

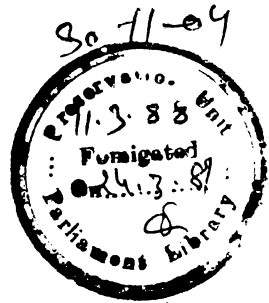
Friday, 11th March, 1932

**THE
COUNCIL OF STATE DEBATES**

VOLUME I, 1932

(25th February to 6th April, 1932)

**THIRD SESSION
OF THE
THIRD COUNCIL OF STATE, 1932**



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COUNCIL OF STATE.

Friday, 11th March, 1932.

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

GENERAL DISCUSSION OF THE GENERAL BUDGET.

THE HONOURABLE THE PRESIDENT : The Council will now proceed to the general discussion of the Budget, Part II.

[THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official) : Sir, with all his efforts—almost heroic efforts—with all his moulded sentences and skilful phraseology, the Honourable the Finance Member has failed to produce a properly balanced budget for the last two years. Cool calculation of figures and frantically drastic remedies adopted to adjust the resources have systematically belied his expectations. Throughout the superficial optimism of language in his speech in the Legislative Assembly there can be discerned an undercurrent of pessimism born of deep disappointment. Much though I feel and sympathise with the Honourable the Finance Member in his baffled hopes, I cannot but appreciate that he has not claimed for himself that Papal infallibility which is the characteristic of the officers of Government. I think, Sir, it will interest the House if I recapitulate the various causes which have brought about the almost hopeless collapse of the financial situation which the Finance Member with his adroit skill still hopes to revive.

The history of post-reform Indian finance may be divided into three distinct periods. The first of these, covering the period from 1921 to 1924, was a period of heavy military charges for the operations in Afghanistan and on the Frontier, of huge annual deficits, of additions to taxation, of currency inflation, and of exchange fluctuations. It was thought at that time that normal conditions would take long to come and, while the people bore patiently the heavy burden of taxation, every effort was made to bring to an end such an era of financial gloom. The longed-for relief came when, as a result of the recommendations of the Inchcape Committee, an appreciable reduction was effected in the civil and military expenditures of the country and trade brisked up once more.

The second period, which began in 1925 and continued till 1928, was an era of balanced budgets at the Centre and also in the provinces, and there was also a remission of the inequitable provincial contributions. It was during this period that the Government finances were stabilised, railway finance was separated from general finance and the public debt position was considerably improved.

The third period, beginning from 1929 onwards, gave rise to the suspicion that the recurring surpluses of the past few years were not real or permanent and that it might become necessary to levy additional taxation to make up for

[Mr. Bijay Kumar Basu.]

the gap left by the last instalment of the provincial contributions which were remitted a year ago. But it was believed that the tide would turn soon in our favour and that the country was going through the usual trade "cycle." But there was a kaleidoscopic change. There ensued an acute trade depression in the country and world trade conditions became less and less encouraging, nay, positively discouraging. Added to this there was growing political discontent and distrust in India which eventually reacted very prejudicially on the country's financial situation which was already worsening. The difference between the economic and financial conditions of 1921 and 1931 is really one of degree and not of kind. The trials and troubles of the early years of the last decade have only repeated themselves in 1931, if I may say so, in an aggravated form. Although the Honourable the Finance Member may anticipate a return of normal conditions, as a matter of course, in a year or two, as was indicated in his speech in November last, yet I venture to think that the present crisis is a phenomenon of an entirely different character from the usual depression that follows a boom, and it becomes therefore absolutely necessary to scientifically adjust the national expenditure to the paying capacity of the people. The whole trouble, in my opinion, is due to the absence of substantial accord between the Executive Government and public opinion in matters financial affecting the country. The people have no means of ensuring that the revenue will be spent on such services as they may wish to develop or that they would have any power to reduce any expenditure on services not under popular control, like the Police in the provinces and the Army at the Centre. Therefore, any financial administration which is carried on under these conditions, no matter however honest or efficient it may be, is bound to prove barren of progress and thoroughly unsatisfactory to the people of the country. The crisis to which I was referring and through which this country is now passing must not be taken as an ephemeral one; it reflects the world spirit and no country has escaped it and India cannot be an exception. The political and economic influences born of the Great War and its aftermath have been felt by all countries and the whole face of the economic world has been radically changed and each country and each nation has to adjust itself to the new conditions. Makeshift policies, stop-gap arrangements, and the tendency to think and act for the passing hour must have to be given up for good. Comprehensive, well-conceived and well-laid plans of reform must be adopted in the best interests of the country as a whole and with the consent of the people as in every other country in the world. "A caravan-passing and dog-barking" attitude may do very well in other departments of Government, but I make bold to say that the whole future financial policy in India should be laid, well and true, "broad-based on the people's will."

THE HONOURABLE RAJA SIR RAMPAL SINGH (United Provinces Central: Non-Muhammadan): Sir, the Honourable the Finance Member and the Honourable the Finance Secretary have to be congratulated on the ability with which each of them has presented the budget estimates of the coming year—the former in the other House and the latter here—and the account of what the financial position of the Government of India is at this time when the current year is about to close and what it is expected to be in the next. While I must offer my tribute of praise to them for their wise stewardship of the finances of the Government of India and for the retrenchment that has been made in their expenditure, they may also well feel proud for their achievements in these difficult times when economic depression is the order of the day all over the world. Looking to the abnormal conditions

prevailing and comparing our position with other countries as has been pointed out we may find solace and not get alarmed at the deficit which will have to be faced this year and which after deducting the assumed surplus of next year will amount to about 11.51 crores. But it cannot be denied that the situation is a distressing one and needs the utmost caution and economy. Most of the important items of income are yielding much less than what they used to do, taxes after taxes have been and are being piled up not only by the Central Government but also by the Provincial Governments who too are in bad plight, the commercial departments are giving us no relief but on the other hand are themselves very hard hit. These are the conditions—and what hope is there that they will soon change. I say these are the conditions in which the Government of India have to steer their finances at this juncture. I have no misgivings as to their future success even in such adverse circumstances. But I feel constrained to sound a note of warning not only to the Government of India but also to Provincial Governments that the taxable capacity of India is at a low point, commerce and industries are stagnant owing to the want of purchasing capacity of the people, individual incomes are declining, agriculture is depressed beyond measure and something like economic gloom is pervading the country. At this time when there was a necessity of some reduction in taxes we find both the Government of India, Provincial Governments and local bodies faced with such stringency that it is unthinkable to get any redress in that direction. It is a matter of satisfaction that, in spite of the insurmountable financial difficulties with which they were faced, some Provincial Governments deserve unqualified credit and praise for giving fairly liberal and timely remissions in rents and land revenue to agriculturists. We cannot be too grateful to them for their wise policy. With a crippled income it is but natural to tap new resources but in their search they—I mean both the Government of India as well as the Provincial Governments—are liable to fall into errors. Under present conditions such search cannot prove to be fruitful but on the other hand will be dangerous. It is retrenchment and retrenchment alone that will help them in the present crisis. No doubt they have axed as far as they could and assurances have been given of vigilance in keeping down expenditure and for further reductions if any avenues can be found for them. Sir, I know how retrenchment and reductions in expenditure become difficult and unsavoury when once the standard goes high. With the Government they are still more so because their expenditure is not adjusted according to cautiously anticipated income as solvent landlords do. Their budgeting process is the reverse. They first put down their expenditure on a lavish scale and then search out all sources of income in order to meet that expenditure as is the case with spendthrift landlords. The former attain their object by levying taxes after taxes and duties after duties on articles while the latter have recourse to illegal exactions such as rack-renting, *nazrana*, etc., or to borrowing. The Government as the biggest landlord in India should better adopt the method of budgeting followed by solvent landlords and not that of spendthrifts. Though fairly considerable retrenchment and reductions have been made and we are thankful for their action, yet I repeat with emphasis that further avenues should be so sought for and efforts should not be slackened in that direction till the dawn of better times. Well has it been said that the budget of the Government of India and now of the Provincial Governments as well is a gamble on the monsoon. No one can foresee with any amount of certainty what is in store in the coming year. In the current year, fortunately or unfortunately, the drain of gold, if I may so call it, served them well in balancing the trade. What next because the quantity of exportable gold is not inexhaustible? There is no guarantee that all the anticipations and

[Raja Sir Rampal Singh.]

assumptions of the Honourable the Finance Member will come out to be true. Therefore caution and economy are the crying need at the present time.

It is an irony of fate that when we are on the threshold of great constitutional changes, when promises and pledges have been given that before long India shall be allowed to manage her own affairs her finances should have receded towards so great stringency. Let us pray that we Indians may get a better financial legacy than depleted reserves, debts and other liabilities.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal : Non-Muhammadan) : Sir, every credit is due to the Honourable the Finance Member for the *adroit* way in which he has been piloting the ship of our finance through the shoals and breakwaters of trade depression and world conditions for the last two years. The lucidity and clearness with which he presented his case cannot but fail to elicit our admiration considering the very many disadvantages against which he has to move on. No one should, therefore, take any exception when he says that as regards raising an extra revenue in times of emergency :

“ His most sure and reliable course is to impose slight increases in the taxes which fall on the masses. A few annas per head from 300 millions is the most effective course whereas attempts to extract heavy taxation from a limited class seems almost to have reached their limit ”.

At a time, Sir, of exceptional national emergency every sort of remedy has to be tried to get over the situation.

Sir, a good deal of criticism has been unnecessarily levelled at the Honourable the Finance Member for the export of distress gold in recent months from this country by a class of people who have evidently not cared to study the matter quite carefully. Sir, at a period of extreme tightness of national finances—at such an abnormal time when people cannot avail themselves of sufficient foreign capital—when capital is so much needed for carrying on the internal trade, private hoarding of gold must realise itself for the expansion of currency to meet that purpose. In fact, without the exchange of private gold for silver or paper currency in the country, it would have meant utter disaster to our indigenous trade and banking that still survived the adverse financial conditions. Therefore the prevailing misconception that Government are parting with the gold kept in their reserve should be entirely banished from our minds.

It need not be too much emphasised that Government are always under the law well backed with gold in the reserves to meet every contingency arising in this country. Therefore, Sir, if the British financial circles have declared anywhere that the export of gold from India in the past few months had been so much of a relief to them to meet their obligations with America and France, they have said nothing which should have upset anyone in this country.

Sir, the protective tariff recently adopted by the Honourable the Finance Member has also been subjected to some amount of criticism. But, Sir, when we think that every important indigenous industry which has to hold its own must receive some amount of support from Government, we cannot but have to waive our *quasi*-political objections and look generally to the intent of the measure. Sir, it is the common practice of every Government to afford some sort of a prop to a nascent or struggling industry in the shape of either protection, bounty, or subsidy. So if our Government having examined certain cases have afforded them protection in their discretion, we should refrain from criticizing such actions on their part.

Sir, I regret to say that the most important thing, where the promise of the Honourable the Finance Member has not been fully redeemed, is in the matter of retrenchment. Whatever retrenchment has been effected is, in my estimation, quite insignificant in proportion to the huge amount spent on the head of expenditure. So far as the costly side of the administration of the country is concerned, the retrenchment proposals are halting and hesitating so long. Sir, we are still fed with hopes that more retrenchment is yet to come, but one wonders why things are not done quickly to bring about an equilibrium in the budget, except on heads that directly or indirectly lead to increased prosperity, increased social well-being and increased happiness.

Sir, I cannot conclude without mentioning that it should not be forgotten by the Honourable the Finance Member that the taxable capacity of the Indian masses is strictly limited and is very narrow and the more revenue that Government try to extract out of them, the less will be their capacity to meet provincial and local charges and the result will be that provincial finance will suffer as they are suffering already.

THE HONOURABLE RAJA LAXMANRAO BHONSLE (Central Provinces : General) : Sir, this is the second debate on the budget, since I was elected to this Council, that I am, through your kindness, having the privilege to address the House. At the close of my speech last year, I referred to the gloomy outlook in the sphere of national finance. That gloom has, if anything, deepened. No doubt the budget has been somehow balanced ; and the Finance Member is able and fortunate enough to assure the House that the finances of India are essentially sound. But, as he has told us, in paragraph 49 of his speech, the tax revenue has been raised from 67 crores in the year 1927-28 to 77 crores in the next year. This increased load of taxation is pressing very hard on all. This result was due not to increase in expenditure which has been very much cut down, but the fall in receipts under various heads. Faced with this continued fall, he goes on piling up one tax upon another, on the people. But the fall in receipts is not a calamity which has overtaken Government alone. The tax-payer also sees his receipts falling under every head. Where is he to look to meet the growing demands of the tax gatherer ? To whom can he pass the burden on ? We are thus caught in a vicious circle. The Finance Member has already begun to cast a longing look on increased import duty, on kerosene, salt and other articles of necessity for the common man. Sir, it would be a mistake to try the patience of the common man too much. His standard of living is already much too low. Last year there was, in the budget at least some reference to the way in which, through the efforts of the Banking Enquiry Committee, Government was going to help the cultivating classes as regards agricultural finance. In this year's speech, the Finance Member has nothing to say on the subject. It is no comfort to the hard-worked tiller of the soil to be told that the Government's financial position was essentially sound. Government securities may have appreciated in value and Post Office-Cash Certificates also may have increased in volume. But this can be no satisfaction to the cultivator who has no surplus to invest, who sees his return from land shrinking in value, while he has to pay a good deal of it more in payment of interest and meeting the cost of the necessities of life. I will not say much about whether the free gold export policy is good or bad for the country. I am not a financial expert and cannot decide which side is right. I prefer to look at the question only from one point of view, namely, whether the promised improvement in the banking system of the country will be delayed or hastened thereby. Similarly, we have clamour for protection on every side. Protection may be good for some infant industries, but we can easily have

[Raja Laxmanrao Bhonsle.]

too much of a good thing. Further, as I said last year, the root of the trouble is in the high military expenditure. A radical change in the military policy by wholesale Indianization alone can lessen the financial burden. There is ample material for it in India. Before I sit down I would make one final request to Government not to try the patience of the tax-payer too much.

I am glad the Finance Member has been able to balance the budget. But his satisfaction is like that of a medical expert to whom a specially difficult case was taken for treatment. With great skill and effort the doctor was of course able to declare the patient "cured" of the particular disease but the patient died in the process. Let the Finance Member draw the obvious moral from the case.

THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT (Bombay : Non-Muhammadan) : Sir, while giving full credit to Government for the efforts they are making at economy and retrenchment and making full allowance for the disturbed conditions in which we live at the present moment, I feel it will not be unfair to say that the time has arrived when it should be seriously considered whether the country can stand the heavy taxation which has been recently imposed and whether it can afford the existing scale of national expenditure. I recognise that the figure taken for expenditure for next year is considerably smaller than that for the current year, but with additional taxation and reduced revenue it seems to be imperative to take stock of the whole situation seriously and I hope that matter will receive early consideration.

I do not want to say much about the question of the exports of gold since the subject has been recently discussed at sufficient length in this House. I should like to make only one observation with reference to the argument proceeding from the side of Government that the sales of gold in the districts mean a good bargain for people who are putting their savings to very profitable use. From my knowledge of these transactions I can say that the sales could have been welcomed if their proceeds had been utilised for a productive purpose or had any chance of being reinvested. In several cases gold has had to be sold because there was no escape from it and money had to be realised in order to make the two ends meet.

This leads me to the inquiry as to what Government have done and what they propose to do with regard to the reports of the Banking Enquiry Committees. One would have liked Government to make a statement of their policy and the measures they propose to take in relation to it. It is true that much of the work to stimulate and properly organise Banking will have to be done by the Provincial Governments, which are, however, handicapped by financial difficulties. The Central Government is in no better state. Still the lead will have to come from the Government of India, and I am given to understand that people in the provinces are waiting for it. I hope Government will make an early declaration of what they propose to do to give effect to the many suggestions which have been made to them. The constructive side of the national finances cannot be neglected even in these days of depression, and this is a problem which, I venture to think, must be taken in hand without delay.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces : Nominated Non-Official) : Sir, this year's budget has been robbed of considerable importance as well as excitement by not being accompanied by a

Finance Bill and the discussion on the budget will be more or less of an academic character only. It will at any rate serve the useful purpose of verifying the forecast which the Honourable the Finance Member made last September and it will enable us to judge from the remarks which he made on that occasion how far his prophecy in the matter of the collection of taxation and in other matters has been fulfilled. Sir, this is a very deplorable and disheartening budget. Nobody here for a moment can gainsay that proposition, but I must submit that I heard the speech of my Honourable friend Mr. Basu with some measure of surprise and also bewilderment. I do not think his observations both against Government and against the Finance Member were borne out or justified by the examination of the circumstances of the case. He divided the period from 1920 into three instalments and made certain unfounded criticisms which I do not propose to refer to, but in the diagnosis which he made of the situation I am afraid he went off the right track altogether. His diagnosis was absolutely incorrect and also I submit to a certain measure unjust to the Finance Member. If he had only cast his glance at the situation which is being experienced all over the world during the last three years, if he had only borne in mind that these two years have not been years of heavy deficit only in India but all over the world—France, one of the richest countries with its vast possessions of gold showed last year a heavy deficit, America with all its accumulations of wealth, with all its resources, showed a heavy deficit, the United Kingdom, once the leading financial nation in the world showed a most deplorable state of financial affairs—and if he had only fairly examined the genesis of all these events he would have come to the conclusion that our misfortune is due to world factors over which no Finance Minister or no Government has any possible control. Sir, I, on the other hand, think that the achievement of the Finance Member has been a singularly surprising and a gratifying one. The promises which he made to the Council have been fulfilled. He pledged last September when the discussion on the emergency measures came on that there shall be no taxation unless heavy retrenchment preceded any such imposition of new taxation and the promise which he then made has been abundantly fulfilled. I consider that the country is extremely grateful to him and also to the various Retrenchment Committees for the marvellous, unheard of, unexpected, retrenchment they have made in the various services in this country, both civil and military. It is true that the Government have resorted for its resources this year to three heads, firstly, entire reorganisation of the services from the point of view of economy; secondly, cuts in salaries, and thirdly, a measure of taxation. I do not say that every one of us will agree with him so far as his measures of taxation are concerned, at any rate there must be difference of opinion so far as some features of that taxation are concerned, but on the whole the position which he has forecasted seems now to be extremely hopeful, and I believe that if his calculations are correct and if his prognostications are fulfilled, probably in a short time we shall see a change for better times. There was a lot of talk about balancing the budget by giving up the sinking funds and by the adoption of other doubtful and heroic remedies, but it is a matter of congratulation that the Government has not been swayed by such allurements and I think we can see an example to follow in the firm policy which England adopted last year. In six months' time England has recovered its lost position. The pound has been steadily rising; only two days ago it shot up like anything, and this is because England voluntarily, cheerfully and willingly bore a heavy measure of taxation and underwent sacrifices which have brought to her within a short spell of time such a wonderful recovery. And I have not the slightest doubt that in this country too by the adoption of the measures which have been indicated in this budget

[Sir Maneckji Dadabhoy.]

we shall before long have a real and substantial recovery both in the financial and in the economic situation of the country.

Sir, as regards retrenchment I would like to say that, considering the nature of the civil expenditure, considering the amount spent on the maintenance of the administration, which is only 18 crores of rupees, a saving of 3 crores and 18 lakhs must be regarded as a very substantial saving. One of the Honourable Members who have preceded me told the Council that the retrenchments had not been sufficient. But it must also be remembered that retrenchment must proceed side by side with efficiency. If you destroy the machinery of Government by creating inefficiency, it would be very difficult to pull up and regain the position. It is much better to proceed cautiously and slowly and lay the policy of Government so far as retrenchment is concerned on a sure foundation. If we only examine one brief figure, it will clearly appear that the net total controllable administrative expenditure, both civil and military, has been brought down within twelve months from just over 76 crores in 1930-31 to 64 crores in 1932-33. This is a phenomenal act; it is wonderful; it implies a saving of 16 per cent. To be fair, we must admit that it was not possible to expect a bigger saving than 16 per cent. in one year's time.

Sir, as regards the emergency cuts in salaries, I have to raise a little quarrel with my friend the Finance Member. I do not for a moment say that the retrenchments which he has made are unfair; they have been done on the right and proper basis and a uniform scale has been introduced. But I was a little bit dissatisfied to hear from my Honourable friend the Finance Member that these cuts in the salary of the various Services should be regarded as of a temporary character only; they were brought into existence from last December, but they were not to be operative beyond the 31st March, 1933. Sir, it would have been a matter of greater satisfaction if no statement had been made on that point at present, and at least if the Finance Member had waited to see the actual financial position in the country over the next twelve months before coming to a decision. Sir, my personal opinion is that the present prices of commodities have more or less come to stay, that is, at their present level. The inference which I draw from a study of economic and other questions is that we shall not see the level of prices prevailing in 1929 at least for a very long time. I feel that all over the world commodity prices are not likely to substantially rise and the reflex effect of all the trade conditions in the various countries will keep our prices also comparatively down. It must also be admitted, Sir, that the scales of salaries in this country are much larger than in any other country in the world, and this is the opportunity, this great and glorious opportunity, of making a permanent retrenchment, and I do hope that this opportunity will not be lost by our Government particularly because the finances of the country year after year will not be the same as in previous prosperous years and the surpluses which we saw in the last decade have to my mind permanently disappeared from our budget. It is therefore necessary that the salaries of all the Services should now be regulated not only in relation to the existing conditions but in relation to the new conditions that have now come into operation, and I therefore think that in a matter of this nature Government should not be in a hurry to state that these cuts will be soon wiped out. At any rate so far as the Services which have been protected under the Government of India Act are concerned, whatever may be the decision ultimately taken in the House of Commons, I cannot help remarking also that, so far as new entrants are concerned, their salaries at any rate must be put on a much lower scale and should not be kept at the level which is now fixed.

Sir, the most remarkable feature of this budget is the cut of 5½ crores in the military expenditure of this country. It is a most gratifying feature of the budget. I have heard in this Council year after year discussions on the military expenditure of the country, and it was pointed out that the expenditure was very heavy. Appeals were made to Government and to the Commander-in-Chief from time to time at any rate to come to the figure laid down by the Inchcape Committee. We heard resolute and firm remarks from the various Commanders-in-Chief that the military expenditure was incapable of any further reduction or even to the figure suggested by the Inchcape Commission. Now under the compelled hand of necessity we find even His Excellency the Commander-in-Chief—I am sorry he is not present here—as well as the Government have come to the conclusion that the expenditure must be substantially reduced. And it is a very significant feature that such a singularly large cut as 5½ crores has been made. I am alive to the fact that this cut has been made partly by the postponement again for the second year of the programme of military equipment expenditure but nevertheless this cut is most welcome and this cut has been so effective that the military expenditure this year—taking the savings of 75 lakhs of rupees in the salary cuts of officers and 25 lakhs for the last six months made in the current year—the military expenditure will not exceed 46.65 crores of rupees. But unfortunately one feature or rather one condition attached to this reduction in military expenditure is disconcerting, namely, the statement which the Finance Member made at the instance of His Excellency the Commander-in-Chief in his budget speech. His Excellency has pointed out that, though this year he has agreed to an expenditure of a little over 46 crores it cannot be regarded as a permanent cut in the military expenditure and the year after he will consider things very satisfactory if the expenditure could be limited to 48 crores only. Am I right? (The Honourable Sir George Schuster nodded assent.) Sir, I think His Excellency with his capabilities, his experience of the country which he has now acquired, and his general knowledge of the military expenditure and also of the promise made by the Finance Minister in his speech that he will see that every possible pressure shall be exercised for the reduction in military expenditure, I do hope that this expenditure will not again materially rise and either stand at the level to which it has been now brought down or probably be brought to a still lower level. Some of us may not hope to see a further reduction than 46 crores which does seem to be a reasonable limit for the present. I do not know how circumstances may change in a few months hereafter but I do hope every endeavour will be made to control this expenditure. I feel confident that Government will no longer be remiss in this matter and as expressed by the Finance Member :

“the campaign for retrenchment will not be regarded as finally closed with the achievements of this year”.

I shall just only say a few words on the taxation policy of Government before I conclude. On the taxation policy anybody who reads between the lines of the Finance Minister's speech will appreciate that he thoroughly grasps the difficulty of raising our customs revenue or raising the income-tax and super-tax to their present limits. In the matter of customs I am afraid duties have been levied at a rate and at a level at which in time I fear it will affect the general welfare of this country. Sir, there are limits to customs duties. Apart from the inexorable law of diminishing returns it would at times be very, very difficult to secure the money with a continuous policy of high tariffs. For instance, from the general 15 per cent. revenue duty all the imports have now been raised to 25 per cent. The general duty to-day stands at 25 per cent. Some important items of taxation have been restored

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and the free list altogether disappears. Duties which the Government themselves at one time thought impracticable or unwise to impose have been again restored. The Finance Member rightly said that as the protective effect increases their value as revenue producers must diminish. At a time of depression Government are extracting 9 crores of rupees more from the people by direct taxation. The Finance Member has compared the heavy taxation of other countries with our scale of taxation. I must also respectfully point out to the Finance Member that such a comparison is obviously incorrect. In other countries like America and in the United Kingdom particularly where heavy direct taxation—*income-tax* and *super-tax*—are imposed there are *compensatory features of that taxation which are altogether wanting in this country*. In England the Government gives allowances for the maintenance of the assessee and his family. In England money is spent on the unemployed of the country. Welfare services are also rendered and the country supports numerous welfare institutions. You do not therefore feel in a country like England the heavy direct taxation because it has its advantages and its compensations but in India the system of *income-tax* has no such compensations. Even the poor solace, even the poor comfort, of carrying over your losses to the next year has been denied to the people of this country. It is true that my Honourable friend two years ago promised to take this matter into consideration in case the finances improved but on the other hand the finances have deteriorated very considerably and no improvement can be expected for a while. Is there any wonder then if these crushing duties are a drag on India's economic recuperation. Still I do personally think that when a direct taxation like the *income-tax* with its stupendous surcharge of 25 per cent. has been levied it is only right and fair to the assessee that he should be compensated by a measure of some consideration like permitting him to carry forward all his losses to the following year and I say it will not only be a measure of justice but it will also be a matter of right and correct policy on the part of Government. Administrative changes should be brought into closer relation with the tax-bearing capacity of the people. I trust his calculations both regarding the *income-tax* and *super tax* this year will prove correct and that he will be able to harvest the return which he considers necessary for maintaining an equilibrium between revenue and expenditure.

Sir, I shall not trouble the Council any further and with these remarks I will resume my seat.

THE HONOURABLE SIR PHILIP BROWNE (Bengal Chamber of Commerce): Sir, I think I can safely say that the Honourable Member's speech, particularly the weak spots in it, has already had the lime-light fully thrown on it and I do not propose to detain the Council for long over any remarks I may make. To my mind, one of the most interesting and satisfactory points in the Honourable Member's statement is the amount subscribed to the 6½ per cent. Treasury Bonds by small investors through the Post Office. I must say that at the time some of us disliked those treasury bonds being kept open for application so long, as we all hoped that when the lists were closed we should find Government securities appreciating. At the same time, amounts collected through the local post offices in the country were very satisfactory and I am sure the Honourable Member is very pleased with the result. Also the fact that the receipts from the Post Office Cash Certificates and Savings Bank exceed the budget estimate by over Rs. 300 lakhs is very satisfactory and indicates that the general community

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are being educated gradually to recognise that it is better to invest their money in the Government than to keep it lying unproductive.

I think the Honourable Member must be convinced that we have reached that stage of taxation resulting in diminishing returns. We were told that the 25 per cent. surcharges that were put on last year were purely temporary in a very special emergency. I may not be so clever as my Honourable friend Sir Maneckji Dadabhoy in reading between the lines of the Honourable Member's speech, but I regret to say that I cannot now find any reference to the temporary nature of those surcharges. They seem to be treated rather more as general taxation which may come off later when the country improves. I should very much like to have seen the temporary nature of those surcharges emphasised by the Finance Member. Perhaps he will give us an assurance a little later that they are coming off as soon as any remission is possible.

Anyway the present scale of taxation is undoubtedly throttling business and all development in trade. As one of the previous speakers remarked, relief must be looked for from some form of possibly indirect taxation of the 300 millions in India who at present contribute so little to the cost of running the country. The comparatively small number of tax-payers in India are undoubtedly called upon to pay too much, to bear too much of the burden. The Finance Minister quoted a verse from the Proverbs to justify his line of action in a certain case. I would ask him to pass further on in that Good Book and refer to Chapter XVI where he will read :

“ Better is a little with righteousness than great revenues without right ”.

I commend that verse to the Finance Department's consideration.

Another point in the Honourable Member's speech on which I should like to say a few words is the question of income-tax evasion. My constituency, and I think many others in India, are convinced that there is a great deal of evasion going on. The Finance Member has been sympathetic on the subject and I see that in his statement he says that although he applied for suggestions from the business community, both in regard to evidence of evasion and to measures for dealing with it, he did not get very much help. He does not deny in his statement that there is considerable evasion. There is a very strong opinion in many parts of India that considerable evasion is taking place and though the business community are unable to produce the necessary evidence I do think it is up to his Department to find out whether that evasion is taking place. We are all convinced that it is there and I must press the point that it is up to the Department to take further steps to prevent it. I heard a suggestion a short time ago which may or may not be new to the Honourable Member, but I would like to put it forward for his consideration. I understand that, particularly in mofussil towns many firms' books are inspected by the Income-tax officers—this is of course done in the towns as well—but in some districts the Income-tax officer stamps each page of the account book to indicate that that is the account he has passed. It is a matter of considerable suspicion that a certain number of merchants keep more than one set of books. I would suggest, if it has not already been taken up by the Income-tax Department, that arrangements might be made that the courts would only recognise the set of books which have been stamped by the Income-tax officer as the official accounts on which income-tax has been calculated, and that any accounts produced for recovery of debts or in connection with other business transactions should be those certified by the Income-tax officer. It is possible that the Finance Member is already aware of this suggestion. If not, I hope, that he will find some use for it. I still maintain that it is up to the Finance

[Sir Philip Browne.]

Department to obtain greater recoveries of income-tax, that is to say, to ascertain where evasion is taking place. He is somewhat mysterious on what he has found out and what he is going to do. He talks about "In vain is the net spread in the sight of the bird". I would rather like to carry his metaphor further and remind him that St. Peter having toiled all night and caught nothing on one side of the ship, proceeded to let the net down on the other side of the ship and the net burst owing to the quantity of fish caught. Perhaps if the Finance Minister would let his net down in some other direction he might be just as successful.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK (West Bengal : Non-Muhammadan) : Sir, I have been watching rather carefully the financial situation of the country during the last few months and the budget speech of the Honourable the Finance Member did not strike me as at all surprising. If we read between the lines we cannot escape the conviction that the country exists to maintain the Government and not the Government for the country. In fact, whatever results have been achieved have been achieved not by reducing the cost of the administration but by the piling up of taxes.

Export of Indian gold out of the country in the present distressing financial situation is a matter on which the people have come to hold very strong views. Strongly as they question the wisdom of the Government permitting unfettered the export of gold from India instead of restricting and mobilising it for the coming needs of the country, they are not at all satisfied that the present expansion of currency is not inflation. Nor will they believe that such expansion was necessitated for the requirements of internal trade and not for linking the rupee to the sterling. Notwithstanding the force with which the Honourable the Finance Member tries to defend his policy with regard to gold export, it stands contradicted by the *Free Press* message sent from London on 5th February last in which it is stated that much comfort was derived in Britain from the fact that she could pay that week £30 million which she owed to France and America and in which it was also declared that the Financial Secretary said in the House of Commons that arrangements would be made to repay also £80 million to France and America when that amount would fall due in August next. The fact of the message is further confirmed by what appeared in the *New Statesman* and the *Nation*, which says that the repayment of £30 million to France and America could not have been made possible without the export of gold from India. Referring to the Financial Secretary's statement in the House of Commons that paper observed :

"But the return of £80 million will cause us a good deal of trouble unless gold continues to come from India on an increased scale".

Again, Sir, the picture of decreased customs revenue drives me to the conclusion that the revenue horse has been flogged so hard as to make it sag altogether. In this particular matter the Honourable the Finance Member's calculations and hopes have disastrously let him down. The attempt to build India's finances, when the purchasing power of the people was distinctly sinking lower and lower, on the foundation of import duties was condemned both in this House and outside it at the time of the supplementary emergency budget. The figures quoted by the Honourable the Finance Member clearly indicate that the people have been taxed beyond their capacity, with the result that the poor man has either taken to cheaper substitutes or has given up the

consumption of high-priced imported goods altogether. Kerosene and salt, like air and water, are inevitable necessities of life and any increase of revenue on these heads as a result of increased taxation must be considered as sinful gain in the prevailing distressing condition of the people. The protective tariffs in respect of some necessities of life introduced by the Government contradict the cardinal economic principle established and formulated in the *Wealth of Nations*, viz.,

“in every country it always is and must be in the interest of the great body of the people to buy whatever they want of those who sell cheapest”.

High protective duties might have to some extent solved the financial stringency of the Government, but the signs are evident that they are bound to collapse to their utter disappointment.

Sir, the Honourable the Finance Member evidently feels supremely satisfied with the results which he has achieved and thinks that :

“when practically every Government in the world is having to show very heavy deficits we may justifiably regard the Indian financial situation as comparatively sound”.

But I do not feel, and there is in fact no reason to feel, that his expectations of the future are more likely to be realised than had been his expectations in the past. Sir, with the purchasing power of the people, as he himself admits, woefully decreased, with customs revenue showing no signs of revival or improvement, his blunt declaration that he cannot look to the broad-shouldered to bear any more burden raises in us the apprehension that we shall have to face in the near future the alternative of fresh burdens on the masses. The Government are alone in finding ground for such optimism in such a plight of the country. There is always a silver lining to the sable cloud and Sir George Schuster has had a series of luck in the past. In the first instance, in February, 1931, when the country's finances had reached the lowest rung of the ladder, the Gandhi-Irwin Pact came as a ready relief and the great strain of the financial world of India was a little removed. Later on, in September last, when there was a further sag in the finances of the country, England went off the gold standard, and the rupee being linked to sterling, India's credit revived a little. Lastly, the flight of gold—I mean what is called “distress” gold—has saved the Government from the very brink of bankruptcy. But, Sir, such luck will not continue for ever and unless we try to cut down our expenses on the civil and military side, we shall land ourselves into virtual bankruptcy ere long.

THE HONOURABLE MR. G. A. NATESAN (Madras : Nominated Non-Official) : Sir, having had opportunities of studying a little more closely the expenditure side of the Government of India, particularly as a member of one of the Retrenchment Committees, I should like to draw the attention of the Finance Member to the fact that in years past it used to be a common defence of every Finance Member that he had tried his utmost to reduce expenditure and that nothing more could be done. I have heard this said with regard to the heavy military expenditure and I have heard this said even by the present Finance Member till 30th March last year, and yet we know that every time an important committee has been appointed, such, for instance, the Inchcape Committee, they have reported that there is considerable room for reduction of expenditure, a great deal of which has been given practical effect to. I

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recollect very well when proposing to appoint a Retrenchment Committee of the Central Legislature, Sir George Schuster was good enough to say :

“ We have tried every possible means of reducing expenditure and if I now agree to the Committee of the Central Legislature it is more to give you an opportunity to enable you to see that we have done our very best ”.

As a matter of fact, he nearly hinted that we will not succeed in our attempts. I am very happy, on behalf of myself and the other members of the Retrenchment Committee, to state that the Finance Member has since found reasons for altering his opinion. On more than one occasion, he has expressed his obligations to the various Retrenchment Committees for the efforts they have made in pointing out various fields for retrenchment though in some cases he has, for reasons best known to himself, not been able to give effect to their recommendations.

I do not propose to talk about the heavy military expenditure and things like that about which I and several others have spoken so often in the past, but even a cursory perusal of the report of the Army Retrenchment Committee leaves no room for doubt that on the administrative side there is still a great and wide scope for reducing expenditure. I am sure the Honourable the Finance Member has already made note of the various points of criticism that have been made in regard to this subject, not only by the Army Retrenchment Committee, but also by Members of the other House, and I do hope he will see that every effort is made to reduce the expenses on the administrative side of the military department as much as possible.

With regard to civil expenditure, let me again state that there is still further room for retrenchment and I desire to take this opportunity to say something in support of the remarks made by the Honourable Sir Maneckji Dadabhoy, for I cannot help thinking that the Finance Member was unwise in making a sort of promise, particularly to the Services, that the cut in pay would only be temporary. I consider, Sir, that the cut in pay should continue so long as Government is unable to make both ends meet. I consider further that the present cut in pay has not been properly made, for instead of a uniform cut in pay there should have been a graded cut as has been suggested by the various Committees. Not only that ; you should not merely stop with the cut in pay of those who are now in service, but immediate and prompt attention should be given to the question of fixing the salaries of future entrants to the Services. Please remember that India is one of the poorest countries of the world and yet it has had, for years past, the costliest system of administration and while, therefore, you have thought it necessary in times of great financial stringency to make a cut in the pay of those who are now in service, I venture to think that the time has come when you should take the most effective and immediate means for fixing the pay of future entrants to the Services. I have absolutely no doubt that if the Finance Member will give facilities to the present Committee, or any Committee that he might constitute, to go into this question, he will find that the financial situation in the country will be considerably eased by the proposals which they will probably make most of which, I am sure, he will be in a position to adopt.

Sir, I have only one more observation to make and, with the indulgence of the President, who has given Members of this Council, particularly to me, to avail myself of the opportunity of the discussion on the budget to draw attention to the general condition of the country. I desire to tell the Finance Member that whatever may be your efforts to increase taxation, whatever

may be your efforts to cut down expenditure, you cannot go on with the present state of things, with your present measures of policy and administration and produce an era of peace and prosperity. You are not likely to have peace and contentment in the country unless you radically change your methods of policy and administration. You are trying the patience of this country by some of the methods which you are pursuing at present. You cannot govern a great country like this by Ordinances, and it has been proved, beyond all doubt that, with the best of intentions, even the Government cannot be sure that their officers in the provinces can administer this country without provoking the patience of the people a little too much. If you wish to have a sound financial position, you ought to ease the present situation, and you can do that only by a bold and sympathetic policy of constitutional reform. I desire to point out to the Finance Minister clearly that there is deep discontent under ground and that it requires the best efforts of all of us, who are interested in promoting the peace and prosperity of this country, to bring about better relations between Britain and India, and that everything should be done at the earliest possible opportunity to put an end to the present state of things. This is, perhaps, not the occasion to discuss the ways and means of doing this, but I did feel it was my duty to point out the danger of the present situation and the early need for removing the same.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab Non-Muhammadan) : Sir, I congratulate the Honourable Sir George Schuster and the Honourable Finance Secretary on as good and vivid a picture of the finances of India as they could place before the Legislature with all the care and attention which they have given to it. I must say, Sir, that Government have not been living within their means. I said so in Simla during the last session and I now repeat the same. The most important feature of the budget is that Government have realised that the buying power of the masses has a great and direct bearing on the finances of this country. The Government, notwithstanding the warning of the various public bodies and commercial institutions, have not paid much attention to this question. Even now, Sir, it is the duty of the Government to increase the buying power of the masses and thus let India prosper in order to let its revenues improve. I am sorry, Sir, that the present budget is a deplorable one as had been defined by my Honourable friend Sir Maneckji Dadabhoy. I have great regard for the Finance Member and I know that he has great skill in handling the finances, but I am sorry, Sir, that his voice is now generally controlled by the high authority in London. When the pound went off the gold standard, the Honourable Sir George Schuster the talented Minister made the Government of India, acting in the interests of the stability of India's credit, decide in favour of keeping the rupee linked to gold, but, Sir, unfortunately as soon as this was done, the dictation came from the Secretary of State forcing the Government of India to immediately change their decision, which I think was done more in British interests than in the interests of India. In case the rupee had been allowed to find its own level, I think the exchange would have gone down to 1s. 2d. and India would have gained considerably by making much bigger exports and thus the trade balance would have been secured in its favour by this means rather than by the means of export of distress gold. The flight of gold was allowed to restore the solvency of England. Some misapprehension seems to be prevailing among the Members of this Honourable House on the question of distress gold. My friend the Honourable Jagannath Maharaj Pandit has said that it is in the interest of the poor cultivator to sell his gold to meet his requirements. The prevention of the sale of gold has never been

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advocated; the point which has been impressed upon the Government, from time to time, is that the Government should buy this gold and inflate the currency against it, so that the resources of India may not suffer and that when the poor people regain their economic condition they may be able to buy the gold at a cheap rate. However, Sir, that is a question on which I need not dwell long.

Sir, the figures which the budget has exposed to us show that there has been a fall in the imports of almost all commodities. The import duties collected were 29 crores on 105 crores of commodities as compared with about 33 crores on commodities of valued 201 crores imported in 1929-30. Imports of cotton manufactures fell from 49.67 crores to 15.86 crores, and sugar fell down from 13.8 crores to 4.9 crores. All these figures show, Sir, that the buying powers of the masses have been so much reduced that even sugar which, in India, is a sort of necessity of life, has been given up to a very great extent.

As far as retrenchments are concerned, Sir, I must express my gratitude to the Government for accepting the substantial retrenchments recommended by the various Retrenchment Sub-Committees. I have had the privilege of serving on the General Purposes Sub-Committee and in that connection, Sir, I must say that the retrenchments effected on the recommendations of that Sub-Committee have, to my surprise, resulted in a reversal of the policy of Indianisation. Whether that is purely accidental I cannot say, but as an illustration of my statement, Sir, I want to give a few instances.

In the Survey of India Department four officers of over 30 years' service have been promoted from the second to the first class. As far as I understand, the established principle of Government in retrenchment was to dispense with the services firstly of those people who have served above 30 years and then come to those who were unfit or who were wanting in efficiency. But, Sir, the five posts which have been retrenched in the Survey of India consist of all Indians including two Moslems. Instead of retrenching or retiring the officers in class II, who had over 30 years' service, the Government has chosen to promote them to class I and not to retire them. We further find, Sir, that several Europeans or Anglo-Indians below 25 years' service have been retained; even three Anglo-Indian probationers have not been retrenched. I say this, Sir, simply to point out that the policy of Indianisation has suffered. As far as I understand, Sir, the Sub-Committees did recommend that their recommendations should not in any way materially affect the Indianisation of the Services. I do not want to dwell long on this subject, Sir, but I will cite another striking example in which the recommendation of the Sub-Committee has been refused. The Director-General of Archaeology retired some time back after 28 years' service and the Government of India gave him employment for another eight years. The Retrenchment Sub-Committee recommended that this pensioned officer should not be employed any more and that his special duty should finish. That recommendation has been totally ignored for reasons best known to Government and the officer is being retained. I cannot understand this inconsistency of the Government in applying a certain rule in one case and in ignoring that rule in another. There are many more instances supporting my statement.

Then, Sir, as regards the Public Services Commission, the Retrenchment Committee concerned made a recommendation that the posts of two Members should be reduced. On that so far no action has been taken but, Sir, as far as rumour goes the Government decision is said to be that both the officers will

continue. Sir, I should like the Honourable the Finance Member to throw some light on the subject and tell us whether this rumour is correct or incorrect.

Then, Sir, the Sub-Committee recommended that the Lee Concessions should be done away with. These concessions were considered and granted when the cost of living was abnormally high. Prices have gone down low enough now and perhaps so low as was unknown for some time past and I should urge the Government to do away with these Lee Concessions altogether. They are now an unnecessary and unjustified burden on the revenues of India. I fully endorse what my Honourable friend Sir Maneckji Dadabhoi said as regards the allowances and other concessions which ought to be made in the income-tax. The income-tax and super-tax, as they now stand, are very heavy and unbearable and we wish that until they are considerably reduced, allowances for the maintenance of wives and the education of children, as it is in vogue in England, ought to be enforced here. And also that as long as these prohibitive rates of taxation are in force the losses of one year should be allowed to be carried forward to the next year. Sir, we find that, instead of Government solving the question of unemployment, unemployment has increased. I do not want to go into the justification of throwing so many people out of employment which I believe has been undertaken as a measure of retrenchment but, Sir, at the same time, I must urge that the only other avenue left to the unemployed is to take service under the commercial, agricultural or industrial departments. As far as the industries are concerned, Sir, they are being given a setback and that setback is being caused by the newly proposed surcharge on coal freights, the import duty on machinery and the import duty on raw cotton. Even in his report the Honourable the Finance Member has not been able to convince us as to the justification and advantages of the import duty on raw cotton. He has referred, in this connection, to the fact that this duty will tend to the increase of cultivation of similar long staple cotton in India. With due deference to his opinion, Sir, I must observe that the stapled varieties of Egyptian and of Uganda cotton which the Honourable the Finance Member refers to in his remarks cannot be grown in India. I have been taking a keen interest myself in the growing and improvement of staple cottons and from my own experience and the experience of others who have worked in this direction I can assure this House that the length of staple and the quality of cotton which Egypt and Uganda produces cannot be grown and produced in India to any advantage owing to soil and climatic conditions being different.

My friend, the Honourable Sir Philip Browne, has said that Indians keep two sets of account books. I am sorry, Sir, that he has made that as a general remark. I can say, Sir, that this can only be in vogue among some very small firms.

THE HONOURABLE SIR PHILIP BROWNE : On a point of order, Sir. I did not say "Indians"—I said "merchants."

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Very well, I accept that explanation. But even then I say that most of the merchants do not keep two accounts. There are very few and those few are of a very small standing who go in for such malpractices. However, Sir, I do not want to go further into the subject but I must say, Sir, that the accounts kept by the merchants are subject to examination by the Income-tax officer and in case they suspect any account books they have got the option not to consider the account books at all when assessing the tax. I might also add, Sir, that in

[Bai Bahadur Lala Ram Saran Das.]

these hard times the income-tax rules require a bit of revision. Some time back I advocated on the floor of this House that in the case of big contracting firms who took big contracts and whose contracts took several years to finish, the income-tax authorities ought not to charge an arbitrary percentage, and if any arbitrary profit was thus taxed, it ought to be adjusted at the end, on the presentation of the final accounts. The Board of Revenue was good enough to issue a circular in this connection some time back, but the circular has not proved to be of much practical value. I hope that Government will issue clear instructions to the income-tax authorities that when contracts are spread over a number of years, and when proper account books are kept to the satisfaction of the income-tax authorities, adjustments in income-tax and super-tax ought to be made when the final accounts are made out, and that extra super-tax or extra income-tax, if any, which has been collected ought to be refunded, and if any extra income-tax or extra super-tax is found to be due, it ought to be realised.

Sir, I do not want to speak at length to-day because there are so many other Members who want to speak. I want only to say a few words on the political situation. I do not want to take up the time of the House with the wider political issues that face the country. There are, however, one or two observations which I must make. India is on the threshold of a new era. In preparing for this new era the Government and the people in their own way and according to their own lights are preparing for the great dawn. Government have promised to create a federal India to enable Indians to take control of the administration of their country at the earliest possible moment. For that purpose Government have given out that it would be necessary for law and order to be established. This is desirable but my fear is that in desiring to maintain law and order too much, Government may forget its other great duty of leaving a legacy of suitable reserves to the future federal Government. I hope that Government will not forget its duty in this respect. I also find that the Government have undertaken to solve the communal question. I hope that in solving this complicated and baffling question, Government will see that no party is left with any grievance and that justice, fair play, and the higher interests of India are the guiding considerations. I hope also that the decision will dispel any doubts that may have been created with regard to the impartiality of Government in protecting the interests of the various communities entrusted to their charge.

Sir, before I sit down, I should like to endorse the observations which my friend the Honourable Sir Maneckji Dadabhoy made as regards the scale of salaries for future officers and subordinates. This question has not so far received the proper consideration of the Government. I was glad to observe that whilst the debate on the Railway Budget was proceeding in this House, the Honourable the Commerce Member was pleased to say that all new entrants in the Services were being engaged on the explicit understanding that if there was any reduction in the allowances and in the scales of their salaries, they will have to accept those revised scales. I should like the Honourable the Finance Member to say how far and in what direction they are proceeding in this connection generally. I also endorse the view of my Honourable friend Sir Maneckji as regards the remarks made by the Honourable the Finance Member and His Excellency the Commander-in-Chief that at the end of the next financial year the cut in salaries will be restored. This seems very inequitable and unjust in the present circumstances of the finances of India. I hope that

Government will reconsider this question and let these cuts continue until our finances improve.

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

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

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal : Muhammadan) : Sir, my Honourable friends who preceded me have spoken each in his own way splendidly and excellently about the budget speech of the Honourable the Finance Member. I myself too have to offer a few observations on the subject which I propose to do with your permission and the indulgence of the House. Sir, the one thing which strikes me most prominently about the budget speech of the Honourable Sir George Schuster is the clear and lucid manner in which he has depicted the financial and economic condition of our country and the straightforward manner in which he has expounded his own views concerning it. I have been very much anticipated by the previous speakers and as repetition cannot be allowed in this House I will restrict myself to a few topics which I think ought to be put before the House. Firstly, Sir, I think there can be no question as to the causes of the present deficits in almost all sources of revenue of India. The Finance Member has described the figures as staggering and staggering they really are. In fact, Sir, this dismal phenomenon is not confined to India alone but is general throughout the world. The different countries however have adopted methods for meeting the calamity in their own different ways and in this connection it is that I venture to submit that the Finance Member of the Government of India is possibly the only Finance Member in the whole world who has been able to present a picture such as presented to us on page 184 in his budget speech. Sir, his measures have rendered us free from the hampering necessity of exchange control ; his measures have put our exchange on a stronger basis than anybody could anticipate six months ago. His measures have improved our credit, strengthened our exchange, reduced our external obligations and strengthened our reserves. His measures have improved our prospects of raising fresh loan on advantageous terms, have led to a rise in our securities and have reduced our bank rate from 8 to 6 per cent. and have benefited, generally speaking, all who are engaged in trade and industry.

Sir, this is no mean achievement and any Finance Member can claim and validly claim to be proud of it. And, Sir, under what adverse circumstances has this achievement been accomplished ? Sir, in the other place and in this House also this morning I noticed my Honourable friend from Bengal accused my Honourable friend Sir George Schuster of being profuse in his promises and lacking in the performance of the same.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : On a point of order, Sir. I did not say so.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY : That is all right. But I would venture to challenge anybody to point out any substantial part of his promises which he has ever held out and has failed to perform. Sir, on the last occasion he assured us that he would carry out retrenchment to the utmost possible extent and how manfully he has performed the duty imposed

[Mr. Mahmood Suhrawardy.]

by him upon himself will be readily apparent from a few figures which I propose to cite. My Honourable friends who are prone to cavil at the Honourable the Finance Member's speech will be surprised to know that as regards retrenchment in the country's expenditure India comes first among the civilised countries of the world and no country with economic and financial interests of the magnitude of India has come even a bad second to it in this respect. The retrenchment effected by the United States is merely an eye-wash; the retrenchment effected in France is 1/200 per cent., while the retrenchment effected by the Honourable the Finance Member in India, if I am correct in my figures, is more than 17 per cent. Sir, the effect of this retrenchment will not be confined to this year or the next but will extend to a long period of years because it is not a makeshift retrenchment made for the immediate necessities of the case but a retrenchment resulting from a change of policy which is bound to have its beneficent effect extended far beyond the present occasion. Sir, the budget debate is an occasion for reviewing the whole situation, political, economic and financial, of the country, and in this connection I would like to touch upon as lightly as I may on the much canvassed topic of immediate autonomy in the provinces and immediate responsibility at the Centre. But, Sir, as a practical politician of commonsense I venture to say that without the settlement of the communal problem neither provincial autonomy nor responsibility at the Centre will be of any avail and I think that the moneys which have been wasted on the Round Table Conference proceedings would have been utilised to some more beneficial purpose if the communal problem had been settled in India before Mr. Gandhi and his brother delegates sailed for England. So long as the communal problem remains unsettled there will be no peace in this unhappy land of misery and bondage and whatever freedom and liberty we may obtain will be the freedom and liberty to fight among ourselves for our own selfish interests and the presence of the British will be a dire and imperative necessity for holding the balance.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadan) : Sir, as the Council is well aware there is nothing in the budget speech that is new or novel, nothing with which the Council is unfamiliar. The country has been bearing the effect of the Finance Member's proposals of last September—indeed, painfully bearing them in an acutely critical time as this. The budgetary position has been well and fully discussed and debated at length during the last November session. I shall therefore confine myself to a criticism of one or two statements made by the Honourable the Finance Member in his budget speech last Monday.

In the first place, let me advert to his statement that during times of financial stringency one reliable reserve for the Government lies in the taxation of the poor people's necessities of life which have, comparatively speaking, an inelastic demand. By itself the statement is quite correct. Indeed, it is an axiom in the code of taxation that the taxation of commodities which have an inelastic demand does not reduce the consumption of those commodities. But I wish to submit, Sir, that the Government of a country has a different function than that of a purist in economics. It has to take note of the reduction in the purchasing power of the masses of the people caused by the taxation of their necessities of life. In the long run it has the effect of reducing the national dividend which alone is the true index of prosperity. I would therefore request the Honourable the Finance Member not to stress too much the point

that the yield from duties on kerosene and salt is proportionately greater than that from the taxation of luxuries. In this connection I would appeal to him to take the earliest opportunity to reduce the postage rates to their original level. In my opinion, Sir, the revenue derived from the enhanced rates will not augment the Government receipts to any considerable extent. On the other hand, it will have the effect of reducing the volume of correspondence. In the second place, I desire to refer to the warning given by the Finance Member with regard to the military expenditure. He said that the 46 and odd crores which has been budgeted for military expenditure should not be regarded in any sense as a standard figure for India's military estimates. He added that the cuts in pay of military officers and the postponement of the re-equipment programme have contributed to a reduction of about 2 crores of rupees and that next year when the cut is restored and the re-equipment programme is adopted the military estimates will again go up to 48 crores. If that is so, I am afraid the real retrenchment in military expenditure is neither considerable nor commensurate with the fall in prices. Apart from this, I would also urge on the Government the necessity for examining the possibility of a reduction in troops with a view to secure further economies. I confess I am not an expert in military matters, but I conceive that there is nothing sacrosanct in the present number of troops and that it can be reduced to a much smaller figure consistent with the safety for the defence of our Indian Empire.

One word more and I have done. I must congratulate the Honourable the Finance Member for the foresight and caution with which he has piloted the financial barque of our country through troublous seas. Lean years have fallen upon India in quick succession and with his watchfulness, prudence and sound judgment he has enabled her to emerge from her trials better and brighter for all the troubles she has undergone.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated Indian Christians): Sir, I congratulate the Honourable the Finance Member upon the budget that he has presented to us. He expects a surplus of two and odd crores next year, and I hope his expectations will be fulfilled. Sir, it has been usual in this House to attack the military expenditure as being unduly heavy. Instead of following the hackneyed course adopted by others, I would confine myself to this observation that the strength of the Army in this country is unnecessarily high and that so far as India's defences are concerned I do not think that we should have such a large standing army. Sir, this is not my private opinion. As I said last year, I rely upon the statements of eminent statesmen. It is but fair that when the Army is to be maintained at this strength for the benefit of the whole Empire, I think at least 25 per cent. of the cost of the Army should be borne by the British Exchequer.

Sir, coming to specific items in the budget, I would, as I submitted last year, say that a high tariff does not necessarily mean a large volume of business. As has been pointed out by the Honourable the Finance Member, the volume of trade has considerably declined. We are practically carrying on only 50 per cent. of the trade that we were carrying on some time ago. It is better to have a low tariff and a large volume of business than having a high tariff and a small volume of business because a large volume of business means the circulation of more capital and the employment of more labour, and I hope the time will soon come when the high tariffs will give place to lower tariffs.

Then, Sir, coming to income-tax, we feared that when the taxable minimum was reduced to Rs. 1,000 the establishment charges would go up. Well, our fears have now been realised and the Honourable the Finance Member wants

[Sir David Devadoss.]

18 lakhs of rupees for additional staff for assessing or considering the assessment of 300,000 more people. What I feel is that when other departments are retrenching very severely their establishments, it is strange that the Income-tax Department should ask for an increase. Of course, there is justification for their asking for additional staff, but the question is whether this increase could give more efficiency and would show a return which would be really worth the expenditure. If you increase the establishment only for a temporary period, you will be engaging a number of people who, when thrown out, will bitterly complain against the Government. My experience of people who have been thrown out of Government employment is that they abuse the Government as much as possible. If you take hundreds of people now in the lower establishment and after a year or two ask them to go out, they will say they have been very badly treated and I fear they will join the disaffected. Another difficulty is this. Small men and small retail traders will be roped in and these new staffs will try to prove that they earned taxable income in order to justify their retention in service. That I believe would lead to very unjust assessment, and, I am afraid, Sir, that in those circumstances there will be a lot of discontent—it may be justifiable, it may be unjustifiable, but I am sure it will give rise to a lot of trouble in the country. I would therefore ask the Honourable the Finance Member to seek some other means of finding income than by sticking to this taxable limit of Rs. 1,000. If we go back to the old order of things, I think everything will be satisfactory. In this connection I wish to observe that the Income-tax Department is a highly paid department. There was a time, Sir, not within the memory of the present Finance Member, but more than 10 or 12 years ago when the Collector of the district and his subordinates used to do all the income-tax work; the tahsildar used to assess people earning incomes up to Rs. 2,000; those getting more than Rs. 2,000 were assessed by the Deputy Collector, and the Collector heard appeals against such assessments, and I believe there was also an appeal to the Board of Revenue. Now, Sir, if you look at the figures of the last two years you will find that the cost of collection has been mounting up steadily and for the next financial year 1932-33 about 83 lakhs are required. You will find from the figures given in the Explanatory Memorandum that the income has not been moving up at that rate. The collections do not at all justify this enormous expenditure on the establishment. I would ask the Finance Member to consider whether he could not go back to the old order of things under which a Collector, with his tahsildar, did the income-tax work. And so far as my Presidency is concerned, the Collector has not got much work to do now. There was a time when he was in charge of almost all the departments of Government. He was even the head of the Registration Department, Forests, and so on. Now he is deprived even of the district board work. Well, why should he not be given some work to do as an Income-tax officer? This I suggest, Sir, not merely in the interests of economy but in the interests of the assesses themselves. The Collector and the tahsildar have means of knowing the income of the people because they have to deal with them in so many ways as revenue officers.

Then, Sir, with regard to postal rates. I complained last year, Sir, that postal rates ought not to be raised to a point which would make it difficult for ordinary people to carry on correspondence. One who knows the mentality of the Indian people would know that they would rather not write a letter than write one and when they find that the postal rate is high they shirk writing at all. And I think—though I am not a Cassandra—the Honourable the Finance

Member will find from next year's figures that I am not far wrong. And I would, therefore, ask him to go back to the three pie postcard and the half-anna letter postage. A quarter-anna postcard will certainly induce people to write as often as possible.

Then, Sir, one word about the Telegraph Department. This department is a commercial department. One would naturally expect a commercial department to be a paying concern but the Telegraph Department has not been a paying concern. On the other hand, it has been a losing concern. Well, no doubt the Retrenchment Committee has gone into the matter and the Honourable the Finance Member promised that further reductions would be made, but we should not only reduce the cost of establishment ruthlessly but we should also find means of increasing the income. In this connection may I suggest—though the whole Press of India may abuse me for it—that press telegrams should be charged more than they are charged now, because we find all sorts of news being published in the papers and we get all sorts of telegrams—certainly people could do with a little less of the stuff that is being given to them every day. Therefore, I think the cost of press telegrams may be raised, not necessarily to the level at which it stood some time ago, but at least to a higher level than it is at present.

The Honourable the Finance Member suggests, for increasing the revenue, a tax on kerosene, betelnut and spices. Sir, if he had said that tobacco ought to be taxed I would certainly have been with him. I think he may consider an excise duty on tobacco would be a productive source of income; instead of trying to raise revenue from betelnut and spices, which are the only luxuries of poor people, he should try to raise revenue from the luxuries of well-to-do people. As far as kerosene is concerned, that is very necessary for the comfort of the poor people and I do not think, Sir, that the duty on kerosene should be raised.

As I have given notice of two Resolutions, which are coming up next week, I do not want to speak about them, but I would ask him to consider whether he could not get a good income from income-tax on pensions paid out of India and also by raising a revenue from cheques. Sir, I shall show, on Monday, that he could at least get 50 to 60 lakhs from these two sources.

In conclusion, Sir, I would observe that the Honourable the Finance Member has done his best to retrench wherever possible and also not to tax the people unduly. But what some of us fear is that matters may not stand here. We may have to revise the budget in the course of the year or we may have to frame a new budget next year with additional taxation. What we are anxious about is that there should not be any additional taxation and that taxes which weigh heavily upon the poor people should be lightened as much as possible.

THE HONOURABLE RAJA BIJOY SINGH DUDHORIA OF AZIMGANJ (Bengal : Nominated Non-Official) : Sir, I want to say a word or two about the income-tax and the way in which it is going to be carried out by the income-tax assessors. In my opinion this department should be abolished; the sub-divisional officer should be in charge as he was before; the District Magistrate should be put to look after it and the Divisional Commissioner should be the Commissioner of Income-tax. That will save a lot of expense and the work will go on more smoothly.

Secondly, about postage stamps. All I want to say is this—that these should be brought to the former scale, and some tax should be levied on all

[Raja Bijoy Singh Dudhoria of Azimganj.]

country boats as well as on fishing boats which are not taxed at all—I hope that will give us a good income to cope with the deficiency in the budget.

In conclusion, I congratulate the Honourable the Finance Member who has tried his level best to make the budget as good as possible.

THE HONOURABLE SIR GEORGE SCHUSTER (Finance Member): Sir, at the outset I would like to thank all those who have spoken for the moderation with which they have dealt with me in attack and for the friendliness which they have shown me in support. I would also like to tender a word of thanks to those who have not spoken at all. Sir, it is always somewhat of a relief to come into the quiet atmosphere of this House after the skirmishing in the other House. One hears heavy artillery booming and one also has the unexpected pleasure of hearing a few guns fired on one's own side. Among those who spoke in attack I might select my Honourable friend from Bengal, Mr. B. K. Basu, who opened the debate. I confess that I share the feelings of surprise of my Honourable friend on my right from Nagpur at the tone in which he spoke. His utterances reminded me rather of those of a Hebrew prophet. Sir, it is easy for those who are in opposition to play the role of Jeremiah but I venture to think that Jeremiah would have been an exceedingly bad Finance Member. I doubt very much whether if he had had to live through an economic crisis of this kind he would have been able to secure the survival of his country. Sir, it is no use being too pessimistic in these times nor is it any use ignoring realities. I am sure my Honourable friend when he spoke was fully conscious of all those considerations which were advanced in the very excellent speech, if I may say so, made by my Honourable friend Sir Maneckji Dadabhoy. He must have been fully conscious of the fact that 95 per cent. of the economic results, the financial results, which we see in India to-day are due to world causes. What is actually the problem which is facing every country to-day? It is this, that having based their expenditure on a scale of values which prevailed after the war, they have suddenly been faced with such a catastrophic fall in prices as the world has never seen. It is fair to say that every rupee of expenditure which is being incurred to-day and which is based on post-war levels represents really Rs. 2 of real burden on the country as compared with what it did 10 years ago. I quoted myself in the opening passage of my own budget speech the figures for the country's trade. In comparison with the trade only two years ago—not even going back to years of boom or prosperity but only going back two years—our values of trade are reduced to a half of what they were before. For the first ten months of this year exports were down to about 135 crores against 265 crores two years ago; imports were down to 105 crores against 201 crores only two years ago. Values have simply dropped to a half and that means that the burden of expenditure expressed in terms of goods is twice as heavy as it was two years ago, and the task of raising revenue to meet the expenditure is twice as difficult. It is quite obvious that the Government of a country cannot catch up a difference of that kind all at once. Indeed, I think it is not going too far to say that to catch it up altogether is quite impossible, and that if we were to continue on the present level of prices every country in the world would be faced with financial ruin—or rather every country in the world would be faced with the necessity for adopting courses which would mean departing altogether from the present economic system. That, Sir, in brief is the position. And what we have to consider now is, what can a Government fairly be expected to do in such circumstances? I maintain that what we have done stands favourable comparison with what has been done by any country in the world to-day.

It is impossible suddenly to cut down your expenditure by a half; which is in a sense what might really be necessary to meet the rise in the value of money or the fall in prices of goods. What we have got to do is to attempt to make both ends meet, partly by increasing the burden of taxation and partly by reducing expenditure, and if we find that our efforts have not been sufficient, then these efforts must be continued. But—and this is a point that I want to make—you cannot expect a country to support the effort which is necessary until the necessity is proved. My Honourable friend Mr. Natesan speaking this morning made a remark which struck me as being quite a legitimate criticism. He referred to what had been said before as to the possibilities of retrenchment. He quoted predecessors of mine. He quoted myself as having said that substantial retrenchment was really practically impossible. What I want to put to him is this. I myself as a matter of fact never said that retrenchment was impossible. What I did say was that retrenchment on a large scale without definite changes in policy was impossible, and what we have done in the budget this year does very largely represent changes actually in policy. For instance, we have cut out whole services like Civil Aviation. But my point is this that it is not until a country is absolutely faced with the necessity that you can get these changes through. Although he may legitimately comment on one side in that way, it is a very poor recompense to those who have made the effort to be told, "Well, you told us before that the result which you have now achieved was impossible." I am not in the least embarrassed by anything that I have ever said to this effect in the past on this matter. Retrenchment on the scale which we have accomplished was in practice impossible until the necessity for such drastic measures was clearly demonstrated. And here I would like to repeat the tributes which I have paid to the various Retrenchment Sub-Committees for they have partly by their hard work helped us in discovering means for retrenchment but much more, by their support and the way in which through them we felt we have had the support of public opinion, they have strengthened our hands in carrying out those changes in policy which were necessary to effect that retrenchment. I have entered upon this line of speech for a special reason. I want to put it to the House that if further efforts at retrenchment are proved by dire necessity to be required, then those efforts will be made. I do not quarrel with any of those speakers who have said that in spite of our estimates showing a surplus this year we cannot claim to have yet fully weathered the storm or to have landed the ship safely in harbour. The storm still continues; a great part of the voyage still remains to be accomplished. I think we can congratulate ourselves on having weathered the worst part of the storm and having the ship in better trim than it was when the storm began. But the weather still wants watching, the ship still wants steering, and if necessary further measures may have to be taken before we reach our final port. Personally I think we have seen the worst. I think that we are justified in the estimates which we have put forward this year and I feel absolutely assured that our position is, as I said in my budget speech, as sound as it can reasonably be made at the present time, and much sounder than the position of practically every other country in the world. I would like to remind my Honourable friend from Bengal, when he inveighed against our present position, that the United States is actually showing deficits for the three years 1931, 1932 and 1933, of over 4,400,000,000 dollars. That is the sort of problem which other countries have to face and their resources for dealing with the situation are infinitely greater than ours, and it would have been far easier for them to deal with it. I need go no further than that single example. I need not go to other countries of Europe to show how in comparison with them our position is one of brilliance.

[Sir George Schuster.]

But I may perhaps refer to one other country, Australia. There they had to face a problem in some ways analogous to ours because Australia is an agricultural country mainly. But their problem was rendered much more difficult by the fact that their financial policy for the preceding 10 years had not been an entirely sound one, particularly as regards capital expenditure and the raising of loans. They have faced their problems and in spite of dangers which showed up in a rather threatening way—dangers of popular disagreement—they have rallied the nation to facing the problems and to putting the country on a sound financial basis. But if anyone thinks that India is being asked to bear sacrifices now I would ask him to study what Australia has had to do in order to put her financial house in order, and I think he will come away from that study convinced of one thing and that is that we in this country have not yet begun to learn what hard times mean or what real financial sacrifices mean.

Now, Sir, I would like to take one or two points that were mentioned in debate. My Honourable friend on my right in his speech made reference to two points on which I feel it necessary to say something. He criticised the Government for having made the cuts in pay on a temporary basis. He went on to say—and the remark was repeated by other speakers—that we had definitely undertaken to restore those cuts on March the 31st, 1933. We all of us hope that the economic situation will be such that it will be possible to restore those cuts; but we have certainly given no sort of undertaking on the matter. What we did say was that if the cuts were to be extended beyond that period it would be necessary that the economic situation should be reviewed and we made it clear that the restoration of cuts would take a high place in priority in the relief of burdens when the economic situation justified the relief of burdens. But what it really comes to is this, that the economic situation will have to be reviewed during the course of this coming year and the question whether the cuts have to be extended beyond March 31st, 1933, will have to be reconsidered and decided according to the economic situation of the country. I want to make that quite clear. Then, my Honourable friend—and other speakers also—referred to the question of economy in the future, and particularly to the scaling down of pay for future entrants into the Government service. There again the Government of course is alive to the need for tackling that question. The first step which we took was to issue orders with effect from the middle of July last that new entrants to posts under the control of the Government of India were to be taken on only on a provisional footing, and with no right to continue on the existing rates of pay or other conditions of service. They all know that if the conditions of service are altered their conditions would have to be altered with them, so that we are not accumulating any further burdens on account of people whose conditions of service we shall be unable to touch. The question that lies behind that, the question of a permanent revision of the present scales of pay for the various classes of Government servants is one, as I am sure Honourable Members will appreciate, of very great complexity. It is of very great complexity because you cannot deal with one class of Government servants without affecting the others; they must bear some relation one to the other. The question has been engaging the attention of Government ever since last autumn, and we have reached the stage of devising model scales of pay which have now been considered by the various departments of Government. We are in fact only awaiting the conclusion of the business of this session and the completion of giving effect to the various retrenchment measures which have been decided upon during the year, to tackle this question of making a permanent revision

in the scales of pay for future entrants. In the meanwhile I would remind the House of what I have just said that we are not losing anything by the delay, because everyone who is taken on during this present interval is acquiring no fresh rights. That, Sir, I think is an important point and I am glad that it should have been raised in this debate.

Then, as the reverse to the side of the picture which I have touched upon in dealing with possible restoration of cuts in pay, I might refer to what was said by my Honourable friend Sir Philip Browne about the abolition of the surcharges. He complained that I had said nothing in my speech conveying any promise that those surcharges would be removed at the end of this year. It would be impossible for me to give any sort of undertaking of that kind, for that again—just as in the case of restoring cuts in pay—must depend entirely on the economic situation. What we will have to do in any case during the current year is to watch very carefully how the various surcharges are operating, and it may be that in certain cases we shall have to revise our scales of duty—not as a measure of relief but as a measure for obtaining additional revenue if we are convinced that by keeping duties too high we are actually losing revenue. Whether we shall be in a position to give relief or not at the beginning of the next financial year is a question on which I should not venture any opinion to-day. We must all live in hope. I think we are fairly entitled to hope that some relief may be possible, but beyond that nobody who carries any sort of responsibility could possibly dare to go.

I am grateful to my Honourable friend, to whose speech I have just been referring, for his favourable comment on the success of our loan policy in the past year. That, if I may say so, is a matter which tends to receive too little attention in the consideration of Government's financial position. And I do think that it is a matter of congratulation for ourselves, and also a matter which indicates that the position in the country is not quite so bad as some of the critics of Government would like to persuade themselves that it is. It is a matter for congratulation that for the past three years in circumstances really of extraordinary difficulty we have, by adopting first one means and then another, succeeded in raising in rupee loans from the country a good deal more than we ever expected to do. Two years ago, the year before last, we had to bring out our loan at the very height of the civil disobedience movement, when those who organised the attack on Government were doing their best to persuade the people of this country that it was an unpatriotic thing to invest in Government loans and that the security which we had to offer was valueless. On that occasion we realised very nearly 30 crores of genuine cash, while last year at the very depth of the economic depression we were able to raise again in genuine cash, and not from the professional money markets at all, very nearly 17 crores. I do think that that affords extraordinary evidence of the inherent financial strength of the country.

Then, Sir, again my Honourable friend from Calcutta spoke on the question of income-tax evasion and there what he said and what he
 3 P. M. was pleading for is distinctly inconsistent with what was said by certain other speakers. While he pleads for more effective collection, others, greatly to my surprise I must confess, have approved as advocates for the old system when Government really had no properly organised Income-tax Department at all. We feel, on a full examination of all the statistics, absolutely convinced that it has paid to improve the organisation of the Income-tax Department. It is no use quoting the figures of the income-tax collected and saying that the cost of collection has gone up at a greater rate than the amount of tax collected because the amount of tax collected depends entirely

[Sir George Schuster.]

upon the level of economic prosperity of the country. We are quite sure from these carefully prepared statistics that we are getting a very much better recovery now than we did ten years ago, and that it is very important to organise the Income-tax Department properly. I confess that I myself am very doubtful whether the economies to which we have agreed in the Income-tax Department are really wise economies and whether we shall not in the end lose money as a result; but we have followed the recommendations of the Sub-Committees and we have tried to give effect to what we understood was the popular demand in that respect as well as in others. We shall however have to watch the situation very carefully, and see whether we are not losing more than we are justified in losing as a result of these economies. We are certainly ready to follow up any suggestions as regards checking evasion of income-tax and I hope to have a meeting with the group to which my Honourable friend belongs before the end of this session to discuss a number of details. He made one particular suggestion, namely, the suggestion for the stamping of account books and providing that no book which was not thus stamped by an income-tax official should be available as evidence in a court of law. That is a suggestion which we have already considered, and there are one or two other points which are worth following up. We are certainly going to do everything that can be done in that direction. Then, Sir, one other speaker referred to the lowering of the income-tax limits and the unfortunate necessity of increasing our income-tax staff as a result. That is a result of course which we always foresaw and we always put it most clearly before the Legislature when we put our original proposals forward. It was obvious that if we were going to add 350,000 new assesseees to the income-tax paying classes of the country, practically in fact doubling the number of assesseees as a result of lowering the income-tax limit to Rs. 1,000 per annum, that we could not continue to do the work of assessment with our existing staff. We anticipate having to spend about 18 lakhs per annum on that additional staff, which when one considers the actual cost of the Income-tax Department is actually offset by about 6 lakhs of economies; so that the increased expenditure is about 12 lakhs. We always knew that it would be necessary, but as the extra 18 lakhs of expenditure is likely to be balanced by considerably more than 100 lakhs of revenue, the country gains substantially on the balance. My Honourable friend made a particular point of the undesirability of this course because he assumed that the staff would be engaged on a temporary basis only. It is of course our intention only to take them on on a temporary basis to start with, but I cannot let his remark pass without some comment, for otherwise it would be taken to imply that I anticipated an early change in that particular feature of our income-tax collections. It is impossible to say now where relief will come and what relief it will be possible to give on any improvement of the economic situation. But we shall have to watch the results very carefully and I think it may well prove that at any rate while conditions remain at all approximate to what they are to-day, and unless there is quite a revolutionary improvement in the economic position, it may well be found that the extension of the income-tax down to Rs. 1,000 per annum is a justifiable feature in the system of taxation in this country. That, as I say, is an issue which will have to be decided upon when we come to review conditions next year.

Sir, I think I have touched on all the points which appeared so important that I should say something on them. Obviously as the financial position has been very fully discussed, much more fully than usual, this year, the present debate lacks something of its usual interest. One can indeed judge from the

length of the speeches which have been made that most people think that enough has been said about it for the present. Let us therefore leave the subject now with good hopes for the future—hopes that when we meet again next year to review the position we shall be able to point to achievements in the past and to better prospects for the future.

PUBLIC SUITS VALIDATION BILL.

THE HONOURABLE SIR BROJENDRA MITTER (Law Member): Sir, I beg leave to introduce a Bill to validate certain suits relating to public matters. Sir, Honourable Members are aware that for the institution of what is known as public charity suits in the Presidency-towns the consent of the Advocate General is necessary, and in other places the consent of the Collector of the district or any other officer authorised by the Local Government is necessary, under the Civil Procedure Code. Recently the Privy Council has held that with regard to places other than Presidency-towns the sanction of the Local Government to each particular suit will be necessary and that the general authority given to the Collector is not enough. This decision is contrary to the practice which has prevailed in this country ever since the Civil Procedure Code was enacted. The view taken by all the Local Governments hitherto has been that the general sanction given to the Collector to consent to the institution of a suit was enough. Following this practice a large number of suits were instituted, but by reason of the decision of the Privy Council all these suits are liable to be dismissed. Such dismissal will cause very great hardship. It is in order to save such pending suits that this Bill has become necessary. Sir, at this stage, I need not explain the various sections of the Bill. I move.

THE HONOURABLE THE PRESIDENT: The question is that leave be given to introduce a Bill to validate certain suits relating to public matters.

The motion was adopted.

THE HONOURABLE SIR BROJENDRA MITTER: Sir, I introduce the Bill.

DATE FOR THE ELECTION OF SIX MEMBERS TO THE CENTRAL ADVISORY COUNCIL FOR RAILWAYS.

THE HONOURABLE THE PRESIDENT: Nominations for the election of Members to sit on the Central Advisory Council for Railways were received up till noon to-day. The following Honourable Members have been nominated:

The Honourable Diwan Bahadur G. Narayanaswami Chetti.

The Honourable Mr. Syed Abdul Hafeez.

The Honourable Mr. Jagadish Chandra Banerjee.

The Honourable Rai Bahadur Lala Ram Saran Das.

The Honourable Sardar Charanjit Singh.

The Honourable Sir David Devadoss.

The Honourable Mr. Mahmood Suhrawardy.

The Honourable Mr. Hormusji Maneckji Mehta.

The Honourable Mr. Satyendra Chandra Ghosh Maulik.

The Honourable Saiyed Mohamed Padshah Sahib Bahadur.

The Honourable Rai Bahadur Lala Jagdish Prasad.

[The President.]

There are eleven names in all and only six vacancies, and therefore there will have to be an election. Before I decide on what date the election should take place I should like to ask the Leader of the House if he can tell me whether Government will have any business to bring before the Council next Wednesday, the 16th.

THE HONOURABLE SIR BROJENDRA MITTER (Leader of the House): I do not think, Sir, there will be any business next Wednesday.

THE HONOURABLE THE PRESIDENT: Then the election had better take place at the end of the non-official business on Thursday. The agenda for that day is not a very long one. Unless withdrawals of nominations are numerous between now and then the Council, I think, may take it for certain that the election will be on the principle of proportional representation by means of the single transferable vote.

The Council then adjourned till Eleven of the Clock on Monday, the 14th March, 1932.