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THE

# LEGISLATIVE ASSEMBLY DEBATES

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FIRST SESSION

OF THE

FIFTH LEGISLATIVE ASSEMBLY,  
1935



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# Legislative Assembly.

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# LEGISLATIVE ASSEMBLY

Wednesday, 6th March, 1935.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

## THE GENERAL BUDGET—GENERAL DISCUSSION—*conold.*

**Mr. President** (The Honourable Sir Abdur Rahim): It has been represented to the Chair that it might as well dispense with the questions today as, it is understood, there are a number of Honourable Members who wish to take part in the general discussion. If that is the sense of the House, the Chair is prepared to accept that suggestion.

**Several Honourable Members:** Yes.

**Mr. President** (The Honourable Sir Abdur Rahim): Then, before asking the House to resume the general discussion, the Chair wishes to explain the principles on which it has been attempting to regulate the debate especially on occasions of this nature. The Chair finds that there are many Members who wish to speak, but it is not possible for the Chair to accommodate them all within the time that has been allotted. The concern of the Chair naturally is to see that there is a fair debate, and, for that purpose, it is the duty of the Chair to give opportunity, as far as possible, to every class of opinion in the House, as composed, to speak, especially on the budget. As regards the Groups, from some of the speeches that were delivered yesterday, there seems to be an idea that the front benchers had a better advantage than those who sit on the back Benches. As regards that, all that the Chair is responsible for is that so many seats are allotted to particular Groups according to the strength of each Group and it is for the Parties themselves to distribute the seats among their own members. In the case of the organised Groups, the Chair expects that fewer men can speak the mind of the Party than in the case of others. The Chair has further to take into consideration, in a debate of this nature, the different provinces which are affected by the budget of the Government of India. Then, there are special interests. Therefore, the Chair has been trying to regulate the debate having regard to all these considerations, and, if some Honourable Members do not find an opportunity to speak during the general discussion, there will be other opportunities for them to take advantage of.

The general discussion will now be resumed.

**Dr. F. X. DeSouza** (Nominated Non-Official): Mr. President, let me begin by congratulating the Honourable the Finance Member on his maiden budget presented to this House being a surplus budget. He chivalrously attributes this fact to his predecessor's hard work in securing budgetary equilibrium and adds that he regrets that the fruits of his

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unremitting toil did not go to him before his departure. But, while his predecessor had very serious difficulties in maintaining an even keel while sailing in the trough of depression through which we have been passing, now that we are emerging from that trough, the Honourable the Finance Member has not found it to be plain sailing. His difficulties, however, are of a different character. His difficulty consists in distributing the surplus, of which he finds himself unexpectedly in possession to the satisfaction of all the parties concerned. In a wholly admirable speech made a few days before the introduction of this budget on the principles of taxation to be followed by the Government of India, he remarked that at a time the revenue tariffs now in force were too high and complicated, and they acted in restraint of trade and the recovery of commerce. We inferred that a reduction of those tariffs would be the first charge upon the surplus that was to come into his hands. It was also elicited in the course of that debate that these heavy tariffs and revenue duties weigh heavily on the agriculturist masses, who are crushed under the burden of taxation on necessities, at a time when these masses can hardly get a living return for their prime products. One was led to expect from this wholly admirable speech that the Honourable the Finance Member would divert part at least of the surplus to the reduction of taxation, of the protective duties and revenue duties as well as of the income-tax. Instead of that, Sir, the first charge upon the surplus he has considered to be the restoration of the five per cent cut on salaries. I may inform the Honourable House that my pay was never cut while I was in service, and now that I am on pension, my pension has not been touched. Sir, therefore, I think I can speak without heat and without passion on the subject of salary cuts. When England was faced with a similar crisis, at the time of the Chartist movement in the early Victorian Age, a noble Poet, the scion of a ducal house, concluded his invocation to the deity in the following words:

"Let trade and commerce, arts and Science die,  
Leave us Oh! Lord our aristocracy."

It seems to me that when the Honourable the Finance Member framed his budget, he must have offered a similar prayer:

"Let trade and commerce, arts and Science die,  
Leave us Oh! Lord our bureaucracy."

The Honourable Member probably forgot that Lord John Manners did not raise even a smile when he wrote these lines, because we all know that an Englishman dearly loves a lord. Does an Indian really love a bureaucrat? I do not know; I have been a bureaucrat myself.

I must say that when the Honourable the Finance Member uttered this prayer he must have done so with a heavy heart because he dwells more on the concomitants of the reduction of salaries, namely he dwells upon the added taxation which has been necessitated by this restoration of cut in the province of Bengal under five separate heads. He dwells also upon the magnitude of the problem which this restoration of the salary cut will cause to the Provincial Governments on the eve of the introduction of provincial autonomy. But all the same he thinks it

necessary to restore the cut in satisfaction of a pledge given by his predecessor on behalf of the Government. Now, Sir, I venture to submit that we must not make a fetish of that pledge. A pledge must be interpreted in the light of the realities of the situation that exist at a particular time. That at least is the lesson I have learnt from the proceedings of the Joint Parliamentary Committee when they discussed the question of the pledge relating to Dominion Status.

Sir, the next item, which has raised a controversy, is the failure of the Finance Member to reduce the surcharge on income-tax and to raise the taxable limit to Rs. 2,000. It was firmly believed by the capitalists in this country and more especially by the non-official European Group—and, I venture to think it was rightly believed—that the removal of the surcharge on income-tax would proceed *pari passu* with the removal of the salary cut. So strongly was this believed that when a week before the publication of the budget, it was rumoured that the removal of the surcharge was to be whittled down only to the extent of about 15 per cent instead of the entire 25 per cent, the leading capitalist organ in Calcutta warned the European Group that they should all combine and show the reality of parliamentary government in this country. It suggested that the European Group and the Opposition should form a Congress-non-official-British coalition and defeat the taxation on income and thus make the most hardened bureaucrat sweat a little. I must say that when I read this threat, I looked forward to the sight of seeing my Honourable friend, the Leader of the Opposition, and my Honourable friend, the Leader of the European Group, going into the same lobby, a sight which would have been a most unique sight and I felt I may be tempted to follow in the same lobby in order to hear what these two eminent statesmen would whisper to each other finding themselves in such strange surroundings.

Sir, it is true that a reduction of the taxable limit from Rs. 1,000 to Rs. 2,000 was not included in the pledge given by the Government of India through Sir George Schuster. But to his credit it must be said that the Finance Member gave, what lawyers would call an equitable construction to that pledge and called the imposition of taxation on incomes between Rs. 1,000 and Rs. 2,000 as a quasi-surcharge and gave remission to the extent of one-third of that tax also.

But I think, the most outstanding feature of this budget is the provision for the uplift of the masses to the extent of one crore. This, I think, is unique in the history of Imperial Finance. For the first time in the history of the budget has any provision been made for the uplift of the rural masses. It is true an unkind cartoonist represents this as an attempt to steel a march upon another organisation which is already in the field to win the heart of the village maiden. Sir, I shall not attempt, because my experience in these matters is much more ancient than the experience of the Honourable the Finance Member, I shall not attempt to explain how the heart of this village maiden is to be won. She naturally finds herself embarrassed by the attentions paid to her by so exalted a personage. Rumour has it that the village vendor of *khaddar* has implanted himself firmly into her affection. Therefore the Finance Member will find it very difficult indeed to dislodge him from her heart. But this much I can tell him that he cannot win her affection by command, it must be done by service. It must be done by an agency recruited, not



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on the lines of His Majesty's Civil Service, but on the lines of the Indian Social Service. For this purpose, I would respectfully recommend that he should enlist non-official opinion and also the service of young men, graduates unemployed, who are seeking for jobs, and who will, I am quite sure, be willing to work for a living wage. Another thing which the House would be naturally interested to find out is on what scheme of village reconstruction is the Finance Member going to embark. Let me warn him against the siren voice of the foreign manufacturer who asks that tractors and other means for intensive cultivation should be imported into the country as a means for rural reconstruction. Their effect, in my humble opinion, would be to add to the unemployment already prevalent in the villages. And as Hitler has found in Germany, men are more important than masses of iron and steel. Anyhow, I am sure, responsible members of Government will make a statement to the House and give an opportunity to the House to discuss in what manner schemes of reconstruction will be carried out.

In conclusion, it seems to me that this budget opens a new chapter in Imperial Finance. It is what I call a transition from a capitalist to a democratic regime in the field of finance. Hitherto both the Government of India and the capitalist regarded the agricultural masses as a milch-cow to milk whenever they were short of funds. They did not so far realise that the cow had to be fed before she could be milked, otherwise she would die of inanition. Speaking of the principles of taxation the other day I said that it was absolutely essential that the purchasing power of the masses should be increased before you impose further taxation upon them. My Honourable friend, Mr. Mody, with his usual shrewdness and instinctive knowledge of finance, realised the portents of the budget as announced by the Honourable the Finance Member especially the promised reductions of revenue and protective duties in course of time. He pleaded for greater and greater industrialisation, even though it involved further protection. Sir, I am a firm believer in industrialisation, but I do not believe in industrialisation at the expense of pauperisation of the countryside. If you wish to industrialise a city, adopt the means of reconstruction in the villages. Agriculture, notwithstanding all that has been said, is the greatest industry in this country. Eighty per cent. of the population is engaged in agriculture and does not agriculture require protection? What have they done in England which is a great industrial country? Lately, owing to the policy of economic nationalisation which every country is adopting, even free trade England has given subsidies on wheat, on milk, on sugar, on the cattle industry.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has only one minute more to conclude.

**Dr. F. X. DeSouza**: I will finish in half a minute, Sir. Mr. Baldwin, speaking to his constituency, said the other day:

"For this country with the number of unemployed we have, the land offers the most fruitful form of employment when we get to that point that we are sure a man may make a living off it. I hope and believe that before I have finished with public life I may see this country arrive at that point."

It is, therefore, that I respectfully ask the Government of India to embark on a policy of protecting agriculture and a policy of increasing the purchasing power of the masses. When all is said and done there is no doubt that this budget marks an epoch in the finances of India. This is the first people's budget as opposed to a capitalist budget that I have seen introduced in this House, and I earnestly hope that the Finance Member will have a five years' plan so that during the next quinquennium of his office he may tackle the problem of abject poverty which is the greatest blot on British administration in India.

**Mr. Basanta Kumar Das** (Surma Valley *cum* Shillong: Non-Muhammadan): Sir, I do not pretend to have penetrated through the labyrinth of figures which the budget has presented before us, and I do not claim to draw conclusions for the purpose of showing that the estimates should have been made in a different way. But, Sir, the more I go through the budget, the more I am convinced that it is a budget which has not been prepared keeping before the eye of the Finance Member the best interests of the country. Sir, I find that although this budget is the handiwork of a gentleman fresh from his English home, this gentleman has been sufficiently long here to imbibe the conservatism of the bureaucracy which stands in the way of taking a broad outlook.

Sir, coming to the subject, the first thing that can be said of the budget is that it has only presented before us an unattractive picture of the work-a-day level of the finances of the Central Government. Although the Finance Member has estimated for a surplus, this surplus is not due to any sound financial policy but perhaps due to a policy opposite of that; and the surplus that he has budgeted for is only due purely to good luck. Sir, the Finance Member has claimed to have avoided all efforts at pure imagination in dealing with the financial position and problems of India and he has, therefore, claimed to have confined himself to the bare minimum of prophecy incidental to the presentation of a budget. But, Sir, only a superficial reading of the budget would go to show that this claim is quite unfounded, and that, on the contrary, he has rather made a bold prophecy in a very clear way. Sir, has he not delivered an apostolic gospel in a few cryptic sentences on this question and does not his assertion, that he finds no cause for regret or alarm in the continuous drain of gold from India, contain in it a bold prophecy that this drain of gold if allowed to continue will not spell any disaster to the people of India? But, Sir, the question is how far this House is prepared to place credence on this prophecy and base on it its line of action in relation to the economic problems of India. And, therefore, let us examine what he has said. With placid coolness the Honourable the Finance Member finds no sufficient reasons for placing exports of gold in a different category from exports of any other commodity in which India has a surplus. Having asserted that the exports of gold from India have given strength to the exchange, he has put forward the view that it is like any other commodity. Does it not disclose an apostolic mind and the logic of the gospel? Sir, we in India have a firm belief that gold gives strength and tone to the human body and that it is a cure for nervous breakdown. In these days of internationalism, Indian gold has cured the nervous breakdown of a body politic in the West which every one knows and the British Finance Member of India, of all persons, must know. The apostolic gospel further says that India is not being driven by distress to part with her gold. We are not surprised to learn from those whose

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distress has disappeared by securing imports of gold that it is not India's distress gold that she is parting with; and naturally how India is gaining thereby, and how gold export is surplus, is a question which must have occurred to the mind of the Honourable the Finance Member when he was revolving his sayings in his own mind. Therefore he put forward the explanation that gold economically is the same thing as any other commodity; just as we know that diamond chemically is the same thing as coal. But the question need not be asked, how India is affected by the continuous drain of her gold. She bled white during the war for the purpose of making the world safe for democracy as they say, and it is only meet and proper that for world reconstruction in this world-wide economic disorder she should bleed again. True to her traditions, she is to sacrifice herself for others and she is to stand glorious by effecting her own self-effacement. Do we not know that altruism is her philosophy and the instinct of self-preservation cannot have any place by the side of altruism? The question of gold exports is connected with high finance, and I do not claim to be an expert in this matter. I have only taken a common-sense view of the whole thing and I have put forward my views: there are other experts here and I leave them to deal with this subject effectively and expose the hollowness of the plea that has been put forward by the Honourable the Finance Member. But before I leave this subject, I wish to press this upon the attention of the House, that an economic survey of the country is essentially necessary. Here is a Finance Member who is not in touch with the people and who, living in the midst of the splendour of Imperial Delhi, frames his budget estimates without taking into consideration the squalor and the grinding poverty of the people in the villages, in the rural areas.

The next thing about the budget is that it looks to me like a statement of accounts of a commercial enterprise. The speech of the Honourable the Finance Member only interprets some of the figures of the accounts and lays down some of his conclusions from these figures as to how the business would be run in the next year on the same commercial principles which have been hitherto followed and which are not to be deviated from. The woes and wails of the people, their needs and demands, are not to be taken note of, and a bold and forward policy is not to be initiated on beneficent lines for increasing the happiness of the people. The army expenditure is to remain as it is, and we heard yesterday that the Army is not to be Indianised. The luxurious style of the administration is to continue and the oppressive taxes are to increase the poverty of the people and bring affluence for the Central Government. That is the policy which runs through the whole budget.

The Honourable the Finance Member has also preached at the close of his speech that he has proceeded on the assumption that without a prudent and cautious policy no financial good can be achieved. If we take into consideration the arrangement for the restoration of the pay cuts, then can we say that he is really proceeding on cautious lines? What is this prudence which made him acquiesce in an all-round restoration of pay cuts? The Honourable the Finance Member ought to have considered the argument advanced against this restoration of the pay cuts for all the officers under the Government. He has himself admitted that the restoration of pay cuts has increased the difficulties of the Provincial Governments and he has also indicated that it would be increasing the expendi-

ture by about a crore of rupees. Having regard to all these facts, we submit that the restoration of the pay cuts to all the officers was not at all desirable in the present state of our finances.

Want of outlook on the part of the Honourable the Finance Member is also discernible in the way in which he has prepared the estimates for the Department of Posts and Telegraphs. It is only commercial principles which have guided him in not acceding to the popular demand that the Indian postage rates should be reduced. The one main object of making this department to be of increasing utility in serving the public has been lost sight of and purely commercial considerations of profit and loss have shaped the budget. For want of imagination, the Finance Member has failed to grasp that it is the increase of postage rates that has been responsible for the decrease of the total volume of postal traffic which has been shown by means of graphs for the year 1933-34. I take some figures from the report and place them before the House to judge for itself if there is any justification for not providing for lower rates of postage stamps. In the year 1928-29, the number of letters was about 575 millions: in 1929-30, it was 570 millions: in 1930-31, it was 565 millions: in 1931-32, it came down to 485 millions, and in 1932-33, it was 465 millions: while, in 1933-34, it came still further down to 455 millions. Similarly, the number of postcards was about 590 millions in 1928-29: in 1929-30, it was 585 millions: in 1930-31, it was 540 millions: in 1931-32, it was 490 millions: in 1932-33, it was 455 millions, and in 1933-34, it was 435 millions. The downward march of postal traffic, as shown by these figures, cannot be due to the economic depression alone prevailing in the country. That it is the postage rates that have contributed to the decrease of the traffic would appear from the interesting figures given in the same report regarding packets and money orders. The figures for packets are:

1929-30—121 millions,  
1930-31—117 millions,  
1931-32—110 millions,  
1932-33—118 millions,  
1933-34—120 millions.

A fall for two years, and again a rise for 1932-33.

Now, the figures regarding money orders are:

In 1928-29, nearly 40 millions.  
In 1929-30, nearly 41 millions.  
In 1930-31, nearly 39 millions.  
In 1931-32, nearly 37½ millions.  
In 1932-33, nearly the same.  
In 1933-34, slightly over 37½ millions.

Now, I ask, do not these figures show that the number of money orders have remained the same during these three years and establish the fact that the fall in traffic of letters and postcards is not solely due to economic depression, but also due to increase of rates?

Then, Sir, with regard to the taxation policy of the Government, the Honourable Member has also failed to apply his mind and devise an economic plan to relieve the burden of taxation under which the country is groaning. The raising of the taxable limit of income for income-tax was the most desirable step that ought to have been taken. The inequity of taxing incomes between Rs. 1,000 and Rs. 2,000 was practically admitted by the predecessor of the Honourable the Finance Member, and if a pledge

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is to be respected, then there is really a pledge almost exactly in the same terms as in the case of pay cuts for fixing the taxable limits at Rs. 2,000. A perusal of the budget debate for the year 1933 will establish the fact. Again, Sir, when the Honourable the Finance Member has budgeted for a surplus, raising of the taxable income would not have affected the surplus very considerably, while it must have reduced his surplus by about 75 lakhs or so.

Sir, I do not propose to discuss the other general aspects of the budget which could be very well done effectively at the time of the discussion on demands for grants, but, before I finish, I wish to speak on some matters affecting my province, and particularly my constituency—the Surma Valley districts. Now, it would appear that while the Central Government is budgeting for a surplus, all the Provincial Governments, except two Provincial Governments, namely, the Punjab and Madras, have budgeted for deficits. I ask, what is this play of policy? Here, in the Central Government, there is a surplus, while in all the Provincial Governments, except two, there are deficits, which will compel those Governments to resort to drastic taxation. But, Sir, with regard to the surplus, I beg to submit one thing. The Honourable the Finance Member has indicated in his speech that sums from this surplus will be given to Provinces only on two conditions, but I should like him to impose another condition, namely, the scheme that will be formulated for the allotment of this surplus to the different provinces should be placed before this House and sanctioned by this House. Then the accounts should be submitted by the Provincial Governments and the accounts should also be placed before this House and examined very accurately in order to see that the money given to them is not frittered away. . . .

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has only two minutes more.

**Mr. Basanta Kumar Das:** Now, with regard to my province, Sir, I beg to submit that the finances of my province are in a desperate condition. The Province cannot develop its resources; it cannot run its departments on beneficent lines. Projects which had been conceived some time ago could not be put into execution. As an instance of that, I may say that the proposed Medical School at Sylhet, for which the buildings were completed five years ago, could not be started for want of funds. Then, again, the Government of my province is not able to pay proper and adequate attention to the needs and necessities of the province, particularly of the districts of Surma Valley. Sir, as it is well known, the districts of Surma Valley are Bengalee speaking districts in the province of Assam and they have long been clamouring to be tacked back to Bengal. Now, when the provinces are going to be reconstituted on linguistic lines, I think it is high time that these two districts of the Surma Valley should be amalgamated with Bengal as they were before, because these are connected with Bengal socially, linguistically and ethnologically. Then, there is another important matter which concerns my province, and that relates to the manner in which the Assam Government is dealing with the question of scarcity which has been caused as a result of the recent floods. There is one tendency which we have been noticing of late in the Government of my province, and that is the reports, as to the extent of scarcity, are not

at all properly reviewed by Government. They have their own way of distributing relief. There are non-official organizations which could not carry out relief works for want of funds, and the few non-official organisations that exist are not at all helped by the Government. They depute their own officers to go to the villages and minimise the extent of scarcity and give doles in their own way. That is objected to by the people, and when the people ask for more relief, the Government say there are not enough funds. Some deaths have also occurred this year due to starvation in various places, and they were reported to Government, but the Government would not believe those reports; on the other hand, Government wanted to make out that they were false reports. As a matter of fact, recently one Congressman was hauled up for submitting such reports. But one who knows the real state of the country will at once believe that the deaths which occurred in the Sunamganj sub-division and Habiganj sub-division could be traceable to lack of food owing to the severe scarcity that is prevailing. Recently, Sir, an appeal has been issued by some gentlemen of the district for the relief of the poor people of the village of Baniyachong which is inhabited by about 40,000 people, and I would like to read only a small portion of that appeal to show the extent of scarcity and distress that prevail in that village:

"The big village of Baniyachong in that Pargana covering an area of six square miles is thickly populated with forty thousand souls. Ninety per cent. of the people of that locality are agriculturists whose staple crop is *Awan* generally grown in deep water areas. Owing to the sudden flood of last year, the crop was totally destroyed. Scarcity of food began to be felt since the last Pujas and the Government began to distribute its specified doles to the numerous indigent people. Many non-official agencies and organizations also helped the miserable people to some extent with money, clothes, etc. But from November last, the Ramkrishna Mission, the Sylhet Cachar Flood Relief Committee and the Sub-Divisional Relief Committee had to suspend their philanthropic activities for want of funds. But all those who have the said experiences of organization of relief measures in such affected areas are aware of the fact that the 'middle class' of the population are refused State help strictly in accordance with its hard and fast rules. This class of people at the beginning somehow pull on with help from their near and distant relations. But such help generally becomes irregular and uncertain to their utter helplessness and despair. From the records of such miserable instances that we are in possession now, it is evident that nearly three thousand people of this class are now suffering from the agonies of scarcity of food and clothes. . . ."

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member's time is up.

**Mr. Basant Kumar Das:** Sir, I shall take only two minutes more.

**Mr. President** (The Honourable Sir Abdur Rahim): There are a number of other Honourable Members who wish to speak. The Honourable Member must conclude his remarks.

**Mr. Basant Kumar Das:** I submit, Sir, that the Government are not affording adequate relief to the poor and distressed people. Another thing which I should like to mention is that when Congress workers visit the villages to give relief to the suffering and the needy, it is unfortunate that the Government view their activities with suspicion, and, as we all know, Sir, even the activities of Congress workers in connection with the Village Industries Association which is started by Mahatma Gandhi are suspected by Government, and, thus, Sir, the philanthropic and humanitarian efforts of the Congress workers are being very considerably checked.

**Dr. Khan Sahib** (North-West Frontier Province: General): In rising to speak, I wish to make it quite clear that we are not here either to please or to displease anybody in this House. We are here to criticise the actions of the Honourable Members who are sitting on the Government Benches and who are responsible for the administration of this country. We will try our best to make our criticism as accurate, just and honest as it is humanly possible for us. We are here to revolutionise the system which this Government represent. We are making strenuous efforts to wean them from the ancient vices. (Laughter.)

**An Honourable Member:** Vices or voices?

**Dr. Khan Sahib:** I cannot pronounce the word correctly. Sir, we are here to inculcate into them a new morality and we shall never be tired of preaching to them the virtue of truth-telling, honesty, and most emphatically, respect for the rights of others. It is a fact that we are a great embarrassment to the Government, but, if I may have the privilege, I will impress upon the House that this is nothing new. We are innovators and you will all agree with me that all innovators are disturbers of the peace. Sir, we disturb the pleasure of laziness to which the Honourable Members who occupy the Treasury Benches are accustomed for generations. We are here to advise them, and, at the same time, to warn them that unless they move with the spirit of the time and change their old and corrupt policy, which is totally unfit to be applied to the solution of the present day problems—Sir, unless they do that, it is natural that they shall be thrown into the waste paper basket and will not even have the chance of being placed as curios in the museum of antiquities (Laughter). for the future generations to praise or curse.

**Mr. President** (The Honourable Sir Abdur Rahim): Let the Honourable Member now address himself to the budget.

**Dr. Khan Sahib:** I will come to that. (Laughter.)

**Mr. President** (The Honourable Sir Abdur Rahim): The sooner the better.

**Dr. Khan Sahib:** Sir, it is pathetic to watch this old fashioned demoralised crowd always playing the same old tune. They are ever ready to advise us and to expound to us the advantages of remaining stationary. They are never tired of explaining to us the dangers which are involved in taking a forward step. But, Sir, may I say this, and say it most emphatically, that all great events in the world are associated with dangers? Why? The very birth of a child itself is not free from grave danger. Think of navigation and the lives lost in its progress. Think of aviation which is still in its infancy, and the toll it has claimed from human life. Think of destructive weapons, about which you must have read in today's papers, and which are so very near and dear to the Government Benches, and the cost in life and money incurred by the world to attain that object. I say, Sir, and say it ungrudgingly, that if all of us lost our lives in the cause of freedom, it would be a great achievement, and those who would be left behind us will have a free

mind to pass a judgment on our actions unprejudiced by the unpardonable methods of the Treasury Benches opposite to us. The other day, the Honourable the Commerce Member tried to instruct another Honourable Member that he should hold the same views that he held ten years ago. I shall tell him, and I shall request him, because I have great respect for his intellectual capacity, to give a thought to this:

"That of no use is the man who studies to do exactly, as was done before, who can never understand that today is a new day."

It is very interesting to watch the Honourable Member for Commerce with outstretched hands and turned up eyes preaching to us his sweet sermons and try to bring down on us the blessings from heaven, which leave us, according to his lights, happy, but which bring him a substantial remuneration. (Laughter.) I say his *mantras* are out of date. I will tell the story of a man who had three cows. One was giving milk and the other two were dry. The man unfortunately lost his father. The Brahmin came. He had an eye on the milking cow. Though the man argued that his children wanted the milk, still the Brahmin would not do the religious ceremonies without getting the milking cow, and he got it. The first day the man tolerated the weeping of his children. The second day passed in the same way, but on the third day he could not tolerate the cries of his young children. He went to the Brahmin and asked him to return the cow. The Brahmin said that he was sending the milk to the man's father. But the man was not going to be deceived by those excuses. He said: "No. I am taking my cow. But if you bring a document signed by my father showing that he received the milk, I would give up the cow; otherwise not". So, I say, the poor people in the villages are hungry, and they are not going to be deceived by all these budgets and other things. The one crore of rupees which has been sanctioned will go into the pockets of the Government servants who can never be controlled, because from top to bottom there is corruption going on. ("Hear hear" from the Opposition Benches.) Unless that corruption is cured—that is the basis of everything. If you want to cure the thing, you must go for a radical cure, and unless you resort to a radical cure, you can never please people by speeches and by what you call budgets.

The other day there was a gentleman here from the railway who claimed that he climbed up from the bottom. He is not here now, and I am sorry he is not here. What struck me greatly was this. He answered every question of Captain Lal Chand's, but he forgot the Rs. 20 at either end of the journey taken by the clerks. He is the only man who could give proper information about that, because he has climbed up from the bottom. These people know all these things. This is not the only thing. For every bale of cotton transported in the North Western Railway, a commission of one anna has got to be paid at every station. If you go a little higher up to the Frontier, you will find that for every sack of *gur* two annas has got to be paid. All this money is collected, and I am surprised that the Honourable Members who are responsible for the administration know nothing about it. They know it, but they will not expose it. A thief can never expose a thief. (Laughter.) Money is collected and this is divided by percentage. There is discrimination even in bribery. It is divided according to the pay of the people. What I am telling you is absolute truth. There are certain



[Dr. Khan Sahib.]

station masters who get about 3,000 a month. It is public money. If it is stolen, it does not matter. It is public money and must be considered pay or you must stop this corruption. Then we were told the other day that the policy of the Railway Board was dictated by the Secretary of State. I should like to know if the Secretary of State has given sanction for this corruption. Either the Secretary of State has given sanction, or, if it is not the case, the Railway Board is incompetent and is not fit to carry on its administration, and, I think, I should ask them to vacate those Benches and leave it to those who can administer properly.

Now, we will come to the Frontier. I will begin with the Khyber, and that is the spot which we are always told is full of danger. Where is the danger? The danger of Afghanistan? Well, I think those who know anything about that should never be afraid of Afghanistan. We, *Khudai Khidmatgars*, are enough for anybody coming from that side. We do not want to spend crores and crores of money. Now, I will read the Honourable the Finance Member's words. I have some sympathy with him, because, I am sure, he does not know. He is fresh from England and he thinks that things are done here in the same way as in England. He says:

"I wish to make it clear that we have no intention of implementing this policy by force or without the consent of the tribes in whose territory the roads will be constructed."

Further, he says that an application has been received. Here is an application which has been addressed to this Assembly. I have got it here and have translated it. The Honourable the Nawab Sahib from the Frontier said the other day that such papers were not signed. It is signed and sealed by all those people who are from Tirah and who are responsible people. It runs thus:

"We, two lakhs of Aridis of Tirah, expressly state that the information which the British Government has circulated about us is absolutely untrue. We neither want a road to be constructed in our land nor have we given any thumb impressions on applications to the English. Those people who have given thumb impressions are either spies or people in the British pay. They have no right to be considered as the representatives of Tirah. We request the British Government to give up this unjust adventure. Otherwise it may lead to unfortunate disturbances. These are very critical days and every nation is awake and tries to keep free from the domination of others. We the eight clans with our eight flags have come to our border line and we want to appeal and at the same time to state clearly to the British Government and to the rest of the world that we will never let the English construct the roads. If we are crushed, then anyhow we will be buried in our free land before it is subjected to slavery."

These are the words of simple, honest people, not diplomats. The Finance Member says that they have received an application. Well, I should like him to put it on the table, and another thing I may ask him—how much money has been spent on that application? (Laughter.) That is the thing. I have received information that for every thumb impression they got they paid five rupees, but that is only for the man who puts the thumb impression. What about the man who takes the money to them. That is the interpreter. But to ask accounts from this Government will be something like expecting accounts from Ali Baba and his forty thieves. (Laughter.) The mistake is that the interpreters between the mind of the tribal area and the British area are corrupt adventurers of the most dishonest type. This fact is evident to many British officers, but they have

not got the courage of exposing those people. I am going to do it for them, because I know several British officers have voted for me in the election. Kuli Khan, who is the propaganda officer of the Frontier, Khan Bahadur if you like to call him, is the man who conducts the policy in the Frontier.

**Major Nawab Ahmad Nawaz Khan** (Nominated Non-Official): No. I don't think so.

**Dr. Khan Sahib:** I do not want to be misunderstood. I do not want to grudge him the position, because he has risen from the bottom. I have no quarrel with him. I shall be glad if everybody gets to the top and nobody is left at the bottom. That gentleman is the propaganda officer or publicity officer. As regards his previous financial condition, his father was a peon in the church for five rupees a month.

**Mr. H. A. F. Metcalfe** (Foreign Secretary): On a point of order. . .  
(Dr. Khan Sahib was standing in his place.)

**Mr. President** (The Honourable Sir Abdur Rahim): As a point of order has been raised, will the Honourable Member resume his seat?

**Mr. H. A. F. Metcalfe:** Is the Honourable Member in order in attacking by name, as a corrupt adventurer, a distinguished public servant who has no opportunity in this House of defending himself?

**Mr. President** (The Honourable Sir Abdur Rahim): The Chair rules that the Honourable Member is not in order in alluding to any particular individual by name and accusing him of corruption.

**Dr. Khan Sahib:** Sir, I am very sorry, but this is a thing which must be exposed, (Hear, hear.)

**Mr. President:** (The Honourable Sir Abdur Rahim): Order, order. The Chair has given its ruling and it hopes the Honourable Member will obey it.

**Dr. Khan Sahib:** Well, Sir, I won't give any name, but I will say that here are some people who have collected large sums of money. Now, how did that money come? He has in Bahawalpur, I think, thirty squares of land and places at different places. Well, where did all this money come from? A file was prepared against two gentlemen at the time of Sir Stewart Pearce, but unfortunately for the frontier he accidentally lost his life, and so the file disappeared!

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member's time is up. He has exhausted his time.

**Dr. Khan Sahib:** I have not done half yet, Sir. (Laughter.)

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has already spoken for twenty minutes.

**Dr. Khan Sahib:** Well, Sir, there are some very important things to bring out, and can I have a few minutes more?

**Mr. President** (The Honourable Sir Abdur Rahim): The Chair will give the Honourable Member two minutes more, but not more.

**Dr. Khan Sahib:** Sir, the other day, the Honourable the Home Member said that "the Chief Commissioner—now, I am dealing with 1931—made every effort to get into touch with Khan Abdul Ghaffar Khan, both personally and through his local officers, but every offer made to see the Chief Commissioner was refused". Well, I can only say, Sir, that either the Honourable the Home Member was misinformed or he has spoken an untruth in this House, because, in 1931, I went with my brother personally to Nathia Gali and he saw Sir Stewart Pearce, and I will tell you a very interesting incident that happened. After my brother told him that a certain district officer was out of control, Sir Stewart Pearce told him that he had him up and he knew that he had a small head and he had applied ice to his head and that had made him cool. The other incident was this. A lot of C. I. D. men were standing there and Sir Stewart asked who were they. My brother jokingly said: "Well, Sir, these are the C. I. D.—they cannot even trust you in the company of undesirables". (Laughter.) So, that is one. The other one was this. He went to see the present Governor. I arranged an interview and that was in November. Now, I cannot understand how the Honourable the Home Member should have made statements in this House like those he did make. Then, there was another thing—about the drama; and he said that the result of the drama was that an attempt was made on Captain Barnes' life. Well, Sir, let me tell you that the attempt was made in 1930 and the drama took place in 1931.

**The Honourable Sir Henry Craik** (Home Member): No, no.

**Dr. Khan Sahib:** So I cannot see how you can associate those two things. Well, Sir, if you are not going to let me speak further,—there are lots of things,—I will close my speech with these few words, that unless the Honourable Members of the Government try to get to the root cause of the evil, it is impossible to create any feeling of goodwill or to bring about any peace. (Loud Applause.)

**The Honourable Sir Nripendra Sircar** (Leader of the House): Sir, I had no desire to take part in the general discussion of the budget, but, Sir, I must raise my voice of protest (*Cries of "Hear, hear"* from the Official Benches) against the kind of language which has been used by an exponent of the art of non-violence in language, deed and thought. The previous speaker, Dr. Khan Sahib, Sir, if I remember the words aright, used these words:

"The members of the Treasury Bench, being thieves, do not like to expose thieves, because they share in the booty."

(Laughter.)

From that, Sir, we can get some idea of the organisation the previous speaker represents. From the violence of his language (Hear, hear), the inference of violence in other matters is not a very distant one. Sir, we have heard of corruption in Government service. Surely, in a service

which represents thousands of people, there must be some amount of corruption, but the general language which has been used by the previous speaker is certainly most objectionable.

**The Honourable Sir Henry Craik:** Hear, hear.

**The Honourable Sir Nripendra Sircar:** I would remind him, Sir, of what we have been told about corruption in the Congress, repeatedly by Mahatma Gandhi.

**Prof. N. G. Ranga** (Guntur *cum* Nellore: Non-Muhammadian Rural): We are honest enough to own it, but you are not.

**Munshi Iswar Saran** (Benares and Gorakhpur Divisions: Non-Muhammadian Rural): On a point of order, Mr. President. Whether the remarks of a particular Honourable Member are right or wrong is certainly a matter in regard to which difference of opinion can exist, but I wish to ask, in all seriousness, whether the conduct of the Congress is the question which we are here to consider. The Congress may be right, the Congress may be wrong, but I ask you in all seriousness to give me a ruling whether any Member of the Government is entitled to get up and abuse the Congress in this fashion. (Hear, hear.)

**Mr. President** (The Honourable Sir Abdur Rahim): This is not a point of order. No doubt strong language has been used on one side, but it is for the other side to consider whether equally strong language should be used by the other side or not. (Hear, hear.) (Loud Applause.)

**The Honourable Sir Nripendra Sircar:** As I understand the arguments of relevancy used in this House, it is quite possible to say that this is a relevant argument on the budget, but I do not propose to do that, and I do not propose to take up the time of this House too long, as I only want to record my protest.

**Munshi Iswar Saran:** Because the President won't let you go on.

**The Honourable Sir Nripendra Sircar:** Well, there is no ruling against me, but I will not go on longer even if the President will allow me. I would remind this House once more that when the vile and irritating language was used by the previous speaker, we raised not a single interruption; but people, who are over-sensitive themselves about the slightest criticism, themselves raise a terrible howl when anything is said in reply from the Government Benches, (*Cries of "Hear, hear" from the Official Benches.*)

**Mr. A. K. Fazlul Huq** (Bakarganj *cum* Faridpur: Muhammadan Rural): On a point of order, Mr. President: on what item of the budget is the Honourable Member speaking?

**The Honourable Sir Nripendra Sircar:** I think, Sir, it is the necessity of spending more money on police for keeping some people in order (Laughter), but, as I said, while I have not got much to say, I do desire, Sir, to keep my protest on record, against the kind of language which is used in this House. (Hear, hear and Loud Applause.)

**Seth Haji Abdoola Haroon** (Sind; Muharamadan Rural): Sir, some of my Honourable friends have already spoken on the budget. I do not mean to say that the budget is very bad, but I do wish to say that the budget estimates are not correct and they have been framed in such a way that the Members of this House cannot criticise the Honourable the Finance Member and say that he has not reduced the taxes. Sir, I want to give you only one example to show how the Finance Member has estimated the several heads of income. I wish to put before the House only one item. The Finance Member has estimated an income of Rs. 175 lakhs from the sugar import duty. In this connection, I would like to read to the House a telegram which I received only two days ago from the Indian Sugar Mills Association. It runs thus:

"India Sugar Mills Association invites attention to very low estimate of rupees 1,75 lakhs made Honourable Finance Member as proceeds from import duty on sugar based on estimated import of only 90,000 tons. Association firmly believes that imports of sugar will be over two lakh tons. Imports during eleven months this year exceed two lakhs tons already. Import revenue from sugar will thus be about Rs. five crores. Association suggests that Government should give assurance that in event of import duty yielding higher amount, excise duty would be proportionately refunded to factories in order to relieve industry of heavy burden. Association also urges Government to utilise for improvement in cane cultivation at least half of the surplus of rupees 75 lakhs earmarked extra for debt reduction."

This is the opinion of the Association. But as a businessman who has a little experience of sugar industry, I may say that next year the amount of sugar that will be imported into this country will be not less than three hundred thousand tons, and, from that source alone, the income of the Government will be not less than Rs. 5½ crores. The predecessor of the Honourable the Finance Member, Sir George Schuster, last year estimated an income of Rs. 2,05 lakhs and he himself admitted that the estimate was very low, but he wanted to impose the excise duty. Today we find that, instead of Rs. 2,05 lakhs, we have received Rs. 3,75 lakhs.

Sir, if the budget estimates are going to be placed before the House in the manner in which they have been placed, I am afraid there will be no relief in the taxes at any time. Of course, the Government place the surplus money before the House, but they distribute it according to their own choice. On account of the low estimate of the budget, they imposed an excise duty on sugar last year with the result that Europeans and Indians joined together and approached the Government last November and asked them either to increase the import duty on sugar or to reduce the excise duty. But in this budget we find nothing of the sort. Not only that, the Government always claim that they are the good supporters of the cultivators. Sir, I would like to tell the Government that if they continue their policy of imposing the excise duty on sugar, then, I am afraid, within two or three years, most of the sugar factories will close their doors. They are not only putting the excise duty, but side by side they expect the agriculturist to improve the quality of cane in this country. Sir, the official report says that the cane has become diseased and the percentage of sugar in it is decreasing year by year. Therefore, it is essential that the Government should come forward and help the cultivator. If they are not going to reduce the excise duty, they must at least help the sugar cultivator to improve the quality and quantity of his cane. Sir, last year the Honourable the Finance Member promised to pay Rs. seven lakhs to the provinces for the purpose of improving sugar-cane

cultivation, but, in this budget, I find that they have paid only five lakhs and a few thousands of rupees. When they are getting about six crores of rupees in the shape of import duty and excise duty from the sugar, they are not willing to pay even 60 lakhs of rupees. Sir, my Association has suggested and I wish to suggest the same that, after distributing the money from the surplus fund, there are still 75 lakhs of rupees left which the Government want to spend on the reduction of debt. I suggest to my Honourable friend, the Finance Member, that he should give this amount to the sugar cultivator in order to improve the sugar cultivation in this country. If that is done, I hope the sugar industry will not think it necessary to approach the Government for further protection. Of course, Honourable Members are always complaining that the sugar industry has got a protection of 200 per cent. or 175 per cent.

**The Honourable Sir James Grigg** (Finance Member): The industry has been given the protection to the extent of 250 per cent.

**Seth Haji Abdoola Haroon**: I am very glad to hear that from my Honourable friend. But I may inform the House that the sugar duty was the revenue duty, and it was already imposed in 1930. In 1932, Government formally passed a Bill and said that they gave this protection to the sugar industry. But properly speaking, no sugar protection was given and this import duty was imposed before the Sugar Protection Bill came in this Assembly. I request the Honourable the Finance Member that he must consider the point that sugar-cane cultivation should be improved in this country, so that we may not have to come to Government for further protection. If you look to the history of Java, you will find that, 30 years ago, that country was in the same position as India is in today. Java could not produce more than two to three maunds per acre and they could not give an yield of more than eight to nine per cent, but, after spending a lot of money on the improvement of sugar-cane cultivation, they are dumping their sugar all over the world. Sir, my other point is that the Government of India have distributed 40 lakhs to the Road Board. I have no objection to this. But I may inform the House that the Government have already appointed Mr. Stubbs, an expert Road Engineer in Sind, and he has already submitted his report to the Government. The Government of India must be fully aware as to how the Bombay Government are treating Sind. Sind is treated as a step child by the Bombay Government. If you look to the condition of Sind, you will scarcely find any good roads. The Government have lent a large sum of money for the construction of the Sukkur Barrage, and though the barrage has been completed, the Government have not built any roads.

**Mr. Lalchand Navalrai** (Sind: Non-Muhammadan Rural): They have built roads for the use of officials only.

**Seth Haji Abdoola Haroon**: Yes, these roads are on the banks of the canals and only the Public Works Department or the Government officials could take their car on these roads, while the public could not use these roads.

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): But Members of the Assembly are allowed to take their cars on these roads.

**Seth Haji Abdoola Haroon:** Yes, that is so. The Government have spent 26 crores, but they have not considered the necessity of good roads all through Sind. I must warn the Government that without laying out good roads all through the country, the chances of the success of the Sukkur Barrage are very remote. Owing to lack of proper communications, the zamindars cannot bring their produce to the marketing centres and in this way the barrage would be an utter failure.

**Mr. Lalchand Navalrai:** I also doubt about the success of the Sukkur Barrage.

**Seth Haji Abdoola Haroon:** You may doubt, but I do not do so; the only thing required is proper roads. Now, the zamindars bring their produce mostly on camels and they pay four to six annas per maund for cotton or wheat. It means that so far as wheat is concerned, the cultivators have to pay about 20 per cent. of the cost of wheat as charges for conveying the goods to the markets. If, as is proposed in the Government of India Bill before the House of Commons, Sind is separated and formed into a separate province, then the whole burden will fall on the shoulders of the Government of India for making the administration of Sind financially sound.

Another point that I wish to touch upon is the forward policy of Government in the Frontier. From a perusal of the figures in the civil budget, I find that about 1,80 lakhs is spent on the Frontier Constabulary or watch and ward, and a huge sum of two crores is lost every year on the strategic railways. Besides this, the Government are spending lots of money on the construction of roads and their maintenance. I am not able to find out what amount the military is spending on this forward policy of the Government in the Frontier. But, as a businessman, I can surmise that the Government must be spending not less than 10 or 15 crores every year and even more as my Honourable friend, Mr. Das, says, on the upkeep of the roads on the Frontier, on the maintenance of a big army to guard the Khyber Pass, on transport and on several other allied things. To our knowledge, this policy has been going on for the past 75 or 80 years. I do not know how many hundreds of crores we have spent on this policy during all this period. As a businessman, I must suggest to the Government that they must reduce their expenditure under this item. Why should Indians be made to pay for this forward policy of Government? If I had the power, I will take one step to reduce the expenditure, and it is this. I will go to my Honourable friend, Dr. Khan Sahib, and ask him to be the gate keeper or the *durwan* of the Frontier. I will ask him to watch the interests of India on the Frontier. I will tell him that we are spending now such huge sums on the watch and ward, but I want you to guard the Frontier and keep a watch over our enemies and tell us at the proper time if the enemies march on our Frontier, so that we might come to your aid in making the enemy retreat from our Frontier. Of course, I am only a businessman, and this is my suggestion. I do not know anything about politics or about military affairs. My Honourable friend, Dr. Khan Sahib, also said that there is no fear from Afghanistan at present. I also find that there is nothing to be afraid of from Russia. Lately, I read in the newspapers that the Government had acquired some territory on the Kashmir borders. If such a policy is to be continued, I do not know how long India has to find money for such a policy.

**Mr. H. A. F. Metcalfe:** On a point of explanation. The Honourable Member has been entirely misinformed. The Government of India have acquired no territory at all from the Kashmir State.

**Seth Haji Abdoola Haroon:** I do not know whether they have acquired or not. I saw in the newspapers that Government occupied some portion of the Kashmir territory.

**Mr. H. A. F. Metcalfe:** I will explain to the House what the real facts are if the House so desires.

**Seth Haji Abdoola Haroon:** I am suggesting that if this kind of forward policy is discontinued, it will greatly relieve the burden on the Indian tax-payer. With these words, I sit down.

**Mr. N. M. Joshi (Nominated Non-Official):** Sir, only a few minutes ago, my Honourable friend, Dr. DeSouza, stated that this budget was a popular budget. He said: "it is a democratic budget". Sir, I do not see any change in the policy underlying this budget to call it a democratic budget. The policy of the Government of India in framing their budgets has for a long time been the same policy: The present Finance Member has simply continued that policy. That policy is that Government take money from people by way of taxation without any consideration for the ability of the people to pay. Then, Sir, they spend the money, not according to the needs of the people, but according to their political influence. Those who have more influence will get money and those who have none will not get money, whatever may be the need. Sir, this is the general policy of the Government of India and they have continued this policy for a number of years. The natural result of this policy is that the wealth of the country is being concentrated in the hands of a few people, and this disparity of wealth and the resources possessed by the people is increasing year after year. If the Government of India follow the right policy and if the Honourable the Finance Member makes a beginning of following the right policy, they can do a great deal to bring about a better distribution of wealth in this country. Sir, by a right system of taxation the Government of India can make the distribution of wealth at least more equitable. Considering the budget from this point of view I find that the Honourable the Finance Member, when he had a surplus this year, instead of trying to lighten the burden on the poorer people by removing or at least reducing certain indirect taxation which falls on the poor people like the salt tax, the tax on kerosene and matches, etc., takes shelter behind the pledges given by his predecessor and reduces the income-tax. Naturally the result is that when already, even as admitted by the Taxation Inquiry Committee, the indirect taxation in India is much larger than the direct taxation as compared with the proportions of these two systems of taxation in other countries, the Honourable the Finance Member does not reduce the burden on the indirect tax-payer but he takes the occasion to reduce the burden on the direct tax-payer. Sir, I cannot congratulate the Honourable the Finance Member on the policy which he is following. If he had the interests of the people of this country at heart he should have reduced at least some indirect taxation and waited for the reduction of the direct taxation till there was a proper balance between the direct and indirect taxation in this country.



[Mr. N. M. Joshi.]

Before going to deal with the general expenditure, I shall say a few words about the use which the Finance Member has made of the surplus of the last year. I feel, Sir, that the use of one crore of rupees of the surplus for rural uplift is a good thing, but at the same time I should like the Government of India to see that the responsibilities of the Provincial Governments in this respect are not weakened. If the granting of this dole is likely to weaken that responsibility the Government of India instead of doing any good to the rural population in this country will have done them some harm. As regards the use of this crore of rupees, I hope the larger portion of this money will pass into the pockets of the poor people. But let me warn the Government of India and this Legislature that they cannot improve the condition of the rural population in this country by merely giving them small doles of money. The most serious problem of rural economy in this country is the indebtedness of the population, and, instead of giving a dole of this money, if the Government of India had dealt with that question and given relief to the rural population they would have conferred a greater benefit upon the rural population. I hope, Sir, the Government of India and the Members of this Legislature will realise the seriousness of this problem. I was sorry to hear one of the Members on the Congress Benches belittling the importance of the relief of indebtedness. He said, if you relieve indebtedness it is at the cost of some other people. Of course if you give money to the poor people the money will have to come from somebody, and there is nothing unjust in getting that money from those people who are able to pay.

Then, Sir, the Government of India are spending a part of their surplus on building roads in the North-West Frontier tribal area. Sir, so far as the roads are a civilising influence I consider the money spent on roads as money well spent. I feel, Sir, that if the Government of India, instead of spending crores of rupees for the defence of the frontier, spend even half of that amount in civilising the tribes on the frontier by giving them means of livelihood, by developing those areas economically, by starting some industries even by giving them subsidies, it will be a better method of making our frontier safe than by keeping a large army. I hope the Government of India will investigate the problem of finding means of livelihood for the tribes on our frontier. These tribes commit thefts and plunder people on the plains not because they like plundering but because I am convinced that they have no means of livelihood. If we, the people on the plains, spend a part of our money in developing their country economically and find means for their livelihood, I am sure that will be a much better way of stopping plunders by the frontier tribes.

I would like to say a word about the new expenditure which the Government of India are incurring during the current year; and, while on that subject, I would suggest to the Honourable the Finance Member that in preparing statements as regards new expenditure, both voted and non-voted, it would be more convenient if he gives a summary of the items of new expenditure. He has presented us with several volumes of the proceedings of the Standing Finance Committee. They are interesting and I have read them; but it would have been more convenient if he had given us a small concise statement of the items and the total amount sanctioned by the Standing Finance Committee. As regards several of the items sanctioned by the Standing Finance Committee I do not wish

to make many remarks. But I would like to say a word about the money sanctioned by the Government of India for Bengal. I spoke on this subject last year, and let me assure my friends from Bengal that if Bengal has a real need I shall certainly not object to the Government of India paying whatever they need; but my objection to the grant which the Government of India have made is that this grant is not made after an impartial investigation of the needs of the various provinces. If the Government of India had made an impartial investigation, after the Meston Award, by means of a committee presided over, say, by a High Court Judge, and if they had decided that Bengal deserves a contribution from the Government of India I would not have grudged it. But I am against the Government of India making contributions to the provinces according to their own sweet will on political grounds . . . .

**Dr. P. N. Banerjee:** (Calcutta Suburbs: Non-Muhammadan Urban): What did Sir Walter Layton say?

**Mr. N. M. Joshi:** To make a large grant to Bengal, because Bengal cannot increase her taxation, and on account of the fear of terrorism in Bengal is a premium placed upon terrorism. I, therefore, feel that the Government of India should give up this policy of making contributions to the provinces on political grounds . . . .

**An Honourable Member:** It is economic.

**Mr. N. M. Joshi:** If Bengal's need is economic, there should be absolutely no objection to the needs of all the provinces being examined by an impartial tribunal, but it is wrong for the Government of India to follow a policy of making contributions according to their sweet will to the provinces. Our country has suffered a great deal on account of communal jealousies; and I am apprehensive that if the Government of India once begin this policy of giving doles to different provinces, we may suffer as much from provincial jealousies. I, therefore, hope that the Government of India will place this matter before an impartial tribunal and do justice to all provinces . . . .

**Dr. P. N. Banerjee:** We do not object.

**Mr. N. M. Joshi:** I do not wish to say anything more on this subject.

Then, I would like to say a word about one item of new expenditure. The Government of India have sanctioned some money for starting an industrial research institute. They propose to appoint an advisory council for that industrial research institute. I feel India does need an industrial research institute, but I hope when the Government of India establishes the advisory council, they will see that all interests which are concerned with industries will be represented on the advisory council.

As regards the general policy of expenditure I would like to say that on the whole the Government of India is following a wrong policy and that money is spent according to the political influence of the party. For the last several years I have been pressing the Government of India to do justice to their lowest classes of employees who are supposed to belong to the inferior services. The men belonging to the inferior services do not get adequate pension. Whatever may be their salary, they get a monthly pension of Rs. 4. I have been asking the Government of India that they should take up this problem. Every time they say it

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will be taken up when they have money. I can understand the Government of India pleading financial stringency, but there must be some priority of claims. Have the Government of India considered the priority of claims according to the needs? I have gone through the volumes of the Standing Finance Committee—there is Rs. 12,000 recurring expenditure sanctioned for improving the gardens at Delhi and Simla, and a lakh of rupees for an aeroplane: these are for Government House. I do not suggest that these are very large sums; but at the same time if we are going to incur new expenditure, according to the urgency and need, then I feel that the expenditure for improving gardens and the expenditure for a new aeroplane could have waited till the inferior services got increased pensions. I hope that the Government of India and specially the Finance Department will follow a right policy in this matter. They are trustees of the public money and they must spend the money according to the needs and the urgency of the needs of the people and not on grounds of political influence.

May I, in conclusion, say a few words about the policy of the Government of India with regard to the economic development of the country? It seems there are some people who are under the delusion that the development of agriculture and the development of industries could be separated and that they are at variance with each other. I feel it is a great mistake to make that supposition. I would like the Government of India to give equal attention to both the improvement of agriculture and the development of industries. Last year, when I spoke on my Resolution for the relief of unemployment, I suggested to the Government of India that they should follow a bold policy of developing industries in this country. I also suggested that besides developing industries they should follow a bold policy of undertaking public works so that people in the country will get sufficient employment. Unless the Government of India spends its money to create new employment in this country, I feel the finances of the Government of India will not improve sufficiently. But, Sir, I would like to say just one word as regards the policy of developing industries. I am not going into the question of the basis on which the industries should be established or developed. But, Sir, I would like to suggest to the Government of India that they should, while trying to develop the country economically, take sufficient measures for the protection of the working classes in this country. When you develop industries on capitalist lines you cannot escape from the evils of unemployment, from the risk of unprotected sickness and unprotected old age. It is the duty of the Government of India when developing industries to make proper provision for social services by which the unemployed will receive sufficient relief, and the workers will also receive assistance, both medical and maintenance during sickness, and their old age also will be properly protected.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has already spoken for twenty minutes.

**Mr. N. M. Joshi:** I hope, Sir, the Government of India, in framing their Budget, will follow a right policy, so that the taxation  
1 P.M. will fall upon people according to their ability to pay it, and they should follow a bold policy of spending more money on social services, so that they may bring about a more equitable distribution of wealth in this country. Sir, I have done.

**Pandit Lakshmi Kanta Maitra** (Presidency Division: Non-Muhammadan Rural): Mr. President, I thank you for giving me an opportunity to speak immediately after my friend, Mr. Joshi, has spoken. Before I make certain observations in connection with what has fallen from my friend, Mr. Joshi, I should like to make a few remarks on the budget which is before us. Sir, the presentation of the budget is admittedly a most important event in the administration of every Government, but in India, unfortunately, this event is not looked upon with the same fervour and enthusiasm as in other countries, here it is not awaited with high hopes or expectations of relief as is the case in other countries, because in those countries people expect relief in various forms from their Finance Ministers, but in this country people await the budget with grave anxiety, with grave concern, only to know what fresh fetters are going to be forged for them or what fresh burdens are going to be imposed upon them. (Hear, hear.) That is the position.

Now, Sir, I must at the outset thank the Honourable the Finance Member for the very lucid, very fine and very candid speech he made in presenting his budget. I thank him all the more for pressing into his speech the minimum of prophecy and platitude. Now, Sir, what, after all, is the relief that this Budget gives? Does this budget reflect the real condition of the people of India? I say that it reveals and also conceals the real position of India. It reveals at least this much that the Indian tax-payer has been bled white all along to such an extent that every article of his bare necessities of life has been taxed heavily, and this dead level of taxation on all necessities of life has been going on uninterruptedly, unchecked, unrelieved by any stroke of bold policy for the last so many years. And what does it conceal? It conceals the appalling poverty of the masses of India, poverty which is so colossal that it is impossible for anybody to integrate. That is the position. And what is the relief that the Honourable the Finance Member has proposed? He has proposed relief to the pampered services by the restoration of the cut in salaries. I do not grudge the Honourable Members over there and the whole army of Government servants, who are all highly paid, the relief that has been afforded to them. I know there have been grumbings going on, and the Government evidently are more afraid of these grumbings, but I submit that if your servants are grumbling, the people of India are groaning under the heavy weight of taxation, and the cruel irony of fate is that the Government is dead to all these groans. It is deaf to all these groans. That is the position. What, after all, are the poor people going to get from this budget. The poor man's salt is taxed, his food and bread are taxed, his fire is taxed, his light is taxed, in fact every conceivable thing under the sun which the poor man looks to as his prime necessity is taxed. That is the position. I would ask the Honourable the Finance Member whether this was really an opportune moment to redeem the so-called pledge given by his predecessor to the services. Could not this have been postponed to a few years more, or could it not have been carried out gradually and on a progressive scale giving relief first to those who are down in the ladder and gradually extending it to those who are on the top of it? My friend, Mr. Satva Narayan Sinha, told the House yesterday the history of these pledges, how several of the pledges more solemn, and more sacred, how some of the pledges given even by His Majesty the King Emperor have been treated as a scrap of paper, but when you talk of pledges given to the services, the Honourable

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the Finance Member is anxious to redeem them for the sake of the service people first.

I will now turn to the aspect of the budget that affects my province, namely, Bengal. I am provoked to say something about my province, because my friend, Mr. Joshi, said something about the relief that is given to Bengal. I am afraid my friend is under a misapprehension. He talked of figures and complained that the Finance Member has given to Bengal a portion of the jute duty. I find, Sir, there is a good deal of misconception about this matter relating to the jute duty. I think Honourable Members of this House are aware that this export duty on jute was imposed on the people of Bengal as a war measure, to meet the cost of the war, when the budget was a deficit budget, and this duty was imposed in 1916, and I think a sum of three to four crores represents this jute tax. Now, this tax for the last 19 or 20 years has come up to something like 60 crores. Bengal has contributed very nearly 99 per cent. of it, and what is this jute tax? It is a direct tax on an agricultural product—a staple crop of the Province, and, Sir, it has the same incidence as the land revenue. Formerly, when prices of jute were ruling high, when there was an excellent market all over the world, this jute duty was more a consumer's tax, but, Sir, in these days of economic depression—and, I am sure, Honourable Members must have read in the press how the Government of Bengal are taking steps to ameliorate the condition of jute producers, because these people who cultivate jute are not able to get a proper return, not even the cost of production, and therefore, in these days of economic depression, this tax is more in the nature of a land tax and producer's tax. Sir, land tax is a provincial revenue, and, therefore, if the Honourable the Finance Member has given to Bengal and to other producing units something in the neighbourhood of a crore and half of rupees, it is not a dole or a favour, it is a recognition of an equitable principle, a bare act of financial justice, and I thank him for conceding it. Bengal has a legitimate claim to the whole of this jute duty, and she must have it. My friend, Mr. Joshi, made an observation that if Bengal were to stand on her own financial legs, she should go in for more taxation. . . .

**Mr. N. M. Joshi:** Mr. President, I made no such remark. I merely said that there should be an impartial inquiry, and nothing more.

**Pandit Lakshmi Kanta Maitra:** I am not afraid of an enquiry. I may tell him for his information. . . .

**Mr. N. M. Joshi:** Exactly. Then, why are you speaking against me? I am only asking for an enquiry.

**Pandit Lakshmi Kanta Maitra:** About this jute tax, is it realised. . .

**Mr. N. M. Joshi:** Are you afraid of an enquiry?

**Pandit Lakshmi Kanta Maitra:** No, not at all. I welcome it. I may submit that the incidence of this export duty on jute now comes actually to something like 18 per cent. That is the position. Bengal is not suffering because of the dearth of her resources. She is very rich in the matter

of her resources, and still, why is she bankrupt? It is because of the financial adjustment, or, I may say, ~~the~~ <sup>the</sup> maladjustment and inequity of the Meston Award. It is the peculiar misfortune of my province that whenever an instalment of reforms comes, she is always adversely affected. When the Montagu-Chelmsford reforms came, there was this Meston Award which crippled her resources. You will find the figures in Sir Walter Layton's report to the Simon Commission where he stated that, out of the total revenue raised in the province of Bengal, nearly 70 per cent. went to the Centre. That is the position and that is why Bengal is going bankrupt. That is why, on account of the Meston Award, the whole reform scheme has been wrecked on the financial rock. Now, there is going to be another instalment of the so-called reforms and it is Bengal again that is going to be affected terribly by this monster of the Communal Award. That is the fate of Bengal. I submit for the consideration of this House and also of the Honourable the Finance Member that I do not look upon it as a dole as some of my friends seem to think. I claim it as of right. I am not afraid of any tribunal being set up to go into the question of the equitable and legitimate dues of Bengal. I have no doubt that before such a tribunal Bengal's case will be proved beyond the shadow of a doubt—that Bengal has made the greatest contribution to the Central revenues and the tribunal will give its verdict in her favour that Bengal has been bled white in order that the Central Government may function.

**Mr. N. M. Joshi:** That is the right spirit.

**Pandit Lakshmi Kanta Maitra:** I am always actuated by the right spirit. I will now come to the question of salt revenue. Sir, it must be remembered that there is a national sentiment behind this. On this question of salt, I think one of the greatest political battles known in Indian history was fought, and yet it has come to stay. It has become the mainstay of Government revenue, and, added to it, there is the additional import duty on salt. Why should my unfortunate province suffer more? The point is that we, the people of Bengal, cannot produce our own salt, that is the position now, and we have to depend upon the imported salt from outside. . . .

**Mr. Lalchand Navarai:** You want foreign salt?

**Pandit Lakshmi Kanta Maitra:** Please do not interrupt. You are impatient. You do not stop to hear me to the end. When I was speaking that Bengal had to depend upon imported salt, I meant salt produced from sources outside Bengal and even outside India. This additional import duty is imposed on the consumers of Bengal, and the loss to them comes to several lakhs. That is the truth. But, what I submit for the consideration of this House is that, for the greater good of the whole nation, we shall suffer the iniquitous import duty to stand, provided the Finance Member will earmark the revenue so derived exclusively for the development of the salt resources of the province of Bengal. ("Hear, hear" from the Opposition Benches.) I submit for his consideration that he might appoint a Government Committee,—I do not mean a Committee of this Legislative Assembly, but a Committee composed of some Members of the Legislative Assembly from Bengal, some Members from the Council of State, some Members of the Bengal Legislative Council, some representatives of commercial interests and some Government experts or Government

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men as the Finance Member may like. This Committee will go on and investigate the question of the development of the salt resources of Bengal and will grant subsidies and help and also other means of assistance so that Bengal may be self-contained in the matter of her salt supply. That is my submission. The Honourable the Finance Member is a very young man. He has a promising career before him, and I hope he will pay heed to this legitimate demand of Bengal. We agree to allow the continuance of the import duty in the greater interests of the country, but I hope that the Finance Member will give Bengal a chance to develop her own salt resources, because, though at present we do not manufacture salt in Bengal, there was a time when Bengal was not only self-contained in the matter of salt supply some half a century ago, but she exported salt outside. How that industry came to be crushed is a very doleful story, and I shall not go into it now. It met the same fate as our other industries. This morning, I have received several telegrams urging upon me to support the import duty on salt and to press upon the Government, at the same time, to appoint a Committee for earmarking the amount so raised and for spending it exclusively on the development of the salt resources of Bengal. I think that is an eminently reasonable proposal, and I hope the Honourable the Finance Member will not object to it.

I will touch on some other matters before I close. This Government granted protection to the sugar industry of this country by raising a high tariff wall, and, as a result of that, various sugar factories have been started. But before they could stand on their own legs, the Government saddled the industry with the excise duty and the result is that an indigenous nascent industry is being throttled at its very inception. I ask the Finance Member to save this industry from ruin, in which crores and crores of rupees have been sunk by Indians.

A good deal of controversy has been raging round the question of the exportation of gold. The Honourable the Finance Member seems to think that gold is like any other commodity, and that the surplus commodity is being shipped out of India. We on this side of the House beg to differ from him. We believe that it is really the distress gold that is being drained away. Ever since Great Britain went off the gold standard, crores and crores of rupees worth of gold have been drained away and the nation is living on its capital. Times without number the public demanded some sort of an embargo on the export of gold, but Government have not paid any heed. Sir, it is for you to consider whether it is really good for this poor country to throw away its ultimate reserves of gold.

Coming to the reduction of the silver duty, I can say this that this will have an immediate adverse effect on the poor people who have their reserves in silver ornaments and silver wares.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has already spoken for twenty minutes.

**Pandit Lakshmi Kanta Maitra**: One minute more, Sir. In the present budget, there is a tendency to recovery to normal times, and it is my deliberate conviction that the receipts have been under-estimated in order that greater relief may not be claimed. I submit for the consideration of the Honourable the Finance Member that a permanent fund may be

started for the amelioration of the rural masses and that the surplus should be put in there, so that it may form the nucleus of a fund wherewith some relief could be given to the vast masses of the agricultural people, and, I am sure, that if the Honourable the Finance Member has done that, if he has been able to give some more morsels of food to the hungry and starving people of this country, he will have deserved the blessings of this country. (Applause.)

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

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

**Mr. President** (The Honourable Sir Abdur Rahim): The House will now resume general discussion of the budget. Mr. Vissanji.

**Mr. Mathuradas Vissanji** (Indian Merchants' Chamber and Bureau: Indian Commerce): Mr. President, the budget presented by the Honourable the Finance Member wisely offers very little scope for adverse criticism; and, on that account, the Finance Member may be congratulated. He has, however, shown surpluses for the three years for which he has presented accounts, Revised Estimates, and Budget Estimates, which are arrived at, without making full and proper provision for the reduction or avoidance of Debt. This renders the credit of the Government vulnerable, and makes these surpluses to that extent unreal. I am aware, Sir, that the policy of curtailing the provision for reduction or avoidance of debt was introduced under the stress of repeated deficits and continued depression, by the predecessor in office of the present Finance Member; but I cannot hold that policy to be either wise or just, and so, while that policy is maintained, I cannot regard the surpluses as real, or as indicating a permanent improvement of our revenues or of national credit.

The matter is, Sir, a subject for profound reflection, not merely because such manipulation on the expenditure side would needlessly weaken our financial stability and public credit; but also because it indicates a vagueness and uncertainty of the basic policy, which cannot but be open to criticism. No one would grudge the additional amounts, over what was budgeted for at the last moment, to relieve the ravages caused by the earthquake in Bihar, from the surplus accruing in the accounts of 1933-34. Even in the current year, the proposal to allot a crore of rupees to works of permanent utility in provinces will cause no opposition from any quarter in this House. The development of roads, whether by means of a substantial contribution from the surplus to the Road Fund, or by actual construction of roads in a province like that on the North-West Frontier, must be equally welcome. But, I question the wisdom, and the financial justice, of devoting large sums to the defraying of the cost of transferring the Pusa Institute to Delhi, or the development of Civil Aviation from the surplus. Certainly the only thoroughly commendable use of the surplus is in that small amount of Rs. 75 lakhs of the accrued surplus of 1934-35 which is devoted to the reduction of debt. While the surplus is so artificial as the one now accrued, while depression is still upon us, while a permanent improvement in the general financial position has yet



[Mr. Mathuradas Vissanji.]

to be achieved, orthodox and conservative Finance would advise the utilisation of such adventitious surpluses to strengthen credit or reserves, instead of being used up in a project which may not prove directly remunerative, or at least not remunerative for a long time.

In this position of the country's finances, I cannot but question the wisdom or justice of restoring, as the Government have hastened to do, the salary cut, on public servants necessitated by the dark days of the depression. The depression is not yet ended, whatever be the signs of recovery the financial authorities have found in the current events. On the contrary, the Finance Member has to admit the continuance of that tragic phenomenon, and express regret that we on this side can contribute so little that is constructive or positive to remove that depression. Under these conditions, while the country's trade is still languishing, and the price level still very low, I see no reason why the extremely highly-paid servants of the Indian Government should be given such a costly relief. The Honourable the Finance Member has himself admitted that the decision to restore the salary cut would add to the financial embarrassments of many a Provincial Government. If the Government of India are unable to finance the entire restoration of the cut from their own funds, if the level of prices and cost of living or the condition of trade and industry in the country show no change comparable to the position before the depression began, how can the authorities justify the haste with which they have decided to restore this cut? Even in the budget of the Government of India, including the Commercial Departments for which that Government is responsible, the full salary cut, when removed, would account for an addition of over 3½ crores to the total expenditure. In the present budget, without counting the railways, it accounts for an addition of nearly a crore; while if we include the railways (92 lakhs) and consider the entire ten per cent. cut, as originally imposed when the depression was at its worst, the addition to the total public expenditure on this account may justly be taken to be in the neighbourhood of four crores per annum. I cannot, however, see such an improvement in the general financial position of the country, such an amelioration in the general economic condition of the people of this country, as would make such a step both just and reasonable. The prices of India's principal produce still continue at an abnormally low level and so also is the cost of living. Under those conditions, the restoration of the balance of the cut sounds premature, uneconomic, burdensome and indefensible.

This impression of the budget presented by the Honourable Member deepens when one considers the other considerable items on the expenditure side. The Army Budget shows an increase of 60 lakhs including the salary cut being restored for which I can find no justification. Apart from the arguments already advanced, which render the restoration of the cut in general indefensible, I find that even the British Government, whose budgetary condition is far more prosperous than that of this country, and whose capacity to adopt constructive measures for their removal of the depression is much more considerable and effective, has only partially removed the cut they had imposed on their public servants, including the British troops serving in India. If such a strong, national and prosperous Government as the British do not yet see their way to a complete restoration of the salary cut in their domestic economy, how can the Indian Government afford such a luxury?

The Army charges again, show an increase of another 67 lakhs on account of postponed services, as the Honourable the Finance Member describes them. I am aware, indeed, Sir, that this amount is not an actual addition to the total expenditure on the Army, since 20 lakhs cut of these 67 are found by increased receipts in the Army Department, and the balance counterbalanced by economies in other directions. But the fact that other economies of these dimensions are still possible makes me doubt if all available and possible economies have been effected in this most costly and unremunerative of all the departments of Government. While there is every where in the world talk of reducing the burdens of the Armaments, while the prices of material and labour are perhaps 50 per cent. below the level of ten years ago, we, in this country, are incurring such heavy additional expenditure for what is called postponed outlay on this account. I am filled with dread and apprehension, Sir, when I ponder over the Finance Minister's ominous warning that: "the figure of Rs. 44.38 crores could not be regarded as representing a new permanent level of Defence Expenditure". What then is the reasonable and permanent level of our Defence Budget? Is there any limit to your desire to spend on the department? Have you any idea of permanency in such matters at all? Have you considered that the Rs. 44.38 crores of today, at the prevailing price-level, may be regarded as equal to over Rs. 60 crores of the pre-depression level. And do you remember that even at the 1922-23 prices a 50 crores Defence Budget was considered by a Retrenchment Committee to be as much as India could, in all conscience, be called upon to bear? India has no militarist or Imperialist ambitions. India has no ancient gates to guard against on her frontiers. She does not dream of keeping even Burma within her frontier by force of arms—for example. Why then do you need such a costly defence provision. How then could the Honourable the Finance Member expect us to congratulate, or even to sympathise with him, when he presents such a budget pregnant with threats of impending additions yet to our unending military burdens?

The disappointment at this the first budget of the present Finance Minister would be greater to anyone who considered the taxation side of his proposals. If there is a surplus, he has no heart to use it in an effective and just relief in taxation. The promises of his predecessor, and the assurances of Government, that taxation relief and salaries cut restoration would go side by side, have been belied; and no real relief in tax-burdens accorded. Without quarrelling, for the moment with the Finance Member's estimates, or his conclusion regarding the reaction on the income side because of the reduction of the Silver Duty, I must point out that serious expectations roused by answers of Government Members themselves to Questions in this House have been belied by the refusal to reduce the Post Office Charges, which fall on the poor man in the shape of increased price of the postcard, and on the business community in general. A budget that speaks of a surplus, and yet accords no relief to such cases of public burdens that fall so heavily on the country's commerce and economic recovery, cannot claim to be either just or economical. Even in those cases where relief of a sort is accorded, one can see it is negligible, half-hearted, hesitating; and without any benefit to the tax-payer worth the name. The retention of a thousand rupee limit for taxation of incomes, even though the rate of the tax is to be lowered by a third, or the reduction of the excessive surcharges on income and super-taxes is unfair to the poorest strata of the income-tax payer, especially in contrast with the haste to accord relief to the public servants in the matter of their salaries. This is too transparent an attempt

[Mr. Mathuradas Vissanji.]

to endeavour and please all sections, with the result that none is pleased and all are disappointed. I am by no means sure that the Honourable the Finance Member would have lost so heavily had he restored the half-anna postcard, for instance; even if he cannot yet restore the quarter-anna postcard and the half-anna letter. But he has chosen to try and win a good word from all; and I am afraid the result will be that none will praise him, and few would even sympathise with him.

I cannot, likewise, agree with the suggestion that the duty on salt imported from foreign countries should be extended only for one year. I am aware of the desires of our friends in Bengal in this regard. But in view of the considerable amount of Indian capital and labour employed in the salt making industry in Aden, and, bearing in mind the implied promises of continued protection to this industry, it would, I think, be unjust and uneconomic to remove the duty on imported salt without which this industry would perish. I have also been informed that the burden of this duty on the consumers of salt in Bengal, Bihar, Orissa and Assam is lower than in any other part of India.

The proposed removal, likewise, of the export duty on raw hides will be a loss alike to the Government's revenues and an injury to the tanning industry of India which still needs the advantage afforded by this duty.

Time will not permit me to dwell upon the sidelights of the financial outlook and mentality exhibited by the Honourable Sir James Grigg on such questions as the gold exports from the country, or the need to make adequate provision for debt redemption, or even the scale and variety of the revenue duties. But I must, even in the few minutes left to me, express my sentiment that mere reiteration of such heresies, as the Honourable the Finance Member has uttered as regards the gold exports as Indian opinion regards it, will not make Sir James an Apostle, nor this *Obiter Dicta* a Gospel.

**Raja Bahadur Harihar Prosad Narayan Sinha** (Bihar and Orissa: Landholders): Sir, I congratulate the Honourable the Finance Member on the budget which he has presented to this House. His budget speech is short and precise. He has not taken recourse to high-sounding words and theories, but goes straight into facts and narrates them in the simplest and most straight-forward manner. It is this which imparts an atmosphere of reality to the whole thing and makes us easily know where we stand.

After years of recurring deficits, it is gratifying to find a budget with a real surplus. Things came to a crisis in 1931 when the then Finance Member found it necessary to impose heavy additional taxes to balance the budget. Things have improved since then and it is gratifying to find a budget embodying not a make-shift, but an intrinsic balancing. Partial relief has been given to those on whom additional burdens were imposed in 1931. I need not say how much I wish that the Honourable the Finance Member had been in a position to relieve the people of all these additional burdens, to abolish surcharges on income-tax and also to raise the minimum of taxable income from one thousand to two thousand again. The salt tax also presses heavily on the poor and it would have been a great boon to them if at least the additional import duty on salt had been abolished. Caution is a great virtue in a financier, but the Honourable the Finance Member has been over-cautious in calculating the total revenue. Otherwise he would have been able to go much

further in the way of further relieving the people of the additional burden imposed in 1931. However, the budget speech of the Honourable the Finance Member is more interesting in what it promises for the future. And we sincerely believe that under his able guidance the finances of the country will be so carefully managed as to prevent in the future the necessity of resorting to further and extraordinary methods of taxation in the Provinces.

Sir, coming to the way in which the surpluses of the years 1933-34 and 1934-35 are proposed to be disposed of, it is gratifying to find that a substantial amount is going to be spent on the relief of the earthquake sufferers of my Province. The terrible havoc which the last earthquake caused in my Province is now well-known, and, representing the landholders of this unfortunate province, I cannot but warmly thank the Honourable the Finance Member for this relief to the Province in its moment of dire need. I would only request the Honourable the Finance Member to make some special concession to the unfortunate sufferers in the matter of assessment of income-tax. Along with loss of lives there has been a great loss of business too, and any relief in the matter of income-tax is sure to earn the lasting gratitude of the poor and unfortunate sufferers.

Sir, the most welcome feature of the budget is the allotment of one crore of rupees, out of the surplus, to the uplift of the people in the rural areas. By making this allotment the Honourable the Finance Member has shown an imagination on which I cannot help congratulating him. The note of sympathy which in his budget speech he has struck for the welfare and prosperity of the cultivators cannot but excite a feeling of admiration for him. It is a known fact that real India lives in villages and any scheme proposed for their uplift must be welcome to all lovers of the country and especially to the landholders, a class whom I represent, because in the prosperity and well-being of the cultivators lies the prosperity and well-being of the landholders. To the rural population, landholders and tenants alike, the problem of bread and other amenities of life is of greater moment than politics, and so, from their point of view, the money will be well-spent if it were devoted to the promotion of economic and similar other objects, such as facilities of water-supply, construction of culverts where required for the purpose of drainage, distribution of improved varieties of seeds, better marketing system for agricultural produce and providing occupation for the peasants during seasons when they may not be engaged in the fields.

I am happy to find that a sum of 10 to 15 crores out of this is to be devoted to the development of the co-operative movement on sound financial foundation. The co-operative movement occupies a very high place in the civilised world of today. It is a movement full of potentialities for the good of the people, and I as a representative of the landholders cannot but welcome an effort on the part of the Government of India to put it on a sound financial basis. But I would like also to utter a note of caution here. It cannot be doubted for a moment that the entire co-operative movement has been set out on a wrong course. There is not only no continuity in the financial policy of the banks, but the movement has also largely failed in its purpose of improving the economic conditions of the cultivators. Now that the Government is coming to the assistance of the rural co-operative banks, I suggest that

[Raja Bahadur Harihar Prosad Narayan Sinha.]

before financial assistance is given to these institutions, measures will be taken for reforming the entire system of administration of these banks, making it impossible for them to fritter away their financial resources, as in the past, on objects which cannot even remotely be said to advance the economic interests of the cultivators.

Sir, there has been a tendency in the past to consider the landholders and tenants as occupants of two hostile camps, and in many cases, the funds of the rural co-operative banks have been employed in ways which have served to emphasise this difference between them. I maintain that they are rather the two sections of the rural population, and their interests, instead of being opposed to each other, are interdependent. This aspect of the place of the zamindars in the social structure of the village needs to be kept prominently in view in dealing with co-operative banks. The zamindars cannot prosper unless their tenants are free from financial difficulties nor can the tenants be economically happy unless the zamindars are equally so. These banks deserve the support of the landholders, and so, on their behalf, I welcome this allotment for the development of the co-operative movement, but the zamindars want to be assured that the funds of the banks will be employed exclusively for the promotion of the economic interests of the rural areas as a whole and not for emphasising and accentuating a supposed difference.

I know, Sir, a beginning has already been made by the Government to help the cultivators by finding out a market for their produce, but much still remains to be done in this direction. To help the cultivators and improve their lot it is also necessary that the results of agricultural researches should also be placed within their easy reach. I know Agricultural Research Institutes are meant to supply this need. In this connection I cannot but object to the allotment made for shifting the Imperial Research Institute from Pusa. We fail to understand, Sir, why it was removed from there. It was removed against the united wish of the Government and the people of the Province. All classes of people united in the opposition. I don't think there was any use spending so much money over shifting the Institute from there, when that money could have been well utilised in making further grants for rural reconstruction or in lifting the burden off the head of the poor by abolishing the additional salt duty. We hope, however, that Pusa will become an important sub-station of the Institute.

Sir, as a further relief to the cultivators, especially of my Province of Bihar, I would also suggest that an import duty should be levied on rice and every facility afforded for the export of Bihar rice. Only the other day, we had a discussion on an allied subject in this House, and so I need not refer to it here in detail. Bihar is a rice-growing Province, and if my suggestion is accepted it would be of very great help to the agriculturists there.

As the condition of the rural areas is now happily occupying the prominent place in the programme of the Government, it will not be out of place, Sir, to draw the attention of the Government to the need of land mortgage banks at this juncture, as landholders are seriously feeling the effects of the recent depression. I have already said above that the welfare and prosperity of the zamindars depend upon the welfare and prosperity of the tenants and *vice versa*. This world-wide depression has

engulfed both of them and there is no knowing when the tenants will be able to get off its clutches. This makes the landholders look with apprehension to the future. So, Sir, now is the time for land mortgage banks to be established so that the cloud of anxiety under which even big landholders are at present living may be lifted, and the future of India's greatest industry, and with it of the tenants, may be assured.

The programme of broadcasting in rural areas will, I am sure, provide for a closer contact between workers in the laboratory and the tillers of the soil. With the help of this agency much useful information can be disseminated amongst the mass living in the rural area easily and will cost little. So, this programme too is sure to be of great help to the cultivators, and, combined with the programme of the rural reconstruction, will do much to improve their lot.

Sir, while dealing with the programme of the rural reconstruction, I cannot help inviting the attention of the Government of India to the necessity of doing something for the class which I have the honour to represent. The landholders have an important role to play in society. Society is dynamic and it must move. But without meaning any disparagement to anybody, I would say, that there is always a section in every society which wants it to move only too fast. The zamindars too want progress, but they want a well-balanced progress. So, these zamindars supply that element in society which has always been found to be necessary in the interest of ordered progress. It is this which makes their place in the frame-work of the State a matter deserving utmost consideration at the hands of the Government of India. For some time past all has not been well with this class. Due to causes which I need not enumerate here, forces of disruption have set in, and the ancient aristocratic families are in the danger of becoming extinct. In the larger interest of the country it is necessary that the protection of this class should be made a matter of Imperial concern, and necessary laws should be enacted to check the forces of disruption. I think land alienation laws are engaging the attention of the Government and such laws are very necessary for the protection of this class. Many of the aristocratic families are at present governed by the law of primogeniture. It is very necessary that an all-India Act should be passed making this law applicable to other aristocratic families too to save them from extinction. It is also very necessary that arrangements should be made for the proper training of the youths of this class in the art of management of their estates. These are only by way of illustration. In the short time at my disposal it is not possible for me to refer in detail to the various problems which have to be faced if this class is to be saved. All I would like to say is that in order that the programme of rural reconstruction may be complete and its purpose fully achieved, it is very necessary that the problems affecting the zamindars should be taken up in a spirit of sympathy, so that their future may be assured and their utility as an economic force enhanced in the interests of society.

Sir, I have finished. I have already said that the importance of the budget speech lies less in what it proposes to do in the next financial year but more what it suggests for the future. The last paragraph of the Honourable Member's speech is full of meaning. I would only close my speech with a hope that in any future plan the interests of the landholders class also will have due consideration at the hands of the Government of India.

**Mr. Ram Narayan Singh** (Chota Nagpur Division: Non-Muhammadan): Sir, in the morning the atmosphere in the House was a little hot. Some guilty conscience had pricked certain individuals and they got excited at the mere utterance of a plain truth. I hope I shall get a calmer atmosphere as the Honourable Members have now returned after Lunch.

Sir, I must, first of all, protest, and that also vehemently, against the abominable rule which prevents me from speaking in my mother-tongue. Sir, this is the second and the last day for the discussion of the General Budget. Speaker after speaker has stood up and discussed it. I have heard expressions of horror at the export of gold and at the gold policy of this Government. Sir, with due respect to the well-known speakers of this country, I say they might have done better, they might have done a greater service to the country, had they discussed the very existence of this Government. Sir, instead of wasting their time in quoting figures, they might have done well to discuss the right and title of those gentlemen who have come forward with the budget. What is this budget and who presents it and with what right? Sir, we know that budgets are presented before the representatives of the people by the Government of a country; and no money can be raised save and except with the sanction of those representatives. Here let the representatives of the people either pass the budget or throw it out, the so-called Government will raise the money and use it in the manner they like. Is it a Government or is it a budget? (Laughter.) Sir, we know that Government is a political organisation which has been established in a country according to certain laws, and those laws are nothing but the will of the people expressed in terms of laws. We hear, Sir, that in the British Parliament a new law is being enacted for the government of India. Does the British Parliament represent the people of India or the will of the people of this country? The answer will be, no. Well, Sir, then, in fact, there is no law in this country, and, similarly, in the absence of any law, there is no Government, and, in the absence of a legal and lawful Government, the question of budget does not arise. (Laughter.)

**Dr. Bhagavan Das** (Cities of the United Provinces: Non-Muhammadan Urban): This is a matter for groaning rather than for laughter.

**Mr. Ram Narayan Singh**: For the sake of argument, I will take it that there is a Government, and my Honourable friend, Sir James Grigg, has presented the budget. He has given an account for three years, and, within this period, he has said that 400 crores of rupees have been realised and spent by this Government. But we know what happens in other countries. The people pay to the Government, and, in return, they are protected and led on the path of progress and happiness. But here we pay to this Government, but what do we get in return? I think Sir James Grigg is a gentleman (Laughter), and it is, therefore, that he feels ashamed of stating what his Government have been doing for the people of this country in return for the money they have got. I say, we pay to this Government only to be robbed: we pay to the Government to be oppressed: we pay to this Government only to be tortured in all possible ways. In short, we have been rearing in the form of this Government poisonous snakes in our houses only to be bitten by them. But the thing is this: the gentlemen on the opposite Benches cannot realise what we

feel: it is not their fault: it is natural with them. This reminds me of a line from Tulsidas which runs:

*"Bhānjni kī jānē prasava kē pēra."*

It means, "How can a barren woman know the pangs of child-birth?" (Laughter.) Those people who get fat salaries, live in palatial buildings and enjoy all the pleasures of life, cannot understand the feelings of a suffering people.

The worst sufferers in this country are the people of those tracts which our British masters have stigmatised as backward tracts. From clause 95 of the new Government of India Bill, it appears that the people of British Baluchistan also have a similar fate. In these areas, the laws of the various Legislatures in this country will not be applicable. All the executive, judicial and legislative functions of the State are centred in one man called the Governor or the Viceroy: and we know what is the result of this arrangement in the actual administration in those areas. All the officials from top to bottom there look upon themselves as independent chiefs: they behave towards the people in any manner they like: they never think that they have to obey certain rules and laws: they think they are responsible to none and that the people can be treated in any way they like and for any purpose they want. There has been agitation in the country against this sort of rule in those areas. I can understand the benevolent idea of a special treatment accorded to a people by way of education: but this Government has never done anything for these people. I shall quote from Sir John Simon what this Government has done till now for the people of these backward tracts. Sir John Simon in his Report, Vol. II, page 109, para. 129, says:

"The responsibility of Government for the backward tracts will not be discharged merely by securing to them protection from exploitation and by preventing those outbreaks which have from time to time occurred within the borders. The principal duty of the administration is to educate these peoples to stand on their own feet and this is a process which has scarcely begun."

This is the certificate which this Government has got from their own Commission, and I know this process will never begin till the end of this rule. There has been agitation throughout the country against such kind of rule. In the Bihar Legislative Council, they have passed the Resolution, more than once, that the same kind of administration should be extended all over the province. Only recently, this year, on the 18th of February, they have again passed a Resolution that in the Sonthal Parganas, in Chota Nagpur, in Angul and other places, the same sort of administration ought to be extended. It is too much to say that there are many people in this country who are not fit to be governed by laws: they are governed by the orders of men coming from six thousand miles away. Not only that, in this very hall in 1927, on the 10th February, a Resolution was passed, that in those areas same kind of rule ought to be established: but this Government have not done anything at all till now. The thing is this: This Government have got a different attitude at present: they are not going to do anything: we do not expect anything. At first the Government stood as adamant and as firm as the Himalayas, and they never cared for public opinion. But that stage is past—though they are not conscious of it; and now the stage has come when they have begun



[Mr. Ram Narayan Singh.]

to move in response to the opinion of the public, but they are moving in the opposite direction. If the people tell them to do certain things, they do something quite different. That is the attitude of the Government and that attitude reminds me of a story which I shall relate. A man had a wicked wife (Laughter) and the wife had got into the habit of doing things entirely contrary to what her husband asked her to do. In course of time the husband learned how to behave himself towards her: he began to tell her things contrary to what he really meant and managed things in this way for some time; but it was an unnatural way of doing things: he was tired of it and he then began to think out ways and means how to get rid of her. One day the people of his village were going on a pilgrimage and he proposed to the wife, "Look here, wife: the people here are going on a pilgrimage: we should not go". The wife came forward and said, "Husband, that cannot be: we must go". Arrangements were thus made and they started on the pilgrimage. On the way, there was a deep river and a bridge over it. The husband told her, "Look here, dear wife, you cross the river by the bridge and I shall cross the river on foot". The wife, wicked and naughty as she was must insist otherwise, and she said, "No, husband: you cross the river by the bridge and I shall cross the river on foot". In this way, the poor wife was drowned and dead. I say the Government here are behaving like the wife in the story. In course of time, we, the people of India, will learn how to behave towards them. Not only that: we shall learn how to put an end to them. We hear a lot of talk about the benefits of British rule in this country. They go so far as to say that British rule in this country is a divine boon. Sir, I also believe in God. I also say that in the advent of the British people in this country there is the will of God, not by way of boons, but by way of curse. We Indians had committed national sins in the past, and God ordained that we ought to be annihilated from the surface of the earth, and these British people, according to the divine order, came like so many hangmen of today to this country to execute the divine decrees. But, Sir, these British people were, as they are even now, very clever people. They did not annihilate us according to the divine order, but they allowed us to live for service to them. . .

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member should confine himself to the budget.

**Mr. Ram Narayan Singh:** I beg your pardon, Sir, The budget deals with accounts and figures, but it should also deal with accounts of what the British people have done in this country. They allowed us to live to render service to them. Our sins continued for which we ceased to be responsible, and, in course of time, these sins, multiplied by our masters, began to cause suffering throughout the whole world. And, Sir, now the divine wrath is against them, there has been a divine decree that the British people shall have to leave the country and that we shall be free, and no power on earth can now stand in our way.

Now, Sir, I shall say one thing before I take my seat. The British people must know that they have morally and intellectually ceased to be the rulers of this country. We are not going to have them as our masters, but we are ready to extend to them our hand of friendship, we are ready to treat them as our friends, and, I think, they know that in India they

have not got a better friend than Mahatma Gandhi, and they ought to settle terms with him, but if they will not do it, I know the struggle will continue, nobody can stop it, but in the struggle, both the parties,—we Indians and they, the British people,—will lose. But a man loses what he actually has. While Britishers have got the sovereignty of this country, we have got only slavery therein.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has now only one minute more.

**Mr. Ram Narayan Singh**: Sir, I shall finish my speech shortly, but you know that I hail from a backward tract. British people have extended special treatment to the people of the backward tracts, and I think you will do well to follow their example in my case and give me special treatment in regard to time, but I shall finish my speech shortly. (Laughter.) Well, Sir, if the struggle will continue, if there is no compromise, they will lose their sovereignty and we shall lose our slavery. The sooner it happens, the better it is for all concerned.

**Lieut.-Colonel Sir Henry Gidney** (Nominated Non-Official): Sir, I must join my friends in this House in offering my tribute of congratulations to the Honourable the Finance Member. The Honourable the Finance Member has tried to please all people. He has tried to please the poor man in the village, the man with a small income, the man with a large income . . . .

**An Honourable Member**: The man with no income.

**Lieut.-Colonel Sir Henry Gidney**: . . . . he has not done that,—but he has certainly tried to please all; but I feel he has failed in his attempt to do the impossible—to please all. The super-tax man is not happy, because he objects to the restoration of the cut. My friends opposite have belittled his very laudable efforts at village uplift, and some have indicated that it was a movement in opposition to the efforts of Mahatma Gandhi's Village Industries Association. Sir, to my mind, I should like to have seen in the budget a little more sodium chloride and a little less sodium chloride and less silver. His effort, however, certainly redounds to the great credit of the Government even if on village uplift movement it has helped, even indirectly the Village Industries Association and however much the efforts of Government may be belittled, I think they should receive the appreciation of every Member of this House.

**An Honourable Member**: Radium chloride.

**Lieut.-Colonel Sir Henry Gidney**: That observation apparently indicates the limit of the radius of your own observation. Sir, not being a financier, I shall not try to deal with any such aspect of the budget. I shall confine myself to one or two suggestions which I hope will be of some benefit to the Honourable Member. I should like to have seen some measure introduced in regard to death duties. I should also like to have seen some inclination on his part to introduce some other measures of revenue, and might I suggest to him the need for the imposition of a higher import duty on patent medicines which, I think, would be a very fertile source of revenue to Government as it obtains in other countries.

[Lieut.-Colonel Sir Henry Gidney.]

It was very pleasing to me, coming as I do from Bengal, to hear the praise he gave to the Bengal Government in their efforts to economise. But might I suggest that he should communicate to the Government of Bengal the great source of revenue they would get if they imposed a duty on *pān*?

Sir, there are certain other points which I should like to bring to the notice of the Government, one of the most important of which relates to the Health Department of the Government of India. Last year, I had occasion to speak at length on this subject and to try and impress upon the Government the necessity of appointing a Minister of Health. As a delegate to the Joint Parliamentary Committee, I stressed the importance of this very point, and I believe the Committee was impressed with what I said. I have not seen any reference to it in its report. Possibly that is to come. But I should like the Government of India, if the opportunity offered themselves, to communicate my suggestion to the Secretary of State for India. However desirous this House and the Finance Member may be in protecting the wealth of this country, it is more desirable that they should give equal, if not more, attention to the health of the people. The Health Department of the Government of India is a standing disgrace to any Government that takes pride in calling itself a civilized Government. (Hear, hear.) Even the smallest Governments—to mention only two—of Iraq and Ceylon possess a Minister of Health, and here are we devoting ourselves to aerial politics, as to how we should balance the budget, while we pay no attention whatever to the health of this vast country, with the result that many millions of people are dying every year. I cannot, therefore, too strongly impress upon the Government the importance of this matter.

There is one other matter to which I should like to draw the attention of the Government, and that is the danger which, as a medical man, I feel is omnipresent and that is the introduction of yellow fever in this country. If this disease ever got entrance into this country, God help the country and God help the Legislative Assembly, you won't be here. It would decimate the country.

Sir, the point to which I desire to devote most attention is the defence estimates of this budget, but before I do so, I should like to take this opportunity to pay a public tribute of appreciation to the great care which His Excellency the Commander-in-Chief, his Army Council and his vigilance committees have, during the year, bestowed on the expenditure on the army and the able manner in which they have performed their duties. ("Question" from the Congress Party Benches.) You can question yourself if you are capable of answering it, but don't interrupt me. One has only to look into the military expenditure for the last five years to be fully convinced of the truth of what I say. His Excellency the Commander-in-Chief—I hold no brief for him,—has not only shown himself to be an ideal soldier, but an able and practical statesman of a high order. He has been responsible for a reduction of nearly ten crores within five years, and he stands out almost alone in that as Commander-in-Chief he does not blindly subordinate his own opinion to the opinion of his Council, however expert they may be in their own departments. On the contrary, he demands to be convinced himself that all has been done and that all is well and the budget that is laid before us is proof positive of the splendid way in which he has performed those duties.

**An Honourable Member:** Question.

**Lieut.-Colonel Sir Henry Gidney:** Whilst on this subject, I must say that I was rather surprised when I heard the speech of my Honourable friend, Mr. Mody. Mr. Mody, as this House knows, was a close protector at one time of cotton and the Bombay mills. He is now more concerned with ingots of steel and iron. He is one whose opinion I always valued, but I was surprised at his going off the deep end the other day when he referred to the military budget. By "deep end" I do not mean in the sense of wanting in depth of knowledge and experience; what I meant was in relation to the military budget. If I heard him aright, he said, in substance, that he desired the military budget to be reduced, so as to improve the position of utility or nation-building departments of the Government. He said that the military expenditure must be drastically cut down, because world forces were acting against the present system. He further said that the military expenditure was a stranglehold on the progress of industrial and agricultural development in this country, and he hoped that the Honourable the Finance Member would save this country from it. I always listen to what Mr. Mody says with great respect, but I wonder if he has read this blue book that has been supplied by the Army Member to every Member of this House.

**Some Members on the Congress Party Benches:** Oh!

**Lieut.-Colonel Sir Henry Gidney:** You may say "Oh", but if you are a serious seeker after knowledge and not a slave to prejudice, I want you to read that book, and I have no doubt you will be convinced of what has been done in reducing military expenditure. You may say what you like about the military budget from a political or racial point of view and objects. I have no concern with that. One must face facts, and if you are blind to facts, you cannot be argued with.

**An Honourable Member:** Put on specs. (Laughter.)

**Lieut.-Colonel Sir Henry Gidney:** Sir, I am sorry, I did not quite catch that interruption; otherwise, rest assured, I would have given a suitable retort. Sir, what do we find? Let us take the cost of the army in England. In 1934-35, the cost was Rs. 52 crores, and in India it was Rs. 42 crores. Let us take the cost of the navy. In England, in 1934-35, it was Rs. 75½ crores; in India, it was Rs. 65 lakhs, one-five hundredth part of it.

**An Honourable Member:** What are their respective incomes?

**Lieut.-Colonel Sir Henry Gidney:** Let us take the cost of the air force. In today's papers, you will find that in England the estimate is Rs. 23½ crores; in India, it is Rs. 1½ crores, one-twentieth part of it.

**An Honourable Member:** What is the income of Britain?

**Lieut.-Colonel Sir Henry Gidney:** In England, the total expenditure on defence,—sea, air and land—was Rs. 151 crores in 1934-35, and, in India, for the same period, it was Rs. 44½ crores, scarcely one-fourth. And the British figures do not include the Rs. 60 crores annual expenditure on war pensions, while pensions of all kinds are included in the Rs. 44½

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crores in India. In point of facts we pay Rs. 8 crores as pension charges out of these Rs. 44½ crores. In addition, the cost of the defence services in England is going up. The student of history will realise that the defence expenditure of every other nation in the world is going up today. In Japan, since 1914, it has gone up 166 per cent. We know that in the army and air forces alone, this year, the estimates have gone up in England by seven million pounds. The cost of defence in India in 1914 was, as we all know, Rs. 29 crores, and, in 1934, it was Rs. 44½ crores, that is, an increase of about 53 per cent. as compared with an increase of 123 per cent. in England. I am not defending the Government, I am defending my own reading of the situation. The Opposition have a habit of saying to Government, "You are maintaining an army which is costing the country almost half your revenue", sublimely forgetful of the fact that that army is not only for the needs of the Central Government, but for all the provinces and the States also . . . . .

**An Honourable Member:** And for the British Empire.

**Lieut.-Colonel Sir Henry Gidney:** . . . and, therefore, the revenues of the provinces, the States and the Central Government should be totalled up when proportioning the cost of the army and not only the central revenues. If you did that, you would find that the cost of the army in this country comes to a very much smaller proportion than is stated indeed (*Cries of "Oh!"* from the Opposition Benches) . . . it is almost in line when compared with the cost of armies in other countries. I go further and say that if you take the military estimates of this country on a *per capita* calculation, it comes to Rs. 1-8-0 per head in India.

**An Honourable Member:** What is our income per head?

**Lieut.-Colonel Sir Henry Gidney:** In England, it comes to Rs. 80 per head.

**An Honourable Member:** What are the comparative

**Lieut.-Colonel Sir Henry Gidney:** Let the interrupter put that fact in his pipe and smoke it!

**An Honourable Member:** Rule Britannia.

**Lieut.-Colonel Sir Henry Gidney:** Good! But I wonder how you'd "Rule India"?

In the Dominions, it comes to Rs. 3-8-0 per head. In France, it comes to Rs. 29-8-0 per head; in the United States of America, it comes to Rs. 18-8-0 per head; and in Japan, it comes to Rs. 6-8-0 per head. So, one cannot with any justification criticise the Government and the Army Department as maintaining the army in India at an exorbitant price. Mr. Mody called it the stranglehold on the agricultural and economic development of this country. For my part, I should call the army as *par excellence* the most important and necessary nation-building service in this country. Don't forget, if you had not the army, you would not be here. If you had not the army, the trade of India would be paralysed, in fact chaos would reign supreme. (Interruption.) It is all very well for the Opposition Benches

to talk in the abstract and without any knowledge on such an important matter. In raising your voices, you are not appealing to the Legislative Assembly when you talk in that "airy fairy" manner. You wish the outside public to hear you.

**An Honourable Member:** Shut up.

**Lieut.-Colonel Sir Henry Gidney:** "Shut-up" did you say? If you said that to me outside this House, I would soon shut you up in two seconds. Will you try it outside? (Interruption from Congress Party Benches.)

**Mr. President** (The Honourable Sir Abdur Rahim): Order. order. It is not conducive to orderly debate to speak in such language.

**Lieut.-Colonel Sir Henry Gidney:** Thank you, Sir. In dealing with criticisms one must put forward facts to show that the arguments advanced against me are not correct. You may say what you like about the necessity for and size of the British army. You may say what you like about the composition of the army. You can criticise *ad libitum* the speed of Indianisation of the army and I may in certain respects join with you, but when you consider the enormous frontier line that you have got to defend in India, the enormous coast line that has to be protected, and when you consider the present condition of political and communal unrest of India, you have got to realise that an army well equipped and up to first class standard is an absolute necessity in this country and will be a necessity for years to come. You cannot have a second class army as you are suggesting. We want the very best, and this costs money. Otherwise you might as well scrap your army and settle India's future among yourselves. You cannot as amateurs run an army on political ideals and differences. You cannot have an army in the air. You must leave that to your military experts. I consider that the account given by the experts in command of the army during the past year is a very excellent one deserving our support, not condemnation. Now, Sir, I fully appreciate and sympathise with this desire for Indianisation of the army as early as possible, i.e. compatible with safety and efficiency. I believe that if England is honest in her intention ultimately to give India the complete control of her defences—and dominion status will be a farce unless there is complete control of the defences—an honest and serious beginning must be made at once and that beginning cannot be done on a piecemeal policy or at a snail's pace. On the other hand, it certainly cannot be done at too rapid a rate. The main difference of opinion between both sides of this House is as regards the pace at which Indianisation should take place. But, Sir, let me repeat, if the Government of India are serious in their desire to give us proper training in the art of our own defence, a beginning can be made in many ways. For instance, why does not India make her own cars for her military needs? Why cannot India make her own aeroplanes? Why cannot India make her own cannon? Why should we be called upon to spend year in and year out millions of pounds for our ammunition and other defence armamentarium? Take the Royal Indian Navy. We are told that it is an Indian navy and is almost entirely Indianised. I seriously question whether Indianisation is being really practised in that service and I say this for very serious reasons. Let me ask, why is the Army Department still indenting on England for wireless operator for the Royal Indian Navy?

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Surely my Honourable friend, Mr. Bewoor, in charge of the Posts and Telegraphs, has a sufficient number of intelligent men of all communities in his Department whom he could train as efficient wireless operators? The admission came last year from his predecessor in office that he could not do so. I cannot believe this. There are other aspects in connection with the administration, as a whole, of the Army Department which makes one doubt whether it is seriously the intention of the Government in England ultimately to give us control of our defence.

**An Honourable Member:** What about the Commander-in-Chief's speech?

**Lieut.-Colonel Sir Henry Gidney:** Practical openings must be given and a beginning must be made, so that we will in time be in a position adequately to train ourselves. At present, thanks to the various explanatory letters that have been published by the Army Department, Members of this House have had their first peep into that sealed book of the Army Department. We have been allowed to read the preface. We should now like to look at the index and get a peep at the context. But I must thankfully admit that this little blue book has given us a wonderful knowledge. I ask what is the use of theory? We want to have some practical experience. But when we criticise the army, as has been done today, let us be practical and not base our criticisms on the impossible just now, I refer to a reduction of the British army. I submit with conviction that it cannot be reduced just now.

**An Honourable Member:** Why not?

**Lieut.-Colonel Sir Henry Gidney:** What a question: Surely you must feel its need? The British army cannot be reduced by a single rifle or a single man, because it is needed more today than ever to maintain the peace and tranquillity of the country. (*Cries of "Oh".*) No one will or can deny that. Which of you will put his hand on his heart and dare to deny that if the British army left the country today, an express wireless message would be sent tomorrow begging it to come back at once? Why camouflage? Let us face facts and not shadows.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has only one minute more.

**Lieut.-Colonel Sir Henry Gidney:** After the mutiny and, as a result of it, there was then certainly a dire need of a system of counterpoise in the shape of a large British army. This was based on a profound distrust of the Indian. Today the necessity for a large British army in India is more than ever, but for a different reason . . . .

**An Honourable Member:** Why?

**Lieut.-Colonel Sir Henry Gidney:** The Indian army is loyal, but rabid distrust exists between the politicians and various communities. (*Cries of "Oh".*) Shout on, but you cannot deny that the position today is one of intense and bitter communal distrust and rivalry. The army division between the martial and non-martial races of India has been the outcome of military trials and observations.

**An Honourable Member:** Your own creation!

**Lieut.-Colonel Sir Henry Gidney:** The question of martial and non-martial races is nothing less than this, one community objects to another being recruited in larger numbers and so fears that community. It is to neutralise this communal fear and rivalry that the British army is today necessary as a counterpoise. Take away the British army from India and you will be at each other's throats and will find the rivers of India becoming rivers of blood. (*Cries of "No, no".*) You know that is true. You can talk loudly to the public, but it is only talking in a vacuum. Let the British army go away and you will be the first to recall it. Sir, I do consider that the pace at which Indianisation is going is a safe and reasonable one and it cannot be quickened just now, and I do hope that when the Army Secretary gets up to reply, he will be able to explain and enlighten you on the few points I have raised today. It is for these reasons, I submit, according to my reading of the situation, that it would be hazardous to reduce the military budget any more without imperilling its efficiency and endangering the peace and tranquillity of India.

**Pandit Govind Ballabh Pant** (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): It was my intention that I should restrict myself strictly to the budget. It is unfortunate that certain remarks made by the Honourable the Law Member, and not only the observations made by him, but the attitude and the temper displayed by him, cannot be overlooked by me. When an Honourable Member of his position, holding the most responsible office in this House, exhibits temper, I think we little men here cannot but make a request to him to show a little more indulgence and restraint. Sir, the Honourable the Law Member reminds me of Lord Carson who once occupied a place in British Parliament exactly similar to what he is occupying here. He is in every way qualified and competent, but perhaps lacking in the saving grace of humour. Sir, the Honourable the Law Member has all my sympathy. I know he has not had to rub his shoulders with other men as a manly public man. I know, on the other hand, he had not to resist the blandishments to which public servants, as such—I would not call them "effeminate"—are exposed. (*Laughter.*) He does not belong to either of the two normal groups. I would not use any biological simile, but the fact remains that he often exhibits impotent rage, which, Sir, does not befit him. (*Hear, hear.*) Sir, after all, does the Honourable the Law Member or his colleagues, sitting opposite, claim and assert that the ranks of the services are absolutely free from corruption? That is not what even the Honourable the Law Member dare say.

**The Honourable Sir Nripendra Sircar:** Yes, I don't say that.

**Pandit Govind Ballabh Pant:** He does not. Then, does he think that corruption can be only of the gross type? Are not there insidious ways of corruption? Sir, I was reading the life of Lord Carson recently and was struck by the fact recorded in the book that thirty Irish Members in the British House of Commons, who, as a rule, voted with the British Government, were appointed to eminent offices within a short period of a year or so. Well, is not that corruption in a subtle form? So the Honourable the Law Member need not be dogmatic in these matters. Let him look at them with a proper sense of proportion and without losing the balance.



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And, then, Sir, who set the ball rolling? Does not the Honourable the Law Member remember that the other day he indiscriminately charged everyone in the Congress with corruption of the worst type? He went out of his way, on an occasion when his remarks were absolutely out of point, and he said that the Congress people had embezzled one crore of rupees out of the Tilak Swaraj Fund.

**The Honourable Sir Nripendra Sircar:** On a point of personal explanation, Sir. If my Honourable friend wants to attack me, I do not mind in the least, but I do hope he will quote me correctly, and I deny that I said that it was all Congressmen who had been corrupt and who had been concerned in all these things. I said nothing of the kind.

**Pandit Govind Ballabh Pant:** I do not mean to misquote anybody, much less the Honourable the Law Member, who, as I said, has my sympathy, if not my respect. Sir, the Honourable the Law Member does not deny that he said that Congressmen had been corrupt. I think I remember what he said: that Congressmen had embezzled one crore of rupees, that no accounts had been published, that Congressmen had been practically exploiting others, wearing fine clothes and using motor cars and the like! My complaint against him is definite. His statement was thoroughly incorrect, inasmuch as no less a person than Seth Jammalal Bajaj was the Treasurer of the Fund and the accounts were properly kept, audited and duly published.

**The Honourable Sir Nripendra Sircar:** I rise again, Sir, to correct my Honourable friend. I deny that I said that no accounts were published of the Tilak Swaraj Fund or of the proceedings.

**Pandit Govind Ballabh Pant:** Well, if the Honourable the Law Member is vehement in his denial, I conclude he realizes the blunders that he made. (Laughter.) Sir, let me humbly tell him that that was a momentous occasion, the debate on the Joint Parliamentary Committee Report was sure to engage attention in England, the character of Indians was on its trial, and on that vital occasion, when such delicate and large issues were at stake, he was certainly guilty of a rash and unwary—and if he will permit my saying so—an absolutely incorrect and baseless remark. (Hear, hear.)

**The Honourable Sir Nripendra Sircar:** Which was never made!

**Pandit Govind Ballabh Pant:** There I settle my accounts with him. I have now to settle my accounts with the Honourable Member sitting opposite to me with whom I have come in close contact in another place more than once.

Sir, the budget that has been presented was received by me with a genuine feeling of disappointment, but I am here not to give expression to sentiments, but to deal with it in the cool light of reason. The Honourable the Finance Member, Sir, opened his speech with the observation that in this country the budget estimates were complicated, as they

referred to three years: the actuals for the last year, the revised estimates for the current year, and the estimates for the next year. I agree with him in that view. I feel, Sir, that if our figures were restricted to two years,—namely, the actuals for the preceding year and the estimates for the coming year then that course would provide correct data for our budget, would remove the element of uncertainty and speculation, and might, in certain circumstances, save us against unnecessary burdens of taxation. I may just give an instance. In the year 1933-34, the actuals show a real surplus of 2,72 lakhs, while the revised estimates indicated only 1,29 lakhs. Had the Honourable the Finance Member before him the actuals of the year 1933-34 when he framed the budget for 1934-35, perhaps he would have refrained from imposing some of the taxes that he then proposed. From several other points of view, too, it would be a better and financially a sounder method. Sir, in the circumstances of our country, a financial year from the 1st of October or November would be more appropriate. We are mainly an agricultural people, our indigenous bankers renew their annual accounts from either the *Diwali* or the *Dusserah*, and the monsoon is an important factor. It has been repeatedly said that in our country the budget is a gamble in rains. So if our budget year started on the 1st October or November, after the rains, that would suit this country better, and such a suggestion had, in fact, I think, been made by the Welby Commission. I do not know if the Honourable the Finance Member will give any thought to this matter. As we are situated, we are tied down to the fetters of the English practice connecting the advent of the New Year with the fool's day. I wish that the birthday may be changed to the wise man's day according to the Indian calendar from that of the fool's. Sir, the Honourable the Finance Member has, in my view, over-estimated expenditure and certainly under-estimated revenue. There are signs of recovery. The experts testify to this welcome change. The volume of exports and imports has gone up. The goods traffic in trains is improving. All these things point to a greater surplus in the coming year than we have actually realised in the last or in this year. In fact, our surplus has been steadily going up. It was 2,72 lakhs last year, while it is bordering on 3,50 lakhs this year. I think the Honourable the Finance Member would have been well-advised in calculating a larger amount of surplus. I know that financiers have the weakness of under-estimating revenue where the claims of exemption from taxation confront them, as they have the weakness of over-estimating expenditure where the claims of retrenchment are likely to be pressed upon them. So I am not surprised at the attitude taken up by the Honourable the Finance Member. Sir, I similarly think that the surplus has not been properly disposed of. I am entirely opposed to the diversion of the surplus to such purposes as civil aviation or the removal of the Pusa Institute. (Hear, hear.) I hold that the entire surplus of the current year should have been transferred to the rural reorganization fund. (Hear, hear.) This is one of the subjects which constantly engaged my attention at another place where I repeatedly pressed for the establishment of a rural reorganization fund. I am glad that the beginning is being made here. I hope the Honourable the Finance Member will make it a rule to automatically transfer all surpluses to the rural reconstruction fund. I make this suggestion on more grounds than one. Sir, as I said, financiers have the habit of under-estimating revenue and generally of over-estimating expenditure. But if they know that all surpluses are likely to be transferred to a consolidated permanent fund, then that serves as a

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check and a restraint on them. A surplus ordinarily covers many sins like charity, and I do not want any loophole or temptation for the Honourable the Finance Member to so manipulate his budget as to conceal the surplus only to be sprung upon us in the revised budget to be appropriated for doubtful sundry objects at the close of the year.

- Sir, I will not refer to many other points which have been covered by other speakers, especially as we will have an occasion to discuss them later. But I should like to point out that the Honourable the Finance Member's statement as to the actual increase in the military budget is certainly misleading. He told us that there was an increase of only two lakhs after providing for the increase in salaries. I find, in reality, as compared with the actuals of the current year, the increase borders on about 1.60 lakhs. He has not taken into account the amount that is to be transferred to the army defence reserve fund this year as well as that to be drawn from it in the budget year. Those sums we have obviously to take into account, and, if we do so, we find that the actual increase, as compared with the current year, is not 58 or 60 lakhs as he tried to make out, but in reality it is about 1.60 lakhs. I hope he will accept my statement. I am really sorry that the actual state of affairs should not have been correctly represented in the budget. Sir, I am not going to refer to other items in the budget at this stage, as I want to address myself to questions of fundamental policy, as to what is the real financial policy of the Government of India? What does it stand for? After all, the matter of budgeting is in a way a mere matter of arithmetic, and any Finance Member can, in a country that is under subjection and under a Government resting on bayonets and rifles and with a people under disarmament, always balance any budget and establish equilibrium in figures for he can impose any amount of burdens on the people. But that is not what budgeting really means in the modern sense of finances and in the sense advanced financiers use the expression. In fact, if there is one dominant characteristic of our budget, it is one of Imperialism. The budget, in all its salient features, reminds us of the Imperialist regime to which we are subject and under which we breathe and exist today. The top-heavy administration, the fabulous salaries and emoluments of the higher ranks with similarly miserable pittance of the lower ranks, the restoration of salary cut, the drain of gold, home charges and the continuous, perpetual drain in so many other ways point to this stranglehold of Imperialism. Along with these I might mention the pegging of the rupee to the paper sterling detached from gold standard and retention of gold reserve in London.

We are told that the Honourable the Finance Member has balanced his budget, but what does that mean? How has he done it? I remember a couplet that I had read in one of the Sanskrit books in my younger days. It means that the sovereign like the rain god absorbs superfluous and surplus moisture in order to irrigate the arid lands for the production of rich, fresh and plentiful crops. But what has been done here? We all know what has happened during the last five years. Prices have gone down by about 50 per cent. I have the index figures with me. We find that the revenue budgeted this year is more than the revenue of every year since 1921-22 when the present system of accounting started, except 1933. We find that the expenses of collection are about 25 per cent. more

than in 1921-22 and 50 per cent. more than in 1923-24: please note, in spite of the colossal fall of an unprecedented character in prices. We find, further, that during the last five years, the Government of India proposed fresh taxation measures with a view to raising 48 crores of rupees per year from time to time. That is the tragic tale. While we asked for bread, we got stones. While people were starving, Government were adding to their burdens. That shows the state of their mind; the outlook and the angle from which they look at the affairs of this country. They initiated measures aggregating in additional taxation burdens to the tune of 48 crores in the course of five years at a time when the country was passing through the severest stress and unprecedented economic slump. I am reminded of the way some people manage their dairies. I will not speak of a Chicago stock house or of a slaughter-house, as that has a bad odour about it. So I will take the illustration of a dairy. Suppose a man keeps a dairy and he earns thereby a certain amount of profit each year and pays a certain amount by way of wages and emoluments to the staff in charge of the dairy, and the rate at which milk sells is four seers to a rupee. Assume that the price of milk goes down from four seers to eight seers per rupee. Still, the keeper of the dairy, or, in case it is held by a company, let us say the company, decides that the servants and the staff would continue to receive the salary that they had been receiving, but that the cattle will be provided with only half of the fodder that they had been getting and the calves will be weaned and will not be allowed any drop of milk. You can run a dairy like that; you can earn all the profits that you had been doing, but how will it re-act on the cattle? Sir, I repeat here what I observed last week regarding railway finance, that the general financial policy of the Government is equally perverse, equally anti-national and equally detrimental to the larger interests of this country.

A word more as to what we want and what we think can be done. I am convinced, Sir, that this is not the time when petty patchwork can cure the body-politic. Today the world stands for new ideals. It has devised new measures and new standards. It is not a time for a sordid outlook or matter of fact methods. My Honourable friend, the Finance Member, though young, happens to possess a great dread of jails. I have been there more than once, and I am not afraid of them. I would advise him to shed off that fear and to plunge into the right path and to march forward with a determination to raise the wealth and productivity of this country and to introduce a higher standard of living among the masses along with easier rates of taxation than he found when he reached here. Sir, first of all, the Imperialistic outlook has to be abandoned. Modern science and modern economics have proved that those shibboleths, which obsessed the generations before us, have really no substance and no reality whatsoever. The twin spectres of the growth of population in a geometrical progression and of diminishing returns of exhaustible resources have been exorcised completely by modern economics. There might have been some sort of biological pretext for an Imperialist policy when men were under the dread of a growing population and diminishing returns. But today we find the problem in England is not how to stem the tide of the growing population, but how to maintain it. The problem in the world is not how to produce more, but how to restrict production. Today our impoverishment is of our own choice. Today science has added to the bounty of providence and there is happiness ensured to everybody if men cease

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to be stupid and petty-minded and do not isolate themselves from the realms of light and bliss that lie before humanity through sheer conceit, prejudice or panic. In all earnestness, I ask the Honourable the Finance Member to look at things from a chastened outlook and to plan out a big scheme for mechanisation, for industrialisation and for rural reorganisation of this wonderful country. It can be done only on national lines now. At present our taxes are mostly indirect, and 75 per cent. of them are being raised by indirect means. They react on our productive capacity. They hamper the growth of trade, and retard the progress of industries. And wherein lies the remedy? It lies only in the nationalisation of the key industries; it lies only in the State taking an active part in the reconstruction of the economic life of the country. If there was a Swaraj Government, I would have most humbly suggested to that Government to float a loan of a hundred crores forthwith in order to rebuild the economic life of this country. (Applause.) Unfortunately, it is not so; we live under a foreign rule. So, it is but a dream, and, however much our friends may blame us for our negative attitude, unless we remove this stupendous impediment and this tremendous obstacle, no progress is possible. (Applause.)

**The Honourable Sir James Grigg:** Sir, though I shall have many other opportunities during the course of our debates on the Finance Bill to follow my Honourable friend who has just spoken into the dreamland which he has just painted so glowingly, I must excuse myself from doing it this afternoon. I am a little staggered at being asked to raise a hundred crores in new loans every year to help the impoverished people of India, and I should like a little more time to think about it . . .

**Pandit Govind Ballabh Pant:** When we come to the discussion of the Finance Bill.

**The Honourable Sir James Grigg:** . . . and specially I should like to learn from my Honourable friend the exact method by which he proposes that it should be done. Sir, the parts of my budget speech which have excited most comment have been two passages which are only incidental to the story I had to tell and not an integral part of it. These are the passages about gold exports and about the revision of revenue tariff, and, perhaps, I might now amplify my remarks in the light of the comments which have been made on them since.

Take the export of gold first. The argument against me appears to be as follows. The people are very poor; they are compelled to sell their gold; therefore, you must discourage them from selling their gold. Now, I could have understood it if the argument had been that people are very poor, you must try to make them less poor so that they will have no need to sell their gold. Indeed I would have agreed with that argument. But I am bound to say that I have not yet heard any practical, immediately practicable, suggestion from the Party opposite for making the lot of the cultivator less hard. Now, what good are you going to do for the cultivator by making it impossible for him to sell his gold or even by making it more difficult? Here, perhaps, I might be allowed to deal with the two suggestions which have been made in this connection separately. The first suggestion has been the imposition of a moderate export duty on gold. Now, assuming that the export still takes place, obviously the incidence

of a moderate export duty is upon the ultimate seller, that is the cultivator. In other words, he gets a lower price and the Government has simply imposed another tax on the poor which does not seem to me to be a very good way of helping them. Next, we can consider a prohibitive export duty or embargo—they come to the same thing. Both of them will ensure that the holder of gold cannot sell it at all. If he is a poor cultivator who is in great distress, he cannot make both ends meet, and he is not to be allowed to sell his last reserves. Incidentally these reserves are at present being sold at a very high profit, it may amount to as much as 70 per cent. Not being allowed to provide himself with resources by dipping into his reserves, where can he turn? Obviously he can only turn to the money-lender, who will lend him money, it is true, but at a very high rate of interest. In other words, instead of being allowed to sell his gold at a very handsome profit, he is forced to borrow from the money-lender and thus add to his burden of debt and to his burden of interest. (Interruption.)

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member must be allowed to proceed without interruption.

**The Honourable Sir James Grigg:** That does not seem to be a very agreeable alternative to allowing him to sell his gold. But suppose he is not so poor and it is not a case of having to sell his last reserves. The only effect of the prohibition then is to deprive him of the chance of selling his gold, again let me say, at a very handsome profit indeed and of investing the proceeds in other forms of property, many of which yield a return which enables him to improve his lot. This has been the case with a good deal of the gold export, and this cannot be doubted, particularly in view of the growth of cash certificates and deposits in the post office savings bank. But the advocates of prohibiting the export of gold have got another shot in their locker and we have not yet disposed of all their arguments. They say, very well make it impossible for them to export gold, but not to sell it. In other words, let the Government buy the gold and use it for settling its balances of international trade and for strengthening its reserves. Here, of course, the argument assumes an entirely different aspect. It is no longer a case of depriving the cultivator of the possibility of realising his reserves or turning them into interest bearing securities, it is a question of what the Government is to do with the gold when they have got it. Here perhaps to simplify the argument, we can leave out of account the gold which the Government use to settle its balances on international account. In so far as that is concerned, Government has merely introduced into the chain an extra bullion dealer, and the general result is no different from before. We will just concentrate on the metal which is left in the hands of Government. The first question is, how do Government pay for this gold? Leaving out of account all technical jargon and all the intervening processes, I suppose you can say that Government simply pay for the gold by printing currency notes against it. There is another complication here which I may mention in passing, namely, that under the existing law, notes can only be issued against the gold up to the old parity of price, which, in fact, means that Government can only under the present currency law issue about  $\frac{2}{3}$ rd of the notes required to pay for the gold. It must, therefore, borrow the remaining  $\frac{1}{3}$ rd; it must borrow from the public and pay interest on it. So that is not a very profitable transaction to Government. But, in order not to load the scales of argument, I will leave this

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point out of account, though, I would assure the House that it is a point of no small magnitude. The position now is roughly that Government would be acquiring 20 or 30 crores of gold every year and printing currency notes against it. It is very difficult to say what the precise result of this would be. We might have been a little more in a position to make a forecast if the "New Deal" had had a little longer to work itself out; but nobody can say that it is not imaginary finance with a vengeance. I should think that the most likely result would be the price fall in exchange which accompanies all violently inflationary movements. And this would leave us with only two alternatives. Either we protect the exchange by exporting the gold which we have been so busy to prevent other people exporting and which we bought by printing currency notes, or we could abandon the present rupee ratio. Perhaps this abandonment of the present ratio is what the advocates of stopping gold exports want, but, if this is so, let me say at once that I will have no part or lot in any such policy. For I am absolutely and honestly convinced that this would be disastrous for India, it would be disastrous for the poor of India particularly, and more particularly, disastrous for the poorer cultivators.

Now, I hope I have said enough to explain why I said that the continuance of gold exports does not alarm me unduly. We have already exported something over 200 crores, and there are still left, out of the imports of gold during the last 30 years, nearly 500 crores. There are, therefore, ample reserves left in the country. In so far as gold which is being exported is not distress gold, it is being sold at a very large profit and is being replaced by other forms of property, many of them yielding an income. This is to be welcomed and not deplored.

**Pandit Lakshmi Kanta Maltra:** Is this 500 crores exclusive of the amount already drained away?

**The Honourable Sir James Grigg:** Yes; the figures were given by my predecessor, I think, in connection with the 1932-33 budget.

**Sir Cowasji Jehangir** (Bombay City: Non-Muhammadan Urban): These 500 crores were imported since when?

**The Honourable Sir James Grigg:** In the last 30 years, 700 crores were imported out of which 200 crores have been exported.

**Mr. Akhil Chandra Datta** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Is it not 222 crores?

**The Honourable Sir James Grigg:** Yes, I said something over 200 crores. In so far as it is distress gold, we can deplore the fact of the distress and it is one respect in which both sides of the House can heartily unite. But I think we can equally be glad that there is a reserve to meet it. And it is no good trying to cure the illness by concentrating our attention on the outward and visible symptoms of it. The illness is not the export of gold, the illness is poverty. (Hear, hear.) And that is the problem to be tackled, though, I daresay, Honourable Members opposite either will not agree or will say that we are tackling it the wrong way. But Government are tackling it. (Cries of "Oh! Oh!")

**Pandit Lakshmi Kanta Maitra:** Will it be tackled by a further down?

**The Honourable Sir James Grigg:** In the first place, they are tackling it directly by measures of agricultural research, a scheme for agricultural marketing, grants to the handloom industry and to the sericultural industry, the foundation of a dairy institute, the foundation of a bureau of industrial research, and many other measures which have been explained to the House, from time to time, by my Honourable colleagues. They are also, I may say, coming to the assistance of the hard-pressed provinces by putting aside a crore of rupees for work in the villages. But when all is said and done this is only one end of the problem. At the other end there is the need to enlarge India's export trade. This is, as I have said already on several occasions, a very slow and a very discouraging process. It requires a larger measure of international good-will than now appears to be forthcoming; and unpalatable as it may be to some Members of this Assembly, in the long run it requires that India should be prepared to increase in return her takings of the products of other countries.

I now turn to the other non-integral part of my budget speech which has attracted some attention, namely, my remarks about the revenue tariff. The Honourable the Leader of the European Group asked what I have got in mind. The only thing I can say to him at the moment is that I have come firmly to the conclusion that no serious revision of the revenue tariff is possible unless you have got some money to play with. But certainly the two principles which Sir Leslie Hudson adumbrated, namely, a free list for those articles which are required in the development of India's internal economy and for the rest of the field as large and as wide a measure of uniformity as is possible,—certainly, I say, these are logical and healthy principles which would have to be taken into account in any scientific revision of the revenue tariff. But here let me mention one kind of view which, if a view can show it, showed its head in Mr. Mody's speech and which showed its whole body in some of the communications which I have had from outside this House. This view in effect is that the revenue tariff is so high that it has in effect become a protective tariff; that vested interests have grown up under this wrongly called revenue tariff and that, in consequence, there must be no question of taking off any of the surcharges in this sphere. Well, if this view is accepted, all I can say is, first, that it is a poor look-out for the central revenues if the process of diminishing returns is to be allowed to develop until it is incurable, and secondly, that it is a poor look-out for the person whom the Party opposite so much despises, the consumer.

And now let me turn to the criticisms which have been passed on the budget proper. The first of these concerns what is called the inflated military budget. Well, Sir, I understand we are to have a full-dress debate on this subject later in the week, and perhaps I can conveniently wait for our friends, the enemy, to shoot first. (Laughter.) The second is as to the reliability of our estimates; and here perhaps I might be allowed to say that the criticisms seem to me really to cancel themselves out. Sir Ghulam Hussain Hidayatallah—and he was followed by Mr. Visvesvaraya—said—I may not be quoting their exact words, but the general purport of them—that the budget was a sham and a delusion, because so many liabilities had been postponed or ignored. On the other hand, Sir Leslie Hudson—and I think he was followed by Mr. Sami Venkanchetam Chetti,



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and others—I am not quite sure that my friend, Pandit Govind Ballabh Pant, did not also have some acid remarks to say on this—said, that I had deliberately embarked on a career, a long course of economic planning to fake the estimates.

**Pandit Govind Ballabh Pant:** I said that the increase was greater than you had stated, on the military side.

**The Honourable Sir James Grigg:** He said that we had under-estimated the revenue so as to deprive the taxpayer of his just desserts: and for this purpose the taxpayer is the payer of income-tax and super-tax surcharges and—to paraphrase Mr. Chetty—perhaps also the man with an income of less than Rs. 2,000—I ask you to note the word ‘perhaps’. I might leave Sir Ghulam Hussain Hidayatallah and Mr. Vissanji on the one side and Sir Leslie Hudson and Mr. Chetty on the other to fight this out between themselves: but this would not be much fun for me and so I think I had better join in. To the best of my belief, the estimates I have presented to the House are fair and just. Pandit Pant spoke of the encouraging factors that are visible in India. It is quite true there are encouraging factors: there are encouraging factors in the world at large; but there are also extremely discouraging ones, and the recent action of Italy in putting the stopper on imports from foreign countries, is one of them: there is no doubt that that had an effect on Indian trade: it must have; and while these sudden and almost unexplained embargoes on the entry of goods of other countries, including ours, while the world continues to be liable to these sudden embargoes, nobody can say that the situation in the world is so encouraging that you can afford safely to estimate on a basis of extreme optimism.

One estimate in particular was criticised very heavily by Seth Abdool Haroon. I said in my budget speech that the estimates for sugar must be highly speculative. Mr. Haroon said that I was wrong to the extent of 200 per cent. But since the budget estimates were made, in fact only this morning, we have had the advantage of seeing the latest estimates of the Sugar Technologist for the crop in India and on the examination of his figures we see no reason to alter our estimates at all, and no reason to suppose that they are seriously wrong. But supposing that we are wrong and that the estimate for sugar is too low, well, then there will be a surplus at the end of the year; but *pace* Sir Leslie Hudson, it will still be a non-recurring surplus; for the ultimate fate of our import revenue from sugar is quite certain: the law of diminishing returns is there operating quite inexorably; and if this ultimate result is not achieved in one or two years, it will certainly be achieved in three or four years, and, by that time, the revenues from the import duties are doomed to eventual extinction, and, in my view, it would be absolutely wanton to base a permanent reduction of taxation on such an ephemeral source of revenue: and, however much surcharges may be emergency taxation or temporary taxation, nothing can alter the fact that you cannot take them off until you can see a permanent surplus of revenue to enable you to do so. That means that they cannot be reduced until there is in sight a permanent surplus sufficient to do so: and a permanent surplus is not a purely fortuitous one; and if I may say so, a surplus is nonetheless fortuitous if it is repeated once. I know that my friends in the European Group are pressing me to exercise my

imagination, and, in particular, to imagine that permanent and temporary are the same thing (Laughter); but they are not and if I err I prefer to err on the side of caution, particularly.

**Mr. F. E. James** (Madras: European): The surcharges are permanent.

**The Honourable Sir James Grigg**: I said nothing of the sort: I said that they would be removed when there was a permanent surplus of revenue to enable it to be done. As I said, if I err, I prefer to err on the side of caution, particularly in view of the fact pointed out by Sir Ghulam Hussain Hidayatullah that there are liabilities we are not now meeting, and there are other liabilities, namely, those connected with the separation of Burma and the inception of provincial autonomy, which we know we have got some time to meet.

So much for the two main criticisms of the budget, one of which I have postponed dealing with. Now I may perhaps come to one or two small points which have been raised during the course of the debate. First of all, perhaps I may say a word about the one particular in which Dr. Khan actually impinged on the contents of the budget: and that was in relation to the money to be set aside for the development of the North-West Frontier tribal areas. He was grossly inconsistent, if I may say so without any desire to be offensive. He first started attacking the Government for standing still and being impervious to new ideas; and then he abused us for wanting to pursue a forward policy in the tribal areas and entering into negotiations with the progressive party among the Afridis. In fact he lined himself up with the die-hard party among the Afridis. That really is a curious reversal of logic.

The second point raised by Mr. Haroon related to the question of sugar research. He seemed to be under the delusion that Government were spending no money at all on sugar research. I have looked up the figures since he spoke this morning, and I found that up till the end of 1938, the Imperial Council of Agricultural Research will have spent something like Rs. 24 lakhs on sugar research. In addition to that, Government have agreed to provide Rs. 1½ lakhs initial and Rs. 2½ lakhs recurring for a period of five years, or a total of Rs. 14 lakhs at least, for a sugar research institute. Those two sums come to Rs. 38 lakhs, and it certainly cannot be said that the Government are not doing their duty in the matter of sugar research.

One other very small point I might mention. A good deal has been said about the burden on the smaller income-tax payer. I think it is necessary to preserve a certain sense of proportion in this matter, and perhaps I may be allowed to give the House two figures as to the actual amount of income-tax paid at two points between one thousand and two thousand rupees. On an income of Rs. 1,200, that is Rs. 100 a month, the tax this year would be Rs. 12-8-0, and under the new Finance Bill that will be reduced to Rs. 8-5-0. That is well under one per cent. of the total income. On Rs. 1,600 the tax at present payable is Rs. 33-5-0, and the reduction under the Finance Bill will be Rs. 11-2-0, leaving Rs. 22-8-0 or something between one and two per cent. of the total income. So, in any case, the burden is not very heavy, and it is being substantially reduced, the whole tax is being reduced by one-third.

[Sir James Grigg.]

Sir, as I said in my Budget speech, the proposals do not satisfy me, but I am bound to say that as a result of the debate of the last two days, I do not think my dissatisfaction has materially increased. In essentials, the Budget proposals have emerged unscathed, and almost unchallenged, which rather looks as if nobody has got anything very much better to suggest.

**An Honourable Member:** Wait and see.

**The Honourable Sir James Grigg:** Sir, I should like to be allowed to thank the House generally for the extremely friendly tone it has adopted towards the budget proposals in general and myself in particular. There have been perhaps one or two slightly superior remarks, but on the whole I have very little indeed to complain of and a great deal to be extremely grateful for. Sir, let me end by repeating once more that I am not satisfied with the budget proposals, and I do not regard these attempts as anything but a beginning, and I hope that in future years the budgets will, first of all, provide adequately for all our liabilities, secondly, for further relief to taxpayers, and, if I may say so, the most important of all, will show further visible and outward signs of the concern of the Government of India for the welfare of the poor. (Cheers.)

The Assembly then adjourned till Eleven of the Clock on Thursday, the 7th. March, 1935.