

17th March 1937

**THE
LEGISLATIVE ASSEMBLY DEBATES**

(Official Report)

Volume III, 1937

(15th March to 3rd April, 1937)

FIFTH SESSION

OF THE

FIFTH LEGISLATIVE ASSEMBLY

1937



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1937

Legislative Assembly.

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LEGISLATIVE ASSEMBLY.

Wednesday, 17th March, 1937.

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.

QUESTIONS AND ANSWERS.

ABOLITION OF IMPORT DUTY ON PIG IRON IN THE UNITED KINGDOM.

687. ***Mr. T. S. Avinashilingam Chettiar:** Will Government state:

- (a) whether it is true that the duty on foreign pig iron has been abolished by the British Government and they have thus deprived India of the preference hitherto enjoyed on pig iron;
- (b) whether the Government of India were consulted in the matter; and
- (c) what step they propose to take in view of this step taken by the British Government?

The Honourable Sir Muhammad Zafrullah Khan: (a), (b) and (c). I would invite the attention of the Honourable Member to the replies given by me to questions on the subject yesterday.

Mr. T. S. Avinashilingam Chettiar: I understood the Honourable Member to say the other day that preference was not given for pig iron under the Ottawa Agreement. Is it not a fact that in the Ottawa discussion great point was made in this Assembly that pig iron was given free entry in England?

The Honourable Sir Muhammad Zafrullah Khan: There is still free entry for pig iron.

Mr. T. S. Avinashilingam Chettiar: If there is no preference, but only free entry, and if there is duty on pig iron from other countries, and whereas that duty has been removed and there is no more preference, is not India put on a par with other countries?

The Honourable Sir Muhammad Zafrullah Khan: Yes, but what I said the other day was that the only thing that the Ottawa Agreement guaranteed was free entry and not preference.

Mr. M. Ananthasayanam Ayyangar: Is it not a fact that the free entry for Indian pig iron into England as opposed to some import duty on foreign pig iron in England was the *quid pro quo* for allowing preference on galvanized sheets from England?

The Honourable Sir Muhammad Zafrullah Khan: I would require notice of that question. Though, of course, if the duty has been abolished on pig iron from other countries, as a matter of fact Indian and other countries have been placed on a par. What I said the other day, and what I tried to emphasize today, is that no part of the agreement has been contravened. The situation has been changed no doubt. I may also inform Honourable Members that on the prices that are still ruling there is a good deal of advantage in favour of India. Although there is no preference in favour of Indian pig iron, exports from India are not being affected.

Mr. M. Ananthasayanam Ayyangar: Is it not a fact that, in the Blue Book published by the Director of Commercial Intelligence regarding the Ottawa Agreement giving facts and figures, he has stated that preference has been shown to Indian pig iron in United Kingdom in consideration of similar preference for galvanized sheets from the United Kingdom?

The Honourable Sir Muhammad Zafrullah Khan: I would require notice to look up the book and inform the Honourable Member.

Mr. Sami Vencatachelam Ohetty: To the extent that the duty on foreign pig iron was removed, it did not affect the preference for the Indian pig iron enjoyed so far?

The Honourable Sir Muhammad Zafrullah Khan: I have already answered that.

COMMITTEE OF ENQUIRY INTO THE CAUSES OF DETERIORATION IN ROCK CUT SCULPTURES IN ELEPHANTA CAVES.

688. ***Mr. C. N. Muthuranga Mudaliar:** (a) Is it a fact that a committee was appointed in November last to enquire into the causes of deterioration in rock cut sculptures in Elephanta caves?

(b) Has that Committee submitted its report? If so, will Government place a copy of it on the table of the House?

Sir Girja Shankar Bajpai: (a) Yes.

(b) The Report of the Committee is expected to be completed shortly. Honourable Member's suggestion will be considered when the report is received.

Pandit Lakshmi Kanta Maitra: What are the terms of reference to this Committee?

Sir Girja Shankar Bajpai: The terms of reference are to enquire into the causes of the deterioration of these sculptures.

Pandit Lakshmi Kanta Maitra: Is it not within the purview of this Committee to advise Government as to the ways and means by which these things could be preserved?

Sir Girja Shankar Bajpai: They will enquire and make recommendations for dealing with the situation.

PRESERVATION OF PAINTINGS IN CONJEEVERAM AND OTHER PLACES IN SOUTH INDIA.

689. ***Mr. C. N. Muthuranga Mudaliar:** Are Government aware that a large number of paintings in South India, specially in Conjeeveram and other places, are in the course of decay? Are Government prepared to take steps to preserve them?

Sir Girja Shankar Bajpai: I would invite the Honourable Member's attention to the reply given by me to his starred question No. 258 in this House on the 11th September, 1935. The Tanjore paintings have since been examined by the Archæological Chemist attached to the Madras Museum and his report is under consideration now.

SIKHS IN THE PUNJAB AND NORTH-WEST FRONTIER POSTAL CIRCLE.

690. ***Sardar Sant Singh:** (a) With reference to the reply to starred question No. 436 given on the 16th September, 1936, will Government be pleased to lay on the table a statement showing the figures of the Sikhs in the Punjab and North-West Frontier Postal Circle in various grades and state if the proportion in services is equal to their proportion in population in the Punjab?

(b) Will Government be pleased to state the criterion for judging whether Sikhs get their due share of vacancies?

(c) Will Government be pleased to lay on the table a statement in the following form showing particulars of recruitment made in the Punjab and North-West Frontier Postal Circle during the year ending 31st December, 1936:

Grade	Total number of vacancies filled by direct recruits.	Number of Sikhs recruited ?
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The Honourable Sir Frank Noyce: (a) A statement giving such information as is available is placed on the table of the House. The reply to the latter part of the question is in the negative.

(b) No separate percentages of reservation have been fixed for the Sikh community, and they share with other minorities the reservation of 8½ per cent. in the cadres of Telegraphists, clerks and other non-gazetted, non-clerical, superior staff and 12½ per cent. in all the other cadres, in the Punjab and North-West Frontier Circle.

(c) A statement giving the information asked for by the Honourable Member is placed on the table of the House.

Statements.

Grades.	Number of Sikhs.
(as on 1st January, 1937.)	
I. Clerical Staff	440
II. Cadres of branch postmasters, overseers, reader, sorting, overseer and head postmen, postmen, village postmen and mail guards	127
III. Line Staff	43
IV. Telegraphists and Telegraph Masters	8
V. Miscellaneous Superior Staff (<i>i.e.</i> , other non-gazetted, non-clerical, superior staff)	26
VI. Inferior Staff (to whom the communal orders apply)	148

Grade.	Total number of vacancies filled by direct recruits.	Number of Sikhs recruited.
I. Clerical Staff	158	19
II. Cadres of branch postmasters, Overseers, reader, sorting, overseer and head postmen, postmen, village postmen and mail-guards	47	5
III. Line Staff	12	
IV. Miscellaneous Superior Staff (i.e., other non-gazetted, non-clerical, superior staff)	14	
V. Inferior Staff (to whom the communal orders apply)	139	9

RESERVATION OF A PERCENTAGE FOR SIKHS FOR APPOINTMENT IN THE PUNJAB AND NORTH-WEST FRONTIER POSTAL CIRCLE.

691. *Sardar Sant Singh: (a) Is it a fact that one set of percentages of reservation for all recruiting units in each circle has been fixed in the Posts and Telegraphs Department?

(b) Is it a fact that 4 1/6 and 8 1/3 per cent. posts have been reserved for Anglo-Indians and "other minorities", respectively, in the cadre of telegraphists, clerks and similar posts, in the Punjab and North-West Frontier Circle?

(c) Is it a fact that the term "other minorities" consists of Sikhs, Anglo-Indians and Domiciled Europeans, Indian Christians and Parsis?

(d) Are Government aware that the percentage reserved for "other minorities", viz., 8 1/3 per cent. is much below the proportion of the population of Sikhs alone?

(e) Are Government aware that the Sikhs who occupy a strong position in the Punjab on various considerations, have been allowed about 20 per cent. representation in the Provincial Legislature?

(f) Are Government aware that as the Sikhs are chiefly in the Punjab, no recruitment of the members of that community is ordinarily expected in circles other than the Punjab and North-West Frontier Circle?

(g) Is it a fact that in certain provinces percentages for the recruitment of Muslims and Anglo-Indians have been fixed even at a higher rate than the proportion of their population?

(h) Are Government prepared to reserve 20 per cent. posts for Sikhs in the Punjab and North-West Frontier Circle (Posts and Telegraphs Department)?

(i) In case the reply to part (h) be in the negative, will Government be pleased to (i) state reasons for according a differential prejudicial treatment to the Sikh community and (ii) state whether they are prepared to increase the present percentage (8 1/3) reserved for "other communities" in the Punjab and North-West Frontier Circle so that the revised figure should be compatible to the share of all the "other minorities" taken together?

The Honourable Sir Frank Noyce: (a) Yes.

(b) The facts are not as stated by the Honourable Member. In the Punjab and North-West Frontier Circle, Anglo-Indians and "other minorities" are given a reservation of 4-1/6 and 8½ per cent. respectively in the cadre of Telegraphists and 2-1/12 and 8½ per cent. respectively in the cadres of clerks and certain non-clerical, non-gazetted, superior staff recruited locally. In all other cadres, 12½ per cent. is reserved for other minorities including Anglo-Indians and Sikhs.

(c) Yes, but where there is a special reservation for Anglo-Indians and Domiciled Europeans, the term, "other minorities", includes Sikhs, Indian Christians and Parsis only.

(d) Yes, in so far as the cadres of Telegraphists, clerks and certain locally recruited non-clerical, non-gazetted, superior staff in the Punjab and N.-W. F. Circle are concerned. In all other cadres, the "other minorities" are given a reservation of 12½ per cent. in the Punjab and North-West Frontier Circle which is more than the percentage of population of the Sikh community in that Circle.

(e) They have been allotted 82 seats out of 175, which is equal to about 18 per cent.

(f) No. They are recruited in other Circles.

(g) Yes.

(h) No.

(i) Government do not consider the reservations fixed by them to be prejudicial to the interests of Sikhs and are, therefore, not prepared to alter them.

Sardar Sant Singh: May I know what is the percentage of population of Anglo-Indians and what is the percentage of population of the Sikhs in the Punjab and North-West Frontier Province?

The Honourable Sir Frank Noyce: I must ask for notice.

COMPENSATION TO THE SUFFERERS OF THE QUETTA EARTHQUAKE.

692. ***Mr. G. Morgan:** (a) Is it a fact that many residents who lost everything in the Quetta earthquake have not as yet received any compensation?

(b) Do Government propose to expedite the settlement of such claims?

Sir Aubrey Metcalfe: (a) Government have been unable to accept against public revenues the liability to grant compensation for private property lost in the Quetta earthquake. Relief, however, has been given from His Excellency the Viceroy's Earthquake Relief Fund, in cases where an applicant had been entirely deprived of the means of livelihood in order to enable him to make a fresh start.

(b) Does not arise.

Pandit Lakshmi Kanta Maitra: Do I understand the Honourable Member to say that no compensation has been given from the Government Exchequer?

Sir Aubrey Metcalfe: No. Government have accepted no liability whatever in the matter.

Pandit Lakshmi Kanta Maitra: I want to know whether, as a matter of fact, no compensation has actually been paid out of the Indian Exchequer by way of compensation to people who suffered?

Sir Aubrey Metcalfe: I want notice. This does not arise out of this question.

Mr. Lalchand Navalrai: May I know if compensation has actually been given to those who have applied for it?

Sir Aubrey Metcalfe: I require notice.

Pandit Lakshmi Kanta Maitra: May I know if there is any agency of the Government which considers the question of giving relief to people who lost everything in the Quetta earthquake? Is there any machinery which receives the applications for claims, and so on and so forth?

Sir Aubrey Metcalfe: There has been such an agency and I think that there is one still in existence in Quetta. It is an agency which still distributes anything that is left in the Viceroy's Earthquake Relief Fund. But that is not Government money.

Mr. Lalchand Navalrai: Does the Advisory Committee, which was appointed just at the time when the earthquake was over, still continue?

Sir Aubrey Metcalfe: It does meet if required. I do not think it has had any meetings recently. At any rate, anything that is being done in this direction is at present being done locally.

UNSTARRED QUESTIONS AND ANSWERS.

GRADES OF POSTS OF CLERKS SANCTIONED FOR THE GOVERNMENT OF INDIA PRESS, NEW DELHI.

82. **Mr. C. N. Muthuranga Mudaliar:** Is it a fact that all the posts of clerks sanctioned for the Government of India Press, New Delhi, in the years 1933 and 1934 were in the grade of Rs. 60—3—105 but the additional posts of clerks sanctioned at present are in the two different grades, i.e., Rs. 60—3—105 and Rs. 40—95? If so, what is its cause?

The Honourable Sir Frank Noyce: No. There are two scales of pay, Rs. 60—3—105 and Rs. 35—2½—80, which are applicable to those clerks who were in Government service before the 16th July, 1931. For those who entered Government service on or after that date, one scale of Rs. 40—40—5/2—80—3—95 has been fixed. The applicability of the old and new scales does not depend on the date of sanction, but on the date of entry of the incumbent into Government service.

HOLIDAYS, LEAVE, ETC., GRANTED TO THE CLERICAL STAFF OF THE GOVERNMENT OF INDIA PRESS, NEW DELHI.

83. Mr. C. N. Muthuranga Mudaliar: Will Government be pleased to state whether it is a fact that the clerical staff of the Manager, Government of India Press, New Delhi, is not treated like that of the staff of the Manager of Publications in respect of holidays, hours of attendance and leave, etc., while both local offices are subordinate to the Office of the Controller of Printing and Stationery, New Delhi? If so, why?

The Honourable Sir Frank Noyce: The clerical staff of the New Delhi Press and of the Central Publication Branch are treated alike in respect of leave, but not in respect of holidays and hours of attendance which are regulated in accordance with the requirements of work in the respective offices.

DUTY ALLOWANCES OF THE BAUDOT SUPERVISOR-OPERATORS.

84. Sardar Sant Singh: (a) Will Government be pleased to state if it is a fact that the Telegraph Establishment Enquiry Committee, known as "Varma Committee" fixed the "duty allowance" or "special pay" of Baudot supervisor-operators at Rs. 20 per month, when they recommended the creation of the said cadre of supervisors?

(b) Is it also a fact that the strength of the existing Baudot supervisors will have to be increased by about cent. per cent. in order to give effect to the said recommendation namely "Supervisor-operator" scheme which has been accepted by Government?

(c) Is it also a fact that with the introduction of the Supervisor-operator scheme experimentally about two years ago, the services of a good many qualified operators had to be requisitioned as the number of existing supervisors who passed the requisite departmental examination was found to be inadequate to meet requirements?

(d) Is it also a fact that the departmental examination in question, referred to above, had been postponed indefinitely since the year 1932, and repeated requests from different service organisations to reopen the same were of no avail?

(e) Is it also a fact that by a recent order of the Governor General in Council the "duty allowance" of Rs. 20 per month has been reduced to Rs. 10 with retrospective effect in the case of men who have not passed the departmental examination?

(f) If the replies to parts (a), (b), (c), (d) and (e) above be in the affirmative, will Government be pleased to state whether they are prepared to restore the duty allowance to Rs. 20, as recommended by the Committee, or to suspend the experiment till sufficient passed men are available, and reopen the departmental examination forthwith for the purpose or to allow the men affected the option to remain in their own substantive appointments if they so desire? If not, why not?

The Honourable Sir Frank Noyce: (a) The fact is not exactly as stated by the Honourable Member. His attention is invited to paragraph 87 of the Telegraph Establishment Enquiry Committee's report, a copy of which is in the Library of the House.

(b) No.

(c) Yes.

(d) The reply to the first part is in the affirmative. As regards the latter part, since a large number of telegraphists who are qualified under the former examination are awaiting promotion, no useful purpose is likely to be served by holding a fresh examination.

(e) The fact is not as stated by the Honourable Member. The unpassed but locally trained men who are not ordinarily entitled to any special pay have, as a special case and purely as a temporary measure, been granted a special pay of Rs. 10 per mensem.

(f) Does not arise.

GAZETTED OFFICERS IN THE TELEGRAPH TRAFFIC BRANCH.

85. **Sardar Sant Singh:** (a) Are Government aware of the fact that the Telegraph Establishment Enquiry Committee in their report under paragraph 173, expressed difficulties in selection of gazetted officers from amongst the telegraphists, who entered the service as boys and before they had time to acquire high educational qualifications or a knowledge of affairs?

(b) Will Government be pleased to state the number of existing gazetted officers in the Telegraph Traffic Branch of the Posts and Telegraphs Department, who have not received high education?

The Honourable Sir Frank Noyce: (a) Yes.

(b) It is not understood what the Honourable Member means exactly by "high education". In the circumstances I am unable to give him the information required.

GRANT OF HOUSE RENT TO LINE INSPECTORS OF THE POSTS AND TELEGRAPHS DEPARTMENT.

86. **Sardar Sant Singh:** (a) Is it a fact that all employees doing outdoor duties in the Engineering Branch of the Posts and Telegraphs Department are granted house rent allowance?

(b) Is it a fact that Line Inspectors of that Department are not paid house rent allowance?

(c) Will Government be pleased to state the reason for non-grant of the house rent allowance to Line Inspectors?

(d) Are Government prepared to review their case and grant a suitable house rent allowance to Line Inspectors, or provide them with rent-free quarters?

The Honourable Sir Frank Noyce: (a) No.

(b) Yes.

(c) Line Inspectors draw a high rate of pay and Government do not consider that the grant of a house rent allowance is justified.

(d) No.

EMPLOYMENT OF THE SONS AND RELATIVES OF LINEMEN IN THE TELEGRAPH DEPARTMENT IN THE BENGAL AND ASSAM CIRCLE.

87. **Sardar Sant Singh:** (a) Is it a fact that the majority of linemen of the Engineering Branch of the Posts and Telegraphs Department now working in the Bengal and Assam Circle, hail from other provinces of India?

(b) Is it a fact that most of those linemen have lived for years and are practically settled in the Bengal and Assam Circle?

(c) If the reply to part (b) above be in the affirmative, are Government prepared to provide their sons and relatives in the Telegraph Department in the Bengal and Assam Circle? If not, why not?

The Honourable Sir Frank Noyce: (a) and (b). Government have no information and do not propose to collect it, as an undue amount of time and labour would be involved in doing so.

(c) The recruitment of linemen in a Circle is confined to the candidates who belong to or have their domicile in that Circle. The sons and relatives of only those departmental employees who have their domicile in the Bengal and Assam Circle are, therefore, eligible for recruitment in that Circle. Government see no reason to depart from the general orders regulating admission to the subordinate services in the Posts and Telegraphs Department.

GRANT OF INCREASED HOUSE RENT TO LINEMEN OF THE POSTS AND TELEGRAPHS DEPARTMENT IN CALCUTTA.

88. **Sardar Sant Singh:** (a) Is it a fact that linemen of the Engineering Branch of the Posts and Telegraphs Department are granted a house rent allowance of Rs. 5 only per month in Calcutta?

(b) Is it a fact that these linemen are entrusted with Government tools and are liable to compensate for the loss of those tools?

(c) Are Government prepared to consider the hardship of the linemen in respect of their house rent allowance and grant them an increased rate of allowance? If not, why not?

The Honourable Sir Frank Noyce: (a) and (b). Yes.

(c) No, because Government do not consider that the existing house rent allowance which is not in lieu of free quarters of Rs. 5 is inadequate.

GRANT OF DAILY ALLOWANCE TO LINEMEN OF THE POSTS AND TELEGRAPHS DEPARTMENT.

89. **Sardar Sant Singh:** (a) Is it a fact that Sub-Inspectors, Line Inspectors, Telephone Inspectors, Engineering Supervisors and other officers of the Engineering Branch of the Posts and Telegraphs Department are in receipt of daily allowance?

(b) Is it a fact that linemen of that Department have to do out-door duties at all hours of the day and night and have to go out of their headquarters for duty and remain outside for days together?

(c) Is it a fact that those linemen are not granted daily allowance during the period of their stay on duty outside headquarters?

(d) If the replies to parts (a), (b) and (c) be in the affirmative are Government prepared to consider their hardship and grant a suitable daily allowance to linemen? If not, why not?

The Honourable Sir Frank Noyce: (a) Yes, when on tour out of their headquarters.

(b) Yes, should necessity arise.

(c) Yes.

(d) No, there is no hardship, as their pay has been so fixed as to compensate them for the cost of ordinary journeys within their jurisdiction.

GRANT OF HIGHER HOUSE RENT TO SUB-INSPECTORS AND LINEMEN, OF THE POSTS AND TELEGRAPHS DEPARTMENT.

90. Sardar Sant Singh: (a) Is it a fact that Sub-Inspectors and linemen of the Engineering Branch of the Indian Posts and Telegraphs Department are granted house rent at the rate of Rs. 2 only per month in *moffusil* stations?

(b) Is it a fact that those officials are required to attend duty at all hours of the day and night and have to live with their families and keep Government tools in their safe custody?

(c) Will Government be pleased to state if they have received any representation on behalf of these officials praying for increased rate of house-rent?

(d) If the reply to part (c) be in the affirmative, will Government be pleased to state the nature of the reply they have given to that representation?

(e) Are Government prepared to grant a higher rate of house-rent to those officials enabling them to hire suitable quarters for family accommodation and also for keeping Government tools in safety?

The Honourable Sir Frank Noyce: (a) No, the rate varies at different stations.

(b) Yes, except that Government do not compel them to live with their families.

(c) Yes, in July 1936, from the All-India Telegraph Union.

(d) A reply was given expressing the Director General's inability to accept any of the prayers contained in that representation.

(e) No. Government do not consider any increase in the existing rates of house rent allowance justified.

REPLACEMENT OF TELEGRAPH MASTERS BY SELECTION GRADE CLERKS.

91. Sardar Sant Singh: (a) Is it a fact that Government accepted the recommendation of the Varma Committee and issued orders for replacement of Telegraph Masters supervising the work of signal room clerks of Telegraph Offices by selection grade clerks in 1934?

(b) Is it a fact that the Government order referred to in part (a) clearly directed that the replacement should be effected when vacancies occurred and as suitable clerks became available?

(c) Is it a fact that vacancies occurred in the grade of Telegraph Masters at Bombay, Rangoon, Karachi, New Delhi and Simla Telegraph Offices during the last two years and they were filled in by telegraphists?

(d) If the replies to parts (a), (b) and (c) be in the affirmative, are Government prepared to make necessary enquiry and issue orders for early replacement of Telegraph Masters by selection grade clerks in those offices?

(e) Is it a fact that there are still supernumeraries in the grade of Telegraph Masters? If so, how many?

(f) Will Government be pleased to state when the replacement of Telegraph Masters by selection grade clerks can be expected?

The Honourable Sir Frank Noyce: (a) and (b). Yes.

(c) and (d). Government have no information. The matter referred to is one with which the Director General is fully competent to deal, and a copy of the question is being sent to him for such action as he may consider suitable.

(e) The fact is not as stated. The latter part of the question does not arise.

(f) Government are unable to say.

APPOINTMENT OF A PROTECTOR OF IMMIGRANTS IN ASSAM.

92. **Mr. V. V. Giri:** Have Government appointed any protector of immigrants in Assam and elsewhere to look after the interests of immigrants there and elsewhere, as recommended by the Whitley Commission (*vide* page 374)?

The Honourable Sir Frank Noyce: The Royal Commission on Labour recommended the appointment of a Protector of Immigrants in Assam to look after the interests of emigrants from other provinces who have not settled in Assam. That recommendation has been implemented. The officer appointed is designated Controller of Emigrant Labour.

STATUTORY PROVISION TO HAVE ACCESS TO WORKERS' HOUSES IN ASSAM.

93. **Mr. V. V. Giri:** Have Government made any statutory provision to have access to workers' houses without any let or hindrance from managers of tea plantations in Assam as recommended by the Whitley Commission?

The Honourable Sir Frank Noyce: No. The attention of the Honourable Member is invited to the remarks against Recommendation 291 in Part IV of the Fourth Report showing the action taken by the Central and Provincial Governments on the recommendations made by the Royal Commission on Labour in India, copies of which are in the Library of the House.

CONSTITUTION OF BOARDS OF HEALTH AND WELFARE FOR WORKERS IN THE TEA PLANTATIONS.

94. **Mr. V. V. Giri:** Have Government constituted any Boards of Health and Welfare for workers in the tea plantations as suggested in the Whitley Commission?

The Honourable Sir Frank Noyce: No: this is not a matter for the Government of India.

POWERS GIVEN TO OFFICERS IN THE TELEGRAPH TRAFFIC BRANCH FOR PUNISHMENT OF SUBORDINATES.

95. Sardar Sant Singh: (a) Is it a fact that under the existing rules of punishment the officers in the Telegraph Traffic Branch of the Posts and Telegraphs Department have been given extensive powers over their subordinates?

(b) Will Government be pleased to state if these officers have been authorised to try cases of offences under the Indian Telegraph Act and the Official Secrets Act?

(c) Is it a fact that the Chief Superintendent, Central Telegraph Office, Calcutta, punished two officials under the Indian Telegraph Act and the Official Secrets Act and, in so doing, privileges under provisions laid down in Rule 55 of the Civil Services (Classification, Control and Appeal) Rules were denied to the officials punished?

(d) Will Government be pleased to state the rules, if any, on the relations between controlling officers and their subordinates, whether in gazetted or non-gazetted ranks?

The Honourable Sir Frank Noyce: (a) I do not know what the Honourable Member means by extensive powers; the powers of punishment are laid down by definite Government orders.

(b) No; such cases are tried in a Court of law but in cases in which Government servants are involved, departmental proceedings are instituted simultaneously by competent officers.

(c) Government have no information. It is open to the officials concerned to appeal to the proper authority.

(d) The attention of the Honourable Member is drawn to the Government Servants' Conduct Rules.

THE INDIAN FINANCE BILL—contd.

Mr. President (The Honourable Sir Abdur Rahim): The House will now take up the consideration of the Indian Finance Bill, clause by clause. The question is:

"That clause 2 stand part of the Bill."

Mr. M. Ananthasayanam Ayyangar (Madras ceded Districts and Chittoor Non-Muhammadan Rural): Sir, I beg to move:

"That in clause 2 of the Bill, for the words 'one rupee and four annas' the words 'one rupee' be substituted."

This amendment relates to the imposition of salt duty of Rs. 1-4-0 per maund. This has become a hardy annual, but it is not a mere matter of sentiment, but one of growing conviction in us. Sir, next to air and water salt is the one article of food of universal consumption. There is another point on account of which we believe that this salt tax, sooner or later, must be entirely abolished, for this reason that the incidence falls more on the poor than on the rich. On these two grounds, if left to myself, I would certainly prefer to move for the abolition of this duty altogether. In addition to the Rs. 1-4-0 per maund that is imposed under this Act, there is already a surcharge under the Surcharge Duties Act of 25 per cent. In all the poor consumer pays Rs. 1-9-0 per maund on every maund of salt.

Sir, by moving this amendment, I am giving an opportunity to the Finance Member to give full proof of his concern for the poor consumer of whom he has been talking in season and out of season, whenever we spoke of some protection for some industry or other. No doubt the only justification for the imposition of this tax or the excise duty is that it sits lightly upon the consumer, and it is an article of universal consumption. That is the principle on which this excise duty has been allowed in the report of the Taxation Inquiry Committee that was published in 1926. I would say that the principle on which they proceeded is entirely wrong, and anyhow circumstances have completely altered. For one thing, if it is an article of consumption and the incidence of taxation sits lightly upon the poor, inasmuch as it is distributed over a large extent of population,—nearly 37 crores of people here,—I would say that you must judge from the results as to whether in spite of the imposition of this excise duty the consumption has been growing and is sufficiently adequate for the needs of society.

An ordinary human being,—let alone agriculture and cattle,—requires according to the best standards at least 40 pounds of salt per head per year. That is the consumption rate in England where there is absolutely no excise duty on salt. In Portugal, we find that 35 pounds of salt are consumed per year on an average by an individual. In countries where salt is taxed, as in France and Italy, we find the per head consumption is 20 pounds and 18 pounds respectively. But the average in this country is not more than 12 pounds per year per head. I would say that considering the largest coastal extent that this country possesses and the need for the consumption of salt in this country which is a tropical country, much more than any other country on the face of the globe, the consumption per head is absolutely inadequate. It is much lower than is necessary for ordinary human existence. In the jails of the Madras Presidency, the amount of salt that is given is 17 pounds per head. I have found that in provinces like Madras and Bengal where rice is consumed as the staple food product, it is 17 pounds per head that is allowed in jails as the jail diet. In other provinces like the Punjab and the North West Frontier Province where not rice but wheat is the main article of food, the quantity allowed is 12 pounds per head. Therefore, it is clear that having regard to the nature of rice consumption in this country, the large tracts of area where rice is the staple food product, salt is required in abundance. There is, therefore, no gainsaying the fact that in so far as it goes India is absolutely underfed in salt. The output of salt per year in this country is 530 lakhs of maunds which yields an income of nearly 8 crores of rupees, and that includes imports from foreign countries also. Recently on account of the Gandhi-Irwin agreement, some few maunds, here and there, have been allowed to be manufactured by individuals for domestic consumption; but on account of the rigorous manner in which these rules have been worked, even the small quantity that the poor consumer could manufacture has been denied to him.

I would, therefore, say that on account of the imposition of this duty an essential article of food has not been allowed to be consumed in the proper proportion in which it is consumed in other parts of the world where it is not taxed. That is the main reason why I oppose this salt tax. It is not as if it sits lightly upon the poor consumer. If in spite of the incidence the consumer were able to consume the quantity which is necessary for human existence, there would be no complaint. But that is not so. He is unable on account of this tax to purchase the necessary quantity

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for himself. That is the state of things with respect to the human beings in this country, 37 crores of whom are not able to provide themselves with the necessary quantity of salt. What about cattle? Their number is growing almost every day. Even for cattle, salt is necessary. Without the necessary quantities of salt mixed properly in food, even cattle cannot exist.

Mr. N. M. Joshi (Nominated Non-Official): Only stud-bulls can have salt now.

Mr. M. Ananthasayanam Ayyangar: Yes, if they are provided by the munificence of His Excellency the Viceroy. But I have seen many stud-bulls roaming about in the City of Delhi which do not get even drinking water, not to speak of salt. That is the unfortunate position, though no doubt there is now a tendency to let them loose on society indiscriminately. Sir, I would say that with respect to cattle it is the same tale of woe. Even the small pinch of salt that the poor consumer by his labour is able to earn is denied to the cattle, because there is a race between the animal and the poor agriculturist for whom so much is talked about by His Excellency the Viceroy and by my Honourable friend, the Finance Member, who talks every minute about the poor consumer. There is every day this competition or race between the poor agriculturist and his buffalo or cow or bullock for this necessary food material. For coconut cultivation, salt is necessary. For industries also salt is necessary. No doubt a regulation is made whereby some salt is given free for curing or preserving fish. That is the only boon, that has been provided. With respect to the others, I am sure the House will agree with me that, in this country, both human beings and cattle are being grossly starved in the matter of salt. That is the one complaint that I have to make with regard to this excise duty on salt. Excise duties certainly can be imposed on local production, on even articles of consumption if it is intended that a restriction is to be imposed on the consumption of those articles, as in the case of spirituous liquors and other articles of luxury, where an excise duty can certainly be imposed in order to put down the consumption. But with respect to a necessary article of food, I would say that if the tax injuriously affects the people and they are not sufficiently rich to provide themselves with this essential article of food, it is an improper tax. Government may not get revenue out of it, but they must find other sources of revenue to fill their coffers and not impose a tax on the poor man's salt. That is why I raise my voice of protest against this.

There is another reason why this excise duty ought not to be imposed. I have gathered statistics to show that since the imposition of this excise duty, as the incidence, has risen the quantity of consumption, has gone down. That must be an eye-opener to Members on the Treasury Benches who have brought forward this Bill today for the reimposition of the salt duty. The figures are given in the Taxation Enquiry Committee's report at pages 134-135. I shall go back to 1878-79 when the duty on a maund of salt was Rs. 2-14-0: the consumption rate was then 8.9 pounds per head. Taking that as the starting point, let us see the subsequent figures. In the year 1882-83, the rate was reduced—to somewhere between Rs. 2 and Rs. 2-8-0 a maund—the index figure then went up to 116 from 109. Coming again to 1904 to 1907 when the rate was one rupee a maund, it rose to 136. Then in 1922-23 when the rate was Rs. 1-4-0, there was an increase and it went up to 175. In 1923-24 when the duty was increased

from 1-4-0 to 2-8-0 or almost doubled there was a sharp decline from 175 to 153; and the rate came back to 1-4-0 in 1924 and ever since it has been stable. Twelve years have passed since then, but what is the quantity of consumption of salt? It has not progressed from 510 lakhs of maunds during the whole course of these twelve years. From the above figures we find that the consumption of salt has increased by nearly 50 per cent. when the salt duty was reduced from 2-14 to 1-4 a maund. I say even a blind man can read the inference from these figures: they show that if the duty goes up, the consumption goes down; and if the duty goes down, the consumption goes up. Today the consumption is not what it ought to be: we are underfed in salt after the imposition of this salt duty at 1-4-0. It may be a *tamasha* for the Treasury Benches: they may say it is a matter of sentiment with us—the Dandi march and so on—and, therefore, we are saying all this. But I say it is not a matter of mere sentiment: it is a matter of entire conviction, and it is growing in our minds that the poor man ought not to be taxed for this small necessity of life: I have seen various households where it is even a luxury for the poor man to get a pinch of salt for his gruel or *conjee*; though it does not cost him more than one pice a day, a pinch of salt is a luxury for him. From the figures I have cited, it is necessary in the interests of the consumer, for whom the Honourable the Finance Member and His Excellency the Viceroy are shedding tears every day, that they must take this duty away, if they are really sincere and *bona fide*, let them fall back upon other resources. Unfortunately, Sir, the Taxation Inquiry Committee came to a wrong conclusion after weighing the *pros* and *cons*. At page 133, in para. 164, they say:

“The chief of the excises levied in India is that on salt. The objections to this tax are well known: it falls on a necessary of life, and to the extent that salt is essential for physical existence, it is in the nature of a poll tax. The bulk of it is paid by those who are least able to contribute anything towards the State expenditure”.

In the next paragraph, they justify the levy of this duty on the ground, quoting an extract from the writings of an American writer who says that on an article which is universally consumed, and the incidence of tax on which might not sit heavily on the poor consumer, excise duty might be imposed and Rs. 8 crores distributed over 37 crores of people might not be a heavy incidence, and, therefore, they accept this and say it might be allowed to stand. But I say with very great respect that that argument does not hold good for this reason, that at the time they made this report, they had ignored many other factors. They evidently thought the poor man uses only salt and that his other necessities of life are not taxed. I need not say that almost every necessity of life is taxed—food, clothes, etc.,—and, therefore, the poor man is indirectly taxed in many ways. His cloth is taxed; his kerosene is taxed; his sugar is taxed; even his matches are taxed. It may be that the Honourable the Finance Member will say that it was at our request that rice was taxed and an import duty was put on rice. We wanted a protective duty—I am not clamouring against the imposition of a rice import duty, nor do I say that the wheat import duty should be abolished. They are very necessary in the interests of the producer. But that does not mean that you should have an excise duty on the production of the necessities of life, like salt, food or clothing.

Therefore, I say that the argument advanced by the Taxation Inquiry Committee no longer holds good. They unfortunately failed to see that

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it is not only the poor man's salt that is taxed, but many other things without which existence would be impossible are also taxed. It is time, therefore, that the Honourable the Finance Member re-reads or at any rate goes over those principles which were debated sometime ago. I have shown that in respect of this article as taxation increases, consumption decreases and as taxation decreases, consumption increases. From these facts, it is clear that this excise duty ought to be removed altogether.

The next point is that this excise duty sits more heavily on the poor than upon the rich. No authority is required to prove that the poor use salt much more than the rich: the rich do not go in directly for salt: they take vegetables and various other things which contain salt as one of their ingredients naturally. The richer classes go in largely for other things,—tea, coffee, etc., which contain sugar, in preference to salt. Thus, it is the poor man who pays much more of this salt duty, and it is more burdensome to him than to the rich man. The two principles laid down in the Taxation Inquiry Committee's Report as a justification for the imposition of an excise duty on an article of consumption are that it must be light and it must not restrict consumption, and it ought not to sit heavily on the poor man. I would say in all humility that neither of these criteria is satisfied by the imposition of this salt tax. It restricts consumption on the one hand and on the other it sits heavily on the poor man who has to bear many other burdens as it is. On these grounds the tax should be removed. The circumstances prevailing in other countries like France, Italy and others are quite different. There salt is not required in such large quantities as in this country. In those countries the purchasing power of the individual and the average income are much more. Moreover there the indirect taxes are much lighter. That was brought forward as an argument by the Honourable the Finance Member for reducing the import duties on various articles. It is only the other day that he suggested that the import duties were regressive: he also said the law of diminishing returns had begun to work. I would ask the Honourable the Finance Member to apply the same principle here and see whether the law of diminishing returns has not come into operation in this matter also, in that for over 12 years, the 510 lakhs of maunds of salt has not increased, though this year it is 580 lakhs of maunds which has been consumed, for which the Finance Member has already given an explanation. I need not grope about for finding an explanation as to how this year salt has increased to 580 lakhs of maunds. He has said that on account of the lighthearted representations or promises that were made by Members of the party to which I have the honour to belong the merchants did not go in for purchase of salt under the expectation that salt would be taxed more lightly, and that is why people or merchants did not stock salt as they had done last year, and that is why you find there is a larger purchase of salt, i.e., 580 lakhs of maunds, a portion of which should have been shared with the previous year. At page 22 of the Explanatory Memorandum by the Financial Secretary, he gives the figures of salt consumption for the last five years. This is what he has given:

	In lakhs of maunds.
1931-32	5,39
1932-33	5,15
1933-34	5,37
1934-35	5,03
1935-36	5,25
1936-37	5,30
1937-38 excluding Burma	5,10

Now, Sir, if these are the figures on which the consumption has moved up and down during the last 12 years, I would say that the law of diminishing returns has certainly begun to work. I am certain that if tomorrow the salt duty were abolished, four times the quantity, that is nearly 2,500 lakhs of maunds of salt would be consumed in this country by the 37 crores of people, and an equal quantity of salt will be necessary for cattle; and for agricultural and industrial operations, a like quantity would be necessary. Therefore, I say that if tomorrow the duty on salt were abolished, the figures of consumption would swell enormously in the next year. We may not have to wait too long in this direction. If instead of abolishing the duty altogether there is even an appreciable reduction in the excise duty, I am confident the figures would swell enormously. What is lost by a reduction in the excise duty would certainly be made up by the larger quantity of salt consumed in the country by human beings and by cattle. Therefore, I say that a bold attempt may be made in that direction and the figures of consumption will go up very rapidly. The Honourable the Finance Member has expressed so much anxiety for the poor consumer, but let him translate his anxiety for the poor into action by abolishing the salt duty if not at once, at least in progressive stages within a period of, say ten years.

Then, Sir, apart from the revenue duty and the principles on which this taxation is imposed, having regard to the manner in which the Department of Education, Health and Lands has been trying to find the nutritive values of various articles of food in this country, I would make an appeal to my Honourable friend, Sir Girja Shankar Bajpai. Has he discovered that, after all, salt is not a necessary ingredient in the food of the poor man? Has he found that salt has no nutritive value? If he has done that, then I am prepared to accept his analysis of the nutritive values of various articles. I am sure he will not go to such lengths, even though he may justify the tax on other grounds, as to say that salt is not a necessary ingredient in the poor man's food or that it has no nutritive value; on the other hand, I am sure he will agree with me that salt is absolutely essential for the poor man. Then what should be his duty? Instead of asking us to drink more milk, a thing which is not so readily available for the poor man, he should try and enable the poor man to have one more pinch of salt by having it distributed more freely, not entirely free of charge, but at cost price, in various parts of this country. Sir, the cost price of salt is only three annas, and this I have found by a personal examination. I find that from the report of the Salt Survey Committee who have gone into this question in detail, that the cost price per maund of salt, making all allowances for all kinds of excess expenditure, and allowing a decent margin, is only Rs. 0-5-3 per maund. If that is so today, let us go to the bazar and see at what rate a bag of salt sells. It sells at Rs. 4-10-0, because the excise duty is Rs. 1-4-0, the surcharge is Rs. 0-5-0, which comes to Rs. 1-9-0 on a maund and to this you should add the middleman's profit and the freight charges up and down, and all these have to be borne by the poor consumer. Sir, I would repeat a thousand times that the Finance Member should translate his concern for the poor consumer into action. Let him, therefore, supply this necessary article of food at cost price, namely, Rs. 0-5-3, if he has really the interests of the poor at heart.

Sir, by this amendment, I am not seeking for the absolute removal of the excise duty of Rs. 1-4-0 altogether. My amendment is a moderate

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one, because now we have to carry the other Members of this House with us. Even the Honourable Member in charge should accept my amendment most unhesitatingly and with a clean conscience, and I would ask Members belonging to all parties in this House to vote for my amendment. Sir, today the excise duty remains and with it the surcharge. Is it not right that before all other surcharges are removed, the surcharge on salt should be removed? Was it necessary for the Government to restore the cut before the surcharge on salt was removed? Whatever emergency or additional taxation was brought into existence in 1931-32, did not the Finance Member say that they were adopted for emergency purposes and they would be removed as soon as the emergency was over? Did he not say that on account of the pledges given by his predecessors that as soon as the emergency disappeared, the emergency measures would be removed, and that the cuts in salary would be restored, and was it not in accordance with such pledges that the salary cuts were restored? Sir, we moved an amendment that salary cuts should not be restored with reference to salaries below Rs. 200, I believe. There would have been no inconvenience caused to anybody getting Rs. 200 and above if his cut had not been restored. A Governor who receives Rs. 10,000 or the Viceroy who receives Rs. 21,000 per month would not have died if his salary cut had not been restored. I say, Sir, these people would live long, they would prosper much better, by the blessings of the 37 crores of hungry mouths. Where is the pledge? If there is that pledge with respect to the rich man regarding his salary cut given by the Finance Member's predecessor and his successor is in duty bound to carry out that pledge, though when carrying out that pledge he told that the country had not recovered completely from the depression, what about the poor consumer, for whom our friend, the Finance Member, expresses so great an anxiety? Whatever the position may be, Sir, I strongly hold that the surcharge on salt ought to be removed at once. I would appeal to my friends of the European group also to assist us in our demand because last year they were anxious that the surcharge imposed on all articles imported into this country and other surcharges whether produced or imported into this country, should be removed. When they are so anxious about the removal of all surcharges, they must agree with us that at least with respect to the salt tax, the surcharge should be removed. It is not a new matter. This is a matter upon which all sections of the House have been anxiously bestowing attention in order to give relief to the poor in some manner or other. I, therefore, appeal to all sections of the House to support this amendment, which is, after all, a modest one. It is not such a dangerous amendment as would bring down the finances of the Government so as to need the certification of the Viceroy. By this reduction, you will simply be indirectly removing the surcharge on the salt duty. Sir, I move. (Applause.)

Mr. President (The Honourable Sir Abdur Rahim): Amendment moved:

"That in clause 2 of the Bill, for the words 'one rupee and four annas' the words 'one rupee' be substituted."

Mr. Lalchand Navalrai (Sind: Non-Muhammadan Rural): Sir, a similar amendment stands in my name, and I whole-heartedly support the amendment now moved by my Honourable friend, Mr. Ayyangar. This item of salt is one over which the bureaucracy has been persistently defying public

opinion from time to time. The public opinion is that salt, which is a necessity much more for the poor than for the rich, should be free of any tax. A question is asked, how is it more necessary for the poor than for the rich? My reply to it is that the poor man uses salt much more than the rich man does. It must have been observed that in places, poor men instead of using sugar, use salt with tea. Therefore, the necessity of salt for the poor man is one which cannot be denied. This House has asked several times that this salt tax should be removed altogether and has even succeeded in carrying amendments, but the tax has been restored under certification. I submit that the opinion with regard to this tax being condemnable and reprehensible is even held by statesmen in England. The Secretary of State once considered this to be a very wrong tax which affects the poor people. Mr. Macdonald also considered it as a blemish on Indian administration, but the mentality, the attitude of the die-hards here can never change.

The Honourable Sir James Grigg (Finance Member): Hurrah!

Mr. Lalchand Navalrai: It is Hurrah to you, but great distress to us. We want your sympathy. Nobody can say that the present amendment is an unreasonable one. It is not being asked that the whole tax should be removed; it is not being asked that it should be considerably reduced. It is only four annas that is being asked to be removed from the tax; instead of Rs. 1-4-0, the amendment says that it should be reduced to one rupee. What will be the loss by this amendment if carried? Mr. Lloyd always says that we shall incur a loss, and, therefore, we cannot afford to reduce this tax. There is loss whenever a tax is reduced or removed, but where there is a will, there is a way. There are so many ways suggested during the budget time to make up the loss, and even now there are many ways for the Government to make up that loss in respect of the necessity of the poor man. We were told last time that the loss on this account would be about $1\frac{1}{2}$ crores of rupees when a similar amendment came up before the House for discussion last year, it was suggested by the Treasury Benches that the loss would be 1,62 lakhs of rupees. If only ten per cent. of the salaries at the top is cut, it would be more than two crores,—and is that difficult to do? Therefore, I submit that this amendment is reasonable. This country produces salt in abundance. The country has got sea coasts where you can get any amount of salt, but, apart from that, in the country itself there are colour lands where salt is got in large quantities, and if there be no restriction, every man, every villager can get his salt without any difficulty from those lands. Colour salt used to be consumed in India, and it has been stopped only after this salt tax has come in. It is absurd in such circumstances that any man should be handicapped with regard to his salt. This question of reduction of salt duty has been going on for a very long time. Mr. Gokhale tried his best to have this salt tax removed. Mahatma Gandhi also is of the same opinion; he went even so far as to have a campaign for the making of salt and Government know how difficult it was for them to deal with it and what disturbance took place in the country. But Sir, Government have not profited by that too. Then, what has happened in this House itself? Last year, there was an amendment to reduce the salt tax and it was carried, but the salt tax was restored by His Excellency the Viceroy. In 1935, there was an amendment to reduce it to twelve annas and the House succeeded in carrying that amendment. Therefore, it will be adding insult to injury if this persistence on the part

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of the Treasury Benches should continue and this very reasonable amendment is not accepted. I hope the House will not care for the certification of the Viceroy for the restoration of the tax. The House must exercise its own opinion and show that the popular demand is that this salt tax should not exist at all, and if it could not go at once, it should go, first of all, by reducing it to one rupee, and then again by more, and so on. Experience has shown that whenever the salt tax has been reduced, the consumption has increased. For that there are figures which would convince the House. In 1902, when the tax was Rs. 2-8-0, the consumption was 3.2 crores of maunds. In the succeeding years, it was as follows:

Year.	Rate. Rs.	Consumption in crores of maunds.
1903		3.82
1906	1/8	4.11
1907	1	4.27
1915	1	5.22
1916	1/4	The consumption went down.

Therefore, I submit that, even from that point of view, the consumption will rise, if the tax is less. On a matter of this sort, we should waste no more time. If the Government have got the will, they will accept the opinion of the House and reduce this tax and accept this amendment.

Pandit Nilakantha Das (Orissa Division: Non-Muhammadan): I wish to explain the amendment as I understand it. This is not to reduce the salt tax at all. The salt tax today is not 1-4-0. It is 1-9-0. There is a 25 per cent. surcharge on salt by some other emergency Act. So now we propose to reduce it really to 1-4-0. We have no other way within the limits of the Bill to propose for the abolition of the surcharge on salt. Though we are the Opposition and we represent public opinion, it is evident that we have nothing to do in shaping the Finance Bill. So we cannot say that in the 1932 Act such and such a clause be omitted or repealed. The Honourable the Finance Member must be aware that this surcharge is not an ordinary tax, and already he has been very kind to certain sections of the people of this country for whom he has always a soft corner in his heart as every one knows and he will admit that he has already reduced this emergency surcharge to its entire extent in their case. I mean the income-tax and super-tax surcharge. Though the poor man's representatives suggested that the direct taxation of the rich man should first be thought of in all emergencies, the Finance Member has been very unkind to the poor man and he has never thought of even reducing this surcharge. So, the import of the amendment is not to reduce the salt-duty. It is only intended to take away the surcharge and this is the way we can do it today. Now, in this reduction five annas will go and 1-4-0 will remain.

I would have proposed the entire abolition of the salt tax and in fact I have been always tabling this amendment for the entire abolition of the

salt tax and it has been carried very often but this year we like to appear to be reasonable even to my Honourable friend opposite. If we find a response, he will find that we can work together for the benefit of the country, though we do not believe yet that he will work for it at all. During the last two speeches he appears to have mellowed into a new kind of mentality and it may be expected that this would open a new chapter in his life and will afford him an occasion to give reasonable consideration to the public opinion of this country or at least the opinion as represented in this House by the Opposition. So let us expect that he will not grudge this abolition of the surcharge on the poor man's salt. He appeared also in yesterday's speech to have given some encouragement when he spoke about the regressive taxation in this country. At least, so far as his words go to that extent, I was myself a bit encouraged to propose this amendment to him. He does not like this way of putting indirect taxation on the poor man. It is always the consumer who pays. He wants to diversify industry by means of taxation. This reduction will undoubtedly be effective that way.

He also knows perfectly well that this salt tax is not only an indirect tax but it is something more. It has got something about it of
 12 NOON. the primitive savage instinct of the Government. It is a poll tax. Whatever be the difference between the rich man and the poor man in the use of salt, the average cannot be much this way or that so far as the salt duty is concerned. It may be a little more in the case of the rice eating man and it may be a little less in the case of the wheat eating man but it is a poll tax nevertheless and here it is again that the Finance Member can expect sure and convenient income even if the poor man had been even bred perfectly white. For if he cannot pay any other tax; so long as he has life in him, he must pay this tax if the Honourable the Finance Member compels him to pay it. So this is a safe corner up his sleeves where he may exactly calculate the money that he will get. He may not be sure of getting a bigger income from this import duty or that import duty or he may be getting a lesser income from excise on sugar. But here the income is fixed. Sir, this, however, is not what the Finance Member of a State ought to do. He must think, as he has called it, of the recuperative capacity or the prospects of the nation, and if he can, he will calculate upon that, but to calculate upon a source of income like salt tax a Finance Member is not necessary. Any man can easily balance the budget if, for instance, tomorrow he comes forward and says that every man that is born in India should pay five rupees each. That is a very good theory of taxation, but it is primitive, and it requires no Finance Member from overseas to tell us that in this way the Budget should be balanced. It is very easy to balance the Budget in that way. Whenever you want two crores of rupees or a little more than one and a half crores, you put five annas more on salt! Sir, so, I say, as I have said, the savage instinct of the State is still lingering in the Indian Finance Department, and of this our Finance Member, willingly or unwillingly I do not know, makes himself the exponent. (*An Honourable Member: "Both ways".*) Sir, I am sorry for him.

This salt tax has a history behind it. It has a long and painful history as every one perhaps by this time knows. Sir, I have been in the House before and on several occasions I have put the amendment of the abolition of the salt tax, and in 1929 even before Mr. M. P. Gandhi's monograph was

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published I tried to give a full history of this tax during the course of a day that I took in this House on this subject. Still it was not complete. Now it is not necessary to repeat things, for the whole history has been common property after the publication of many monographs and brochures. But everyone knows that it is in the interests of Liverpool that this tax was first levied. Salt was to be introduced into this country as ballast; and therefore the salt producers in England used their power and compelled the then Prime Ministers time after time to put this tax so that English salt could be introduced into this country. That is the history behind it. Then, again, in this country there were the predecessors of our civil servants before Lord Cornwallis. In those days the civil service was not organized. I have not the heart to tell you in this House how this industry was used for making money outside the pay of the office by our old civil servants. Sir, those are the two factors which may be still fresh in the memory of those who are taxed in the villages.

Sir, my poor Province of Orissa is a coastal province and Mr. Stirling and other people in those days have said that the best salt in India was produced in those days in that land which has been made poor to-day and the largest income of that province was derived from salt. Sir, if you go into the aspect of the industry which you want to diversify by regulating your taxation, what are you doing to those poor people on the coasts? If you care to come with me, I shall take you to those villages; I shall show you those hamlets—oh, there are no hamlets now, they have collapsed long ago, the coast has been deserted, the people have fled to different places and they have fled, many of them, to Rangoon and to the tea gardens of Assam and other places; and it is rather a piece of ironical joke when you tell us, “go to your provinces, handle your finances, find employment for your people, and give them all sorts of comfort and service, you have got autonomy.” Sir, is this not one of the main items by which you can give the ministers in many of the Provinces, especially in Provinces like Orissa, Madras, Bombay and Sind some handle, some lever by which they can give some relief even at this stage to the unemployed in their coasts?

Salt is free for fish-curing. It is again a make-belief. By industry some people, specially Government people, understand an organised something like the tea or coffee plantation or organised factory. Our fish-curing is not like that. The poor fish-curer does not know of the advantage given to him in spite of rules and regulations and their publication in the Gazette. Had he known all this, it would not be possible for him to take advantage of it.

Now, just take up other coastal industries. Do you know that in our coastal districts coconut is a big industry which is today collapsing on account of competition from outside? Do you know, Sir, that this coconut industry in Orissa is collapsing and languishing due to competition from other areas

Mr. President (The Honourable Sir Abdur Rahim): What has coconut got to do with salt?

Pandit Nilakantha Das: Sir, it requires salt.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member must confine himself to the question of salt duty.

Pandit Nilakantha Das: I am going to say that salt is required by our plants and by our cattle. You come to my part of the country and you will find that the coconut trees are simply dying because of some pests, probably due to want of nourishment. We have got our Agricultural Department, and once I sent to that Department some of the insects or caterpillars which are eating away our coconut trees, and after three years I got the reply asking me to inundate the plants with solution of potassium permanganate. Sir, salt is the food for coconut. It is said that if you get up on a coconut tree and from the top you cannot see the sea, then it will not grow nor produce fruit. That is the general impression. Salt is the main food for a coconut tree. Even in Upper India, if a coconut tree does not grow fruit, you put some salt underneath it, and at least you will get a dozen fruits that year. Sir, this Government are giving salt for fish cure, but not for coconut trees in which case people could take easier advantage.

You know the condition of cattle in India. Perhaps my friends opposite do not know that cattle require salt. Their stud bulls perhaps live on the Liverpool salt. I do not know whether the Indian salt is wholesome for those stud bulls or not. But I know this that salt was very wholesome in my father's time to our own cattle. Now, I have no salt to give them and the poor men some time do not get even a pinch of salt for their rice, or *conji* or rice water as my friend Mr. Ananthasavanam Ayyangar said. That being the case, how can they give salt to their cattle?

My friend, the Finance Member, is quite aware that this salt is the article and this tax is the subject on which the Congress has very strong views and on the 12th of February, 1930, when Gandhi march was organised in Gujrat, I was moving the abolition of salt tax in this House. I was telling them that Mahatma Gandhi was marching to lay down his life for a pinch of salt which you are taxing. I appealed to them with plaintive voice and because that appeal was not accepted I had to resign. So, my friend, the Finance Member must know that salt is the article which is needed by the common masses of the people and the Congress stands by it. If my friend really means what he appears to be—as I have said before, he appears to have mellowed—, he should now have some imagination and let us hope against hope that he will agree to this amendment. He should agree to this amendment and he should show that he has at least begun to be responsive to Indian public opinion, which is now mainly represented by the Congress. He will say that he will lose one and a half crore or more, but that does not matter. He lost much more than that last year in spite of his calculation. Did he not? He can find money, as he has done by invading the revenue reserve fund, and he has so many other sources. He told us even yesterday that he expects more expansion of trade and he expects to build another revenue reserve fund. Perhaps that was what he meant, if I understood him aright. He is very optimistic, not light-hearted, though it is, according to him, a synonym. He may even think of salary cut, which he never desires to do yet. But why should he not think of making a gesture of responsiveness today after what he has said to show to the public in India that he means what he says? Let him make a gesture today. Let him give up this little amount of money and he may depend upon his expansion of trade and his optimistic expectations of balancing the budget. It was rather pathetic when I read in his budget speech that in spite of putting a preferential duty of five per cent. more on British cloth he could not get more money. Why did he not get it? Because people don't buy British cloth. You should at least make a gesture

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to be responsive to Indian public opinion and here is an occasion for you. Let us all hope that even in case of English cloth he will get some prospect of expansion of trade, otherwise the door is banned. India knows its heart and India knows its bureaucrats. Let those bureaucrats begin to be responsible by accepting this amendment which means practically nothing and which only seeks to abolish in the case of the poor man that which they have abolished during the last two or three years in the case of the rich man. It is an emergency tax of five annas and they ought not to expect it from the poor man as a poll tax. Though I am not in the habit of appealing, today I appeal to my friend over there to see the drift of the public opinion in India and to become responsive as I have asked him. Then he will get much more revenue than he expects by his calculations in his budget speech.

On this subject there was a little gesture some six years ago which is known as the Gandhi-Irwin pact. What happened to that? I myself am most affected in my own district. In proof of that, let me tell the House that I propose to move an amendment. But I may tell the Honourable Member in advance that I will not move it if I get a satisfactory explanation from the Government. That amendment read thus:

"That to clause 2 of the Bill, the following provisos and *Explanation* be added:

'Provided that the said provisions shall, in so far as they enable the Governor General in Council to remit . . .

Mr. President (The Honourable Sir Abdur Rahim): The House is not dealing with that amendment now.

Pandit Nilakantha Das: What I mean to tell him is that this must be taken as a note. If I get a satisfactory reply on this point, I shall not move it.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member cannot ask the Finance Member to deal with that now.

Pandit Nilakantha Das: I shall then mention it simply. I will say at the outset that formerly people were allowed to make their own salt for their private domestic consumption. The privilege under that agreement has not been withdrawn from that area. I have been told so on the floor of this House the year before last, and also in my province the executive say so. But what happens there? First there was a cordon five miles beyond the coast. No man could consume salt produced in that area. Then gradually after two months, the cordon was put around a four mile limit.

Mr. President (The Honourable Sir Abdur Rahim): Again that amendment has nothing to do with this amendment.

Pandit Nilakantha Das: No, I am not speaking on that amendment. I hope it is relevant.

Mr. President (The Honourable Sir Abdur Rahim): That is not relevant.

Pandit Nilakantha Das: Am I to understand that what I am saying is not relevant?

Mr. President (The Honourable Sir Abdur Rahim): The present amendment only relates to the question of reducing the salt duty.

Pandit Nilakantha Das: Well, Sir, this reduction means not much relief at present, as much as we desire to the poor man. He will still be taxed. But if there is reduction by four annas, it will be a gesture. I have already told him that this will be beginning of a very good undertaking given by the Government. I do not say there will be no relief. The relief so far as money is concerned will not be much, it will be only three coppers in the year probably and that is enough to the poor man. Still the poor man in the villages will be heartened and he will visualise a future when he will get free salt in at least two or three years or in a limited period of time. That will be much for the Government as well as the poor man. So, I support this amendment.

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): I agree with the Mover of the cut motion when he says that this motion has become a hardy annual.

An Honourable Member: How are you going to vote on this motion?

Sir Muhammad Yakub: Against you. But I am unable to agree with him when he says that the cut motion on this tax is not based on sentiment. I think this cut on salt tax is based totally and wholly on sentiments, and it means nothing but misleading the poor man. Sir, the motion before the House is that the duty on salt should be reduced from Rs. 1-4-0 per maund to one rupee a maund which means a reduction of four annas, namely, a reduction of 2½ pies per seer. How much salt is consumed by a poor man every day. Probably he spends salt worth two pice in a week or in three or four days. If we calculate the amount that will be saved by reducing the duty to one rupee, there will be a saving of two or three cowries to the poor man. But in fact, the amount which will be saved by reducing this tax will not go to the pocket of the poor man or the poor consumer, for the sake of whom my Honourable friends allege they move this amendment. All this money will go into the pocket of the middleman and the broker. I am sure that in the name of the poor man, the rich men, namely, the brokers' and the middle men's cause is being advocated in this House, and the poor man is being deceived into thinking that my Honourable friends have very much sympathy for the poor man, and they want to reduce the tax on him.

Pandit Nilakantha Das: What about the surcharge? It is only that we want to abolish.

Sir Muhammad Yakub: Even if it were a tax on the poor man, I submit that if there can be no taxation without representation, the converse of it must also be true, that is there can be no representation without taxation. Now, Sir, when the franchise has been so much widened and when a very large number of poor men have been given vote and franchise, there is no reason why the poor man should not pay his quota of a small tax for meeting the expenditure of the country. When I came to the House this morning, I thought there was the dawn of a new era, because my Honourable friends, on the Congress side, have resolved last evening, to shoulder the burden of administration of the

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country, and I expected that they will talk like responsible men and will show a change in their mentality. But really, I was extremely disappointed to find that the same atmosphere of irresponsibility prevails. I appeal to my Honourable friends

Some Honourable Members: Oh, Oh!

Mr. President (The Honourable Sir Abdur Rahim): Honourable Members must not interrupt the speaker. They will have their own chance to reply to his arguments.

Sir Muhammad Yakub: Now, Sir, they want to take the administration of the country in their hands, and, therefore, they must try to be more reasonable, and they should speak like responsible persons. If they will go on giving false hopes to the poor man in the country and making promises which it will not be possible for them to redeem, I am sure they will cut their own root and they will lose their position in the country, and the reactions in the next elections will show that they have lost the confidence of the voters.

Pandit Nilakantha Das: That is your prediction.

Sir Muhammad Yakub: It is based on reason and logic.

Pandit Nilakantha Das: When was it not?

Sir Muhammad Yakub: I am not talking as an irresponsible man like my Honourable friend who has just sat down. I submit that the poor man will not, in any way, be benefited by reducing the tax while the exchequer of the country will lose one crore and 60 lakhs. It is very easy to say that Government must provide money for this thing and that thing. In one breath, they say that the salaries of the poor clerks must not be reduced, that the fares of third-class passengers must be reduced, that there must be fans for the third-class passengers, and there must be this thing and that thing for the poor man, and in the same breath they say that Government must reduce all the taxes. I am at a loss to understand how any sensible man can approve of a reasoning like this. Sir, I do not think any big speech is required from me in opposing this motion. I think it is a motion which is based purely on sentiment and deception, and I oppose it.

Mr. N. M. Joshi: The question may now be put.

Mr. K. Santhanam (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Sir, my friends on this side are duly obliged to the Honourable Knight for the very friendly and responsible advice he has given. He has said that if you reduce the duty it is the middleman who will pocket it and not the consumer who will gain by it. I fancy that according to him, the middleman is today going a-begging, that he is not pocketing his share and that only if you reduce the duty he will pocket his share. I think he ought to know better than that. The middleman has his share today and he will not have more than that share tomorrow whatever the duty is. And in fact I may tell him from my own experience

that the middleman's share ranges from 3 pies to 6 pies per maund of salt, and he is not likely to get more than that whether the duty be on this level or on any other level. Next he asked, what is the burden of the salt tax on the poor man? How can it be reduced by reducing it by four annas per maund? Here I should like to give some figures. There are nearly eight crores of families in this country and the salt tax is about eight crores. That is to say, the tax is one rupee per family. In my part of India, in the slack season one rupee per month is the income of the villager. I think it is the same in many other provinces; I do not know whether it is much different in the province of the Honourable Member. Now, Sir, one month's income he has to pay for salt which, as you know, is an article of indispensable consumption. And a relief of four annas on this means one week's wages saved for him for other necessary expenditure. I can also give from my experience another reason why this duty should go altogether, though in this particular amendment we have only asked for a very moderate and very reasonable relief. You all know, Sir, how under the Gandhi-Irwin pact salt concessions were given to the coastal people. In 1931-32, in my district, the salt pans were opened to the people and often people flocked there from a distance of 10 miles and 20 miles. They walked all the way, they carried it to their homes on their heads and they were very happy for two years. But unfortunately the salt concession was cancelled simply because the revenue was a little less. When I interviewed the Salt Collector at Madras a few days before coming to this Assembly he said, "We will lose revenue if we reopen this salt concession". Then I put to him this question: "When Lord Irwin agreed to the salt concession did he imagine that there will be no loss of revenue?" This Gandhi-Irwin concession meant that there would be some loss of revenue, but everywhere the concession has been cancelled and today the poor people have been deprived of this concession. And I say that the Government action in this matter has been far from honest,—I would not like to use the positive word.

Then, Sir, the Honourable Knight said that the poor man must share the burden of this Government. I suggest, Sir, that he is already bearing his burden by maintaining the Knights and his class. I think, Sir, I stand for a party which hopes before long that they will liquidate this class and thereby give greater relief than even the abolition of the salt tax. Sir, many times during this Session we have heard the Finance Member speak of the consumer. In his own way, he has suggested that true to his title he is the only Knight in this house who is looking after this distressed damsel and all the others are more or less trying to hurt her. Of course possibly he will tell us that this damsel will look prettier in Lancashire cloth and that Indian salt will harm her health. It is true in a sense because in the word "consumer" you include many sorts of people. The consumer is not one homogeneous set of persons. I will divide them into two classes,—as pure consumers and producer consumers. The pure consumers are those who are in receipt of fixed salaries, and of course for them the only thing that matters is that they must have everything, specially the luxuries, very cheap. But the case is very different for the producer consumer. He wants that his product must sell high and the things he purchases must sell low. And all the world over he has come to see that it is better to have a fair price for his products and a fair price for the things he buys rather than merely low prices for

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the latter. And in this country the producer consumer must again be divided into two other classes,—the agricultural producer and the industrial producer. I am not ashamed to say that I stand here as a representative of what I may call the agricultural producer. In this country he gets only grain. Even the agricultural labourer gets only grain wages, and for him the price of grain is the only thing which matters. Fifty per cent. of it he consumes, 40 per cent. he pays in taxes and in repayment of debt. It is only 10 per cent. of the grain which he uses in purchasing other materials; and therefore it does not matter to him at what prices cloth and other luxuries sell. For him, out of the price of his paddy and his wheat and his cotton, he has to pay the bulk of the price to the tax-gatherer and the moneylender and all those whom he has to pay in cash. And it is this person whom this salt tax has hit very hard. Formerly in my village paddy and grain used to be exchanged in equal measures. Today we have to pay three times; our housewives have to shell out three measures of paddy in order to get one measure of salt. This is the measure of the extent to which the burden of the salt tax has increased, so far as the poor villager is concerned. You ought not to judge of it in terms of rupees, annas and pies only. Today he has to give three measures of paddy for each measure of salt. And if you go into the villages you will find how much they have to stint on salt. Every pinch of salt the poor woman in the cottage has to measure. Of course we in this House in our comfortable cushion seats and with our big allowances cannot possibly imagine it. If, however, the Honourable the Finance Member can make a walking tour round 20 or 30 villages in any province, he will see how burdensome, how irksome and how intolerable the price of salt is. And in our part the people can get on without clothes, can get on without houses, can get on without any luxuries. But the only thing they want is salt, because they have their own rice. With rice and salt they will manage; whether the British Government is here or not, whether there is invasion from the north or the south, for them it does not matter. For them the price of paddy and the price of salt are the two things that really matter. And the Finance Member has so arranged that the price of paddy continues low and the price of salt continues high. And this is how he is so solicitous for the poor consumer. I will tell him on behalf of the consumers and the agriculturists in our province that his policy has utterly ruined them and they are on the verge of revolution. That is why in the moderate province of Madras there was such a resounding victory for the Congress; and the Honourable Member has given us advice, now that we are going to assume responsibility in the provinces, as to the responsible way in which to deal with these matters. Sir, if we are allowed a chance I am sure we can run this Central Government much more efficiently, much more cheaply and much more beneficently than all the gentlemen on the other side. And if he waits for a time and if those in charge give us a chance, it will be found that within a short time the provincial Governments have turned an utterly different chapter altogether. In fact they will take steps to scrap, so far as the provinces are concerned, the British Government altogether.

Sir, with these few words, I support the amendment.

The Honourable Sir James Grigg: Sir, I have often wondered at the reason for a certain habit that Honourable Members opposite have—and

Members in other parts of the House also—of putting forward one particular proposition and excluding from consideration any other reacting factors: in other words, they have an enormous gift for considering a particular problem in vacuo, without relation to its reactions; and I think that must be an Indian characteristic—there is no inter-communication between the various brain cells: and to illustrate what I mean by that I take the thesis, as I understand it, of the

Mr. Bhulabhai J. Desai (Bombay Northern Division: Non-Muhammadan Rural): Are there Indians on the other side whose cells work separately?

The Honourable Sir James Grigg: I said in other parts of the House too. I will give a paraphrase of the thesis of the Honourable Member who moved this amendment as I understood him to put it forward. He was beginning to be a little conscious that you cannot use the consumer for one purpose one day and to deny his existence on another day in another connection. As I understand his thesis, it is this: "Yes, certainly we realise that protection raises the burden on the consumer, increases the cost of his cloth and even increases the cost of the rice he consumes and so on; but nevertheless we want more and more protection, and we want protection carried to the point where there is no revenue derived from the protective duty at all. But we realise quite freely that that does impose burdens on the consumer, and so you must compensate the extra burdens that we put on in the way of protection by reducing other consumption taxes, excise under salt and so on". In other words, first of all put burdens on the consumer and destroy your revenue by protection, and then reduce the burdens on the consumer in part compensation by destroying the rest of your revenues; and so, very happily at the end you have left the consumer on balance with a great many burdens and the exchequer with no revenues at all. That may be a very good theory; but on that sort of budget you cannot even pay your servants Rs. 500 a month: they will have to pay you to be allowed to work; and frankly I think that is an illustration of the species of methods of abstraction that Honourable Members opposite apply to particular problems; and quite frankly we on this side are not prepared to accept a theory of taxation which reduces the revenue to zero. The Honourable Member who moved the amendment referred to the figures given in page 22 of the Financial Secretary's memorandum as clear evidence of diminishing returns. I will read two sets of figures. In 1936-37, the estimate is 530 lakhs of maunds: in 1937-38, excluding Burma, 510 lakhs of maunds: adding 25 lakhs of maunds for Burma, the figure for 1937-38 becomes 535 lakhs of maunds, or rather more than the figure for the year before. So much for your evidence of diminishing returns. However, I do not want to argue on the merits of the salt tax or on the burdensomeness of it or anything else. At the moment revenue considerations make it quite impossible that Government should accept the amendment. As has been pointed out, it would cost something like a crore and a half. And although Honourable Members opposite talk about making a gesture, that this crore and a half is nothing very much and that we must give them a gesture, I would merely say that if you are going to have many gestures of a crore and a half at a time, it is going to be rather expensive! I am receiving invitations to make a mere-

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pettifogging gesture of a crore and a half at a time as an earnest of the ultimate removal in the next two or three years of the tax altogether. I must say I think Honourable Members opposite, when they refer to a crore and a half as a gesture, a pettifogging beggarly amount, they are going to be pretty severely disillusioned in the next few years. In any case—and here I realise that I shall be accused of doing a little tight rope walking, because I am going to employ an argument which is capable of being turned against me—I think there is no doubt about it that Sir Muhammad Yakub is right, and that in giving a reduction of this kind—five annas gross in the salt duty—the middleman will get the whole benefit and the consumer will get nothing. There is no doubt about that whatever in the present circumstances. So this gesture is going to be a surrender of $1\frac{1}{2}$ crores without doing any benefit to the consumer. I do not want to press that argument too far, because Honourable Members opposite will say “We will not be so moderate next time”. But it is a fact. I think a reduction of this amount though very expensive to the State would bring no benefit to the consumer. Sir, I oppose the amendment.

(Mr. S. Satyamurti rose to speak.)

Mr. President (The Honourable Sir Abdur Rahim): The Chair thought the debate was going to be closed.

Mr. S. Satyamurti (Madras City: Non-Muhammadan Urban): There is still half an hour: it is only a quarter to one now.

Mr. President (The Honourable Sir Abdur Rahim): The convention has been to give the Government the right of reply.

Mr. S. Satyamurti: The motion is our Party motion . . .

Mr. President (The Honourable Sir Abdur Rahim): Nobody has a right of reply. That is the convention, and it ought not to be violated.

Mr. S. Satyamurti: If I may make a submission on that, I think these are motions which we bring forward, and we should have a right of reply . . .

Mr. President (The Honourable Sir Abdur Rahim): But there is no right of reply in any one.

Mr. S. Satyamurti: Not to the Mover: but the Party has a right of reply by another speaker.

Mr. President (The Honourable Sir Abdur Rahim): The Chair has pointed out what has been the practice and the convention hitherto. However the Chair will give the Honourable Member a chance. It must be remembered, however, that a practice like this should not be departed from except in special circumstances.

Mr. S. Satyamurti (Madras City: Non-Muhammadan Urban): Sir, I thank you very much. I shall make a submission on that point later on.

Now, Sir, I merely rise to ask, my Honourable friend, the Finance Member, if I may very respectfully, a question. Every time we put forward any financial motion, his first answer and his last answer is "You want protection, and, therefore, you must pay any taxes which I want to levy on this country. You do not care for the consumers: I will not care for the consumers: between us, let us murder them. I will put on the salt tax. You put on consumers' taxes, and they will thus be between the devil and the deep sea." I want to ask him this question, what is his idea of the Indian economic paradise? I must buy cloth from Lancashire, I must buy all other things from some other countries; I must buy my paddy from Siam, my wheat from Canada and Australia; all my iron and steel from England, and my motor cars from England and America, my locomotives from England, and all the manufactured goods from England. I may produce occasionally some paddy and some wheat and may sell the jute of which I have a monopoly, which he cannot produce; otherwise this country should be the happy hunting ground for all his countrymen to dump their manufactures on our devoted heads. But, when it comes to Japanese competition, then he does not bother about the consumer. Then, he tries to see how Japan is kept out of India in order that England may have a share of that trade. Will he undertake to see that India must buy in the cheapest market? Why does he go on negotiating all the time? May I know why? Do you accept the theory of the cheapest market for all our requirements? Why do you want the Indo-Japanese and the Indo-British negotiations? I suggest, Sir, that this theory of asking this country to become the producers of raw materials, hewers of wood and drawers of water, has been told, once too often. We will not stand this. We also understand some economics. Why don't you go and tell the shipping interests and other interests in England that they must buy in the cheapest market? Why don't you do that? You produce nothing in your own country, except coal and iron, and yet you want to import raw materials, manufacture them, and dump them on our devoted heads . . .

Pandit Lakshmi Kanta Maitra (Presidency Division: Non-Muhammadian Rural): They produce experts.

An Honourable Member: They would like to abolish all our schools and colleges.

Mr. S. Satyamurti: And as my friend reminds me, they would like us to abolish all our schools and colleges . . .

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

Mr. S. Satyamurti: Sir, I am answering the argument of my friend opposite.

Mr. President (The Honourable Sir Abdur Rahim): For that he need not embark upon general economics of the country.

Mr. S. Satyamurti: I can only answer, in the way in which I can answer.

Mr. President (The Honourable Sir Abdur Rahim): But this amendment alone is before the House, and the Honourable Member should not forget the particular amendment before the House.

Mr. S. Satyamurti: I am not forgetting it at all, Sir. I am saying that the argument that this House is for protection and that, therefore, it cannot consistently ask for any further concessions in the interests of the consumer is non-sense. That is my point.

Now, Sir, on the merits of this amendment, my friend, Sir Muhammad Yakub,—who, as usual, has disappeared after his speech,—I think he is not here,—came to the rescue of the Government, and told us that it would cost us one crore and 16 lakhs.

The Honourable Sir James Grigg: One crore and 60 lakhs.

Mr. S. Satyamurti: Very well, if that is so, may I make a suggestion? A ten per cent. cut in the salaries would give you two crores. Why don't you accept it? May I know who is affected by it?

An Honourable Member: Consumer.

Mr. S. Satyamurti: Where is the consumer? The only non-productive consumer in this country is the Government servant; he simply consumes. Why should he not give up 10 per cent. of his salary, in order to give the much needed relief to the tax-payer? I take it, Sir, my friend who is a very good student of economics knows this principle of taxation,—taxes on necessities and vices like drink are very bad. Does he like to tax drinks, and other necessities?

The Honourable Sir James Grigg: I don't agree with it.

Mr. S. Satyamurti: My friend does not agree with any theory except his own.

Sir, I believe that a tax on a necessity or vice should be the last resort of any Government.

Now, Sir, why was this salt concession in the Gandhi-Irwin Pact, made? My friend and Sir Muhammad Yakub said—after all, it is a small concession. But may I know why the Gandhi-Irwin Pact included this salt concession, unless both Mahatma Gandhi and Lord Irwin and the Government of India behind him thought that this was a proper thing to do, and it would help the poorest in the land? My friend talks of gestures in a very contemptuous spirit. I put it to him that Governments are judged often enough by their gestures of sympathy and goodwill. It is not merely by book maxims and by looking at the files all the time you can earn the goodwill of the people. You want imagination, sympathy, and gestures. My friend, Mr. Santhanam, put it beautifully and pathetically. I know, in our villages, salt is a necessity, and any small relief will be a very welcome relief. He who denies it does not know his country.

Then, my friend, Sir James Grigg, had a joke at our expense that there is no inter-communication of brains in our party

The Honourable Sir James Grigg: I said there is no inter-communication between the various brain cells.

Mr. S. Satyamurti: Then I give it up. But I am sure there is a great deal of inter-communication between the cells of my friend's brains and those of the various Members of the Treasury Benches. I have no time now to point out the numerous inconsistencies in their speeches; had I the time, I would certainly point out many things in which they have gone backwards and forwards.

Now, Sir, I suggest that this argument of the middleman getting the whole thing and the consumer getting nothing is not conclusive. At least the consumer may not get an immediate benefit by the reduction of the cost price of salt, but there is no doubt whatever that sooner or later the price must go down, and he will buy more. After all, Sir, I want this House to notice that the present amendment is a very modest one,—it does not seek to abolish the salt duty altogether, the excise duty remains. The effect of this amendment is to remove only the surcharge. My friend did not answer that point. The present motion is not to abolish the salt excise duty at all. I want my friends, who have made up their minds already, to reconsider the matter and make up their minds to vote for the amendment. I want them to remember that the present motion, sponsored by the Congress Party, is not a motion for the abolition of the salt excise duty. It merely means that hereafter you must remove the surcharge on salt tax. I think anybody will understand my point readily, and agree that, if there is to be any priority of relief, relief should first be given to those who consume salt, the poorest in the land, rather than to the rich men, the income-tax and super-tax payers. On that simple ground that relief should first be afforded to the poorest of the poor, I ask the House to support this amendment.

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That in clause 2 of the Bill, for the words 'one rupee and four annas' the words 'one rupee' be substituted."

The Assembly divided:

AYES—51.

Aney, Mr. M. S.
Asaf Ali, Mr. M.
Ayyangar, Mr. M. Ananthasayanam.
Azhar Ali, Mr. Muhammad.
Banerjea, Dr. P. N.
Bhagavan Das, Dr.
Chaliha, Mr. Kuladhar.
Chattopadhyaya, Mr. Amarendra Nath.
Chettiar, Mr. T. S. Avinashilingam.
Chetty, Mr. Sami Vencatachelam.
Das, Mr. B.
Das, Mr. Basanta Kumar.
Das, Pandit Nilakantha.
Datta, Mr. Akhil Chandra.
Desai, Mr. Bhulabhai J.
Gadgil, Mr. N. V.
Gangu Singh, Mr.
Giri, Mr. V. V.
Govind Das, Seth.
Gupta, Mr. Ghansham Singh.
Hans Raj, Raizada.
Hosmani, Mr. S. K.
Jedhe, Mr. K. M.
Jogendra Singh, Sirdar.
Joshi, Mr. N. M.

Kailash Behari Lal, Babu.
Khare, Dr. N. B.
Lahiri Chaudhury, Mr. D. K.
Lalchand Navalrai, Mr.
Maitra, Pandit Lakshmi Kanta.
Malaviya, Pandit Krishna Kant.
Mudaliar, Mr. C. N. Muthuranga.
Muhammad Ahmad Kazmi, Qazi.
Nageswara Rao, Mr. K.
Pant, Pandit Govind Ballabh.
Raghubir Narayan Singh, Choudhri.
Raju, Mr. P. S. Kumaraswami.
Ranga, Prof. N. G.
Saksena, Mr. Mohan Lal.
Sant Singh, Sardar.
Santhanam, Mr. K.
Satyamurti, Mr. S.
Sham Lal, Mr.
Sheodass Daga, Seth.
Singh, Mr. Ram Narayan.
Sinha, Mr. Anugrah Narayan.
Sinha, Mr. Satya Narayan.
Sinha, Mr. Shri Krishna.
Som, Mr. Suryya Kumar.
Sri Prakasa, Mr.
Varma, Mr. B. B.

NOES—53.

Abdoola Haroon, Seth Haji.
 Abdul Hamid, Khan Bahadur Sir.
 Abdullah, Mr. H. M.
 Ahmad Nawaz Khan, Major Nawab Sir.
 Aikman, Mr. A.
 Bajoria, Babu Baijnath.
 Bajpai, Sir Girja Shankar.
 Bansidhar, Rai Sahib.
 Bewoor, Mr. G. V.
 Bhagchand Soni, Rai Bahadur Seth.
 Bhide, Mr. V. S.
 Buss, Mr. L. C.
 Chanda, Mr. A. K.
 Chapman-Mortimer, Mr. T.
 Craik, The Honourable Sir Henry.
 Dalal, Dr. R. D.
 DeSouza, Dr. F. X.
 Fazl-i-Haq Piracha, Khan Bahadur Shaikh.
 Griffiths, Mr. P. J.
 Grigg, The Honourable Sir James.
 Hudson, Sir Leslie.
 James, Mr. F. E.
 Jawahar Singh, Sardar Bahadur Sardar Sir.
 Lal Chand, Captain Rao Bahadur Chaudhri.
 Lalit Chand, Thakur.
 Lloyd, Mr. A. H.
 Mackeown, Mr. J. A.

Mehr Shah, Nawab Sahibzada Sir Sayad Muhammad.
 Mehta, Mr. S. L.
 Menon, Mr. K. R.
 Metcalfe, Sir Aubrey.
 Morgan, Mr. G.
 Mukherjee, Rai Bahadur Sir Satya Charan.
 Nagarkar, Mr. C. B.
 Nauman, Mr. Muhammad.
 Naidu, Diwan Bahadur B. V. Sri Hari Rao.
 Noyce, The Honourable Sir Frank.
 Rajah, Raja Sir Vasudeva.
 Rau, Sir Raghavendra.
 Roughton, Mr. N. J.
 Row, Mr. K. Sanjiva.
 Sale, Mr. J. F.
 Sarma, Sir Srinivasa.
 Scott, Mr. J. Ramsay.
 Sher Muhammad Khan, Captain Sardar Sir.
 Spence, Mr. G. H.
 Thorne, Mr. J. A.
 Tottenham, Mr. G. R. F.
 Witherington, Mr. C. H.
 Yakub, Sir Muhammad.
 Yamin Khan, Sir Muhammad.
 Zafrullah Khan, The Honourable Sir Muhammad.
 Ziauddin Ahmad, Dr.

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim): The question is:

“That clause 2 stand part of the Bill.”

The motion was adopted.

Clause 2 was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim): The question is:

“That clause 3 stand part of the Bill.”

Qazi Muhammad Ahmad Kazmi (Meerut Division: Muhammadan Rural): Sir, I beg to move:

“That clause 3 of the Bill be omitted.”

In moving this amendment, I submit that the present Bill proposes to increase the excise duty on mill manufactured sugar from Rs. 1-5-0 to Rs. 2, and on *khandsari* sugar from As. 10 to Rs. 1-5-0, which means an increase of about 52 per cent. in the case of manufactured sugar and 110 per cent. in the case of *khandsari* sugar. This Government which claim to be very solicitous about the good of industry and of labour make an increase of 52 per cent. in one case, and, in the case of an indigenous industry, the increase is still greater, that is, it comes to 110 per cent. The question is as to how at present the sugar factories have come into existence in such large numbers, for reducing the number of which this duty has become necessary? It is on account of the protection given to the manufacture of sugar that so many factories developed in a comparatively very short time. A large amount of capital has been invested by the public on those factories in the hope that this protection will continue for some time and that they will be able to stand on their legs as the time passes. But what is the period of protection that is allowed to those

factories? The factories are just in the process of development. The sugarcane growers have been increasing the cultivation of sugarcane. The acreage has increased, it has not yet reached any extreme limit, or the extreme amount of development that is possible in India. But, instead of helping the industry, not only to stand on its own legs, but to compete with foreign countries, the Government come in and want to levy an excise duty. That is, they give protection with one hand and take it away with the other. They are breaking their promises by acting against them and are endangering the investment of capital and also the increase in the acreage of cultivation of sugarcane. The acreage has increased so very considerably that the present number of sugar factories are insufficient to absorb the crop. We cannot say that there is over-production, because India, up till today, is importing some sugar. We cannot say it is over-production in the sense that it is not needed by this country, though even over-production in itself is never a bad thing. It will only be after over-production that we would be able to export our sugar outside. It appears that according to Government it is all right for Java to over-produce sugar; it is all right for Mauritius to over produce sugar, but it is criminal for India to over-produce—not only to over-produce, but even to produce to an extent as to stop import of sufficient quantity of sugar from outside. I maintain that this is an absolutely unjustifiable position which the Government are taking up. They say that the result of this imposition of excise duty will be that inefficient and weak factories will be eliminated and only the strong factories will remain in the field, but what is actually going to happen? Weak factories will, of course, go out of the field, but the strong ones will become weak and inefficient, and in this way this further imposition of duty will gradually sweep off all the factories that have come into existence.

I am sorry to say that the Government do not cherish the idea of the development of this industry. This, however, is apparently their attitude towards it, as the first time they are getting an excuse or opportunity, they are laying their hands on this infant industry and are trying to strangle it. Could they not have taxed the Government servants and cut down their rates of pay for making up the deficit of the budget? Would any harm have been done if their pay had been reduced? If the Leo concessions had been withdrawn, would the I.C.S. or the higher services have famished? Nothing of the kind. But they do not think of reducing their expenditure. At the first opportunity they get, they lay their hands upon a nascent industry and they want to eliminate the weak factories, and by so doing they want to reduce the power of, and ultimately eliminate, the stronger ones also. This is a matter which affects not only the industry of this country, but also the agriculture. If you would only just pay a visit to the places where these sugarcane mills are working, you will find that the acreage of sugarcane has multiplied immensely. The cane produced is more than can be absorbed by the mills, with the result that, in spite of the rates that have been fixed by the Government for the purchase of sugarcane, the sugarcane growers do not find a proper price for want of an outlet and have got sometimes to undersell their produce to the factories and even at these low rates the sugarcane factories are not in a position to purchase all the sugarcane.

Now, the poor cultivator is in a fix. He has not got sufficient number of bullocks or cattle to press that sugarcane and turn it into *gur*, with the result that the sugarcane is left uncared for and sometimes has got to be destroyed. Government can very well say "That is a very good

[Qazi Muhammad Ahmad Kazmi.]

reason for reducing the number of mills". What I say is that it is necessary to give some sort of help to the development to these sugarcane mills, so that they may be in a position to absorb all the production in India. They can regulate production in India afterwards, when the production is sufficient to meet the needs of India, but before that stage is reached, Government have absolutely no right to curtail the limits of an industry—which is a necessary industry for India.

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. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

Qazi Muhammad Ahmad Kazmi: Mr. Deputy President, when I was speaking last, I was submitting that the present number of mills is not sufficient to absorb the production of the cane in India. This fact can further be proved by figures. Before 1920, the amount of *gur* prepared in India was estimated at about three million tons, and now it is about six million tons. The price of *gur* was admittedly high before 1920, and it is much lower at the present time. The question is as to how the quantity of *gur* has increased in spite of reduced price. The reason accounting for the increase of *gur* is two-fold. Firstly, the main crop in India, wheat, which was very profitable in old days, has become almost a losing concern at present on account of the competition from foreign wheat as well as the negligence of the Government in improving the indigenous wheat and helping the cultivator in lowering down its cost of production. The only thing that remains with the cultivator in these days is to take to the sugarcane crop. The second factor responsible for the increase in the amount of *gur* lies in the hope of the cultivator that he will be able to dispose of the sugarcane crop by selling it to the mills. All these sugarcane mills have extended the area of cultivation immensely, but they are incapable of absorbing the sugarcane and so the cultivator is forced to resort to other methods of disposing of the sugarcane and has to make *gur* out of it. So this is one of the reasons why the increase in the quantity of *gur* has taken place from three million tons to six million tons. My idea is that at the present moment when there is already a dearth of sugarcane mills, it is very unjust on the part of Government to impose a duty and reduce the number of mills thereby, and further to impose a duty on the sugar which is prepared by the indigenous methods. People resort to the indigenous and old method of preparing sugar only because they are not in a position to dispose of their extra crop. People with scanty cattle have got to carry on their ploughing, and they can hardly press sugarcane, but have to do it only because they have got no other method of disposing of the produce. So merely the increase in the production of *gur* by the old method would not mean that there is any extra profit in that business and that the Government can suitably levy an excise duty on it. As a matter of fact, the increase has come in, because they have got no other outlet for the extra crop and so they have got to resort to this method. To impose a duty of 110 per cent. on sugar prepared by the indigenous method is wholly unjust, and it is bound to cripple the industry on the one side and to finish the cultivator on the other. Sir, the Honourable Sir Frank Noyce, who seems to be very much interested in the development

of the sugarcane industry—as I read it in the papers, also does not seem to favour the idea of this imposition of duty. In a speech before the Imperial Institute of Sugar Technology, he said:

“Whether, if the Bill becomes law, the industry will be able to pass on the additional duty to the consumer remains to be seen. But one thing is certain, and that is that whether the additional duty falls on the consumer or the producer or is shared by both, it should prove an incentive to the factories to reduce their costs of production in order to keep the price of sugar as low as possible and so to stimulate the demand for it.”

Sir, placed as he is, however interested he may be in the sugar industry, he could not but defend the policy of the Government. According to him, the incentive for the factories to lower the cost of production would come from the additional excise duty, but in our experience we see that this cannot turn out to be true. If the Honourable Sir Frank Noyce were to advise the Honourable the Finance Member to see that every deficit in the budget should prove an incentive to him to reduce the cost of this administration and make it more popular with the Indians, I do not think his advice would be seriously taken by the Finance Member. Sir, merely increasing the expenses of the industry cannot force a factory-man to reduce his expenses in other directions. If he could reduce the expenses, he would reduce them in the interest of his own profits. So, such advice can be of no avail.

Now, what are the circumstances in which the Government of India have imposed this duty? They may say that “it is we who are interested in the safety of Indian industry, we gave protection, and we are watching it, and we are the best persons to judge whether that protection should continue or not”; but I may say, Sir, that the parents may be responsible for producing a child, but if they were to strangle it, they would be held guilty, in all circumstances, of culpable homicide before any Court of law, whatever their method may be. Government might have started and given this stimulus to the sugar industry by the protection, but if they are going to strangle the child, they would be responsible morally, politically and economically before any impartial court of justice.

Before I close, I also want to press one further point, and it is that there was no necessity for the Government of India to proceed to this imposition of duty before the inquiry by the Tariff Board. What is the use of handing over the matter to a Tariff Board for making an inquiry if you do not wait for their recommendations. Before any result comes out of the expenditure that has to be incurred in the Tariff Board enquiry, the Government of India hastily impose this duty. It seems to us that this handing over of the matter to the Tariff Board and other bodies for consideration is only a farce. Whatever the Government in their own interests—according to their own contemplation—think proper, they do it hastily. They do not care for the opinion of anybody and they take the step at once. It is for these reasons that we cannot support the further excise duty proposed to be levied on the sugar manufactured in factories and on *khandsari* sugar. Sir, I move the amendment.

Mr. Deputy President (Mr. Akhil Chandra Datta): Amendment moved:

“That clause 3 of the Bill be omitted.”

Mr. Mathuradas Vissanji (Indian Merchants' Chamber and Bureau: Indian Commerce): Mr. Deputy President, much has been said during the debate on the Finance Bill on this subject, and so there is very little left to contribute towards this in any material form. Still, I have got to say something about it. It has been generally mentioned that capital in India has always been shy for any industrial investment. That was so some time back, when capital used to feel conservative; and, unless it is satisfied of adequate return—not too much—and also of safety, capital used to feel shy of investing itself into any new venture. At the instance of the Advisory Committee, and on the inception of the protection for the imported sugar, capital felt that it was time to get into this industry, because it was assured of its position for some years to come. The result was that whereas before protection was given, only a very few factories had existed in India, after the protection, they multiplied three-fold or four-fold. As is usually the case in such circumstances, people lost sight of some precautions. Still, nobody can be blamed for that. Immediately afterwards, it was realised that the raising of the protection duty may reduce the revenue of Government. So, it was thought that the same article should be made to pay for this reduction, and so the Excise duty was brought in. This was wrong in principle. The protection that was given was, really speaking, meant to make India self-sufficient for the supply of sugar. If that was the aim, one cannot understand why Excise was brought in when the Industry was in its early stage, even in its infancy. Of course, Government mentioned that very high dividends were paid, and enormous profits were made, and, therefore, they should be taxed, and that Government should have a part of that revenue. But those high profits were made by the factories which were existing before protection was given, and that was the natural outcome of that position.

The position of the new factories that were brought about was never given the slightest consideration. If that fact had been given the proper consideration, this position would not have arisen. The springing up of so many factories brought about the position that the import practically got to the zero point. If it has not reached that zero point, it will reach in the near future. But if this excise duty is going to work, then the protection given would not be sufficient and imports of sugar will again be started. This is a wrong method adopted by the Government. You cannot expect the infant industry to cope with and compete with a stout and robust industry like that of Java, which has been existing for the last 50 years. In its own proper time, it could build up itself, and it could make experiments and bring up to the highest level of production at the lowest cost possible. You can never expect that to be done by the Indian industry which is in its infantile stage. It is only about two years that these new factories have been working. They have not even gathered strength to make some experiments in their mills in order to bring about the best extraction that could be made. Unless they have got enough funds at their disposal, they can ill-afford to do that. At least Government ought to have seen that they should be placed in that position before introducing this sort of Excise duty.

It is invariably the case that competition grows like wild forest. The springing up of so many factories and the keen competition that has been created thereby have reduced the margin of profits to every mill. So, naturally the consumer is not being affected by the high prices or the profits that were to be seen at the initial stage. If the profits would have

been allowed to the mills for some time, they would have been able to stand on their own legs. They would have got stronger within a few years and would have been able to compete with any foreign concern, even that of Java, within about five or ten years. I do not know why this was neglected. I do not know what was at the back of the mind of the Government which brought about, firstly, the excise duty and then again its enhancement this year. Either it would absolutely not allow it to expand or perhaps will let it die. That would be the only ultimate result of this excise duty. You would question me, Sir, how it would come. I would just give you some figures. The cost of the cane is something about Rs. 3-8-0 and added to it the excise duty as it is today, namely, Rs. 1-7-6, that would mean about nearly Rs. 5. The present prevailing price is Rs. 6. What is left is merely one rupee, which is the only sum left to make good the cost as well as the profit, if there be any at all. Can you expect the cost as well as the profit to be covered in one rupee? It is impossible as far as my experience goes. Much less can you have a surplus to put aside for experimental purposes or even for development purposes. I am not quoting the figure of expenditure. I am giving the House what would be left, that is one rupee, and nothing more for meeting the expenses of the factory and the profits if any to be made.

I will now come to the extraction side of it. Even the best extraction that could be done in the factories in India is not more than an average of ten per cent. Some are giving about six or seven per cent. varying up to 11 per cent. Java maintains an average of 11 per cent. always. You cannot expect an infant industry to reach that stage of perfection when you could get a uniform percentage of extraction. Surely you must give some time to build this industry so as to make experiments and come up to the stage of best production and at lower cost. Sir, I have got nothing more to add. I, therefore, feel that this excise duty is absolutely inopportune, and I support the amendment moved by my Honourable friend today.

Mr. Umar Aly Shah (North Madras: Muhammadan): Sir, I rise to support the motion for reduction of sugar excise duty. In this connection, I wish to say a few words on the Finance Bill which has been introduced by the Honourable the Finance Member the other day. May I ask him where is the finance in India? Is there real wealth in the country? When paper money was introduced in India, all the wealth of this country has been taken away, all the precious metals have been taken away and only paper money has been left. When the Hindu *rajās* ruled over this country, they introduced cows, elephants, precious stones, gold and other precious metals which served as the currency of the country. We find in *Sukra nithi*, *Manu*, *Parasara* and *Yajur Veda*, what were the things which were used in place of coins. When a discussion took place in the presence of King *Janaka*, *Yagnyalkya* also said what could be used as currency. After the period of the Vedas, foreign Arabic coins were introduced in the form of *dinara*, *tanka*, etc., and about all these we find mention made by *Panini* in his *Grammar*. After that, the Buddha period came and the Buddhist Kings introduced many coins such as *nishka*. We find elaborate mention made about the kinds of currency that should prevail in the book written by *Chanakya* on *Artha Shastra*. He gives a long list of the kinds of coins.

Mr. Deputy President (Mr. Akhil Chandra Datta): The amendment before the House is the reduction of excise duty on sugar.

Mr. Umar Aly Shah: What I am aiming to show is that because Government have to defray a large amount of expenditure on army and other departments, they are forced to put excise duty on sugar and raise taxes in various other ways. I submit this tax on sugar is got from the poor people who have to pay for the sugar out of their hard earned money, and the Government are spending these taxes like Jumna water on so many useless things, detailed mention of which will be found in the budget. More than half the amount realised in revenues is spent on the army. I think it is nearly 65 per cent. Everybody knows of what use a huge army is in the face of modern scientific warfare. Science has progressed so much in the matter of warfare that the present day distinctions between martial and non-martial races, between trained and untrained army are of no use hereafter. When there is world war, the whole humanity will be wiped out. This only means that man has descended to the level of the brute and wants to kill other men. This is the modern so-called scientific school of thought. When this principle is advocated, there is no salvation for human race. With such huge taxes, Government are doing things in their own way without caring for the good of the people from whom the taxes are derived. I submit that all the money collected in the shape of taxes should be spent for the uplift of the rural population, so that they may live in peace and comfort. There is no use of having a big army, when the rural population are starving for their daily food. If a good deal of fund is given for rural uplift peace will be maintained by the saints and leaders in the country better than by the army and the police.

I would request Government to give more to this rural development fund than they are doing. These sugar duties and so many other things the poor labourers and peasants cannot bear. Sir, I support this motion.

Bhai Parma Nand (West Punjab: Non-Muhammadan): Sir, I rise to support the motion. I will first refer to the speech of an official
 3 P. M. Member from Bengal. He said that when the first excise duty was levied on sugar, there was much opposition to it. It was predicted that the duty would prove the ruin of the sugar industry. But nothing of the kind happened. The sugar factories have flourished, they have been making large profits and their dividends have also increased. He quoted the prices of shares of some four or five factories, and from that he came to the definite conclusion that all those prophets were wrong and that their predictions have been proved to be unfounded. He forgets that some of the factories, whose dividends he has quoted, were working even before this protection was given. If, according to him, they gave 25 per cent. in dividends, I would tell him that before protection, they were making 30 per cent. and even more. Therefore, the factories which, according to him, gave higher dividends are under no obligation to the protection policy of Government and the Government cannot be said to have done them any favour. If there were no protection, they would have had no excise duty and probably would have given more dividends. The Government have thus no right to levy any excise duty on these factories. It was a blow in this sense that a heavy tax was imposed on the industry after it has not enjoyed protection for a year. I admit that even in the first year, a good many of the sugar factories made profits, but some of them had not even begun to work. They were just in the process of start. The factories that made profits became a sort of an eyesore to the Finance Member of

that day, and he concluded that these factories had made enormous profits, and, therefore, an excise duty should be levied to make up the loss of revenue to Government. It is easy to see that if some factories did make profits, no one can say that all the factories, which were established or were going to be established, would be in a position to make large profits out of this new industry. I know it as a fact that in the very next year following the excise, a good many of the factories suffered losses and some of them had to raise loans and went so far as to mortgage themselves in order to carry on the work for the next year. One factory raised a loan of about ten lakhs from a bank and mortgaged the whole factory and all their assets in order to carry on the work. I am talking of one factory which was started by very rich people who could borrow such a large sum, while there were numerous other factories which had to suffer losses and keep on.

My Honourable friend, Dr. Ziauddin, wanted to support excise duty and quoted the case of a factory which made large profits. But I will remind him that just as one swallow does not make a summer, so the profits of one factory do not mean that all the 146 factories are making profits. Some of them were running at a loss. Again, it is a simple economic law that the price of produce is regulated by the land on the margin of cultivation. That law applies to agriculture and also to industries. If there are 100 or 150 factories, some of which, being more efficient, industrious and honest will naturally make profit on account of their economy, honesty and industry, there will be others who are not so fortunate; they may be situated at a great distance from the cane producing area, or have to work under other disadvantages, naturally they have to work under a loss. The prices or the profits are not to be deduced from the results of the most efficient factory, but rather from those of the factory which produces at the greatest disadvantage. There is no doubt that the factories which work at an advantage make profits and make higher dividends than others. It is absurd to take five factories and say that all the factories are making large profits and exploiting the consumers.

Then, Sir, I come to another point that was made by the Honourable the Finance Member. When he was charged with lack of sympathy towards the industries of this country, he replied and he always gives the reply that he is more careful for the budgetary stability of the country, and, therefore, has to look to the revenue of Government more than to the industries of the country. That is his plea for levying this fresh excise duty. He gave us an illustration. He said that when we were importing sugar from Java, the Java people could sell their sugar worth only five crores. It was not 14 or 15 crores that went out from here to Java, but only five crores; the other ten crores went to Government to make up their revenue. If the Java manufacturers could sell sugar worth five crores here at the rate at which they were selling and yet they were in a position to pay ten crores to Government in revenue, from where did these ten crores come? It does not require to see that these ten crores ultimately came out of the pockets of the consumers to Government in revenue. Now, the position is somewhat changed. It is the Indian factories that are producing sugar and the revenue from the excise duty is only, say, about two crores. But we have to consider one point. The Java people who at that time paid ten crores to the Government in revenue were selling their sugar at Rs. 10 a maund: now the price of

[Bhai Parma Nand.]

sugar is Rs. 6 a maund. The difference has gone into the pockets of the consumers who pay Rs. 6 instead of Rs. 10 as before. Of course the money that goes now to the Government is much less. But the main question we have to consider is whether we should industrialise the country or not. Sir Homi Mody made an excellent speech on the subject. But our Finance Member rejected his view point as of no importance. His idea is that industrialisation is no good as industrialisation means protection of industries, and protection means high cost of products for the consumers. Thus, ultimately, this protection really goes against the consumers and raises the prices of articles produced in India. That is his argument. I would ask him, if we give up industries, what then is the remedy for the poverty and starvation of the country? If you do not want industries, if you do not care whether the country should be industrialised or not, how are you going to solve the problem of unemployment? His chief care, he says, is to get revenue, so that the budget may be balanced. If Government revenue alone is his anxiety, I would ask him, does he simply want that the old methods of taxation should continue as they are and he need not exert any brain power in order to find out new sources of income for the Government? If industrialisation of the country by means of protection is the only remedy for the unemployment and poverty of the people, then his duty as Finance Member is not to follow blindly the old ways of taxation, but to find out new ways of getting revenue and balancing his budget. My point is that by one industry alone we can save 15 crores for our country—it is not a fact as Dr. Ziauddin said, that the whole of it goes to the manufacturer—the manufacturers have to pay the excise duty, they have to pay thousands of workers inside and outside the factory, they have to pay the cultivators; and, as I once said, if Dr. Ziauddin goes and sees any sugar factory, he will find how cart loads are waiting miles long to get their turn for being sold to the factories: it is not the fault of the factory owners, because they cannot consume all of it in one day, and so these people have to wait for their turn

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhamadan Rural): And by this time the juice is all dried up!

Bhai Parma Nand: How can the factory help it? The factory can take only a certain tonnage every day: if more cane is brought, the factory cannot do twice or three or eight times more work in order to consume the sugarcane. My idea is this: industrialisation can only come about by protection of industries. As my Honourable friend, Mr. Mathuradas Vissanji, said, it is not possible for infant industries to spring up in our country and fight the old established capitalised industries of other countries; and, therefore, just as other countries like Japan are giving subsidies and free freight in their ships in order to sell things over here, we could compete with those countries if the Government of India would give us protection. That the Government suffers a loss in revenue it is not our business to see, it is the business of the Finance Member to find out ways and means of getting him money from the people who, according to him, pocketed the ten or eight crores. Of course, a share goes to the manufacturers; but the greater share goes to so many other people who are employed—the workers and their families and the cultivators who get a living. I do not

believe that making *gur* out of this cane will be of any advantage to the cultivator. These people never made much out of *gur*, while here they get their fixed wages and can easily pay rent, as my Honourable friend, Sir Muhammad Yamin Khan, told us that the zemindars got their rents alright. The cultivators cannot go on making *gur* and giving it to their children to eat; that is not possible. Nobody wants *gur* in these days. Probably if Mahatma Gandhi's movement succeeds and people make more use of *gur*, there may come some change, but it is a distant matter which we cannot consider at present.

I said, Sir, is the Finance Member prepared to give us any other remedy for unemployment, if he rejects industrialisation,—because we cannot have industrialisation without protection. That is one way of looking at the question. Sir James Grigg quoted Pandit Jawaharlal Nehru in his favour. The fact, however, is that Pandit Jawaharlal Nehru's fear was that as the protective duty is increased and a mushroom of sugar factories have sprung up, the lot of people who have begun to cultivate sugarcane will become very hard and the factory owners might exploit these cultivators. That is quite true. But we know that this defect is already remedied by means of the regulation of sugarcane prices. If any manufacturer did exploit the sugarcane cultivators in the first year, the very next year there was the fixation of prices by this Assembly.

I say, thousands of these cultivators are living upon this sugarcane industry and this crop gives them a sufficient return for their labour which they could not have got by any other cultivation. They have taken to this, because it is more profitable.

Then, Sir James Grigg said that India was suffering from the neglect of the effects of protection on revenue. If the revenue has decreased, then he should have seen who has benefited by these ten crores which Java paid to him previously. He himself should see how his ten crores had benefited the people. I cannot understand my friend, Dr. Ziauddin's position when he says that consumers were suffering. Sir, five years ago, consumers were getting sugar at four seers to the rupee, and now they are able to get sugar at six seers to the rupee. Does it go to show that the consumers are suffering? They get today sugar much cheaper than before. It is the consumers who are really benefited. Most of the revenue, that went into the Government Treasury before, now goes into the pockets of the consumers, and, therefore, ways should be found to get that money out of the consumers' pocket.

An Honourable Member: Do you mean by levying a tax on profits?

Bhai Parma Nand: By levying a tax so that the consumers may be made to pay for the advantage they are now getting.

Mr. B. Das (Orissa Division: Non-Muhammadan): Why should not the Government take all surplus profits, above 7½ per cent.?

Bhai Parma Nand: That suggestion is not practicable. Why should honest manufacturers suffer? The question is one of margin of profits. One factory may produce a certain quantity of sugar and make only five per cent. how can you charge that factory for all the profit it makes? There may be another factory which can make 25 per cent. how can you charge them so low? There are some cloth dealers who make 20 per cent.

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profit, while there are others who don't make anything. There are blacksmiths,—skilled men earn more, others who are unskilled make much less. If you try to equalise wages in that way, I have no objection at all if Government can equalise the wages of everybody. Why should engineers get more than fitters or blacksmiths or labourers? Why should not your chaprassis get as much as you are getting? The question of equalisation of wages is altogether a different question. If Government want to equalise the wages, let them do it. But I do not see why all factories should be treated alike, because two or three of them are making profits. As the revenue has gone down, the Finance Member thinks that the reduction in protection on sugar would give him the necessary amount. Sir, I don't believe for a moment that a talented Finance Member would proceed on the old rut, follow the old ways and kill all industries by withdrawing protection to indigenous industries. If he follows that policy, it would mean that we would never be able to develop any industry in our country. If you allow foreign countries to dump their manufactured articles on to this country, how could it be possible for us to develop our industries without protection from the State? I shall just cite a simple instance, Sir. A few years ago, Japan started making pencils, and in Calcutta these pencils were sold at the rate of seven to a pice, while we in Lahore cannot get seven tooth sticks for one pice, and these tooth sticks are cut from way-side trees! While the Japanese are able to manufacture pencils, export them to India, sell them at a ridiculously cheap rate at the same time make huge profits, after making provision for paying the middleman. Sir, it is next to impossible for India to make any headway in industrial development without protection. It is the duty of the Government to protect our industries if they really want to solve the problem of poverty and starvation in the country.

It is quite useless to talk about the one crore that is allotted for rural development schemes. What is this rural development scheme and what is the value of the one crore? My friend, Sir Frank Noyce, would develop rural broadcasting. What can the people do after hearing your music and talks and sermons in the radio? The question for them is how they can get bread? For bread you have to give them some kind of employment. Sir, there are in the United Provinces some villages round about factories, say within a radius of 60 miles, from where the people sell their sugarcane to the factory owners, they get ready money from the factory and are well off. And the shopkeepers in these villages are quite well off. The result is that all the people in these villages are doing well. They are able to feed, educate and clothe their children. But when you do not supply them bread, what will this one crore do for the whole of India? Without industrial development, Sir, we can never solve the problem of unemployment and starvation. Therefore, protection is most essential for us. If, on account of protection, there is some loss in revenue, the Finance Member should devise some other means to make up that loss in revenue. The country is sure to increase in wealth on account of the establishment of various industries as a result of protection, and it will be for the Finance Member to find out ways and means how to make up the loss in revenue. There are, Sir, many other causes for the poverty of the country. There are the interest charges, Home charges, which all combined, are draining away the wealth of the country, and, as long as this drain goes on, I do not think we will ever be able to arrive at a real solution of the unemployment problem in this country.

Mr. Kuladhar Chaliha (Assam Valley: Non-Muhammadan): Sir, I shall try to be short as well as to be sweet. The difficulty is, the imposition of the additional excise duty on sugar has made it difficult to sweeten even our bowl of misery. The other day, some nominated official on the opposite side told us that possibly we could have more *gur*, and this may drive us to the position that with our morning cup of tea we could chew a bit of *gur* also. Another nominated Member, with a certain amount of malicious glee, suggested that some of the sugar factories were doing so well that their profits should be mulcted, but the fat shareholders of the bureaucracy have totally forgotten the lean shareholders who have nothing to eat at all, and they will have no dividends for years to come. If he had been a business man dealing in sugar or tea, he would have seen what amount of difficulty there is to secure business, what amount of trouble the Calcutta tea and sugar merchants are taking to bring their business to a stable condition. His own countrymen, who are in Calcutta, I mean the owners and agents of tea gardens in Jalpaiguri and other centres, are today faced with great difficulty to find suitable markets for their produce, and get better price. Our Deputy President might know something of these difficulties. Therefore, I should advise my friends that they should extend a little sympathy for the shareholders of sugar factories who invested their money with the hope that a new field had been secured which would benefit themselves and their countrymen equally.

The Honourable the Finance Member said that he was imposing the additional excise duty to the sugar industry with a view to shortening the period of the shake up. If he persists in his theories and imposes the tax on the industry, he will ruin the whole of the sugar industry which was just able to make headway. Before the War, about 13 crores of rupees worth of sugar used to come into this country; after the War, 19 crores worth of sugar was imported to India; but, since 1935-36, all the money that used to go to Java and other foreign countries remains in India. About 30 crores of rupees is invested in this country; but if he wants to get some money out of the industry, he ought to find out some other means, and not strangle the industry in the way he proposes to do. If the Finance Member has a soft corner in his heart for this country, if he really wants that this country should prosper, he should take steps to industrialise the country as quickly as possible and there is no other alternative before him.

My Honourable friend, Bhai Parma Nand, was also emphasising exactly the same point. My submission is that we have about 29 or 30 crores in this industry subscribed by a large number of shareholders. Do you want these shareholders,—and along with them there are a large number of other people who are also interested,—to go to ruin? We find that India consumes about 12 crores worth of sugar. Out of this money about 600 lakhs go to the agriculturists and about 200 lakhs to the labourers, and the rest goes to the factory owners and shareholders. I am not one of those who would not like to adjust consumption to production. We know about the International Sugar Agreement commonly known as the Chadbourne Plan that was entered into in order to fix an export quota between Peru, Java and Cuba and a number of European countries. There was some difficulty in wiping out the surplus for some time when they entered into the Agreement in 1931, but by 1935 they have been able to wipe out a large surplus. The world production of

[Mr. Kuladhar Chaliha.]

sugar is 27 million tons. You will find from the Government Review of Trade of India that the consumption of sugar in the meantime after the Chadbourne Agreement has increased throughout the world, and, more so, it has increased in India also. Our production is 10½ lakhs of tons and our consumption is about 10½ lakhs of tons. You will be surprised to hear that between 1933-34 and 1934-35, our consumption has increased by 84,000 tons, and if we increase our production, we hope that we can increase the consumption much more, because we have such a large population that we should make it possible for them to buy as much as possible and as cheaply as possible. Have you succeeded in reducing the cost of production? We have got to give protection not only to bring up the industry to a certain stage, but also to stabilise it, so that it may compete throughout the world. Our production cost, as Mr. Vissanji said, is Rs. 6, whereas, in Java, it is Rs. 3-14-0 to Rs. 4-6-0 only, and unless, by research, by improvement of the canes, by improvement of manure and other work, you bring down the level of that cost, I think protection should not be reduced, and much more, no additional excise duty should be imposed.

Mr. B. Das: There must also be honesty in management.

Mr. Kuladhar Chaliha: In this there are no dishonest people. I trust the sugar industry is in the hands of people who are very honest. I have not come across so far any case of embezzlement and there is no reason to think that there are dishonest people in the industry. No such case has been reported that any sugar factory or any sugar company has embezzled money and as such your remarks are out of place.

Mr. B. Das: You do not know how the balance sheets are prepared.

Mr. Kuladhar Chaliha: You are absolutely irrelevant. The point that I am arguing is that we want the sugar industry to be in such a position that it should be able to compete in the world. We should give protection, not only to make it sufficient for our consumption, but it should enable us to compete in the world. Are we supplying the United Kingdom? Whereas in the pre-War years the export of our sugar was 56 lakhs, it has dwindled down to two lakhs now. It is surprising that the Honourable the Finance Member has said that we are going to shorten the period of shake out to sieve out the bad elements and keep the good elements. As regards over-production of sugar, there are two difficulties which he has raised, namely, that over-production of refined sugar and over-production of cane have exceeded the needs of the factories. Let us see whether there is over-production of sugar in India. I think it is a wrong explanation given by the Finance Member. Our consumption has increased to 10½ lakhs of tons and production is about the same quantity; and, as such, there is no over-production at all. Let us also see whether there is over-production of cane. What we want is a good quality of cane to be produced more and more, and in different provinces they are trying to do so.

There is another point made by the Honourable the Finance Member, and that is, the effect on the budgetary position, on the revenues of the Government. But he has forgotten what will be the effect of his policy

on the Provincial Governments. I shall cite only one instance, that of Bombay. I think those who come from Bombay know about the Kamat Committee which recommended plantation of sugarcane in Sholapur, Nasik and other districts. In pursuance of this recommendation a large area was brought under cane cultivation and the Irrigation Department makes about five lakhs of revenue from this. What will be the effect on the income of the Irrigation Department if this imposition is made? In Assam and other places, cane is being grown of a better variety by taking up lands from Government, and it will affect their revenue also if there is a shrinkage of cultivation. The Honourable the Finance Member has not considered the effect that will be produced on the different Provincial Governments. In some, land revenue, in others, revenue of the Irrigation Department, and so on, will be affected, and the Provincial Governments will lose much more than what you will gain. These are the points that I wanted to bring forward. It is necessary that this tax should not be imposed and that we should try to stabilise the industry and not add any fresh burdens to it. With these words, I support the amendment.

Sir Muhammad Yamin Khan (Agra Division: Muhammādan Rural):

We have got, under this motion, two different kinds of duty, one which the Honourable Member proposes to levy on the *khandsari* sugar, and the other on the factory sugar. Some Honourable Members have laid great stress on the factory produced sugar, but *khandsari* sugar has not been touched so elaborately, and I will try to deal with it now. My idea was greatly misrepresented yesterday when the Honourable the Finance Member was giving his reply. He tried to put into my mouth what I had never said anywhere. The Honourable Member took a word here, a word there and a word elsewhere, joined them together and said that that was my speech. I have got what he said, as reported by the Official Reporter. He did not have the Official Reporter's copy to quote me, but I quote from the Official Reporter's copy what he said:

"He said that it would not have been so bad if I had raised the import by eleven annas instead of the amount which we have proposed to do."

Certainly I said that. I said that if the import duty—he has said half the truth—here I said that the import duty ought to have been equal to the rise which was in the excise duty. He leaves out the excise duty at all. He says:

" . . . it would not have been so bad if I had raised the import duty by 11 annas instead of the amount which we have proposed to do."

The Honourable Sir James Grigg: May I get this clear? I still cannot understand the difference between the two statements—what the Honourable Member has just said and what I represented him to have said,—what exactly is the difference in figures. Is it his suggestion that if the import duty had been raised by 11 annas as well as the excise raised by 11 annas that would have been all right? Is that his contention?

Sir Muhammad Yamin Khan: I will say what my contention was, because the Honourable Member did not understand me. I will clarify the position today. He further said: "He then complained that I had by this means reduced the protection by 8 annas". Certainly I said that. The Honourable Member then went on to say: "That the additional 11 annas import duty would not affect the price". Where did I say that?

The Honourable Sir James Grigg: I understood you to say that.

Sir Muhammad Yamin Khan: I never said that it would not affect the price. The Honourable Member picked up one phrase here and another phrase there and misrepresented what I said. I said that the factories have sent out so much quantity into the market of manufactured sugar that any kind of duty at present would not affect prices for a considerable period of time. I did not say that any rise in duty would not affect prices at all. The factories which had been fortunate to send out their goods outside the factory premises without paying the excise duty are in a happy position, and they have supplied to the middleman so much quantity that it would suffice for the consumer for a long period to come, but I never said that the import duty, if it had been equally raised, would not affect the prices at all. As the Honourable Member ought to know, the manufacturer of the sugar advances money at the time when the sugarcane is sown which is the time of February and March, and by his imposition of the duty at the time when the people were going to sow the crops, the manufacturer will not enter into the contracts as they have been entering in the past, and when the cultivator finds that the factory is not going to purchase his crops, he will not grow the same quantity, as he has been growing for the last two years. If the man in the village comes to know that his produce of 500 bighas can be consumed by the factory he can produce 500 bighas but when he finds that the factory owner is not willing to have even 400 bighas produce, he will not cultivate 500 bighas. The factory owners will not enter into contracts for the future on account of this duty, because they know that the Honourable Member is giving eight annas profit into the pocket of the importer. This difference will affect the prices and it is creating a kind of misapprehension in the minds of factory owners. As I explained last time, at present there is a difference of Rs. 7/12 in the excise duty and the import duty. The import duty is Rs. 9/1 and the excise duty is Rs. 1/5. The difference is Rs. 7/12. What the Honourable Member proposes in future is a difference of Rs. 7/4 instead of 7/12 per cwt. and this means that the importer will have an advantage of eight annas over the producer in this country beyond what he is enjoying at present. This means that there will be a difference in prices and there will be a tendency for the imports to rise and the home manufacture to decrease. The Honourable Member says further on that as a matter of fact, Indian sugar was before the excise duty and even now may be selling at Rs. 2 or Rs. 3 below Java import parity. What a thing to get from the Honourable the Finance Member.

The Honourable Sir James Grigg: It varies in different parts of the country. That is a statement of fact and not an argument.

Sir Muhammad Yamin Khan: Does he realise that it is an ambiguous figure? Between Rs. 2 and Rs. 3, there is a difference of more than 50 per cent.

The Honourable Sir James Grigg: There is more than one sugar market in India.

Sir Muhammad Yamin Khan: There may be hundreds, but the Honourable the Finance Member should be able to say definitely and not give us these ambiguous figures—Rs. 2 or Rs. 3. It makes a lot of difference. If there had been only four annas difference that is a different matter, but it is amazing to have such an ambiguous figure of Rs. 2 or 3 from a responsible officer of Government. We have no means of arriving at the correct figure. We have no secretariat to help us. I wonder what market he is thinking of. If there is such a lot of difference, then sugar will certainly all go to one place.

An Honourable Member: What about freight charges?

Sir Muhammad Yamin Khan: There is a difference of one rupee, and the freight charges will not interfere very much.

An Honourable Member: Prices are different in different places.

Sir Muhammad Yamin Khan: If it is from Bombay to Delhi, you have to take into consideration a particular set of charges. If it is to some other place, you have to consider a different set of charges. Each market you have to take into consideration separately and you cannot have an ambiguous figure quoted like this. Then the Honourable Member said that the Indian Members of this House have not got connection of one brain cell with another, and that is why they make some kind of statement once and then they make other statements contradicting it at another time. I have quoted the Honourable Member. He said in the budget speech that the income-tax receipts from the sugar manufacturers have fallen down considerably, and, therefore, he could not get the proper revenues, and knowing this, that the income of the factory owners is going down, which is really reflected in the receipts from income-tax, he wants to impose a further duty on the very people who are already suffering. Where is the connection of brain cells? (Laughter.) I do not know how it is. When we take up different questions, that does not mean that you should take one phrase from one side and another phrase from another side; the whole thing may be taken together with regard to the question we are dealing with. Now in respect to *khandsari* sugar, as the Honourable Member ought to know, *khandsari* is a system of manufacture of sugar. Of course, my Honourable friend has not much sympathy with the people who have got small incomes or who have got a little wealth; he has no sympathy with the man who happened to save Rs. 500 in his whole life-time which is equal probably to my friend's two day's income; and if such a man purchases shares in the Reserve Bank, then he must not have the sympathy of the Honourable Member

The Honourable Sir James Grigg: The Honourable Member is misrepresenting me. The Honourable Member's remarks are not relevant to the motion before the House, but I may say that I expressed neither sympathy nor any lack of it; all I said was that it was quite nonsense for the Honourable Member to describe such a man as starving.

Sir Muhammad Yamin Khan: Sir, is a man whose whole life's savings are equal to the Honourable Member's two day's income, not a man who can be said to be starving? (Hear, hear). A man who gets only Rs. 13 a year as dividend! And such a man must pay two rupees extra, and

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he should put up with all the botheration, because he has got Rs. 13, as dividend, in the whole year! Sir, my friend has no sympathy with such a man, but I have got sympathy with the poor people; I have got a concern for my poor tenants, and for small body of petty zemindars or petty clerks or petty owners and who may have got paltry savings and who may be fortunate enough to get five shares in the Reserve Bank. Sir, I say—do not force them to part with their shares in order that they may go into the hands of my friend, Sir Cowasji Jehangir. I want that these shares must remain in the possession of the villagers or the agriculturists or the poor people as one of their assets. . . .

The Honourable Sir James Grigg: If the Honourable Member feels so keenly—of course, this does not arise under this amendment—could he not write a letter for them?

Sir Muhammad Yamin Khan: Sir, I shall then open an office, invite all the people throughout India to send me letters detailing their cases, and then I shall write letters on their behalf and ask that they should fill up all their incomes for the purposes of income-tax, and send along their returns to the income-tax officer, saying that they are not paying any income-tax and then send back the papers to them

The Honourable Sir James Grigg: That will solve the whole problem!

Sir Muhammad Yamin Khan: But will it not be possible for the Honourable Member to open a Branch in his Department for this purpose, and spend something out of the crore of rupees which he wants to bring in

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member had better go on with the main theme of his speech.

Sir Muhammad Yamin Khan: Sir, the *khandsari* man distributes to the poor tenants instalments, and because he has got a small concern and a small business, he wants to be assured of the sugar-cane crop coming up to him, and this man has to distribute about ten per cent, sometimes twenty-five per cent to the cultivator in order that he may grow sugar-cane in order to supply him with that later on, and this work is mostly carried on in the Rohilkund Division. The *khandsari* people have small concerns, but they are petty dealers who have got no other business; they are engaged in large numbers in the Rohilkund Division and to some extent in the Agra Division and in the Meerut Division. After making the necessary advances, these people become assured that they will get the sugar, and then they will have to compete with the sugar manufacture in the factories. Now it is really very difficult for them to do that, because their concern is not a big one and is not organised, and if it had not been for the patronage of some orthodox Hindus, they would have been ruined long ago. They could not otherwise carry on their business; they can only do so because orthodox Hindus do not like to use the refined sugar.

An Honourable Member: That is wrong.

Sir Muhammad Yamin Khan: At any rate, in my part of the Province that is so. The orthodox people have some kind of apprehension with regard to the factory sugar and they patronise this *khandsari* sugar. Now it means this, that if we tax these poor manufacturers, certainly they will be forced—because their consumers themselves are forced to buy from them on account of certain ideas—to raise their prices, and whatever would be the price, these consumers would have to pay for it. But is it right and proper to tax those people who, on account of certain notions of theirs, religious or customary, cannot touch the other sugar that they must pay higher prices for the sugar which is manufactured by the *khandsari* process? You cannot punish a man simply because he believes in his religion.

Sir Muhammad Yakub: Why not have an orthodoxy tax?

Sir Muhammad Yamin Khan: The Honourable Member may propose an orthodoxy tax next time. Then, Sir, if you are taxing the *khandsari* sugar which is now confined to Rohilkund and certain other places, that would be very hard. Now this is how *khandsari* sugar is manufactured. First of all there is the *râb*. This *râb* is converted into sugar. You can either manufacture *râb* or *gur*. It is from *râb* that you manufacture sugar. Now, you are raising the tax on this *khandsari* from ten annas to one rupee and five annas; that is, instead of ten annas you are having twenty-one annas, that is, 110 per cent more duty than what it is at present,—and a 110 per cent increase in the duty will certainly kill this man, who has not been making any profits, who has been compelled to compete with the factories without much balance of profit, and who has to sell it anyhow. The direct result of this would be—and it is here that I am mostly concerned—that this *khandsari* will ask the tenant to give his juice at a lower price. In Rohilkund, they do not get the supply by means of maunds of sugar-cane but they purchase the juice of the sugar-cane and they buy by 100 maunds; the selling price is generally counted in hundred maunds, and if the *khandsari* is paying about Rs. 28 per hundred maunds, then he will have to take out this excise duty from the poor tenant and instead of paying him Rs. 28 he will pay him something like Rs. 25, which will come to a loss of Rs. 3 so far as the cultivator is concerned. This tax on the *khandsari* sugar directly tells on the produce of the villages and it will, as I pointed out in my previous speech, destroy these people who have taken to growing of sugar-cane instead of wheat. Therefore, nobody who has got at heart the good of the produce of the country can ever support this proposition, because nobody can destroy the whole crop of the country because of this duty. My province has been passing through very bad times lately and the Honourable Member must have ascertained from the United Provinces Government that there has been a remission of the rent of about eight annas in the rupee. If the rent cannot be paid by the tenants and the zamindars had to forego eight annas out of every rupee, they will not be able to collect after this duty even four annas in the rupee. There will be suffering all over my province, and I cannot support this duty. The other question about the factory made sugar has been elaborately dealt with by other Honourable Members. As I said before it is very inopportune for him to bring this duty at a time when the people are going in for sugar-cane cultivation and are entering into contracts. If these contracts are stopped, next year we will not have so much acreage of sugar-cane as we

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had this year. Therefore, whatever wealth they were bringing in in the shape of sugar-cane into the villages, that will be destroyed and the villagers will have nothing to fall back upon. Therefore, I strongly support the amendment and I am totally against this duty.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): Mr.

4 P.M. Deputy President, the inter-communication between the different cells of the brain of my Honourable friend, the Finance Member, appears to have dwarfed his stature. Born in mid-Victorian days, he still seems to believe that we live in the times of good Queen Victoria. He enunciated die-hard principles of free trade, and I would just remind him of what he said. Taking up a remark made by one of my Honourable friends on this side of the House, he gave us some very interesting details which showed how his mind was working. He said: take it for granted that 15 crores worth of sugar is made in this country today, and take it for granted that the consumer could get imported sugar of the same quality and the same quantity for five crores. Therefore, the consumer, he said, lost ten crores which we could well use for purchasing other commodities manufactured in this country. That was the argument he placed before us. I wondered whether the Finance Member was really living in the year 1937. I wondered whether, being a very distinguished civil servant in England as he has been, he had ever had an opportunity of placing his views before His Majesty's Government in England during his long and distinguished career. What is England doing? How much are England and her consumers losing over the beet-root sugar industry? How is England encouraging her agriculture? If England had gone in for this principle of importing from the cheapest market and not encouraged manufacture in her own country, I could understand my Honourable friend preaching these old doctrines of free trade before this Honourable House. But surely this is not the time to do that, especially when, just now, we read ever day in the newspapers that attempts are being made in his own country to start new industries in what they call distressed areas. That is going to cost money, and the tax-payer and the rate-payer will have to pay for it. Then, why should he come and preach to us these principles of free trade? I give him full credit for really believing what he preaches. There are some free traders still left in England. May I respectfully suggest to him that he has got a great future in his own country trying to convert tariff reformers into free traders.

Sir, we firmly believe, and we have not hidden our opinions, expressed long before my Honourable friend came to this country, that the future of this country lies in industrialisation. We are not blind to the fact that India is an agricultural country and that agriculture should also be encouraged in every way possible. But to give such an instance as he did the other day, merely shows us how his mind is working. Let us tell him frankly that our minds do not work in that direction and we cannot agree and, since the principles laid down by Government are different to his sincere and honest opinions and convictions, he would do just as well to leave out of his speeches attempts to persuade us to become free traders. When it pays us to become free traders, we shall be only too pleased to

follow his advice. We do not think at present it is in our interests, and we shall, with great regret, refuse to take his advice, however well meant it is.

Well, Sir, there was another point that he raised about the sugar excise which I was not able to follow.

The Honourable Sir James Grigg: I am not surprised at that.

Sir Cowasji Jehangir: I am not surprised at anything that my Honourable friend will say now or in the future. After what he has said, he is capable of telling us anything. Well, Sir, he talked about wiping out the inefficient part of the sugar industry. I would like to be informed as to what he means by 'inefficiency'? We all want to wipe out inefficiency whether it be on the opposite benches or whether we have to confess that we are inefficient. (Hear, hear.) Wherever it is, we want to wipe it out but I do not know whether it is greater there or here. But what does he mean by "inefficiency" in a factory? There are today, I believe, sugar factories with the most modern machinery where the cost of production is the least possible, and yet they are in difficulties. They may be difficulties of their own creation. Is that inefficiency of the factory?

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

In other parts of the world, where a factory, with the latest type of machinery, producing at the lowest cost comes into difficulties, the Governments come to the assistance of such factories and such industries. If a factory is equipped with old machinery and produces at a much higher cost than its better equipped neighbour, that factory, in my opinion, is inefficient, and everything should be done to help it to modernise itself or wipe it out. What, therefore, is the meaning of inefficiency? If inefficiency means what I have explained in the first instance, *viz.*, an up-to-date factory which gets into financial trouble, then I do not call that factory inefficient. It may be inefficient management, but that factory deserves assistance to make it pay. As to the second kind of factory, I would not call it efficient, and if it were wiped out, I should not regret it. Or else, I would see that it is modernised and made efficient. I am certain that nobody wants to wipe out the so called inefficient factory in this country of the first category. As I have already admitted, I have not the experience or knowledge of the sugar industry to be able to say as to how many factories there are of the first category and how many of the second. But what little information I have been able to obtain during the last couple of years shows that the largest number of factories are of the first category. It may be that they were started without proper financial provision. It may be that encouraged by tariff protection the supply is a little larger than the demand but such things do happen in other parts of the world. But there is one thing which does not happen in other parts of the world very often, and that is a country making itself self-sufficient in respect of a necessity of life within a space of eight years. That is what the sugar industry has accomplished in India. I do think, leaving aside the merits of the question as to what effect this additional excise duty will have on the agriculturist, or the consumer or on the industry itself—leaving aside that question—on general principles, I would strongly object to any

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action by Government which would wipe out of existence a factory or factories of the first category that I have explained. Therefore, Mr. President, I think my Honourable friend, the Honourable the Finance Member, was rather rash when he brought forward this argument, in favour of this increase of excise duty on the score of wiping out inefficiency. In an industry where the factories are more or less new, where eight years ago there were only 29 factories, today there are 146 all more or less new—this is one of the romances of Indian industry—(Hear, hear) I would urge Government now and in the future, after having brought such an industry into existence, not to talk on the floor of the House of wiping out inefficiency. It is a dangerous doctrine to expound especially by Englishmen in India, when we are perfectly aware of what is happening in England to inefficient factories, and when we are perfectly aware of the assistance the British Government are giving to their own industries. Even where there is real inefficiency in certain directions and in certain industries, industries that have made the country, industries of which England has every reason to be proud, and which, due to change of times and circumstances, have fallen on evil days and in which there is admitted inefficiency, Government do not talk of wiping them out, but talk every day of improving them, of giving them more and more assistance and seeing their chimneys beginning to smoke rather than to see them idle and deteriorate from day to day. Let us hear the Honourable Members from the other side talk of bringing such industries into existence by helping and assisting such industries that are in existence. In short, I would suggest that Government follow the example of His Majesty's Government in England more closely and let us hope and pray with as great a success as the British Government administer their own country in the interests of their own industries. (Applause.)

Seth Haji Abdoola Haroon (Sind: Muhammadan Rural): Sir, after hearing the very able speech of my Honourable friend, Sir Cowasji Jehangir, I wish to say only a few words about the industry and how the United Kingdom are supporting their own industries.

Sir, fifteen years ago the Government of the United Kingdom came forward and asked the people to establish sugar industries in England. Then they gave 25 shillings per cwt. as subsidy to the manufacturers who established the sugar factory in England and even today they are giving a subsidy—I do not remember now, but it is not less than seven or eight shillings per cwt. In India, the Government did not give any sort of subsidy, but, on account of the revenue import duty, the sugar industry established itself in this country. But after that the Government made it a protective duty. Now, Sir, they passed the Act in 1932, and today we are in 1937, and within five years they are coming forward to put some more excise duty. The excise duty till now has been Rs. 1-5-0, and now the Government propose to put eleven annas more. Whatever has been said by the Honourable the Finance Member about the industry has been refuted by my Honourable friend, Sir Cowasji Jehangir. What my Honourable friend, Sir Cowasji Jehangir, said about wiping out the industry is right. Instead of wiping out the industry, you must encourage it to become more and more flourishing. When protection was given people came forward with their capital and utilised it for the establishment of factories; and now comes forward our Finance Member and says that inefficient factories should be wiped out. Besides that, Sir, my Honourable friend, Sir

Yamin Khan, has pointed out how the Finance Member has given wrong or misleading information to the House. I will give you one more instance. The Finance Member said yesterday that, of the 15 crores worth of sugar which remained in India, the imported sugar was worth only five crores. That is also very incorrect. If he looks into the Secretariat papers, he will find that when this protection was given, India paid that year no less than 15 crores of rupees to Java and ten crores to Government in 1929-30 to consume their sugar. But on account of the industry established in India, in 1930-31 the consumers paid for their consumption 25 crores of rupees, whereas, today, including the excise duty, they are hardly paying 18 crores. In one way, the consumer is benefited, and in another way my friends, Sir Yamin Khan and Sir Muhammad Yakub and others, have complained against this excise duty. Today we find, not only in this House, but also outside unanimity against this excise duty, and all the mercantile associations and industrial associations and everybody else, whether cultivator or merchant, are unanimous against this excise duty. I do not know whether the Government of India consulted the Provincial Governments or not, and if they did, whether they supported this duty. But I believe that if they were consulted, the Governments of the United Provinces and of Bihar must have opposed this proposal tooth and nail. Of course what we are saying here nobody will hear, but I again request the Finance Member and appeal to him to consider this proposal very seriously. According to the budget, he has estimated 1,95 lakhs as the excise duty; today he will see that he can collect 2,35 lakhs up to the end of the year, but in my opinion he will collect 2,50 lakhs. India is such a wonderful country that if they get cheaper sugar and if the Finance Member allows the industry to develop and allows the consumer to get cheaper sugar, I can assure him that within the next three years he will get five crores of rupees as excise duty, because they will buy more sugar than at present. At present, the difficulty is that the Finance Member in the last two years got an increase of $3\frac{1}{2}$ crores over his estimate and spent it in some way; and when this year he got 100 lakhs less than the estimate, he came forward with a new excise duty proposal. I request the Finance Member to reconsider this proposal.

An Honourable Member: You throw it out.

Seth Haji Abdoola Haroon: I may throw it out but there is the power of certification. I ask him to consider that, if he puts this duty this year, he will be dislocating all the organisations. The cane suppliers are now in the soup. We read in the papers that many factories have announced that, on account of their losses, they might close down their factories. Besides that there is already some forward sale and many other things. So I will appeal to the Finance Member to reconsider it and postpone this duty at least for one year until the Tariff Board have reported. They will commence their inquiry into the sugar industry very soon and give all kinds of information as regards the efficiency or otherwise of the factories, the present consumption of sugar in the country, the present condition of the cultivators, the cost of production of cane, how cane is supplied to the factories, and so on. If, after getting all this information, he comes forward with facts and figures and makes out a case for the imposition of this excise duty, I am sure, the House will agree to it. But at present everything is in the dark, and all sorts of figures and assumptions and information come from that side which are incorrect, irregular and harmful to the country and to the industry.

Prof. N. G. Ranga (Guntur *cum* Nellore: Non-Muhammadan Rural): Sir, I am rather in a difficulty in regard to this particular question, because I find that, as far as the sugar mill owners are concerned, I would not have thought it necessary to get up and defend their position under ordinary circumstances. But I find that the Honourable the Finance Member has been so very clever and confused as to dump in under the same clause both the big manufacturer of sugar and the small cottage producer of *khandsari*. Moreover, Sir, he is also confused between his affection for the sugar manufacturer and his solicitude for the sugar-cane producer. It is indeed very difficult for a layman to judge the effect that this sugar excise duty will have upon the sugar manufacturer and also upon the sugar-cane grower. If my Honourable friend, Sir James Grigg, had simply tried to remember what he has read—I do not know where he studied—at Cambridge or Oxford—I am glad he does not belong to either of our Universities, because, I am sure, any one who has studied there would have displayed a little better clarified Finance Bill than the one that we have been presented with—if he had only tried, as I say, to remember what he has studied in Prof. Marshall's *Elements of Economics*, he would certainly have realised how impossible it is to try to extract this sugar excise duty entirely from the sugar manufacturers. If in addition he had only tried to visit some of these sugar factories in this country, just when the cultivators are trying to sell their sugar-cane to the manufacturers, and had tried to ascertain their difficulties in getting the manufacturers to take their cane in, he certainly would not have committed this mistake of trying to enhance the sugar excise duty whose incidence is going to fall, not only on the sugar manufacturer, but also on the sugar-cane grower.

It is a well known fact that the incidence of a tax can be shifted and it does not always follow that the man who actually pays any particular tax to the State does himself pay the whole of it. Very often he tries to shift it on to the primary producer or on to the consumer; and, in this case, I am afraid it is not the consumer who is going to pay so much of it, although he may have to pay a portion of it; but it is the sugar-cane cultivator who has got to pay most, if not the whole of it. We find that in most parts of the country there is more area under sugar-cane cultivation than there are sugar factories to make use of the sugar-cane produced there. It is for this reason that the sugar-cane growers are obliged to take their sugar-cane to the factories, bribe the people who are kept there as gate-keepers to let their cane into the godown and then hope against hope that their cane may be accepted by the manufacturer or his agent in preference to somebody else's cane, because there is always more sugar-cane offered than is demanded by the manufacturer. Under these circumstances, it is impossible for the sugar-cane grower to try to prevent the incidence of this excise duty being shifted on to his own shoulders. In fact, we have found it in actual practice that our peasants are unable to get even the ordinary minimum price that has been fixed in some provinces. They are so much in need of ready money, they are so much anxious to dispose of their sugar-cane and they are so much obliged to dispose of it within twenty four hours after it is cut, lest the "sakkar" content of it should go down very rapidly, that they have no other option than to contract out of this minimum price and receive much smaller price than the minimum fixed by the Statute. I am reminded by my Honourable friend, Mr. B. Das, that they are even obliged to give rebate

in prices. Under these circumstances, how is it possible for the peasants to escape paying the most of it or the whole of this excise duty and the increase that is proposed to be made now? If the Honourable the Finance Member had only thought about it even for a while, I am sure, he would have hesitated and he would have even declined to agree with his advisers when they proposed this increase in the sugar excise duty.

I am told that the Honourable the Finance Member took to task some Honourable Member of the House for having mentioned that Sir T. Vijayaraghavachariar had stated that this increase in sugar excise duty was going to affect not only the manufacturer, but also the peasant; and he is reported to have taunted by saying that Sir T. Vijayaraghavachariar is not entirely an expert now; he is an interested party since he is engaged by some people interested in this sugar trade. It is quite possible that Sir T. Vijayaraghavachariar happens to be engaged now by some people or other interested in this trade, but it is an incontrovertible fact that my Honourable friend, the Finance Member, is a paid agent of this Government, the Government which have brought this industry into existence and the Government which are responsible for that supposed loss to the consumer up to 15 crores of rupees even according to him, a Government which have promised to this country the development of this industry and incidentally the development of a cottage industry all over the countryside, and also the economic prosperity of the peasants. And for this Government and its Finance Member to come and say that Sir T. Vijayaraghavachariar, whose advice they gladly accepted only till the other day, is today an interested party, and, therefore, whatever he says should be accepted only at a discount, is really hypocrisy and nothing else. If Sir T. Vijayaraghavachariar had been an Englishman and an English expert interested in the introduction of English machinery and English products into this country, interested in pushing forward the sales of British goods in this country, I am sure, Sir James Grigg would not have dared to attribute such a motive to such an expert.

We are told that in levying this additional excise duty he is only trying to help the revenues of this country. He is badly in need of a crore of rupees, so he says. Personally I feel that there is a flea somewhere here. I really do not think that next year he will be faced with any deficit at all. I shall not be surprised if he were to be faced with even a good enough surplus. There is some additional revenue somewhere hidden: he alone knows where it is hidden. I am sure, if he were to consult his own conscience, he would be prepared to admit to himself in privacy that he is playing some jugglery with facts and he is playing some jugglery with some of us. I know that there is going to be more money coming from income-tax—more money than the 20 lakhs which he has estimated. If he does not get anything more, it must be his own fault and the fault of his own Department. I know there is going to be more money from customs, because, even according to him, prices are rising and imports are streaming in. He is not going to stop them: he is even interested in lowering the revenue duties: so many other things are going to bring in more money and he knows he is going to have it. I think purposely somewhere he has made some under-estimating and he is going to have that money.

Then, why did he think of this additional excise duty? Because he wanted to provide for something that he has got up his sleeve sometime

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next year. Is it the Quetta earthquake? We do not know. Is it an additional expenditure on the army? We are not told. But we are given a rather small hint in the explanatory memorandum which has been submitted to us, that for the last so many years the re-equipment programme of the army has had to be postponed, has had to be taken up very slowly, and, therefore, very soon they would be obliged to spend much more money on it. They had estimated that they had to spend two crores more than they had estimated in 1928. They should have finished this programme by 1928, but they could not do it, and they are obliged to finish it only this year or the next year. In the meanwhile so many improvements have had to be effected on the army, and they could not effect them. Therefore, they will come forward with an additional programme of expenditure on the army next year, and for that he will need money. Lest he might be unable to impose so much additional taxation at one stroke next year, he thought it better to come forward with this additional taxation proposal this year, get the money and keep it ready to meet the demands of the army for the defences of this country next year.

Sir, he wants a crore of rupees. How is he to get it? He proposes to get it by raising this duty from Re. 0-10-0 to Rs. 1-5-0 on *khandsari*, and from Rs. 1-5-0 to Rs. 2-0-0 on sugar. Does he at least try to keep the same balance as between these two groups of producers? No, Sir. Superficially there is some balance,—the increase is 11 annas in one case and the same in the other case as well, but it is only a superficial similarity. If we go into it a little more in detail, we find that the duty on *khandsari* is proposed to be raised by more than 100 per cent. whereas the excise duty on sugar is proposed to be increased by a little more than 50 per cent. Why should there be so much difference? Why has he gone out of his way to deal such a death blow to *khandsari* producers? Is it because they are a small people? Is it because they are not able to defend themselves? Or is it because they are not so well organised, or is it because they are not able to flood him with as many memoranda as the sugar manufacturers have flooded him with. Why has he shown all this partiality? He may say that he does not expect to get very much money from these *khandsaris*; but whatever he will get from them, it will be in an unjust manner. We were told by Sir Muhammad Yamin Khan that these *khandsaris* are also money lenders, they lend money to the producers on forward contracts and try to take the cane from the producers. That does not recommend these *khandsaris* very much for my acceptance, but I do know of some *khandsari* producers who are small people, who are struggling to make some decent living for themselves, who are living in villages quite close to all the others who are able to afford some employment for some peasants and workers, and who are not after all such great exploiters as the sugar manufacturers. So, as between these two people, if I had been the Finance Member, I would certainly have preferred to levy a higher duty on the sugar manufacturers and a very much lower duty, if it was found necessary at all, on the *khandsari* producers. But, as usual, the Finance Member glibly talks in one way and looks in another direction. He talks of the producers, he talks of the small people, he talks of the poor people, and all the time he is afraid of the rich people. (An Honourable Member: "Oh.") Yes, the rich people are very angry with him, and I think it is more a pretence than any

genuine feeling. They know that he means well by them, but they must somehow or other keep up a show, and, therefore, they protest again and again, and he jocularly pleases them by cutting jokes at them and thus tries to assuage our own suspicions and feelings but all the time there is a lie in his own heart, and not in the Congress.

We are told, Sir, that this sugar excise duty is going to produce some substantial results. I only wish he had thought of the other results that I talked about,—the result of shifting this tax from one to the other, from the one who can bear it to the other who cannot bear it, from the one who tries to avoid it, to the other who cannot try even to avoid it. Instead of that, he has thought of some other results. What are they? Even according to my friend there is over-production today, or there is a serious fear of over-production in the sugar market, and, therefore, there is a great need for checking that over-production. How does he propose to check it? Does he propose the constitution of a Production and Control Board as there has been in the case of jute or tea, and, for some time, in the case of coffee also? He does not propose that, because that is much too constructive for him, and that savours too much of planned economy. Oh, he takes fright at all these, because he is a *laissez-faire* walla. He simply says this excise duty is going to bring in a millennium, it is going to put down all those inefficient factories which are found today in the industry, it is going to put down all that unhealthy speculation that one finds in the market, and, therefore, we must recommend it. He was so very unwilling to enlighten us at the time of his budget speech as to the consequences of his actions, but somehow this time he has gone out of his way and has over-reached himself, I am afraid, and in that he has given away the whole secret of his economic policy. Sir, if he really wants to put down inefficient factories, if he really wants to eliminate inefficient factories from this industry, if he wants to eliminate speculation in this trade, then what he ought to do is try to take more effective, direct and specific measures, in order to achieve these results, and not to trust to this kind of vicarious instrument, because, by trusting to this vicarious instrument, he is only trying to bamboozle us, because I really don't think that he trusts to effect those results. What are those factories which are likely to be eliminated? Is it always the inefficient ones? Does he not know that there are efficient factories also which are likely to be affected? He knows it. As my friend, Sir Cawasji Jehangir, just pointed out, there are two kinds of factories,—those which are well on the way to pay their own way, and those which can never pay their own way. It is the duty of the Finance Member to find out which are those factories which are well on the way to pay their own way and to encourage them, and to discourage the rest. That cannot be done by this instrument of additional taxation.

Then, Sir, we are told that these factories are making huge profits. I agree they are making huge profits. My friend, Bhai Parma Nand, himself admitted that many of these factories are making as much as 20, 20 and even 40 per cent. profits. He has admitted it. There is money, they are making it, they are making it because of this Finance Member. They are making it because of this Government. They are making it because this Government would not accept my proposal at the time of the Indian Companies Act that there should be put a maximum figure beyond which these companies and these industrialists should not be allowed to take in dividends, to draw any profits. They are making these profits because this Government did not care to take any action whatsoever, either at the time

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of affording protection to this industry or at the time of their first proposal to levy this excise duty on this industry, that the profits of this industry should be regulated in the interests of the State, in the interest of the business and the workers employed in the industry. Even now it is not too late. The Honourable the Finance Member could have thought about it, but he would not, because, to do any such thing is to go against his pet theories of *laissez-faire*.

Yes, Sir. I am prepared to agree with my Honourable friend, Sir Cowasji Jehangir, in congratulating this industry and in saying also that it has had really a romantic career. In eight years it has been able to show us that it is able to supply the whole of the Indian market with all the sugar that it could consume. That is a great thing to be said of any industry, and especially of an Indian industry, and a great thing it is for an infant industry and the most recent industry. That cannot be said of the textile industry. The textile industry has had sixty years of life and even more, and nearly fifteen years of protection; and yet the textile industry is not able to satisfy even one-third of the Indian demand for textile goods. But look at this industry, a new one, it is able to satisfy us. Such an industry certainly deserves a better treatment than what is sought to be meted out to it by the Honourable the Finance Member. By trying to raise this excise duty and thus to eliminate inefficient factories, inefficient industrialists—it is really not helping this industry at all. If the Honourable the Finance Member wishes to help this industry in a genuine fashion, wishes to assure a long career of prosperity to this industry and to those who are employed in it, then what he ought to do is not to go on in this way, but to try to establish some machinery by which he can regulate the governance and management of this industry.

An Honourable Member: State control.

Prof. N. G. Ranga: I would have liked if the State had cared to develop the whole of this industry under its own management. He himself says that the consumers are losing so much money. But why are the consumers losing all that? Not because the consumers have asked this benign Government to benefit these few capitalists interested in sugar factories, but because the Government themselves had thought it better to please these people who were becoming rather vociferous. Now, it comes forward and says: "No, no. They are becoming too noisy. They are becoming too prosperous. They are making so much profits, they are becoming inconvenient for us, and they are likely to go behind the Congress. Therefore, we must put these people down, and here is my proposal which please accept". If you really want protection for your consumers, if you really want protection for the agriculturists—we know enough of the Finance Member not to get into his snares.

Then, there are the poor cultivators. My Honourable friend from Cambridge the other day came forward and advanced the argument that after all the cane cultivators are not going to be affected by this duty at all.

An Honourable Member: He comes from Oxford.

Prof. N. G. Ranga: What a pity, Sir, that such people blessed with so much of brilliance should turn out to be such traitors! (Laughter.)

An Honourable Member: What about yourself?

Prof. N. G. Ranga: You know it for yourself. How do the sugar-cane growers fare by this duty? When this protection was being offered in 1930 or 1931, we were told that sugar-cane growers were going to be benefited, that they were going to be assured of a money crop, of a profitable crop, and a diversified agrarian economy, that they were going to be assured of really a paying crop and a profitable one. But what has been our experience? Next year the Government came forward with a piece of legislation which proved to be almost futile in its effect. This piece of legislation sought to give authority to Provincial Governments to fix a minimum price for sugar-cane. How many Governments have fixed this? Only the other day, my Honourable friend, Sir Girja Shankar Bajpai said in reply to a question that Bihar and the United Provinces had fixed a minimum price. What about other provinces? Madras has not fixed it. Why has not Madras fixed this minimum price?

The Honourable Sir James Grigg: Because it is paying twice as much.

Prof. N. G. Ranga: I will give my answer to that. Why has not Madras fixed this minimum price? The Finance Member has given one answer—it is paying twice as much. Is he sure about it? He has got it from a second hand authority, that is not first hand authority anyhow. I come from the Madras Presidency, and I come also from the Sugar-cane Growers' Conference, fresh from it, and I can assure my Honourable friend, the Finance Member

An Honourable Member: Any sugar in your pocket?

Prof. N. G. Ranga: All the sugar is in the pocket of the Finance Member; he would not spare anything for me. (Laughter.) I wish I could have it, but I cannot. We are anxious to sell the cane. How are we to sell it when the Chief Minister and several others, who are interested in the sugar manufacturing companies, escape from income-tax by calling them co-operative factories and then refuse to fix this minimum price for the benefit of the cultivators?

Mr. A. H. Lloyd (Government of India: Nominated Official): How do they escape from income-tax?

Prof. N. G. Ranga: I have been told,—and I speak subject to correction—that co-operative societies are free from income-tax. The minimum price has not been fixed there, and it is not going to be fixed. It has not been fixed anyhow, and I hope that it will soon be fixed if my Honourable friends were to go and make Ministers in spite of some of us. (Laughter.)

Why is it that revenue from income-tax on these sugar manufacturers has gone down? If it has gone down, it is not because of any want of profits. My Honourable friend, Mr. Chanda, himself has pointed out from the *Indian Finance* what huge profits these people are making. When they are making such profits, why is it that the income is going down? There

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is something wrong somewhere with Mr. Lloyd and his Department. You have got to tighten your machinery for the collection of your income-tax. These people—I think—they know it also in England they are past masters in that art, two or three accounts they keep. If you keep three, because of this dreadful Government, I am sure, my people keep two accounts at least. We are a little better than you British, but yet we are bad enough. I want my capitalist friends to be properly taxed so that my poor people may be freed from a small portion of this burden of taxation. You cannot get money as long as you allow these factories to be started in a *benami* fashion as co-operative manufacturing companies, when most of these are not genuine co-operative manufacturing companies at all. If they are genuine co-operative companies, certainly I would be the first to ask for their exemption from the incidence of income-tax. But they are not. I have brought to the notice of Government twice or thrice in the form of questions and supplementaries this particular fact, but they would not care to investigate into it.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member can continue tomorrow.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 18th March, 1937.