious circle already established there—I mean the huge expenditure on Law and Order necessitated by political disturbance and terroristic crime flourishing upon dire distress and middle class unemployment among other things. But there too the ruling policy is dictated from somewhere else! There is no reason, however, why a province which has to pay for all the administrative expenses in connection with the production of the articles to be exported should not claim a portion of the export duties. Sir, we do not want any special treatment for Bengal. Each province should have the right to claim for herself at least half of the revenues collected in the province. Unfortunately under the existing arrangements while some provinces are given much more than half of their revenues from different sources, Bengal alone does not get even one-third. I need not specify any name; but, when we find that a province, which with a population of about 21 millions has an income of over Rs. 15 crores, is the first to grudge the doing of bare justice to the poorest of her sister provinces, with 50 millions of people and revenue amounting only to something like Rs. 11 crores, all ideas of a Federation vanish into thin air.

Sir, the time is short, and I cannot monopolize it to go into all the questions relevant to the Central budget here and now. There is primarily the question of public debt, the question of home charges, the question of military expenditure, the question of public health, and the all-important question of agriculture and industry,—every one of which is bound to loom large before our minds' eye on a study of the data of Indian economic conditions and finance. The funded and the unfunded, the productive and the unproductive,—they are four kinds of our debt that has now grown into a colossal figure. The external obligations of India

may also be divided into four or five classes including loans, home charges and obligations to foreign commercial investors. Not to speak of the heavy burden of these obligations upon the general finances and upon the taxpayer, it is a truism that they

"constitute an important factor in determining the balance and direction of our trade. The rate of exchange and through it the level of prices are often swayed by considerations attending these foreign obligations".

These are not my words, Sir. They are the words of an expert who has recently earned the encomiums of a Provincial Governor. The Honourable the Finance Member has referred to the advantages the Government have derived by substantial reduction of interest rates, unprecedented exports of private gold and the capitation windfall. But in spite of all these, the hard-pressed agriculturist will have very little to thank him for. I cannot, however, forget about the promised conference in April and the requisitioning of an expert to study the export markets. I need not take more time to dilate on any other point today. But before I sit down I make a fervent appeal to the Government to devise some better means for the protection and improvement of the foundation of all schemes of public welfare, that is, public health. And in this connection I should like to make a special reference to the opinion of Lieutenant-Colonel Megaw, expressed in an issue of the *Indian Medical Gazette* to the effect:

"More than five millions of people suffer the death penalty every year from preventable diseases, many days of work are lost yearly by each worker from the same cause and the efficiency of each worker is diminished by about 20 to 30 per cent. from the combined effect of disease and malnutrition".

THE HONOURABLE SARDAR BUTA SINGH (Punjab: Sikh): Sir, I cannot begin without congratulating the Honourable the Finance Member for his eloquent and comprehensive speech giving detailed accounts of his five years' charge of the finances of India. Sir George Schuster came to the head of affairs when depression had invaded the world and trade was impeded by tariff and currency management all over the world. In a way he has stood out for sound money, though I must confess at times he has been persuaded to sacrifice his principle at the altar of a policy of exchange. What a Continent like India needs is stable internal currency, and we may yet see India getting it. Without a fixed measure of values there is no possibility of raising Indian commodity prices. As I am on the point, I wish to emphasize the necessity of relieving the vast population of India from its unbearable burden of debt. The people have no incentive to produce more, since they know that for generations they will get no benefit from it, and I hope the Conference which the Honourable Finance Member mentions will deal with the subject with courage, comprehension and determination to bring the money burden of the people into some relation with the present commodity prices.

I cannot help feeling that in imposing an excise duty on sugar, the action of the Finance Member has been premature. The industry is not even a year old. It is expected that it will meet the home demand of 1935. The Finance Member has already come with the proposals to cripple it in the bud. He has put a heavy duty, which would not only react on the development of the industry but react adversely so far as the cane-growers are concerned. He estimates Rs. 1,47,00,000 of revenue from excise on sugar, i.e., he expects the production of sugar to be 1,47,00,000 maunds.

[Sardar Buta Singh.]

There are about 147 sugar factories in the country, which means that the average yield of a sugar factory will be 1,00,000 maunds of sugar. In the year that has just come to a close five annas a maund has been the average price paid for sugar-cane. To this may be added three annas a maund for working charges, i.e., the average yield per hundred maunds of cane is eight maunds sugar. Therefore to produce eight maunds it has cost the factory Rs. 50 at eight annas a maund. Eight maunds of sugar at Rs. 7-8-0 a maund the average price gives an earning of Rs. 60. Deduct Rs. 50. It gives Rs. 10 for eight maunds, i.e., the factory has earned Rs. 1-4-0 per maund profit. If Re. 1 a maund is given as excise duty it will leave only four annas a maund profit, and on a production of 1,00,000 maunds of sugar Rs. 25,000 or a little over two per cent. on an investment of about Rs. 12 lakhs, which does not seem fair. In any case it is hoped that the duty will not be imposed for at least two years more on those factories which have started work only this season as it is not just and equitable to kill them in their infancy.

The Honourable the Finance Member may yet see his way to alter his decision and propose a progressive imposition of duty, thus allowing the industry to grow. At the same time, I wish to emphasize that duty on sugar is a provincial source of revenue. It is an income drawn from agriculture and as such must be wholly distributed to the provinces from where it is gathered to be used to help the agriculturists in these difficult days. The Finance Member has a surplus, and if he is as sympathetic for agriculturists, as he always professes, I am sure he will have no objection in collecting the excise and giving it over to the cane-growers of the provinces in general.

We have heard a good deal of sympathy in favour of the agriculturists, but so far the Government of India has taken no action in this direction. If they are really anxious to help the development of the country, the first thing they must do is to constitute a Ministry of Development. The Minister in charge of development need not have a vote in the Executive Council, except so far as the development is concerned. Therefore there need be no disturbance of the *status quo*. At the same time, the Government of India will then have a department and organization concerned mainly with the co-ordination of the provincial efforts and increasing resources of the people.

THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ (East Bengal: Muhammadan): Sir, all of us who have read the able speech of the Honourable the Finance Member and followed his lucid and masterly analysis of the financial situation of the country during the tenure of his office which coincided with the worst period of economic depression which this country has known, will admire the courage, patience and statesmanship with which this abnormal situation has been met by the Honourable the Finance Member and the Government of India. The result of this far-sighted and wise policy is apparent to us now when the Finance Member has succeeded in presenting us with a surplus budget. He deserves the congratulation and gratitude of all who have the welfare of the country at heart on his brilliant achievement. Above all, we are thankful to him for his efforts to establish the finances of the country on a sound basis,

and thus pave the way for the successful working of those constitutional reforms which we are expecting eagerly and which we hope, will not be long delayed.

One satisfactory feature of the present budget is the reduction of the cost of defence. We are grateful to His Excellency the Commander-in-Chief for affording this relief to the country and we hope that His Excellency will find it possible to keep military expenditure at the present level, if it is not possible to reduce it, further.

The most gratifying proposal of the Honourable the Finance Member is to afford some relief to poor Bengal in the shape of half the jute export duty. The successive deficit budgets of Bengal indicate its pitiable plight under a financial settlement which is most unfair to that province. The activities of the Government of Bengal have been crippled seriously, because in spite of drastic retrenchments and rigorous economy, it has not been able to find sufficient money, even for its nation-building departments. On behalf of the people of Bengal, I thank the Honourable the Finance Member and the Government of India for realizing our plight and distress and for doing us some measure of justice. The people of Bengal are encouraged by the promise of the Government that the present measure is not to:

"be regarded as a full and final settlement of the Bengal Government's financial position".

We hope that before long full justice will be done to Bengal and its claim to the whole of the jute export duty conceded, so that Bengal may be in the happy position in which we are very glad to find our sister province of the Punjab in the prosperity of which we are deeply interested.

I do not wish to say anything about the other proposals of the Honourable the Finance Member. Imposition of new taxes is always an unpleasant thing, but if it has to be done, we should accept the necessity with good grace.

I again congratulate the Honourable the Finance Member on the success of his efforts to stabilize the finances of India.

THE HONOURABLE SIR GEORGE SCHUSTER (Finance Member): Sir, as I have sat through general discussions on the budgets in the past years, however much I myself might have thought my budget a good one, I have been impelled to the reflection that there is no rose without a thorn. Today my mind has been filled with inversion of the same phrase, that there are no thorns without roses, for I must confess that I have received some very beautiful and welcome bouquets among all the thorns of criticism which have been apparent today; and I should like at the outset to express my great appreciation to all those speakers who have said kind and flattering things about my own record as Finance Member. When one comes to the end of one's time one is apt to view matters more impartially, and speaking not as a party man defending the policy of Government, I should like to say that I feel that perhaps the great part of those tributes is undeserved and that the only thing one can claim is that amidst considerable difficulties one has tried to maintain a high standard of public finance and to handle that part of the administration of India in the best interests of India taking a long view of what those interests are. Now, Sir, as a result of today's discussion I find myself left with rather less than usual to reply to. There have been criticisms, but even among those who have criticised,

[Sir George Schuster.]

their speeches have to some extent been mingled with expressions of praise, while those who have had nothing but criticism have elicited very able answers from other Members of this Honourable House; and therefore I have a feeling that practically everything that has been said in the course of the debate today has been cancelled out. There are, however, certain main issues on which I must say a few words. We have had of course the usual discussion of that issue as to whether a balance should be provided by measures of retrenchment or taxation. My Honourable friend Rai Bahadur Lala Ram Saran Das, who opened the discussion, advanced a very extreme theory for retrenchment. In fact he said that the Finance Department should entirely eschew its habit of taxation and that whenever it had a difficulty it should meet that difficulty by retrenchment. Well, I would remind my Honourable friend that if we had followed that policy since the year 1928 when I first took office we should by this time have had to reduce our total expenditure, net expenditure, to something like Rs. 35 crores; that would have had to cover expenditure on the army, civil administration, and everything else. I am sure that my Honourable friend will admit that such an extreme is an impossible counsel of perfection. And the point that I want to put to the House is this. It would, of course, have been possible to pursue measures of retrenchment still further, but in considering this matter particularly in times like the present one has to take into account not merely the financial effects of one's policy but also its general reactions on the country, and it is being realized in many countries today that although retrenchment has to be imposed very ruthlessly and very rigorously, still in itself retrenchment may produce unfavourable reactions and thus intensify the economic depression. We started by pursuing retrenchment rigorously and ruthlessly, and I think we may claim that we have achieved a fairly even balance between these conflicting considerations and that, as long as things remain as they are, we have pursued that method of retrenchment to about the right degree.

Several Honourable Members have spoken about reducing the cost of the army. Well, I would ask them to realize this, that we have now got to a point where further reductions in army expenditure cannot be achieved without reductions of troops, and that in order to achieve appreciable economies the reductions in troops would have to be on a very substantial scale. If troops are to be reduced, those reductions cannot be confined to the British troops in this country and I doubt very much whether any Honourable Member would really press for that. There would therefore have to be reductions on both sides and after all the greater part of the expenditure on troops goes on pay and pay means purchasing power. And therefore, if further heavy retrenchments in the army have to be effected, I would ask Honourable Members to appreciate that it will withdraw a certain amount of purchasing power—the amount varying according to the degree of the retrenchment—from large classes of people and the poorest people in this country. That is an aspect of the matter which must not be left out of account.

Now, Sir, apart from that, there are certain main topics on which, as I say, I must say a few words. The main topics on which I think most people have concentrated are—the question of the sugar excise, the question of our proposals of assistance to Bengal and its reactions on other provinces and the question as regards our proposals for reduction and avoidance of debt.

As to sugar, perhaps the most detailed case, supported by figures, was made by my Honourable friend, Sir Homi Mehta. I shall study his figures with interest. I only have this to say that the whole of his calculations started from the premise that the Indian sugar factory pays six annas per maund for cane. Well, according to my information, that is a statement which does not accurately represent the facts as they are today. If those were the facts perhaps the case would be more satisfactory than it is. I think perhaps if my Honourable friend will excuse me, the time is very short—

THE HONOURABLE SIR HOMI MEHTA: I only wish to say, Sir, that at present it is more than six annas.

THE HONOURABLE SIR GEORGE SCHUSTER: I am sure some of the factories pay more but I think the general average price is considerably less. We at any rate take our stand on the position as stated by my Honourable friend Mr. Henderson that we think that even with this excise it will be possible for the factory to pay a fair price to the producer, for the factory, if it is well managed, to earn a fair profit, and for the factory to charge a price that is not excessive to the consumer. It is on these three propositions that we stand and upon which our proposals must be judged.

Then again, in connection with sugar a good deal has been said about the loss of revenue. Some Honourable Members have been horrified at its extent. Others have tried to represent that the figures are not so large as have been stated on other occasions, because there were compensating advantages to Government. It is true, of course, that in the year 1930-31 we got something over Rs. 10 crores of revenue from sugar but of course that does represent the peak of our receipts and by that time the duty was already at a level so high that it must have had a protective effect and therefore I think it would be unfair to say that the country should have relied permanently on getting something like Rs. 10 crores out of the sugar duty. I would put it at Rs. 7 crores as a permanent and reliable source of revenue. Now, as Honourable Members know, it has come down to Rs. 2 crores and we have tried to gain back a certain amount more in this excise duty. But even so, the loss of revenue will be very heavy indeed and I am afraid that only a very small fraction of that can be recouped out of income-tax returns. One does not wish to exaggerate the position but in whatever way you present it you must recognize that the cost of protecting the sugar industry in India to the general public and the general body of consumers has financially been a very heavy one.

Now, Sir, as regards Bengal. I think the case has been very fully discussed today and the case for Bengal has been very ably stated by my Honourable friend Mr. Basu. I can only repeat what I have already said that in making this proposal we made it on the ground that Bengal was in a special position for which there was no parallel in India. We fully recognized the points and the dangers which were referred to by my Honourable friend, Sir Kurma Venkata Reddi. We recognized that it might be represented by those outside as a policy which was putting a premium on extravagance or a policy which was encouraging people not to help themselves. We recognized those dangers but we are quite certain that any inference of that kind cannot fairly be drawn from a proposal to give special assistance to Bengal. Judged by any standard which one can apply, as regards revenue and expenditure—and I would refer my Honourable friend Sir Kurma Venkata Reddi, to the calculations which were given

[Sir George Schuster.]

originally in the Simon Commission's report, particularly the portion written by Sir Walter Layton—according to any standard which one applies, the level both of expenditure and possible revenue in Bengal was considerably lower than in any other province. They cannot be accused of extravagance in standards of expenditure and we came to the conclusion that their present position was one from which they could not extricate themselves and therefore it was on that ground that our proposal was made. We also of course—although as I have already pointed out in the other House we cannot accept the White Paper as it stands as a commitment of any kind because it still has to be approved by Parliament—we nevertheless had before us the proposals in the White Paper and those proposals were based upon a very careful consideration of the position, the result of discussions in three successive committees on federal finance and of the examination of the position by Commissions which had come out to India. Those proposals definitely admitted that the case of Bengal could not be adjusted on any basis that could be devised of a general distribution of income-tax, and that therefore some preliminary adjustment was necessary. The actual proposal that they made was that at least half of the jute export duty should be handed over to the jute exporting provinces. Well, Sir, those conclusions having been reached in public documents, one cannot regard the position as entirely unprejudiced by them, and as we, approaching the matter from another angle, had reached the conclusion that there was a danger of the financial position of Bengal becoming unmanageably difficult, and as those proposals which had come up from the other side indicated one way of approaching the matter, it was a fairly natural conclusion that we should adapt our conclusion to the proposals of the White Paper and make a proposal in that particular form. But I repeat again that our action is based on our having formed a judgment that the case of Bengal was a special case and needed special assistance and that we were in no way pandering to inefficiency or extravagance or allowing a Government to force our hands merely because it refused to help itself.

Now, Sir, other speakers have raised the cases of other provinces. We have had a very eloquent statement of the case for Assam and a plea put forward that just as Bengal is receiving a portion of the jute export duty, so Assam should receive a portion of the excise duties on petrol and oil products produced in her own territory. Now I do not wish to commit myself on the question of Assam, though if my Honourable friend refers to my budget speech he will find a tentative expression of opinion on behalf of the Government of India that there may be a justification for special help in the case of Assam. But one point I must make, and that is that we cannot possibly accept the conclusion that there is any parallel between what has been done as regards the jute export duty and any claim that Assam may have for the excise duties collected on oil produced in her own territory. As one of the speakers in the Assembly pointed out, if Bengal was to cease producing jute tomorrow the revenue would disappear. But if Assam ceased producing petrol and kerosene tomorrow it would not make the slightest difference to the revenues of the Government of India, because the consumers would obtain the same petrol and the same kerosene from other sources. And in fact that brings out the essence of the difference. In the case of these excises it is the consumer who is being taxed, and in the case of the jute export duty it is a particular product that is being taxed.

Now, Sir, another case that has been raised is that of Bombay, and the particular point that has been made in that connection is that the finances of Bombay are in a very difficult position and that they are now overhung by a special difficulty, the difficulty of the competition from the Kathiawar ports and their unfavourable results on Bombay's financial interests. I am afraid that I cannot respond to the appeal which was made by several speakers that I should make a specific pronouncement on that subject today. I can only say this, that we do regard the matter as one of first class importance and that, as the province of Bombay has now officially raised that question, we recognize that it is a question which must be gone into very carefully and treated as a matter of urgency. We are going to do that and we fully recognize the difficulties in which the City of Bombay and the Government of Bombay are being placed.

Now, Sir, another important feature of the budget was of course our proposals for assistance to the province of Bihar. I should like to thank all those Honourable Members of this House who spoke today for their expressions of appreciation of what we have done in this matter. I have often, speaking on this subject, had to disclaim any right for Members of Government to expect thanks for generosity. The money with which we have to deal is not our own money. We are trustees. We have to perform public obligations and there should be no question of generosity for which Members of Government can claim thanks. But what we can claim is that we have tried to go into this matter as urgently as possible. We have not delayed it. We only waited until we felt the Government of Bihar would be ready from its own immediate disturbance after the earthquake to discuss the matter with us. I would like to remind the House that the Finance Secretary, Sir Alan Parsons, who sits behind me, in order to save time undertook a very long flight in an aeroplane at a time which, both for public and private reasons, was most extremely inconvenient to himself, and that he spared himself not at all when he was down there. He worked 12 hours a day and flew for two continuous days over the stricken area in order that he might be able to work out expeditiously proposals with the Government of Bihar. If there is any merit in the scheme which has been proposed I should like this House to appreciate that the credit for that is due to Sir Alan Parsons. (Applause.) Therefore we can claim, and I associate myself with him as a Member of the Finance Department, that we tackled the matter in a businesslike way, and the other thing we can claim in this connection is that the fact that we have been able to give assistance of this kind to Bihar without embarrassment is a result of the sound financial policy we have followed. It is an illustration of the value of pursuing principles of sound finance, because that means that when some unforeseen disaster comes upon one, one has a margin of strength upon which one can draw.

Now, Sir, as regards the reduction and avoidance of debt, the time is late and I think I really need say nothing on that subject. We felt after most mature consideration that what we were proposing was sound, was not risking our sound financial position, and would not in fact damage our credit. Since we made those proposals we have, I think, proved that our anticipations were correct, because, as I pointed out in the other House on Saturday, the immediate reaction in London was a very substantial and marked rise in the price of Government of India securities.

[Sir George Schuster.]

There is only one other small point to which I would like to refer. The Honourable Mr. Hossain Imam in his speech gave some figures indicating that the proportion of the Government of India's expenditure in London had greatly increased in the last ten years. I was unable to follow my Honourable friend's figures or to deduce the source from which he made his calculations, but I should be very glad to go into the matter with my Honourable friend. I feel that somehow or other there must be some misunderstanding about those facts. There is nothing in the facts which would support such a conclusion.

Now, Sir, it only remains for me again to express my thanks to this House for the courtesy which they have always extended to me. It has always been a pleasure to come to this House and to hear their views on my budget. One can appreciate the change of atmosphere and I myself have always gained a great deal from being able to participate, if only for a day, in the discussions in this Upper Chamber. I regret greatly that this should be the last occasion on which I come before this House. I regret also that on every occasion, I am afraid, that I have appeared before it, I have had to tell and to listen to something like a tale of woe. But, Sir, when all is said and done, I remain firmly of the opinion that our misfortunes and our hardships, the hardships of the people in India, have been less than the hardships in other countries as a result of this crisis. It has had, I think, less effect on India than on other countries. We have so far at any rate weathered the storm with less disturbance to normality. I hope that the tide is on the turn. I think there are reasons to think that it may be on the turn, but I am afraid one cannot and one ought not to look forward to any miraculous change, and I think one must recognize that what we used to formerly regard as a temporary cycle from which there would be a recovery to the post-war level is more than that, and that the world is not likely, within the next few years to recover to anything like the standards of 1928. We have got to adapt ourselves to lower standards of prices and world trade than we had come to think were normal after the war. And that is the last word which I have to say, that when we are thinking of special measures which some people regard as measures designed to tide one over a special period of distress, one must remember this that it is dangerous to adopt measures which are based on the supposition of a recovery to the former level. One must do what one can to improve things, but I think this country must recognize that in certain respects people have got to get accustomed to different standards to those which prevailed in 1928.

That, Sir, is my view on the situation; at the same time I am still an optimist and I hope that my successor when he comes before this House will not only receive the same courtesy as I have always received, but have the advantage of conducting his work in periods of a higher level of economic prosperity. (Applause.)

THE HONOURABLE THE PRESIDENT: This concludes the debate on the Budget, Part II.

The Council then adjourned till Eleven of the Clock on Tuesday, the 6th March, 1934.