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COUNCIL OF STATE.

Tuesday, 29th September, 1931.

The Council met in the Council Chamber at Viceregal Lodge at Five of the Clock, the Honourable the President in the Chair.

STATEMENT ON THE FINANCIAL POSITION.

THE HONOURABLE MR. A. H. LLOYD (Government of India : Nominated Official): Sir, I rise to make a statement on the financial position and on the Government's plans for dealing with it, in unusual and difficult circumstances. On the one hand it is necessary that there should be no delay in restoring equilibrium between revenue and expenditure. On the other hand the foundations on which we have to base our estimates are at the moment fluctuating owing to the changes which have come upon our currency position in the week which has just passed. But the very nature of that change makes it all the more necessary that our internal financial position should be sound—for once a country's currency is cut adrift from the moorings of a stable standard such as Gold, it is particularly necessary to avoid getting into any sort of inflationary position resulting from a failure to balance current expenditure with current revenue. If we can convince the world that our internal budgetary and monetary position is sound, then with our favourable balance of trade we shall be able to preserve confidence in our currency and save the country from those disasters which have been apprehended in certain quarters. Therefore immediate steps must be taken to ensure clear and solid foundations for the internal position.

But the very fact that the steps must be immediate creates its own difficulties. In the first place the Government have to present to the Legislature an emergency plan with very short notice. The House may rest assured that this is done with the greatest possible reluctance. The Government recognise that Honourable Members may be put to very great inconvenience by any sudden change in plans, but they on their side will recognise that the public interests must be put first, and that if the public interests make it imperative to take a certain course of action, Government ought not to hesitate to ask the Members of the Legislature to make any sacrifice involved. Nevertheless the Government will do their utmost to meet the convenience of Honourable Members.

The second of the difficulties to which I have referred as resulting from the necessity for immediate action is this. It is quite clear that in present circumstances it is impossible to prepare accurate estimates of what our revenue is likely to be in the next 18 months. The course of the exchange value of sterling and of the rupee is uncertain, while no one can yet foretell what will be the reactions in the world to England going off the Gold Standard. These are very difficult conditions in which to come before the country with a programme of taxation; but the situation, as already explained, is one that admits

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of no delay. It has seemed to the Government that the only sound course is to take the estimates as they had been able to foresee them before the events of last week and to put before the House a plan which would produce equilibrium on the basis of those estimates.

Then there is another difficulty, resulting from immediate action, in that the Government have not yet had time fully to consider the reports of the various Retrenchment Committees and to work out plans based on them. These reports were formally submitted on Saturday, 19th September. A sub-committee of Council commenced their consideration the very next day—Sunday. Then on Monday came the crisis, and further consideration of the reports has therefore been retarded. I shall have to deal with these reports in a later portion of my speech, but I should like to make clear at the outset that the Government will approach all these proposals with the firm intention of giving effect to them to the utmost extent possible. The Government much appreciate the work which has been done by all the Honourable Members who have served on these committees, and have every confidence that as a result of a general scaling down of expenditure which the recommendations of these committees, if carried out, will effect, the finances of the Government of India will be established on a more secure basis than has existed since before the war, and that by these efforts a position will have been produced which will not only make it possible to establish a new Federal Government on a sound foundation, but will leave a margin available for the development of those nation-building services for which the Provincial Government will mainly be responsible.

Revenue Prospects.

Tax Revenue.—The returns of the first five months indicate that we shall fall short of our budget estimates for customs by at least Rs. 10 crores, the heaviest reductions being under cotton piece-goods, sugar, silver, spirits and liquor, excise on motor spirit, iron and steel and in the jute export duty. As regards income-tax we expect a deficit of $1\frac{1}{2}$ crores ; while on salt we expect a reduction of about 8 lakhs. This brings the total deficit on tax revenue to 11 crores 33 lakhs.

Commercial undertakings.—As regards the Railways, traffic returns to date show a very disquieting position. Without attempting to give an exact estimate now, we must clearly accept the fact that it will be impossible for the Railways, in spite of all their retrenchment measures, to make any general contribution to the budget until the present economic depression completely passes. At present it looks for the current year at least as if they will not only have to use the whole of the remaining balance of their reserves, now standing at Rs. 525 lakhs, but also to draw further on their depreciation fund to the extent of about Rs. 160 lakhs in order to meet the interest due on Government advances. It is highly important, if possible, to reduce freights on agricultural products at the present time, and, if it could be done, it would certainly be in the public interest to find a method for easing the Railway position through the present period of extreme depression. Whether it will be possible to relieve the Railways in any way so as to enable them to reduce charges remains to be seen ; but, when the taxation proposals are considered, this

aspect of the position should be kept in mind. For the present I can only say that we shall not get any Railway contribution this year, and for this reason Rs. 5·36 crores drops out of our budget.

Under Posts and Telegraphs a fall of 18 lakhs is anticipated in revenue, after taking into account additional receipts from enhanced parcel rates and revised scale of fees for insurance of postal articles introduced with effect from the 15th June and 15th August, 1931, respectively. A saving of 6 lakhs is expected under Working expenses, leaving a net deterioration of 12 lakhs. Honourable Members will recollect that we estimated for a budget deficit of 147 lakhs, so that the position here is extremely unsatisfactory.

Finance headings.—Owing to the cancellation of treasury bills in the Currency Reserve and the utilisation of sterling securities in the Reserves for meeting the requirements of the Secretary of State, the receipts under Currency and Interest show a falling off of 34 lakhs.

The emergence of a revenue deficit in our budget, and in the budgets of the Provincial Governments, and the replacement of treasury bills in the Currency Reserve by treasury bills in the hands of the public as a result of cancelling redundant currency, have not only increased the amount of our borrowings by treasury bills, but also have been the cause of higher discount rates. The charges for discount on treasury bills have therefore increased by 221 lakhs. A reduction of 12 lakhs is anticipated under Interest on ordinary debt in India on account of operations of the Depreciation Funds. The saving of 56 lakhs (representing one half year's interest on the outstanding amount of the War Loan liability) realised from the acceptance of His Majesty's Government's proposal on the principle of the Hoover plan has been partly counter-balanced by the increase of 40 lakhs on interest on the sterling loan of £10 millions raised early in the year.

Owing to the deterioration in the position of Provincial Governments and the Railways, the charge under the heading Interest on other obligations on account of interest on their balances will be reduced by 10 lakhs.

There will be an automatic increase in the provision for Reduction or Avoidance of Debt of 12 lakhs on account of the amount of treasury bills outstanding with the public on the 31st March, 1931, being 10 crores more than was assumed in the budget.

The net result of all these factors is that under the Finance headings our position will be adversely affected to the extent of 2·29 crores.

Under Extraordinary receipts provision has to be made for a reduction of 23 lakhs, as under the Hoover plan we shall have to forego 9 months' Reparations receipts. As already noted, however we have, against this, a saving on the interest on our own War Debt of 56 lakhs.

Civil Expenditure.—As regards Civil expenditure there are unfortunately some items which have not been provided for. These include exceptional items such as the loss owing to the heavy return of nickel coin from circulation due chiefly to the prevailing depression. This accounts for no less than 43 lakhs which according to our practice has to be debited to the budget. Then

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again there is a good deal of expenditure in connection with the Round Table Conference and the various commissions of enquiry in the North West Frontier Province and elsewhere which have had to be set up in order to carry out recommendations of the last Round Table Conference. As against these items there will be some savings in the current year owing to reductions which have been made (apart from the special retrenchment proposals, to which I shall refer later); but these will probably not be sufficient to offset the items of deterioration which I have mentioned. On all these heads it is necessary to anticipate a deterioration of about 23 lakhs.

To sum up, the total deterioration in our income and expenditure is :

- 11·33 crores in tax revenue,
- 5·48 crores on commercial departments,
- 2·29 crores on general Finance headings,
- 23 crore under Extraordinary receipts.
- 23 crore under other heads including Civil expenditure.

As the budget provided for a small surplus of 1 lakh, on the basis of the present estimates, there will be a net deficit of 19·55 crores.

Prospects for 1932-33.—As far as we can see at present, there seems to be no justification for expecting any large improvement in the budgetary position next year. In fact, income-tax revenue may be considerably less than in the current year. On the other hand, there will be a saving of 48 lakhs in the interest payments on the outstanding amount of our War Loan liability.

I have already dealt with the factors of uncertainty which affect any estimate that can be given at present. But Government consider that the only safe line to take now is to estimate that conditions will not substantially improve at least before the end of the next financial year, and that we must reckon again on a deficit of 19½ crores for 1932-33.

Putting the deficit for the current year and next year together, there is a gap to fill of 39·05 crores. If we are, straightaway, to establish a really sound position, we need to devise a plan which will provide us during the remainder of the combined two-year period, either with reductions in expenditure or with increased revenue to fill this gap. That is indeed a task of extreme difficulty. We have a two years deficit to deal with, but we have only 18 months left during which new measures can operate. Nor is even this period fully available, for, although new taxation can be made effective from the beginning, there must be some considerable delay before the full results of the Government's retrenchment plans can be met.

Three lines of action.

This is the position, and the line of action which the Government have to take to deal with it may be divided into three distinct lines.

First, reductions in expenditure due to more economical organisation of Government departments and restriction of activities.

Secondly, an emergency cut in salaries.

Thirdly, fresh taxation.

It is well known that the Finance Member has throughout attached primary importance to the first line of action, *viz.*, reduction in expenditure, and if he puts forward the whole of his present programme at a time when the Government have not yet completely worked out their retrenchment plans, he does so only under the compelling hand of necessity. But it is only the details which are lacking, and the Government are determined, as I have already said, to approach all these proposals with the firm intention of giving effect to them to the utmost extent possible. Variations in subsidiary matters there must be, and where essential public interests are concerned, Government must have time to weigh fully the considerations at stake, but their aim and intention is to adhere as closely as possible to the recommendations of the committees. The Government feel that they have no justification in putting plans for taxation before the Legislature except under the most solemn pledge of effecting the maximum reduction of expenditure. Any improvement that can be effected by way of reduction of expenditure is a certain improvement; but any improvement that they seek to make by increasing taxation depends entirely on their estimates being realised, and, in the present conditions, with reduced purchasing power, and when the effects of the reduced gold value of the rupee on imports are still unknown, estimates, particularly of customs revenue, are, to say the least, highly uncertain. Having said this I will turn to a statement of what Government expect to achieve by way of retrenchment, and I will be as definite as possible.

As regards Civil expenditure, apart from commercial departments, an enormously preponderating portion falls within the scope of the General Purposes sub-committee. The General Purposes sub-committee took up first a selected set of subjects which *prima facie* offered the most likely scope for retrenchment. The measures recommended by the sub-committee for this portion of the field would produce savings estimated at about 120 lakhs. For present purposes this figure is taken as the estimated saving, reduced by a margin of 20 lakhs, representing what Government estimate may be the charge for compensation and recurrent pensions payable in respect of officials whose posts are abolished. Thus they reckon to get a net saving of about a crore on this part of the field. They have also to take into account the grants for those departments (largely the main administrative and revenue-collecting departments) which have not yet been examined by the General Purposes sub-committee. Over this part of the field the scope for retrenchment is more restricted. In respect of it they estimate that they will be able to effect a net saving of about 90 lakhs, including an automatic drop of about 23½ lakhs in the expenditure on Census operations, but taking into account something for compensations, etc. This is only an estimate, and in making it the Government have anticipated that the sub-committee will be guided by the same principles that they have applied in dealing with other departments.

Recommendations of the other retrenchment sub-committees (other than those for Railways and the Army) indicate measures for improving the Civil

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position for 1932-33, as compared with the budget for the present year, by a gross sum of about 97 lakhs. Taking into account compensations, etc., it is proposed to count on a net improvement of 60 lakhs under these grants

Out of the retrenchment measures to which I have referred Government expect to realise savings of about 30 lakhs in the current year.

Military expenditure.—Now I come to the Army. The military authorities have been working throughout in very close touch with their Retrenchment sub-committee, and have been examining all possible methods of economy. The great majority of the measures proposed by the Committee have been accepted in principle; indeed many of them had already been initiated by the military authorities. The Army Retrenchment Committee has not yet explored all parts of the field and estimates have had to be included for the savings here. There is, therefore, possibly some room for further improvement while some of the measures recommended may lead to greater reductions in future years. For the present the Army authorities guarantee for next year a net reduction of $4\frac{1}{2}$ crores. These reductions, therefore, for which we hope, will produce a net defence budget for 1932-33 of Rs. 47·40 crores, as compared with Rs. 51·90 in the current year, and with the stabilised budget figure, of Rs. 55 crores two years ago.

In mentioning this figure, I must make it clear that :

- (a) It includes a reduction of Rs. 1·75 crores of non-recurring expenditure on the special programme of re-equipment which, though very necessary and important from the point of view of efficiency, His Excellency the Commander-in-Chief has, in view of the present financial crisis, agreed to postpone.
- (b) It does not include any allowance for cuts in officers' pay. I shall deal with the possibilities from this separately.
- (c) It does not include any savings which may accrue from reduction of troops, except that of a small reduction on the Frontier.

In accordance with resolutions of the Round Table Conference, the question of the future strength of the Army in India is under examination by the Committee of Imperial Defence.

What this really amounts to is that in two years without impairing the strength of the fighting forces and without taking into account the possibilities of a temporary cut in officers' pay, Army expenditure will have been reduced from 55 crores to 47·40 crores.

Emergency cuts in pay.—We next come to the difficult question of an emergency cut in pay. The general conclusions reached by the Government, as part of the plan which I am now presenting, are :

First, that any cut applied must be general and on a fair basis.

Secondly, that it should be of a temporary nature not extended beyond the need of the present exceptional emergency. Its justification is in the need for a common sacrifice in a national emergency. Although it may be said that the subordinate ranks have gained from the low level of prices, there is as yet no proof

of a substantial fall in the cost of living of many classes of Government servants.

Thirdly, that it should not in any way affect pension or provident fund rights.

A great deal of thought has been given to the way in which a cut should be applied, and after the most searching consideration of all sorts of graduated scales the following conclusions have been reached.

The Government think, first, that a simple plan is best, and that although it may be necessary to exempt pay below a certain low limit at the bottom, a uniform scale is really the fairest and best in the public interest.

The rate is not to exceed 10 per cent. in any individual case, and this is to include the enhancement of income-tax now proposed. For the general Government services the limit of exemption will ordinarily be about Rs. 40. Special considerations may have to be applied to a great commercial undertaking like the Railways, but the maximum will not be exceeded in any case.

As exceptions to the rule fixing the maximum cut at 10 per cent. I am authorised to say that His Excellency the Viceroy has decided that he will impose upon himself a cut of 20 per cent., and that the members of the Executive Council will surrender 15 per cent. of their pay.

The action to be taken by Provincial Governments in regard to officers within their rule-making powers will be for their own decision, but the Government of India have little doubt that they will recognise the desirability of attaining throughout India as large a measure of uniformity as possible.

But it does not lie within the power of the Government of India to take decisions as regards all the officers within its service. Certain officers have been guaranteed their rights under the Government of India Act and these cannot be altered without legislation in the British Parliament. As regards other officers, their position is governed by Fundamental Rule 23, and can only be altered under rules made by the proper authorities. For the great bulk of officers, the rule-making power now lies with the Government of India and Local Governments, subject to the sanction of the Secretary of State in Council. There are certain officers, however, in regard to whom the Secretary of State in Council has himself to make the rules. The position is, that Government have received the assurance of the Secretary of State that he will sanction the rules which the Government of India or Provincial Governments may make in those cases where the power resides with either. Further, in regard to officers protected by the Government of India Act, or in regard to whom the Secretary of State has himself to make rules, I am authorised to say that His Majesty's Government are satisfied that a financial necessity exists amounting to a national emergency, which requires that a reduction should be made in pay, and that His Majesty's Government have undertaken to introduce legislation in Parliament at the first practicable opportunity. The legislation will be of an emergency character, and will authorise the Secretary of State in Council to reduce the salaries of officers protected under the Government of India Act for a limited period and subject to a maximum of 10 per cent. which would be inclusive of the enhancement of income-tax contained in the present financial proposals and subject to a discretionary power for the Secretary of

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State in Council to make exceptions in cases of hardship. It will apply to the special class of protected officers serving under Local Governments as well as under the Government of India Act. Officers not specifically protected by the Government of India Act, but in regard to whom the Secretary of State has himself to make rules, will be treated on the same lines as the protected officers.

It is thought that it should be practicable to impose the cuts from December 1st next. It must be clearly explained that there is no intention that they should remain operative beyond March 31st, 1933. They will not be continued beyond that date without further examination of economic conditions; and if economic conditions so require or permit they will be reconsidered before that date.

And that brings us to a point of essential importance in this matter. A cut of this nature must be regarded as a very exceptional measure which can only be justified in very exceptional circumstances. It is nothing less than a direct variation of the conditions under which an officer enters the Government service, and it must be remembered that the security of these conditions represents an essential attraction of service under a government. It would be fatal to the public interest if that sense of security were destroyed. Therefore no variation can be justified except in a real national emergency and when it is quite clear that all other measures have been fully tried. Even so it is necessary to examine the case still further. The emergency must be tested by an examination of the causes which have created it. In the present case it was clear that the emergency had arisen from an unprecedented fall in prices of those commodities which India produces and on which the revenue of the country depends. The value of commodities had fallen too low in terms of money, the value of money had gone up too high. But in the last days a change has been made in the basis on which the value of our money, or our unit of currency, depends. The results of this, or of any general economic recovery producing an improvement in the revenue position, may make it necessary to reconsider the justification and necessity for this cut. It is of course clear that a general decline in the gold value of the rupee would affect all servants of Government alike, while I might further mention incidentally that if, on the other hand, the rupee had been detached from sterling and the value of the rupee had either appreciated or declined in relation to sterling, there would have been some difference in the case of certain classes of officers of which Government would have had to take account.

As regards the financial effect of cuts on the scale which is proposed, the position has been estimated roughly as follows.

Civil.—We may put the total saving for 1932-33 at 115 lakhs, and for the four months from December 1st of the current year at 35 lakhs. This includes savings on the personnel of the Posts and Telegraphs Department.

Railways.—The saving on Railways will be very substantial. I refrain from giving an exact figure pending the final settlement of a plan. In any case it will not directly affect the present proposals, for any saving effected by a cut in pay on the Railways must be utilised to improve their own internal position, and cannot be translated into any improvement of general revenues.

Army.—As regards Army officers, the same cut would apply to them as to Civil officers of the Government. A saving of 75 lakhs in 1932-33 and 25 lakhs for the four months of the current year from December 1st is estimated. If this saving is effected it will reduce the expenditure of the Army next year to 46.65 crores.

Abolition of Salt Credit System.—I have now dealt with the first two lines of action, first, General Retrenchment, secondly, cuts in pay; and before I come to the third—which is new taxation—I have to mention another measure which is in the nature of an expedient to improve our revenue position over the next 18 months.

Government have been studying since the end of the last Budget session the possibility of effecting an immediate increase in the salt revenue by reducing or abolishing the credit system. After careful examination of the question in consultation with the officers of the salt department, they came to the conclusion that, subject to giving fair notice to trade, they might justifiably terminate credits altogether. They have accordingly notified the gradual termination of the system by limiting credits to three months as from the 1st October, 1931, and discontinuing the grant of new credits altogether from the 1st March, 1932. This means that the Government will actually collect in the current year and again in next year 15 instead of 12 months' revenue on all salt issued under the credit system. They expect the revenue will be increased by one crore each year on this account. This of course involves no real increase either in taxation or revenue. It only means that Government will during the next 18 months collect 24 months' revenue on credit salt. After that they will be entirely on a cash basis.

Taxation.—I must now turn to the third measure—new taxation. Here Government's plan is very simple, and though unpleasant, it may be claimed to be, on the whole, fair.

General Surcharge.—The main plank of the Government's proposals is to put a temporary surcharge on all existing taxes, with the exception of customs export duties, for these could not without detriment to our export trade be included. With this exception, the surcharge will apply to all customs and excise duties (including salt) and to the income-tax and super-tax. The surcharge which is proposed is 25 per cent. on the existing rates in each case.

The principle is uniform, but as regards the income-tax there is an administrative difficulty inasmuch as the tax, although only imposed as from October 1st, has to be collected on a 12 months' basis. It would lead to great hardship in case of salaries or other income taxed at the source if deductions already made were supplemented by a retrospective increase at the full rate of 25 per cent. The Government propose that the surcharge for the current year should be 12½ per cent. on income-tax, but it will be collected at this rate on the whole year's income.

New Taxes.—Apart from these general surcharges, the Government are forced to include certain new taxes. As regards income-tax, they consider that in this emergency there is justification for reducing the exemption limit and imposing a small tax of 4 pies in the rupee on incomes between Rs. 1,000 and Rs. 2,000 per annum. For the same reasons as I have explained already in

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connection with the surcharge on the existing income-tax, the rate will be imposed at 2 pies for the current year and 4 pies for next year.

The remaining special increases or new taxes which the Government propose are in regard to import duties. I will deal first with the increases in existing duties.

The Government propose to increase the import duty on artificial silk piecegoods from 20 to 40 per cent. and on artificial silk yarn from 10 per cent. to 15 per cent. They also propose to increase the duty on brown sugar from Rs. 6-12-0 to Rs. 7-4-0 per cwt. This follows the Tariff Board's recommendation. As regards boots and shoes, they propose that there should be imposed as an alternative to the 20 per cent. duty a minimum of 4 annas per pair. The duty will thus be 20 per cent. or 4 annas a pair whichever is the higher. They also propose to increase the duty on camphor and on electric bulbs from 20 to 40 per cent. As regards all these articles the surcharge will be levied on the increased duty.

Then there are three items formerly on the free list on which Government think it justifiable to impose a small duty on revenue grounds. The result of the surcharges imposed in the last Budget and proposed now is that the level of the general revenue tariff has been increased from 15 to 25 per cent. There is, therefore, some justification for adding a 10 per cent. duty to articles hitherto free.

The Government propose to put duties of 10 per cent. on machinery and dyes, and of $\frac{1}{2}$ anna per lb. on raw cotton. The imposition of these duties may appear to be in some ways inconsistent with previous policy. The justification must be the need for revenue, while as regards the cotton mills Government claim that on balance their position will be improved by the surcharge proposals, for under these the import duties on cotton piecegoods will be increased by one-quarter. This more than offsets the burden of $\frac{1}{2}$ anna per lb. on goods made from imported cotton, and affords an effective answer to possible criticisms on the grounds to which I have referred.

One more word as regards the income-tax proposals. In considering the cut to be applied to the salaries of Government officials the Government considered what total reduction of their emoluments could fairly be imposed. If the general rate of reduction is to be 10 per cent., that represents what they think fair, and if further increases of income-tax were to be added, that would go beyond the reasonable limit. They therefore propose that increases of income-tax, both by way of surcharge on existing rates or by way of imposition of a tax for the first time on salaries from Rs. 1,000 to Rs. 2,000 should be merged in any general cut which they are imposing or which the Provincial Governments may impose.

Postal rates.—Apart from measures of taxation the Government propose some enhancement of the inland postal rates, namely, to increase the existing rates in respect of letters and postcards by one-half. That is, the rates for inland postal letters will be $1\frac{1}{2}$ annas instead of 1 anna and for postcards 9 pies instead of 6 pies. This enhancement should produce 73 lakhs in a full year and should go a long way to cover the deficit.

Summary of the plans.

I may now summarise the effects of all these plans.

For the current year the position will improve as follows :

				(Figures in lakhs of rupees.)
Special retrenchment programme	..	..	30	
Cuts in pay—Civil	..	..	35	
Military	..	..	25	
Total cuts and retrenchment	..	..	90	
Anticipation of salt revenue	..	..	100	
Extra taxation—				
Customs—New or increased duties	..	..	154	
Surcharges on existing taxes	..	..	331	
Salt—Surcharge	..	..	21	
Income-tax nett	..	..	205	
Total new taxation	..	..	711	
Increased Post and Telegraph charges	..	..	37	
The total improvement is thus	..	..	938	
Against an estimated deficit of	..	..	19,55	
We should thus close the year with a deficit of	..	..	10,17	

On the other hand, in 1932-33 we should have the following improvements :

Retrenchment measures—Civil	..	..	250	
Military	..	..	450	
Cuts in pay—Civil	..	..	115	
Military	..	..	75	
Total cuts and retrenchment	..	..	890	
Anticipation of salt revenue	..	..	100	
Extra taxation—				
Customs—New or increased duties	..	..	310	
Surcharges on existing taxes	..	..	662	
Salt—Surcharge	..	..	85	
Income-tax nett	..	..	353	14,10
Increased Post and Telegraph charges	..	..	73	
The total improvement is thus	..	..	24,73	
Against an estimated deficit of	19,50	
We should thus close the year with a surplus of	5,23	

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We should thus close the current year with a deficit of 10,17 and the next year with a surplus of 5,23.

That is to say, the combined result of the two years will be a deficit of 4,94.

The Government consider that they are justified in regarding this deficit as covered by making during this period of exceptional stress a reduction of about 247 in each year from the provision for Reduction or Avoidance of Debt. Even after making this deduction, this provision will amount to 4,43 in the current year, and about 4,68 in 1932-33. When it is remembered that the portion of our debt which is not covered by productive assets or cash balances is no more than 194 crores this may fairly be claimed as an adequate Sinking Fund allocation during a period of exceptional depression.

But I may put the position in another way which throws up in a still more favourable light what is being proposed. I have explained that on present estimates the combined deficit for the two years is just over 39·05 crores. We may fairly say that half the current year's deficit has already been incurred—say about 9·80 crores. If we look at the task as one of having to make a new budget for 18 months, starting with October 1st, we should have to find means for filling a gap of 29·25 crores. The Government are actually providing for finding improvements of 34·11 crores over the next 18 months. Therefore they are not only providing a balance for that period, but they should have a surplus of 4·86 crores towards making up the deficit of 9·80 crores on the first half of the current year.

If these forecasts are fulfilled, then even if there is no improvement in the economic position, the Finance Member, when he presents the budget for 1933-34, will find himself in possession of a surplus of 5·23 crores and he will be able to make a substantial easing of the burdens.

This is the picture, but a few words may be added. Much will be said about the increase in the burdens of taxation. But the public ought to appreciate that Government are not so much increasing the total amounts of taxes levied as providing by increasing the rates for collecting the same amount of revenue.

The Government's difficulties have not in any way been caused by an increase in expenditure. Quite the contrary. They have in fact to face three things—a drop in the yield of the current taxes, a drop in the revenues from commercial departments, and a deterioration under the Finance headings. The first is met mainly by increasing the rates of the taxes; and the last two by retrenchments. The particular attention of Honourable Members is drawn to a table included in the Financial Secretary's Memorandum, copies of which will be circulated. In this expenditure and revenue are analysed and tax revenue and net administrative expenditure are shown in parallel columns. By the latter I mean the net expenditure on the Army and all other heads charged to revenue with the exception of the debt services. They will find here the true

record of Government's achievements and proposals. This figure of net administrative expenditure will, according to their plans, have proceeded as follows :

(Figures in crores of rupees.)					
1930-31	..	..	..	..	.. 79.67
1931-32	..	..	..	..	.. 74.66
1932-33	..	..	..	..	.. 65.95

If this can really be achieved, then the country will be able to congratulate itself on having put matters on a really sound basis.

STATEMENT OF BUSINESS.

THE HONOURABLE SIE C. P. RAMASWAMI AYYAR (Law Member) : Mr. President, I am in some difficulty in attempting to indicate the course of future business in this House. The probability is that some days will elapse before Government are in a position to place further business before the Council, but it is just possible that an emergent necessity might arise for a meeting of the Council to-morrow. In these circumstances, Sir, while expressing my great regret for the ambiguity in which I am forced to leave our programme, I venture to suggest, Mr. President, that you might adjourn the Council to a date and hour to be intimated by circular hereafter.

THE HONOURABLE THE PRESIDENT : I think that if Honourable Members watch the progress of events in another place they may possibly be able to form their own judgment as to when the Council is likely to meet next. For the present I adjourn the Council to a date and hour to be notified to Honourable Members later.

The Council then adjourned to a date and hour to be notified hereafter.

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