

2nd March 1937

**THE
LEGISLATIVE ASSEMBLY DEBATES**

(Official Report)

Volume II, 1937

(23rd February to 13th March, 1937)

**FIFTH SESSION
OF THE
FIFTH LEGISLATIVE ASSEMBLY
1937**



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Legislative Assembly.

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MR. MATHURADAS VISSANJI, M.L.A.

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LEGISLATIVE ASSEMBLY.

Tuesday, 2nd 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.

MEMBERS SWORN:

Mr. Gurunath Venkatesh Bewoor, C.I.E., M.L.A. (Director General, Posts and Telegraphs) and

Mr. Kodikal Sanjiva Row, C.I.E., M.L.A. (Government of India: Nominated Official).

QUESTIONS AND ANSWERS.

Mr. S. Satyamurti: Sir, may I put question No. 460? Bhai Parma Nand has not given me authority to put it, but it is an important question, and it is in your discretion to allow me.

Mr. President (The Honourable Sir Abdur Rahim): All right. **Mr. Satyamurti.**

ADOPTION OF MEASURES OF RECIPROCITY AGAINST CERTAIN COLONIES.

460. ***Mr. S. Satyamurti** (on behalf of Bhai Parma Nand): (a) Will Government be pleased to lay on the table a statement showing the number of Australians, New Zealanders, South Africans and Canadians, who are residing and doing business in India and also the number of persons originally belonging to these colonies who have sought service with the Government of India?

(b) Are Government aware that Indians are allowed to settle in non-British countries like Brazil, Mexico and other countries in South America?

(c) Is it a fact that even highly educated and qualified Indians are not allowed to settle in British colonies?

(d) Are Government prepared to adopt measures of reciprocity against these colonies?

Sir Girja Shankar Bajpai: (a) A statement giving the information asked for in the first part of the question is laid on the table. As regards the second part, attention is invited to the answer to part (a) of Sardar Sant Singh's question No. 408 asked on the 16th February, 1937.

(b) In most countries in South America there are rules regulating or restricting the admission and settlement of foreigners including Indians.

(c) There are no such restrictions in the Crown Colonies.

(d) The attention of the Honourable Member is invited to the answers given by me on the 13th March, 1936, to the supplementary questions on this point arising out of Mr. T. S. Avinashilingam Chettiar's question No. 1197.

Statement showing the number of persons born in Australia, New Zealand, South Africa and Canada and resident in India according to the Census of 1931.

Australia	569
New Zealand	160
South Africa	1,558*
Canada	628

*Note.—Mostly Indians born in South Africa. The number of South Africans of non-Indian origin resident in India is very small.

Mr. S. Satyamurti: With reference to the answer to part (c) of the question, may I know as regards the colonies and dominions apart from the Crown Colonies, whether there are restrictions prohibiting even highly educated and qualified Indians from settling there?

Sir Girja Shankar Bajpai: In so far as the colonies are concerned, so far as I am aware, there are no such restrictions. In the self-governing dominions, the position is that Indians may visit those dominions temporarily for purposes of travel or business or study, but may not settle there permanently.

Mr. S. Satyamurti: In view of that, have Government considered—and in view also of an earlier declaration at an earlier Imperial Conference—whether the Government of India may not have similar restrictions on immigrants from those self-governing dominions prohibiting them from settling although they may visit for the purposes for which we are allowed to visit those dominions?

Sir Girja Shankar Bajpai: I answered that question last year and explained that there is the fullest freedom for the Government of India to make such regulations; but inasmuch as the problem has not arisen practically, in other words, as no Australian or Canadian has sought to settle permanently in India, the practical need for making that regulation has not arisen.

Mr. S. Satyamurti: Will Government consider the desirability or the possibility, or both, of making representations to His Majesty's Government that, considering the relations which they think ought to subsist between the self-governing dominions and India, they may use their good offices, in order to remove such restrictions in the way of British Indians seeking to settle in those self-governing dominions?

Sir Girja Shankar Bajpai: In so far as His Majesty's Government in the United Kingdom are concerned, they are in no position to influence the decision of His Majesty's Government in the dominions. This question was discussed in the Imperial Conference first in 1917 and in 1918, and the attitude of the Dominion Governments then was that, considering their particular policy, they were not prepared to agree to permanent settlement of Indians in those dominions except of course, as regards those who were already permanently settled there.

Mr. S. Satyamurti: Will the Government of India bring up before the next inter-Imperial Conference—I do not know whether there will be one at the time of the Coronation—this matter for discussion in London?

Sir Girja Shankar Bajpai: I think the suggestion of an informal discussion with the dominions will be kept in mind.

Sir H. P. Mody: Do I understand my Honourable friend to say that no Canadians or Australians have settled in India?

Sir Girja Shankar Bajpai: As far as I know they have not settled here permanently: they are here for purposes of business temporarily.

Sir H. P. Mody: Will the Government of India inquire into the question? To the knowledge of most business men, there are quite a good few Australians and Canadians who are permanently settled in India and who have been here for a number of years.

Sir Girja Shankar Bajpai: That is just it: there is an essential difference between permanently settled in the dictionary sense of the word and being settled here for a number of years. So far as settling for a number of years for pursuing a particular business is concerned, arrangements already exist with the dominions for Indians to enjoy that privilege. If my Honourable friend will bring to light any case in which the privilege has not been extended to Indians, we will take it up with the Dominion Government concerned.

Sir H. P. Mody: What is meant is this: Australians and Canadians can come and reside in India for ten years or fifteen years, just as any Englishman can today. Can Indians go to Australia and live there for fifteen years for the purposes of business?

Sir Girja Shankar Bajpai: Yes, they can.

Sir H. P. Mody: No.

Sir Girja Shankar Bajpai: I beg to differ from my Honourable friend. So long as it is made clear to the Dominion Government that the residence of an Indian is for purposes of business and not for permanent settlement, the Dominion Governments will be prepared to let the Indian reside there.

Mr. S. Satyamurti: Will the Government of India make inquiries, and find out if there are any British Indians settled in those dominions, for 10 or 15 years for purposes of trade?

Sir Girja Shankar Bajpai: In so far as permanent residence is concerned, Indians who went to those territories before 1918 have been settled there for more than 10 or 15 years.

Mr. N. M. Joshi: May I know whether the Honourable Member, in reply to part (c) of the question, said that there are no restrictions on Indians settling and holding property in those dominions?

Sir Girja Shankar Bajpai: I never said anything about holding property, because there is nothing in the question about that: the only question is about Indians settling in those countries.

Mr. N. M. Joshi: And I ask what is included in the term "settled" if they cannot hold land?

Sir Girja Shankar Bajpai: Settling means permanent residence. I was not asked about holding land. My Honourable friend knows very well that there are restrictions against settling in that sense in the highlands of Kenya.

Mr. N. M. Joshi: May I ask whether the Honourable Member will tell us whether the Government of India propose to place this matter before the next Imperial Conference in a more formal manner?

Sir Girja Shankar Bajpai: I do not think that any useful purpose will be served by putting that question formally before the Imperial Conference.

Lieut.-Colonel Sir Henry Gidney: Is it or is it not a fact that the colour bar does exist and is practised in Australia?

Sir Girja Shankar Bajpai: If my Honourable friend is referring to what the Australians call the White Australia Policy, that policy exists. But I do not think that that militates in any way against the answer I have given as regards temporary residence in these dominions including Australia.

Lieut.-Colonel Sir Henry Gidney: Is it a fact or not that if any one from India goes to Australia, not for the purpose of business, but for residence, he is debarred from settling there?

Sir Girja Shankar Bajpai: If he goes there for permanent residence in the sense of deciding to settle there for himself and for his wife and children for generation after generation, then undoubtedly the bar exists.

Sir H. P. Mody: Does it not really come to this that if an Indian goes there and says he wants to do business, he can remain for 10 or 15 years and need not be exported from there until he is on his last legs?

Sir Girja Shankar Bajpai: I do not know what the Honourable Member means by being exported until he is on his last legs: so long as an individual is there pursuing his business, the Dominion Government would allow him to stay there.

Mr. S. Satyamurti: Will Government examine the question of the treatment of Indians in Canada and Australia, and bring up or bring down the treatment of Canadians and Australians in this country to the same level? That is the point. Will the Government make inquiries and satisfy themselves that we are doing unto them what they are doing unto us?

Sir Girja Shankar Bajpai: As regards that, the question falls into two parts: first the protection of Indians who have already permanently settled in the dominions; as regards that, I have stated more than once on the floor of this House that no discrimination is made against Indians who are permanently settled in Canada, Australia and New Zealand, with the exception of the franchise in Canada. As regards Indians who are not permanently settled there, the position is as I have already explained it to the House. My Honourable friend asked the question whether we would bring up formally or informally with the dominion representatives the question of qualified Indians being allowed to settle permanently in those places, and I have said that I will have that point examined: I do not know that there is anything more to be done.

Lieut.-Colonel Sir Henry Gidney: Will Government consider the advisability of applying in India the same restrictions to Australians and other colonists who come to our country as obtain for Indians in those countries?

Sir Girja Shankar Bajpai: I have already answered that question.

Mr. T. S. Avinashlingam Chettiar: Is there any statutory bar for the employment of Australians and Canadians in the Government service of this country?

Sir Girja Shankar Bajpai: That does not arise out of the question which I have answered.

EXEMPTION OF THE MATERIAL IMPORTED FOR MANUFACTURE OF CHAFF CUTTERS FROM IMPORT DUTY IMPOSED ON STEEL.

461. *Bhai Parma Nand: (a) Will the Honourable Member for Industries and Labour be pleased to state whether Government are aware that a factory for the manufacture of chaff cutters steel blades in Moghalpura (Lahore) has been in existence for some time and that these blades, being agricultural implements, are needed by cultivators?

(b) Are Government aware that the Japan Government have recently removed import duty on iron and steel for some time?

(c) Are Government prepared to exempt the material imported for manufacture of these cutters from import duty imposed on steel?

The Honourable Sir Muhammad Zafrullah Khan: (a) The Government of India have no information.

(b) Government have seen a press report to this effect.

(c) No.

REPLACEMENT OF THE RUPEE BY DOLLAR.

462. *Bhai Parma Nand: Are Government aware of the cheapness of silver and also the agitation regarding the exchange ratio and will the Honourable the Finance Member please state whether Government are prepared to consider the possibility of replacing the present rupee by dollar and introduce this new coin on the occasion of the coronation of His Majesty?

The Honourable Sir James Grigg: No.

**FINES REALISED FROM THE EMPLOYEES OF THE GOVERNMENT OF INDIA PRESS,
NEW DELHI.**

463. *Mr. Muhammad Azhar Ali: Will Government be pleased to state the total amount realised as fine from the salary of the employees of the Government of India Press, New Delhi, since Mr. H. F. Trousdell has taken charge of the Press, and the maximum and minimum amounts of fines imposed on each employee?

The Honourable Sir Frank Noyce: The total amount, realised as fines from the salary of the employees of the Government of India Press, New Delhi, since Mr. Trousdell took over charge of the Press, is Rs. 105-3-0. This excludes a sum of Rs. 548-5-0 which represents the deductions made under article 109 of the Press Handbook to defray the expense of clearing ~~off~~ ^{up}. The maximum and minimum amounts of fine imposed on any one employee were Rs. 5-8-0 and annas two, respectively.

**INSUFFICIENT REPRESENTATION OF SIKHS IN THE POSTS AND TELEGRAPHS
AUDIT OFFICES.**

464. *Sardar Sant Singh: (a) Will Government be pleased to place on the table a statement showing:

(i) the total sanctioned strength of each cadre, both temporary and permanent, separately, in the different Posts and Telegraph Audit Offices in India; and

(ii) the number of Sikh employees in different cadres in different Posts and Telegraph Audit Offices in India, both temporary and permanent, separately?

(b) Will Government please state the method of recruitment and the percentage fixed for each community in each Posts and Telegraph Audit Office?

(c) Will Government please state the number of men appointed and confirmed (separately) since 1931 in different cadres of each community in each Posts and Telegraph Audit Office?

(d) Is it not a fact that from time to time attention of the authorities has been drawn to the insufficient representation of the Sikh community in the Posts and Telegraph Audit Offices? If so, what steps have been taken to make good this deficiency?

The Honourable Sir James Grigg: With your permission, Sir, I propose to reply to questions Nos. 464 and 465 together. I am making enquiries in these matters.

**RECRUITMENT IN THE SORTERS' CADRE IN THE OFFICE OF THE DEPUTY
ACCOUNTANT GENERAL, POSTS AND TELEGRAPHS, DELHI.**

†465. ***Sardar Sant Singh:** (a) Will Government be pleased to state:

(i) the number of candidates who were asked by the Deputy Accountant General, Posts and Telegraphs, Delhi, to appear before the Selection Board in 1936 to be appointed subsequently in sorters' cadre;

†For answer to this question, see answer to question No. 464.

(ii) the number of men actually selected and approved by the Accountant General, Posts and Telegraphs; and

(iii) whether there were any orders of the Accountant General, Posts and Telegraphs, for the appointments to be made strictly in a serial order from the said list duly approved by him?

(b) How many men have been recruited in the sorters' cadre in the office of the Deputy Accountant General, Posts and Telegraphs, Delhi, since then from the approved list?

(c) Is it not a fact that a Sikh was at the top in the above list and appointments were given to Christians who were not at all in the said list? If so, why?

(d) What was the object in sending for the candidates from long distances and causing loss to such candidates, if the list was not to be followed and the appointments were to be made from amongst those who were not in the list?

ABSENCE OF TELEGRAPHIC OR TELEPHONE CONNECTIONS ON STATIONS ON THE MALAKWAL BHERA BRANCH LINE, NORTH WESTERN RAILWAY.

466. *Khan Bahadur Shaikh Fazl-i-Haq Piracha: (a) Is it a fact that the Railway Stations on the Malakwal Bhera Branch Line (North Western Railway) have no telegraphic or telephone connections with each other, or with Malakwal Junction?

(b) When was the telegraph line removed and for what reasons?

(c) What is the annual amount of saving, if any, made by removing the telegraph line?

The Honourable Sir Muhammad Zafrullah Khan: With your permission, Sir, I propose to answer questions Nos. 466, 467, 468 and 469 together.

Enquiries are being made from the Railway Administration, and a reply will be laid on the table in due course.

ABSENCE OF TELEGRAPHIC OR TELEPHONE CONNECTIONS ON STATIONS ON THE MALAKWAL BHERA BRANCH LINE, NORTH WESTERN RAILWAY.

†467. *Khan Bahadur Shaikh Fazl-i-Haq Piracha: (a) Will Government be pleased to state if the Malakwal Bhera Branch Line is yielding a profit or is running at a loss?

(b) What is the annual gross income derived from the passengers and goods traffic and what are the recurring expenses of the Malakwal Bhera Railway Branch Line?

(c) From how many Railway Branch Lines on the North Western Railway the railway telegraph lines have been removed and for what reasons? Will Government please state the names of such lines?

(d) What are the reasons for keeping railway telegraph lines on various other Branch Lines on the North Western Railway and what are their special utilities that were not required on the Malakwal Bhera Branch line?

†For answer to this question, see answer to question No. 466.

(e) Will Government be pleased to state if they are aware that passenger public on the Malakwal Bhera Branch Line experience great trouble and inconvenience owing to the absence of any telegraphic connection between the Railway Stations, for not knowing the exact time and departure of the passenger trains, unless the trains actually reach the station yard?

ABSENCE OF A TELEGRAPH OFFICE IN VILLAGE HAZURPUR AND DERAILMENT OF AN ENGINE AT BHERA RAILWAY STATION.

†468. *Khan Bahadur Shaikh Fazl-i-Haq Piracha: (a) Are Government aware that there is no telegraph office in village Hazurpur, and that if any mishap takes place at the Hazurpur Railway Station, there are no means of conveying immediate information either at Miani, Malakwal, or at Bhera, except by a special messenger, which evidently takes many hours?

(b) Is it a fact that on the evening of the 9th February, 1937, a railway engine derailed at Bhera Railway Station yard and passengers including ladies and children had to pass the whole of the cold night in train, as they did not know when would the relief train or engine arrive and when would the train start? Are Government aware that all this was due to there being no telegraphic connection on the line?

(c) Is it a fact that the train that night could not leave before 5-45 A.M.?

(d) Is it a fact that the night-train, due at about 10 P.M., on the 9th February, 1937, reached Bhera at 1 A.M. in the night, and there was no information of the delay with the station staff?

(e) Is it a fact that in the absence of any information of the departure or arrival of the train, the passengers and the people waiting to receive them were put to great inconvenience, and the passengers on arrival at their destination could find nobody, coolies or tongas to carry their goods and themselves to the town, which is a mile off from the Railway Station?

(f) Are Government aware of the inconvenience experienced by the passengers due to the absence of telegraphic or telephone connections on the line, and are Government prepared to consider the advisability of putting the telegraph line on the Malakwal Bhera Branch Line again?

(g) How was the information of the derailment of the railway engine on the 7th February, 1937, at Bhera conveyed to the authority concerned for necessary arrangement?

(h) At what time did the engine derail and at what time did the authority concerned get the information? What arrangements were made and was the information of the arrangements conveyed to the station staff? If so, by what means?

CONNECTION OF BHERA AND MONA RAILWAY STATIONS BY A RAILWAY LINE.

†469. *Khan Bahadur Shaikh Fazl-i-Haq Piracha: (a) Will Government be pleased to state if there is any proposal of connecting Bhera and Mona Railway Stations by a railway line? If so, has a survey been made?

†For answer to this question, see answer to question No. 466.

(b) If the answer to the above part be in the negative, do Government propose to consider the question of connecting Bhera and Mona Railway Stations, so that the trains going to Sargodha may go *via* Bhera Mona, instead of going *via* Pakhowal Mona?

(c) Are Government aware that a good deal of traffic to Bhalwal from Bhera and to Phulawan from Bhera is carried by lorries and tongas?

(d) Are Government aware that the lands at Pakhowal Railway Station are water logged, and that the Pakhowal Station yields very little income?

(e) Are Government prepared to consider the removal of the railway line from Malakwal to Mona, and instead connect Bhera and Mona?

PROVISION OF A TELEPHONE CONNECTION AT BHERA.

470. ***Khan Bahadur Shaikh Fazl-i-Haq Piracha:** Will Government be pleased to state:

- (a) if they are aware that the people of Bhera (Shahpur District, Punjab) are very anxious to have the facilities of telephone connection at Bhera, with a telephone public call office at the Post Office;
- (b) if they are aware that oral and written requests were made to the postal authorities for the same some time back;
- (c) if there is any proposal to give Bhera Post Office a telephone connection and to have a public call office there;
- (d) whether it is a fact that some material for a telephone connection has arrived at the Bhera Post Office;
- (e) if so, why the actual working has been delayed and how long will it take to establish a telephone public call office there;
- (f) if any such proposal be under consideration, whether they propose to expedite the matter;
- (g) whether they know that Bhera (Punjab) is one of the oldest and the most important towns of the Province, with a population of over twenty thousand people, and that besides having a big Railway Station, is the seat of the Sub Tahsil, with four Civil and Criminal Courts, two High Schools, Civil and Veterinary Hospitals, a big grain market and also is a central place for business in that part of the country;
- (h) whether they know that most of the people of Bhera carry on trade and other avocations all over India and in foreign countries in a great number and do badly need telephone facilities in the interest of their trade and other domestic affairs;
- (i) if the answer to parts (d) to (f) be in the negative, whether they propose to consider the question of setting up a public telephone office at Bhera to meet the needs of the public and to afford them the facilities of the telephone at a very early date; and
- (j) whether they know that there are telephone stations at Bhalwal and Phularwan, only a few miles from Bhera, and that if Bhera is connected with any of the two stations, there will not be much of expense?

The Honourable Sir Frank Noyce: (a) to (j). Government have had under consideration the possibility of telephone development in this area. Provision has now been made in the budget of the Posts and Telegraphs Department for 1937-38 for the opening of an Automatic Exchange at Phulerwan with a connection to the general trunk telephone system of India. Provision has also been made for a Public Call Office at Bhera.

RISE IN THE PRICE OF IRON AND STEEL ARTICLES.

471. *Sir Muhammad Yamin Khan: (a) Do Government know that the price of iron and steel articles has gone up considerably within two months?

(b) What was the price of steel and iron on the 15th of October, 1936, per cwt. and what is the price today (19th January, 1937)?

(c) Will Government please state the reasons which have led to the rise in prices of these commodities?

(d) What steps, if any, do Government propose to take to bring down the prices to a lower level?

The Honourable Sir Muhammad Zafrullah Khan: (a) Yes.

(b) Price quotations are published in various newspapers and trade journals, and I must refer the Honourable Member to them for the information, since he has specified no particular market.

(c) As the Honourable Member is aware, prices are regulated by the law of supply and demand.

(d) I would refer the Honourable Member to the answers given by me to question No. 330 and its supplementaries by Dr. Ziauddin Ahmad on the 1st February, 1937.

RECRUITMENT OF THE RAWAT AND MERAT COMMUNITIES OF AJMER-MERWARA IN CERTAIN BATTALIONS, ETC.

472. *Rai Bahadur Seth Bhagchand Soni: (a) Is it a fact that the recruitment to 44th Merwara Battalion was solely made from the Rawat and Merat communities of Ajmer-Merwara till the battalion was abolished?

(b) Is it also a fact that recruits from the Rawat and Merat communities provided a substantial proportion for 43 Erinpura and 119 Multan Regiments and 120 and 122 Rajputana Infantries and recruits from these communities were also taken for 1/4, 2/4, 3/4, 4/4, 5/4 and 10/4 units of the Bombay Grenadiers in considerable manner?

(c) Are Government aware that since 1926, no recruits from these communities have been taken for any of the above and other regiments and battalions?

(d) Is it a fact that recruits have been taken from communities of Ajmer-Merwara other than these two communities?

(e) Will Government please state the names of the communities from which the recruits are being taken at present from Ajmer-Merwara?

(f) Will Government state the reasons for withholding recruitment from these communities?

(g) Are Government prepared to consider the advisability of fixing some proportion for recruitment from these communities when enlistment is made for any units in Ajmer-Merwara and elsewhere? If not, why not?

(h) If the answer to the above be in the negative, are Government prepared to see that these communities are given a chance for police service or *chowkidari* in railway?

Mr. G. R. F. Tottenham: (a) Yes, until the end of 1917. After that a number of other Rajputana classes were included.

(b) Yes, except that the proportions could hardly be called substantial.

(c) and (d). Yes.

(e) Rajputana Jats and Rajputana Rajputs.

(f) The main reason is that owing to the size of the post-war army the claims of other more deserving communities had to take preference.

(g) No, because the other communities produce better soldiers.

(h) The recruitment of inferior services on the Railways is entirely within the competence of the Agents. The Railway Department (Railway Board) have not, however, issued any instructions excluding the members of these communities from employment in railway services. As regards their employment in the police service, information has been called for from the local authorities and will be laid on the table in due course.

DEATH OF MR. SATCOURI BANERJI, A DETENU IN THE DEOLI DETENTION CAMP.

478. ***Mr. Amarendra Nath Chattopadhyaya:** Is it a fact that a detenu, S_j. Satcouri Banerji, expired in Deoli Detention Camp some time ago? If so, will Government be pleased to state:

- (i) how long he was detained without trial and how long he was suffering from illness;
- (ii) what the disease was from which he was suffering and where he contracted this illness;
- (iii) what treatment he was placed under and where;
- (iv) when he was brought to Deoli Camp and what treatment was given there;
- (v) whether he wanted to be transferred to Calcutta for treatment, or petitioned for release;
- (vi) whether his relatives were informed about his illness before it proved to be beyond all hope of recovery; and
- (vii) what the date of his death was and when his relatives were informed and who had gone there to see him before he died?

The Honourable Sir Henry Craig: (a) Yes.

(i) I have no definite information as to the total period of his detention, but he was in the Buxar Detention Camp from the 6th January, 1934. On his arrival at Deoli on the 24th April, 1936, he was found to be suffering from chronic piles and enlarged spleen.

(ii) to (iv). He contracted influenza at Deoli on the 27th January, 1937, and was admitted into hospital two days later. The influenza developed into broncho-pneumonia for which he was treated in hospital where he was also seen by the Chief Medical Officer, Rajputana.

(v) No.

(vi) His father was informed by wire that he was seriously ill with influenza on the 30th January, 1937, and again by wire when he contracted broncho-pneumonia on the 3rd February.

(vii) He died on the 6th February, 1937, and his father was informed by wire immediately. His mother and her attendant arrived at Deoli on the 6th February, shortly after his death.

PERMISSION TO MR. HARI KUMAR CHACKRAVARTY, A DETENU, TO ARRANGE FOR HIS DAUGHTER'S MARRIAGE.

474. *Mr. Amarendra Nath Chattopadhyaya: (a) Is it a fact that Mr. Hari Kumar Chackravarty, a detenu in Deoli, had applied to the authorities for temporary release or internment in his native place for arranging his daughter's marriage?

(b) Is it a fact that an old lady in charge of Mr. Hari Kumar Chackravarty's marriageable daughter appealed for Mr. Chackravarty's release or internment at home or transfer to Presidency or Alipore Central Jail to enable her to interview him for arranging his daughter's marriage? If so, will Government be pleased to state, if his appeal or petition has been granted? If not, will Government be pleased to state the reason for such refusal?

(c) Will Government be pleased to state if they are ready to grant some amount of money for the marriage of Mr. Hari Kumar Chackravarty's daughter? Is it not a fact that premium for the insurance of State prisoners is allowed by Government?

The Honourable Sir Henry Craik: I have enquired as to the facts and will lay an answer on the table of the House when the information is received.

UNSTARRED QUESTIONS AND ANSWERS.

RULES REGARDING THE ISSUE OF FREE PASSES ON RAILWAYS.

34. Mr. Muhammad Azhar Ali: Has the attention of Government been invited towards letter No. 6502-T., dated the 16th November, 1936, from the Director, Railway Board, New Delhi, regarding issue of free passes? If so or otherwise, will the Honourable Member for Commerce and Railways please place on the table of this House a statement showing:

(a) the rule in force on and before the issue of the Railway Board's letter No. 2740-T./A., dated the 21st September, 1935;

(b) the rule in force between the issue of the Railway Board's letter No. 2740-T./A., dated the 21st September, 1935, and the issue of Railway Board's letter No. 6502-T., dated the 16th November, 1936; and

- (e) the rule in force on and after the 1st January, 1937; and to state the circumstances which led to the changes in the rules in rapid succession?

The Honourable Sir Muhammad Zafrullah Khan: Yes.

(a) I would refer the Honourable Member to the reply given by Mr. P. R. (now Sir Raghavendra) Rau to Bhai Parma Nand's unstarred question No. 65 on the 22nd February, 1935.

(b) and (c). I am placing on the table of the House relevant extracts from the two letters referred to. The necessity for the revision of the rules was explained in my reply to part (d) of Mr. Lalchand Navalrai's starred question No. 159 on the 25th January, 1937.

Extracts from the Railway Board's letter No. 2740-T./A, dated the 21st September, 1935.

Class of Pass.	Persons eligible for privilege passes for themselves, their families and dependent relatives.	Number of single journey passes admissible annually.
First	(i) Officers (including those of honorary rank).	24 irrespective of whether over the home line or foreign line.
	(ii) Matrons and Sisters-in-charge of railway hospitals.	12 which may include 4 involving journeys over foreign lines.
Second	(i) Subordinates drawing Rs. 126 per mensem and over, who have less than 20 years' continuous service.	8 which may include 2 involving journeys over foreign lines for those who have completed 2 years' service.
	(ii) Lady teachers in railway schools, lady typists, lady telephone clerks and railway hospital certificated nurses who have less than 20 years' continuous service.	8 which may include two involving journeys over foreign lines for those who have completed 2 years' service.
	(iii) Staff in categories (i) and (ii) above, who have not less than 20 years' continuous service.	10 which may include two involving journeys over foreign lines.
Inter	(i) Subordinates drawing Rs. 50 per mensem, and over but less than Rs. 126, who have less than 20 years' continuous service.	6 which may include two involving journeys over foreign lines for those who have completed 2 years' service.
	(ii) Uncertificated nurses other than inferior staff, who have less than 20 years' continuous service.	6 which may include two involving journeys over foreign lines for those who have completed 2 years' service.
	(iii) Staff in categories (i) and (ii) above, who have not less than 20 years' service.	8 which may include two involving journeys over foreign lines.
Third	(i) Subordinates drawing less than Rs. 50 per mensem who have less than 20 years' continuous service.	6 which may include two involving journeys over foreign lines, for those who have completed 2 years' service.
	(ii) Subordinates drawing less than Rs. 50 per mensem who have more than 20 years' continuous service.	8 which may include two involving journeys over foreign lines.
	(iii) All others who have less than 20 years' continuous service.	6
	(iv) All others who have more than 20 years' continuous service.	8

NOTES.—

I. The above scale is exclusive of journeys on duty, transfer, first appointment and retirement and of journeys of children travelling to and from their schools.

II. In the case of guards, drivers, firemen, shedmen, shunters, brakemen and other running staff entitled to mileage allowance, their total emoluments, i.e., pay plus 75 per cent of pay, are taken into consideration in determining the class of pass admissible.

III. Nurses, governesses or guardians accompanying officers' families are eligible for first class passes, but when travelling alone on the business of the officer they may be given second class passes only over their home line.

IV. Employees entitled to Inter class passes when travelling over a line or section over which inter class accommodation is not provided should be given second class passes when their pay is not less than Rs. 100 ; in other cases third class passes.

V. When dependent relatives (subject to a maximum of two) are included in a pass, the maximum number of persons in whose favour the pass is issued should be limited to five.

In the case of a pass issued in favour of an employee and/or his family, i.e., wife and children, there is no such limit.

VI. The Agent may, at his discretion and in exceptional cases, allow passes in addition to the scales prescribed above. This power may not be delegated.

* * * * *

5. I am to add that, in regard to the issue of passes, only the following are to be considered as "dependent relatives" provided they reside with and are wholly dependent on the employee :—

(a) mother or step-mother, if a widow,

(b) unmarried or widowed sisters or step-sisters, provided that the father is not alive,

(c) brothers or step-brothers under 18 years of age, provided the father is not alive.

Every application for a pass in favour of a dependent should be supported by a certificate stating that the prescribed conditions are fulfilled.

Extract from the Railway Board's letter No. 6502-T., dated the 16th November, 1936.

* * * * *

2. The number of passes per annum admissible to an employee and his family for journeys otherwise than on duty, transfer, first appointment and retirement and of journeys of children travelling to and from their schools may be prescribed by you, subject to the following maxima :—

	Sets.
(a) Gazetted officers, including those holding honorary rank	12
Matrons and Sisters-in-Charge of Railway Hospitals	6
(b) Other than those shown in (a) above—	
I. Staff on the revised scales of pay—	
Year of service.	Sets
First	Nil.
2nd to 10th	1
11th to 20th	2
21st and over	3
II. Staff on the old scales of pay—	
Year of service.	Sets.
2nd to 5th	1
6th to 15th	2
16th and over	3

You may at your discretion, in exceptional cases, allow passes in addition to the maxima prescribed above. This power cannot be re-delegated.

NOTE.—"Family" means—

(i) wife ;

(ii) sons or step-sons under 18 years of age ; and

(iii) unmarried or widowed daughters or step-daughters of any age and married daughters and step-daughters under 18 years of age, residing with and wholly dependent on the employee.

3. The class of pass admissible should be as follows :—

(a) 1st class Gazetted officers including those holding honorary rank.
Matrons and Sisters-in-Charge of railway hospitals.

- (b) Second class . Subordinates drawing not less than Rs. 176 per mensem.
Lady teachers in railway schools, lady typists, lady telephone clerks and certificated nurses in railway hospitals.
- (c) Inter class . Subordinates drawing Rs. 76 per mensem and over up to Rs. 175 per mensem.
- (d) 3rd class . Employees drawing less than Rs. 76 per mensem.

NOTES.—

(i) In the case of running staff entitled to mileage allowance their total emoluments, *i.e.*, pay *plus* 75 per cent of pay, should be taken into consideration in determining the class of pass admissible.

(ii) Nurses, governesses or guardians accompanying officers' families may be included in the pass issued for such families, but when travelling alone on the business of the officer, they may be given second class passes.

(iii) Employees entitled to inter class passes when travelling over a line or section over which inter class accommodation is not provided should be given 2nd class passes when their pay is not less than Rs. 126 per mensem, and 3rd class passes in other cases.

4. In regard to the use of the word "sets" in paragraph 2 above, I am to say that ordinarily one outward and one return journey pass in which an employee and his family or a dependent if eligible are included will constitute a set. But when an employee is unable to accompany his family or a dependent relative, he will be eligible for a pass for himself later to join them, if necessary; in such cases, the two outward and the two return journey passes (*i.e.*, one outward and one return for the family or a dependent relative and one outward and one return for the employee) will constitute one set. A reasonable time limit may be imposed between the issue of these separate passes.

5. The practice of issuing passes for dependent relatives should be discontinued. If, however, an employee is unmarried or a widower, passes may be issued for a widowed mother, widowed step-mother or unmarried or widowed sister or step-sister, provided that she is residing with and is wholly dependent on the employee. Similarly if an employee has no children, passes may be granted for one adopted child only on the same conditions as for a child.

ISSUE OF FREE PASSES TO CERTAIN STAFF ON STATE RAILWAYS.

35. Mr. Muhammad Azhar Ali: Will the Honourable Member for Commerce and Railways please place on the table of this House a statement, administrationwise, of the issue of free passes, classwise, to gazetted and non-gazetted staff, respectively, on the State Railways, showing *inter alia* recipients belonging to:

- (i) administrative offices;
- (ii) divisional offices;
- (iii) outdoor staff (station and train traffic staff respectively); and
- (iv) labour and inferior staff

for the years 1933, 1934 and 1936 respectively; and the percentage of recipients on total strength of the staff in that category?

The Honourable Sir Muhammad Zafrullah Khan: The information required by the Honourable Member is not available, and Government do not propose to ask for its compilation, as it would involve a considerable amount of labour incommensurate with any use to which the figures could be put.

APPROACHING MEMBERS OF THE LEGISLATURES BY RAILWAY STAFF FOR VENTILATING THEIR GRIEVANCES.

36. Mr. Muhammad Azhar Ali: Has the attention of Government been invited to Notification No. 8 of the Personnel Branch, published in the North Western Railway Gazette No. 2 of January 29, 1937, regarding the question of approaching Members of the Legislatures by the staff with a view to having their individual grievances made the subject of interpellations and disclosure to Members of the Legislatures of information and communication which has been obtained from official sources? If so or otherwise, will the Honourable Member for Commerce and Railways please inquire and state the date of the Gazette in which the letter No. 876-E./22 of 20th June, 1922, from the Secretary, Railway Board, was published in the past?

The Honourable Sir Muhammad Zafrullah Khan: The reply to the first part of the question is in the affirmative. As regards the second part, the letter referred to was published in the North Western Railway Gazette, dated the 24th July, 1922.

AUTHORITY COMPETENT TO TAKE COGNIZANCE AND INFLICT PUNISHMENT UNDER SECTION 47 (2) OF THE INDIAN RAILWAYS ACT.

37. Mr. Muhammad Azhar Ali: Will Government please state the authority competent to take cognizance and inflict punishment under the provisions of section 47 (2) of Act IX of 1890?

The Honourable Sir Muhammad Zafrullah Khan: I would refer the Honourable Member to rule 413 of Part I and rule 21 of Part II of the General Rules for all open lines of Railways in British India, notified in the Railway Department (Railway Board) notification No. 1078-T., dated the 9th March, 1929.

AUTHORITY COMPETENT TO TAKE COGNIZANCE AND INFLICT PUNISHMENT UNDER CERTAIN SECTIONS OF THE INDIAN RAILWAYS ACT.

38. Mr. Muhammad Azhar Ali: Will the Honourable Member for Commerce and Railways please state the authority competent to take cognizance and inflict punishment under the provisions of sections 99, 100, 101, 102, 103, 104 and 105 of the Indian Railways Act?

The Honourable Sir Muhammad Zafrullah Khan: The Honourable Member's attention is invited to Chapter IX, sections 131 to 134 of the Indian Railways Act, 1890, a copy of which is in the Library of the House.

AUTHORITY EMPOWERING AGENTS OF STATE RAILWAYS TO FRAME AND PROMULGATE SUBSIDIARY RULES TO GENERAL RULES MADE UNDER SECTION 47 OF THE INDIAN RAILWAYS ACT.

39. Mr. Muhammad Azhar Ali: Will the Honourable Member for Commerce and Railways please state the authority, order, resolution or otherwise published in the *Gazette of India* under the provisions of section 47 (3) of the Indian Railways Act which empowers the Agents of State Railways to frame and promulgate subsidiary rules to general rules made under section 47 of the said Act?

The Honourable Sir Muhammad Zafrullah Khan: Some of the subsidiary rules are authorised under the General Rules to which they refer, and others are no more than departmental instructions.

RULES FOR THE ISSUE OF PASSES ON STATE RAILWAYS.

40. Mr. Muhammad Azhar Ali: With reference to the answer given to starred question No. 981 asked in this House on the 9th October, 1936, will the Honourable Member for Commerce and Railways please state:

- (a) whether the Fundamental and Supplementary Rules and the Free Pass Rules do meet under the provisions of Supplementary Rule 82 (b) (1);
- (b) whether the family (wife, children and attendant) of a gazetted railway servant is entitled to fare under Supplementary Rule 82 or travelling allowance under Supplementary Rule 17 when accompanying the gazetted railway servant on duty;
- (c) whether the gazetted and non-gazetted staff of the Posts and Telegraphs Department are provided with free pass and whether their families are permitted to travel on them;
- (d) whether the staff of the Posts and Telegraphs Department draw railway fares after deducting the fare of the free pass; and
- (e) the reasons for the differential treatment of the families of the employees of these two departments?

The Honourable Sir Muhammad Zafrullah Khan: Government are informed as follows:

(a) No.

(b) Under Supplementary Rule 82 (b) (1), he is entitled either to a free pass under the Free Pass Rules of the Railway or to the fares for himself and the servants and luggage accompanying him which a free pass would cover. Generally an officer is required to travel on a pass, and the question of getting a fare for himself and servants in lieu of a pass will not arise except in the rare cases when he is travelling on duty on a foreign railway which does not issue passes for such journeys.

(c) The staff of the Posts and Telegraphs Department (gazetted and non-gazetted) are not provided with free railway passes which entitle their families to travel without payment of the ordinary fares. Passes which are restricted to journeys performed by the holder on duties ordinarily connected with the maintenance of Railway telegraph lines and offices are issued to the establishment of the telegraph engineering branch. Passes issued to some of the postal staff are available for travel on duty in postal vans or compartments reserved for the carriage of mails.

(d) Where free passes are issued in the circumstances described in the reply to part (c) of this question, the drawal of daily allowance or mileage allowance is regulated by the conditions prescribed in Supplementary Rules 85/86/176 and Appendix 15-A of the Post and Telegraph Department compilation of the Fundamental and Supplementary Rules for the different classes of the establishment of the Post and Telegraph service covered thereby.

(e) I am not aware of any differential treatment.

CONCESSIONS IN RAILWAY FARES FOR PILGRIMS ATTENDING CERTAIN FAIRS
IN SIND.

41. **Seth Haji Abdoola Haroon:** Will the Government be pleased to state:

- (a) whether it is a fact that railway authorities have made concession for pilgrims of Luwari fair to be held in Badin Taluka, Hyderabad District, during the month of February 1937;
- (b) whether the Railway authorities have made such concession to the pilgrims of other fairs in Sind, such as 'Lalshahbaz', 'Shah Bhitai', 'Kamalshah' etc.;
- (c) if the above concession was made for the first time, what the circumstances were which led the railway authorities to make the concession; and whether by concessional rates it is expected that the number of passengers to the above fair will be more than usual; and
- (d) if the reply to part (c) above be in the affirmative, the approximate number of passengers taking advantage of the concession for individual fairs this year?

The Honourable Sir Muhammad Zafrullah Khan: (a) Yes.

(b), (c) and (d). I am calling for the information required by the Honourable Member and will place a reply on the table when it has been received.

SHORT NOTICE QUESTION AND ANSWER.

CIVIL POSTS RESERVED FOR MEMBERS OF A MILITARY MEDICAL SERVICE OR
FOR EUROPEAN MEMBERS THEREOF.

Mr. S. Satyamurti: (a) Will Government be pleased to state whether it is a fact that proposals are now under consideration for increasing the civil posts reserved for members of a Military Medical Service or for European members thereof, like the Indian Medical Service?

(b) Will Government be pleased to lay on the table of the House the correspondence on the subject and state their reasons for such a step on the eve of Provincial Autonomy?

(c) Will Government be pleased to state whether it is a fact that, under the existing arrangement, the Local Governments have a voice in the selection of officers to civil appointments, reserved for the I. M. S. under them, and whether it is true that in the proposed scheme this discretionary power is taken away and vested in the Army Authorities?

Mr. G. R. F. Tottenham: (a) No such proposal is under consideration.

(b) No such correspondence has taken place.

(c) At present, the wishes of Local Governments are met as far as possible in the matter of selecting officers, and there is no intention of departing from that practice. In fact, proposals have been under consideration to increase the freedom of choice of Local Governments.

Mr. S. Satyamurti: In order to elucidate the answer, may I ask the Honourable the Defence Secretary, specifically, whether to his knowledge there is any proposal to increase the number of reserved posts for the I. M. S. in the Madras Presidency from 29 to 44?

Mr. G. R. F. Tottenham: There is no such proposal.

Mr. S. Satyamurti: May I ask whether, according to the existing practice, it is possible for the Government of Madras to carry on correspondence with the Secretary of State and *vice versa* over the head of the Government of India?

Mr. G. R. F. Tottenham: No, Sir.

Mr. S. Satyamurti: May I know whether the attention of the Honourable the Defence Secretary has been drawn to leading articles in the *Hindu* of the 5th February this year and the *Justice* of the 30th November of last year in which specific reference is made to such a proposal made by the Secretary of State? I do not want to read them. I have got them here, and if the Honourable the Defence Secretary wants them I will hand them over to him. In these articles, there is a reference made to the proposal made by the Secretary of State for such increase of reserved posts in the Provincial Government for members of the I. M. S.

Mr. President (The Honourable Sir Abdur Rahim): He has already answered that question.

Mr. S. Satyamurti: I am asking whether his attention has been drawn to those articles. Even the *Justice* which was supposed to be a Government paper has published it. It is not the *Hindu* alone.

Mr. President (The Honourable Sir Abdur Rahim): The Chair thinks he has answered that no such proposal has been made. Because it appeared in certain newspapers does not necessarily make it authentic news.

Mr. S. Satyamurti: With regard to the last part of the question, whether the discretionary power is taken away and vested in Army authorities. I am asking the Defence Secretary whether there was any Special Officer's report, made to the Government of India, with regard to the future of the Medical Services, regard being had on the one hand to reorganization of the British Medical Services as recommended by the Fisher Committee, and, on the other, to the future constitution of India, and whether, under the present Rules, I. M. S. officers can be sent to provinces only if the Local Governments agree, and whether hereafter any power is sought to be taken to send those officers, without reference to the Local Governments concerned?

Mr. G. R. F. Tottenham: At present the Local Governments take officers of the I. M. S. under the Devolution Rules which requires them to employ a certain number of officers. In the future, as the Honourable Member is aware, there is a provision of the Government of India Act, 1935, under which certain posts can be reserved for officers of the all-India services. I may add that the whole question has been under consideration for several years, and that we expect before long to issue an announcement on the subject. I hope the Honourable Member will wait until that announcement is made.

Mr. S. Satyamurti: Will it be before the end of this Session of the Assembly?

Mr. G. R. F. Tottenham: I very much hope so.

STATEMENTS LAID ON THE TABLE.

Information promised in reply to starred question No. 1249 asked by Dr. N. B. Khare, on the 15th October, 1936.

TRAVELLING TICKET EXAMINERS ON THE NORTH WESTERN RAILWAY.

The attention of the Honourable Member is invited to the information laid on the table of the House on the 2nd September, 1935, in reply to unstarred question No. 309 asked by him on the 9th April, 1935, and to part (f) of starred question No. 465 asked by him on the 14th February, 1936.

Information promised in reply to starred question No. 179 asked by Mr. Sham Lal on the 25th January, 1937.

PREVALENCE OF MALARIA IN THE RURAL AREAS OF THE DELHI PROVINCE.

(a) and (b). The Honourable Member's information is not correct. A very serious epidemic of malaria in the Delhi province followed the floods in 1933. A list* of the villages most heavily infected is given below. Arrangements were made to afford relief at the earliest possible moment. For this purpose the province was divided into nine sectors each in charge of a Magistrate. Organised relief parties headed by the Magistrate in charge visited all villages in each sector, and distributed food, clothing and quinine mixture. Free distribution of quinine on as wide a scale as possible was also undertaken under arrangements made by the Chief Medical Officer and the Assistant Director of Public Health. In addition, the staff of each of the five rural dispensaries was strengthened by the appointment of extra compounders and four itinerant Medical Officers were appointed to tour throughout the province to distribute quinine and administer injections where necessary.

*The following villages situated in what is known as the Eastern or Jumna zone, i.e., (Alipur Zail) were heavily infected with malaria:—

Alipur.	Sungurpur.
Zindpur.	Fatehpur Jat.
Mukhmelpur.	Kadipur.
Bankaul.	Mukandpur.
Hiranki.	Balswa.
Muhammadpur.	Burari.
Ramzanpur.	Jharoda.
Bakhtawarpur.	Dhairpur.
Garhi.	Wazirabad.
Tajpur Kalan.	Jagatpur.
Palla.	Sabhapur.
Akbarpur Majra.	Dakka.
Tijapur.	Ibrahimpur.

(c) and (d). No. Of the villages specially selected for rural uplift work the majority are not on *pucca* roads. ✓

Information promised in reply to part (c) of starred question No. 301 asked by Mr. Sri Prakasa on the 26th January, 1937.

INCREASE IN THE PRICE OF THE EAST INDIAN RAILWAY TIME TABLES.

(c) There was no profit in either case. The receipts from the four-anna and one-anna time tables of the April, 1935, issues were Rs. 5,649 less than the expenses, whereas the receipts from the six-anna and two-anna time tables of the April, 1936, issues were Rs. 3,832 less than the expenses.

Information promised in reply to starred questions Nos. 346, part (c), 347 and 348 asked by Mr. J. Ramsay Scott on the 2nd February, 1937.

DELAY IN OBTAINING DRIVING AND CAR LICENCES FROM THE CAR REGISTERING AUTHORITY IN DELHI.

Question No. 346.—c) Government's enquiries do not show that the Registration Office is at present under-staffed. It is necessary in all cases to make certain entries in registers and complete the various documents, and the issue of licences immediately on demand is, therefore, not practicable; it does not appear, however, that any serious delay is involved, and the authorities concerned are anxious to do their utmost to avoid inconvenience to the public.

PASSING OF DRIVING TEST ON THE LAPSE OF A DRIVING LICENCE IN DELHI.

*Question No. 347.—*There is no executive order to that effect. The Honourable Member probably has in mind rule 20 of the Delhi Motor Vehicles Rules, 1933, according to which a driving licence will be renewed on application to the Registering Authority and payment of the prescribed fee, unless the Registering Authority sees reason to make fresh enquiry into the applicant's fitness to hold a driving licence. Applications for renewal of licences have to be made before or within a period of one calendar month from the date of expiry of the licence. If an application is made after the termination of the prescribed period the Registering Authority may charge for the renewal of the licence the fee prescribed for the original issue of a driving licence.

It is understood that a fresh driving test is not ordinarily required unless a licence has not been renewed for a long period.

COST OF THE DELHI CAR REGISTRATION OFFICE AND RECEIPTS FROM DRIVING AND CAR LICENCES.

*Question No. 348.—*During the period 1st April, 1936, to the 31st January, 1937, the cost of the Delhi Motor Tax Office was Rs. 17,739-9-0 and the income from driving licence fees was Rs. 24,720-12-0. If by car licence the Honourable Member refers to the quarterly vehicle tax, the receipts under this head were Rs. 1,83,396-2-0 for the 10 months already mentioned.

Information promised in reply to starred question No. 382 asked by Prof. N. G. Ranga on the 9th February, 1937.

PROVISION OF DAILY DELIVERIES AND OPENING OF RURAL POST OFFICES IN THE GUNTUR AND NELLORE DISTRICTS.

The facts are not as stated by the Honourable Member so far as the first part of the question is concerned. The number of postal deliveries in any locality is fixed according to the number of letters and other articles received for delivery in that

locality. Several of the villages referred to in the question are served regularly either daily or thrice a week if correspondence is received for them. There has recently been an improvement in the frequency of deliveries and four new post offices were opened in the localities mentioned since 1st January, 1935.

As regards the latter part of the question Government regret that it is not possible to fix the number of postal deliveries with reference solely to the population of the localities to be served. As stated above, the chief criterion in this matter is the amount of postal business to be transacted and not the aggregate population of the area to be served. Government are fully alive to the necessity of providing more frequent deliveries in villages and measures are being taken to this end though no numerical standard as suggested by the Honourable Member can be adopted.

Information promised in reply to starred question No. 420 asked by Mr. Sham Lal on the 16th February, 1937.

LOCATION OF LIQUOR AND TODDY SHOP NEAR A HINDU TEMPLE IN THE
SECUNDERABAD CANTONMENT.

(a) Yes.

(b), (c) and (d). The proposal to locate a shop on the site mentioned in part (a) of the question has already been dropped for other reasons.

ELECTION OF MEMBERS TO THE STANDING COMMITTEE FOR
THE DEPARTMENT OF EDUCATION, HEALTH AND LANDS.

Mr. President (The Honourable Sir Abdur Rahim): I have to inform the Assembly that upto 12 Noon on Saturday, the 27th February, 1937, the time fixed for receiving nominations for the Standing Committee for the Department of Education, Health and Lands, four nominations were received, since when the candidature of one Member has been withdrawn. As the number of candidates is now equal to the number of vacancies, I declare Mr. Muhammad Nauman, Mr. C. H. Witherington and Mr. K. M. Jedhe to be duly elected.

ELECTION OF MEMBERS TO THE STANDING COMMITTEE ON
EMIGRATION.

Mr. President (The Honourable Sir Abdur Rahim): I have to inform the Assembly that upto 12 Noon on Saturday, the 27th February, 1937, the time fixed for receiving nominations for the Standing Committee on Emigration, nine nominations were received, since when one candidate has withdrawn his candidature. As the number of candidates is now equal to the number of vacancies, I declare the following to be duly elected:

- (1) Mr. Muhammad Nauman,
- (2) Major Nawab Sir Ahmad Nawaz Khan,
- (3) Mr. M. Ghiasuddin,
- (4) Mr. F. E. James,
- (5) Mr. Ram Narayan Singh,
- (6) Mr. Mohan Lal Saksena,
- (7) Mr. C. N. Muthuranga Mudaliar, and
- (8) Mr. N. M. Joshi.

ELECTION OF MEMBERS TO THE STANDING COMMITTEE FOR THE DEPARTMENT OF INDUSTRIES AND LABOUR.

Mr. President (The Honourable Sir Abdur Rahim): I have to inform the Assembly that upto 12 Noon on Saturday, the 27th February, 1937, the time fixed for receiving nominations for the Standing Committee for the Department of Industries and Labour, only three nominations have been received. As the number of candidates is equal to the number of vacancies I declare the following to be duly elected:

- (1) Mr. A. Aikman,
- (2) Mr. M. Ananthasayanam Ayyanger, and
- (3) Mr. N. M. Joshi.

MESSAGE FROM THE COUNCIL OF STATE.

Secretary of the Assembly: Sir, the following Message has been received from the Council of State:

"I am directed to inform you that the Council of State, at its meetings held on the 23rd, 24th and 25th February, 1937, agreed without any amendment to the following Bills, which were passed by the Legislative Assembly at its meetings held on the 25th January, 1st, 4th, 9th and 19th February, 1937, namely:

1. A Bill to provide for the grading and marking of agricultural produce;
2. A Bill further to amend the Indian Naval Armament Act, 1923, for a certain purpose;
3. A Bill further to amend the Land Customs Act, 1924, for certain purposes;
4. A Bill further to amend the Indian Income-tax Act, 1922, for certain purposes;
5. A Bill further to amend the Indian Lac Cess Act, 1930, for a certain purpose;
6. A Bill to make certain further provisions respecting the law of arbitration in British India;
7. A Bill further to amend the Workmen's Compensation Act, 1923, for a certain purpose;
8. A Bill further to amend the Code of Civil Procedure, 1908, for certain purposes (*amendment of section 60*);
9. A Bill further to amend the Indian Electricity Act, 1910, for certain purposes;
10. A Bill further to amend the Code of Civil Procedure, 1908, for certain purposes (*insertion of new section 44-A*); and
11. A Bill further to amend the Indian Boilers Act, 1923, for certain purposes."

THE GENERAL BUDGET—GENERAL DISCUSSION.

Mr. President (The Honourable Sir Abdur Rahim): Before the general discussion on the budget begins, Honourable Members should be informed that, as regards time limit, the Chair consulted representatives of the different Parties in the House and also Mr. Joshi, and it is agreed that there will be a time limit of fifteen minutes for each speaker, but for the Leaders of Parties twenty minutes will be allowed, and there will be no discretion left in the Chair. Tomorrow, at 4 o'clock, the Honourable the Finance Member will begin his reply, and it is understood that he may take one hour or more according to circumstances.

Sir Leslie Hudson (Bombay: European): Sir, I do not intend to detain the House for very long this morning, but there are a few points on which I must touch in order to give the House a general indication of the attitude of the European Group on the budget. My remarks will be kept within the limits of the Honourable Members' speech, and I will not stay into all sorts of extraneous matters which by convention Members of this House are allowed to bring up on the budget speech. To our mind, and, I think, probably to the mind of most Honourable Members, the budget this year is endowed with a significance unique among budgets which have been presented in this House. In a few days' time the new autonomous Governments in the provinces will be formally inaugurated, and Burma and Aden will be separated from India. The budget proposals this year have accordingly to take into account the far reaching and important constitutional changes about to take place. The necessity for making provision for these changes must overshadow any other consideration and form the keynote of the budget we are now discussing. The House knows that the European Group have never hesitated to stress the paramount importance of launching the new Constitution in financial conditions as sound as we can make them if the reforms are to be given a fair start and a good chance. These considerations are uppermost in our mind today and the Finance Member may rely upon our support in resisting any proposals which may endanger or upset the budget equilibrium which he has managed to achieve at this critical time in spite of the very obvious difficulties with which he is confronted as a result of the withdrawal of the financial support of Burma and Aden and the additional expense of Provincial Autonomy. We appreciate what the Honourable Member has done to pave the way for the introduction of the new Constitution, and we congratulate him on having converted a prospective deficit next year into a small surplus by means which in his own, if I may say so, very fair description, will cause as little hardship or inconvenience as possible. We also welcome the confidence which the Honourable Member feels in the future, a confidence which we feel all the more able to share having regard to his known reluctance to take too optimistic a view of his revenues.

Well, Sir, while as I say we congratulate the Honourable the Finance Member on his prudent proposals, I am bound to add that we regret the circumstances which have made it impossible for him to redeem the past pledges of the Government in respect of the removal of the remainder of the emergency surcharge on income-tax. The House will remember that we pressed the claims of the income-tax payer in this respect twelve months ago, and also during the budget discussions of 1935, but we did so then in the light of substantial budget surpluses, and, while we do not recede from the position we then took up, we still believe that, quite apart from the heavy burden on industry which today's high rates imposed, the income-tax payer is entitled, in respect of relief from the emergency measures of 1931, to the same consideration as other classes of the community. In the changed circumstances of today, we recognise the difficulties of the Honourable Member, and, in common with other taxpayers, we are prepared to bear our burdens with as much grace as possible. We have already given our support to the Act recently passed to close some of the loopholes for the evasion of income-tax, as a result of which the Government expect to receive an additional Rs. 20 lakhs, and the Honourable Member has informed us that the other recommendations of the Income-tax Enquiry Report are now under consideration, and that we may expect

further legislation to improve the income-tax system in the near future. In this connection, perhaps the Honourable Member will give the House an indication of his programme for introducing the amending legislation which he has promised as a result of the Income-tax Enquiry Committee recommendations, when he proposes to introduce the Bill and its subsequent treatment and also as to the year of income-tax which will be affected thereby. We cannot, of course, pledge in advance our support to proposals which we have not seen, but I can assure the Honourable Member that he will not find us lacking in support for any proposals the justice and necessity of which we are convinced. We feel sure that, if by improving and tightening up the administration of the existing taxes, the revenues can be further augmented and fresh taxation avoided, then that is clearly the proper course to pursue. To our mind, not the least important of the observations which the Honourable Member saw fit to make in his budget speech were his observations in this connection when he said that the efficient administration of the revenue system is of such vital importance as to call for unremitting attention, and he had no doubt that the steps the Government were taking would, in due course, yield a substantial return.

I may perhaps use those observations as a convenient introduction to the few remarks I have to make at this stage on the question of the revenue duties. My references to this matter will be brief today, since we hope to have an opportunity of inviting the House to consider this matter in greater detail later on. Let me then refer to what the Finance Member in his budget statement described as "the disquieting factors". He referred to the constriction of the purchasing power of the cultivator as a result of the Rural Indebtedness Acts, and he mentioned that the weight of the protective and possibly of the revenue duties was bringing about the inevitable diminishing returns, and that these were operating more rapidly than the Government had believed to be possible. Well, Sir, in 1934, and, again, in 1935, the European Group pressed for an investigation into the incidence and effects of the revenue duties, and, in his reply to the motion which my Honourable friend, Mr. James, moved in March, 1935, the Finance Member used these words. He said:

"I may assure the House that in the meantime we shall press on with the departmental examination and collection of material, which is, of course, a necessary preliminary to the reconstruction of any revenue tariff."

That was the position two years ago. The Government of India were pressing on with their departmental enquiry. They were collecting the necessary data, comparing notes, and presumably forming their ideas. Well, Sir, I do not know to what extent this House is able to inform itself of the activities of a departmental enquiry, but I imagine that in two years some progress must have been made, and that some general conclusions must have been reached as a result of the enquiry which could be made available to the House for its guidance in considering the disquieting factors referred to in the budget statement. Customs and excise duties are passed on to the consumer, and what we have to consider is what dislocation or diversion of trade these duties are causing. The Honourable Member has himself acknowledged that the process of diminishing returns has set in, and this cannot mean anything unless it means that consumption is falling off, and, although other factors are involved, it probably means that trade is being diverted and that the matter is in need of adjustment if the full

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yield of revenue is to be obtained. Moreover, revenue duties are levied on necessities as well as on luxuries, and, since they are invariably added to the price of commodities, they must necessarily exercise some adverse effect on the purchasing power of the poorer classes of all classes, in fact. The Finance Member has himself drawn attention to the reduction in the expenditure of the cultivator as a result of the Indebtedness Acts. While I am not myself prepared to express an opinion on this matter,—the Honourable Member is in a better position to do so than I am,—it may well be that the unfortunate temporary effect of the Indebtedness Acts can, to some extent, be corrected by a judicious revision in a downward direction of the revenue duties on articles which the cultivator has to buy, without necessarily involving any proportionate decrease in the total yield of revenue. Only the other day, a case was brought to our notice of the hardship caused by the 50 per cent. *ad valorem* duty on watches, clocks and optical instruments. No one is going to say that watches, clocks and optical instruments are luxuries today, and, I think it is easy to see how the outlay of these heavy import duties on slow moving stocks imposes a very great hardship on retail traders. That may well be an instance where a judicious adjustment of the tariff would stimulate trade and increase the yield of revenue. Our finances are not in that robust condition that we can ignore, or even delay, making adjustments in the revenue duties where such adjustments are proved to be necessary and desirable. The aim should be to secure the freest circulation of commodities compatible with the highest yield of revenue, and I hope that the Finance Member, when he comes to reply, will be able to give the House some indication of the results of the departmental enquiry which he has been conducting into this matter. I do not propose to say more on that aspect of the question today, because, as I have already mentioned, we hope to be able to refer to it at greater length later on.

Sir, we fully support the additional revenue from sugar and silver which the Finance Member proposes to call to his aid to meet the prospective deficit next year. The proposal in respect of sugar is perhaps drastic, but it will be difficult to refute the implication of the Honourable Member that, if the consumer carries the whole burden, he will still be getting his sugar at very reasonable price. We agree that it may well have the effect of improving the economic position of India's sugar industry by eliminating the weak and inefficient producer. The efficient producer has nothing to fear from the additional duty, and, in so far as the new duty contributes towards a healthier condition, he obviously stands to gain; while the cultivator will readily realise the undesirability of producing for a weak market any excess of a crop which has the disadvantage of such rapid deterioration.

The only other matter in the budget statement, to which I should like to refer, is the unexpected improvement in the financial position of the Posts and Telegraphs Department. The Posts and Telegraphs Department is not different from other Government Departments in the sense that it often has to submit to its fair share of criticism, and it is with all the more pleasure, therefore, that we pay the Department a compliment when we feel able to do so. I should like to take this opportunity, if I may, of congratulating my Honourable friend, Sir Frank Noyce, on the fact that he will be handing the Post Office over to his successor in a very

promising financial position. While we welcome the grant of Rs. five lakhs for additional postal facilities in rural and urban districts, we should, however, like to see the finances of the Department conserved with a view to the reduction of postcard rate to half an anna at an early date. The reduction in book packet rates which will come into effect next year is one which we have strongly advocated and which we welcome. The cost of this alteration, we are told, will be Rs. eight lakhs, but, I am sure, the trading commercial community will not be slow to recognise the great help to them that this concession will mean. The other alteration, namely, the increase of the minimum parcel rate from 20 tolas to 40 tolas and the increase from two annas to four annas in the cost is estimated to produce an additional Rs. eight lakhs, and, seeing that, it may well involve a new burden on a section of the mercantile community, we can only hope that larger opportunities for advertising will bring larger orders. The biggest proposal of the year, however, is, of course, the new Empire Air Mail Scheme which will come into operation next October. Very little has been said so far, but, I daresay we shall hear more about the scheme during the course of the budget discussions. The scheme means that all first class mail's will in future be carried by air, and, while we fully recognise the advantages, this will bring in the rapidity of communication. There is one matter in connection with commercial documents which has been giving us a certain amount of worry. Commercial documents, such as bills of lading, insurance policies and invoices, are often bulky and heavy and their carriage by air would entail a considerable additional cost to business houses. I expect, however, that some arrangement can be made to deal with this difficulty so that commercial papers can continue to be sent by the sea and land route as in the past. Perhaps, the Honourable Member, during the course of the debates, would be able to re-assure us on this point.

Sir, I began the few observations I have to make this morning by asserting that the paramount consideration which we have to bear in mind in considering the budget proposals this year is the necessity of ensuring that the Constitutional Reforms which are now upon us shall be launched in stable financial conditions. The additional expense which these reforms will involve, coming as it does at a time when India is only slowly emerging from the industrial depression, has been the one anxious feature of the past few years, and I should like, therefore, to emphasise our satisfaction that the Finance Member has been able to arrange the finances of the country to meet the additional strain they will be called upon to bear with so little dislocation to trade and industry. I should like also at the same time to take this opportunity of paying a well deserved tribute to the work that has been done by the Finance Departments in the Provinces to leave a solvent position for the new administrations.

Sir Muhammad Yamin Khan (Agra Division: Muhammadan Rural): Sir, while I congratulate the Honourable the Finance Member for balancing the budget, yet I do not like the proposal to increase the excise duty upon sugar which he has proposed. To my mind, this proposal will do more injury to India than any good. I should point out that the Honourable the Finance Member ought to have taken into consideration the fact that sugar manufacture starts in the beginning of November, but the Finance Member has levied this additional excise from the afternoon of the 27th February. This means that the people who manufactured sugar in November, December, January and February are not to be taxed, but

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that the tax will be levied on the 27th February on the sugar which will be manufactured during March and probably half of April. This means that only those manufacturers are going to lose who were unfortunate to have got any stock of the goods unsold on the 27th February, and before they take it out from their godown, they will have to pay now the duty on the goods which were manufactured in the past four months. The Honourable Member has not explained to this House that he is not going to tax goods which were manufactured before the 27th February. If the goods were to be taxed after they had been manufactured after the 27th of February, probably it would not have dislocated this industry so much, but now he wants to put a tax on the goods which are in the godowns of the manufacturers, which means that there may have been some people who were fortunate to have sold all their goods or to have taken out their goods from the godowns before the 27th February, and who thus escape altogether this extra burden, but that the people, who were not so fortunate or who did not have the foresight to take out the goods before five o'clock on the 27th February, have now to pay eight annas per maund extra. The result of this further taxation is that the manufactured sugar is already in the markets in possession of middleman to this extent that he can supply sugar for the whole year to the Indian market, and the middle-man will profit but not the Government. Both the consumer and the manufacturer will have to suffer, while the people who have got any stock of sugar and took it out from the sugar factories will be richer by eight annas a maund or eleven annas per hundred weight, as has been proposed by the Honourable the Finance Member. Sir, this policy, to my mind was based, upon a wrong idea, because probably there is nobody in the Finance Department to advise how to tackle the agricultural problems, they do not know when any particular crop starts and when it finishes; otherwise, this point would not have been left unconsidered. Now I learn that some people who got this inkling just at the time, that this was going to be the duty, cleared all their goods, before anybody could see that, on the 27th February, but some other people could not take out their stocks from their godowns, and thus they have now to suffer. If the Honourable the Finance Member had taken into consideration the desirability of levying this duty from the beginning of October, 1936, or if he had proposed this from the beginning of October, 1937, this kind of smuggling and dislocation of the market and losses to people would not have come into operation. Here my Honourable friend in the same breath says one thing, *viz.* :

"That the deterioration of Rs. 37 lakhs under this head is due in the main to two causes. The first is a decline in income-tax receipts from sugar manufacturing companies . . ."

and then he says another thing in the same breath. Well, when he says that the income of the sugar-manufacturing companies has gone down so much that he cannot get the required or the estimated income-tax, how can he in the same breath propose to levy another tax on them? Sir, who will bear this imposition? Will the producer pay, will the consumer pay, or will the third party, the middle-man, pay? He cannot tax further the very person whose income has fallen according to his own estimation, *i.e.*, the sugar-manufacturing people. If the sugar-manufacturing people have to pay the excise duty, the result will not be any increasing of the price; if the consumer had to pay, that might have gone

into the pockets of the Government, and nobody would have grudged, but here the manufacturer of sugar is not in possession of the manufactured sugar, but a large quantity of it, probably three-fourths, is already in the possession of the middle-man, and the latter, by raising the price, will benefit, and the Government will not in practice gain what they have tried to show that they will gain. I am not so hopeful that the Government will gain all that they have shown that this will be the result; therefore, I do not welcome this proposal, and I would not have minded if this intention had been given full notice of and if this extra tax had been meant to come into operation on the 1st of October, 1937.

Then, Sir, I have, by means of several questions, brought it to the notice of the Government that the rise in the price of steel in India at present is bringing in a lot of profit to many middle-men, and the Government ought to take some notice of that. I regret to find from Government's replies to my questions that their answers are of the usual stereotyped type; they don't give any answer but say, "Read such and such a reply, such and such a question, such and such a newspaper", evading altogether a proper reply. That being so, how could anyone put a supplementary question? I am in a position to tell the Government Members that whereas the price of iron and steel goods in October was Rs. 6 a maund, today it is Rs. 10 a maund, that is, the price has gone up by 85 per cent, and the whole profit has been made by the people who had the manufactured goods in their possession. Sir, Government have not taken any notice of the fact that in reality they should reduce the duty on steel so that steel may be imported into the country and so that the consumer may benefit by the greater import and by the facility which the Government will give, and thereby the Government would also have got a lot of money into their exchequer in the shape of import duties. If the Tatas are not willing to take any orders for the future and if they are not willing to supply the goods for the needs of the market, let other countries do it. But the Government are sitting idle; they do not know what is going on, and they do not want to take us into their confidence and tell us plainly what is up their sleeve. If they tell us the reason why they are doing it, we will support the Honourable Member, but we cannot tolerate the attitude of the Government of not taking us into their confidence. They discard even the views of those people who are willing to help them, and they do not want to take them into their confidence. This attitude of the Government will certainly bring reaction, and there is no doubt that the Government will find themselves in the hopeless condition of not being supported by anybody, because they do not take us into their confidence.

Pandit Lakshmi Kanta Maitra (Presidency Division: Non-Muham-
madan Rural): Will you come to our side?

Sir Muhammad Yamin Khan: I will not go over to your side, but I deplore the attitude of the Government.

Then, Sir, there is another tendency on the part of the Government which I noticed in the budget speech of the Honourable Member. He says that lot of artificial silk has been imported into this country and the receipts to Government have been to a great extent hopeful in this respect. I say it is the most wrong policy of the Government to encourage this artificial silk for the following reasons. In the first place,

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it is not a durable stuff, and, secondly, because it is very cheap and also very attractive to the poorer people, they purchase it as against the products of the cottage industry with the result that it really destroys the cottage industry. I find that good many weavers in the country are sitting idle, because there is no work for them and they have nothing to eat. If Government had encouraged a stuff with which even the mills of Bombay could not compete and that people like my friends, Sir Cowasji Jehangir and Sir H. P. Mody, had become bankrupt, I would not have so much minded it but would have supported the Government. But when I find that 30,000 weavers are sitting idle in one district because of the import of this cheap stuff, I cannot but deplore the action of the Government.

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

Mr. Sri Prakasa (Allahabad and Jhansi Division: Non-Muhammadan Rural): Why don't you put on *khaddar*?

Sir Muhammad Yamin Khan: I do not mind about my action, but I do not want the poorer people to lose money. As I have got very short time at my disposal, I must join my Honourable friend, Sir Leslie Hudson, in paying my tribute to the Honourable Sir Frank Noyce for what he has done towards the Posts and Telegraphs Department. As he will be soon leaving this country, I wish him all success, and, as he has been a thorough gentleman and has treated all the Members of this House with kindness and courtesy, he will take with himself all the good wishes of every one Member of this House. We wish him all happiness when he is not here. I am glad that Postal Department is a solvent department when he is leaving it. I hope he will live long and he will continue to cherish the same feelings for India when he is in England, and he will do all he can for this country when he is not here.

Mr. Kuladhar Chaliha (Assam Valley: Non-Muhammadan): Sir, the Honourable the Finance Member has presented to us a budget which is not only disappointing, but is also discouraging. He has added to our misery by levying an excise duty of 11 annas per cwt. on sugar to the already existing duty of Rs. 1-5 per cwt. By following this policy, the Honourable the Finance Member has practically produced the policy of taxing production and not profits. The effect of this will be that the small manufacturers of sugar who have been struggling for some time in this country will be hard hit. These small manufacturers have for some time been in such a precarious condition that they have not been able to make both ends meet and they have not been able to realise the dividends which they had expected. When they were in this condition, the Honourable the Finance Member has thought fit to levy an excise duty of 11 annas per cwt. with the result that all these enterprising young people who have taken to this industry from the United Provinces, Bihar, Bengal and Assam will feel it very much. The effect of this additional excise duty, I understand, will be unbearable to our small investors who had taken to this industry with the hope that they will be able to make some money. Sir, I am led to believe that the Honourable the Finance Member would

not have done so if the capital invested in this industry had been more non-Indian. Even to balance the budget, he would have thought over the matter several times, and, I am sure, at the last amount his heart would have failed him and he would have felt more for his own countrymen than for the poor Indians. The Honourable Sir Malcolm Hailey said in March, 1921, that this was a tax on production, and he did not like it himself. It is a tax not on profits, but on production, and as such the imposition of this tax at this stage of the industry is very unwelcome, because its effect will be to kill the small manufacturers who were struggling at the present moment. Sir, the reason advanced by the Honourable the Finance Member was that he will be able to eliminate the inefficient manufacturers, and the result will be that the only people who will exist will be the efficient group of European investors who will now be able to compete successfully after eliminating the poor Indians who have invested their money in this enterprise. He also said that it will be beneficial to the agriculturist, because he will be able to get his money from people who can pay him, but I am afraid the result will be, as Sir T. Vijayaraghavachari said, that land to the extent of a million and a half acres will go out of cultivation, and it will cause ruin and starvation in many of the homes of those people who have taken to this industry. It has been said that, in order to balance the budget and in order to eliminate the inefficient people, it was necessary to levy this tax. But my submission is that, instead of doing this, it would have been better if the ten per cent. cut was not restored. Even if it is again resorted to, I believe Government will be able to realise about 3½ crores excluding the Provincial Governments, and this will at once wipe out the deficit, balance the budget and would leave something for the good of the people. But instead of doing that, they have taken as much as possible, and it looks as if they are here in order to deprive the poor Indian taxpayer of what little he has and appropriate it to themselves. This is a policy which we cannot approve, and we trust the Government of India and the Honourable the Finance Member will recognise the fact that it would be better to resort to the cut once again rather than add to the burden of the poor taxpayer.

Then, Sir, it is stated that the additional duty imposed on silver will dissuade people from the hoarding habit, but we must say that
 12 Noon. the import of silver is more speculative than real. The poor agriculturists are getting lower and lower prices for their produce, and they cannot purchase even their daily needs, and, therefore, I hardly think that the Honourable the Finance Member was correct in the estimate he has made of realising a substantial amount from the silver duty.

I find another item in the budget under the head opium which shows an increase of Rs. 2 lakhs 21 thousand, and this is a little more than last year's estimate. Sir, I should like to tell the House, through you, that the Members of the House should be very cautious in dealing with the opium policy of the Government of India, if they do not want to pass through the shame and humiliation through which my province has passed. It must be said that they have sacrificed a good deal of revenue in respect of the opium exported out of India for the good of the Chinese and other eastern nations. In the pre-war days, the average income from this source was 9.96 crores, and they have almost in the year 1935-36 abolished the entire income from that source. But can we say the same thing of India? This was done in order to conform to world opinion and to the Hague

[Mr. Kuladhar Chaliha.]

Convention, but can we say, I again ask, the same thing about the internal consumption of India? They have not yet adopted any definite policy as yet. Will it be too much to expect from the Government of India to turn their attention to the internal consumption and adopt suitable measures in order to prevent the people from taking more opium? Probably, Sir, very few people know that the total consumption in India at present is about 7,450 maunds, and Punjab alone consumes 30,330 seers, that is, more than 12 seers per 10,000 population—whereas the League of Nations index is six seers per 10,000 peoples, Madras consumes 28,589 seers, Bengal 27,104 seers, Bihar and Orissa 20,086 seers, U. P. 17,487 seers, Bombay 16,228 seers, C. P. 11,691 seers, Assam 10,240 seers, Sind 4,719 seers, Ajmer 3,321 seers, Delhi 1,415 seers, Baluchistan 477 seers, and so on, making a grand total of 1,71,705 seers or 4,229 maunds, and this, Sir, as I have already indicated, is still a very high ratio. The increase of 2,21,000 seems to be due to the expected increase in consumption of opium, and this estimate is unworthy of this Government. I trust the Honourable the Finance Member will be able to remove this revenue and find out some other head to get additional revenue. It is indeed a shame that while we are making a sacrifice for the good of the Chinese and other eastern nations, we have not been able to sacrifice 50 lakhs for the good of our own people. I hope the Government of India will not continue to carry on this immoral traffic any further, and they will adopt a definite policy to abolish this trade, say within 16 years, so that the provinces may adjust their budgets without our feeling the humiliation before the world that we still have to trade on opium and drug our people.

Lastly, Sir, I cannot but express the feelings of my province. Sir, the Government of India received contribution from the provinces to the extent of 48·80 crores from 1921-22 to 1926-27, while they gave back to the provinces about 12·07 crores from 1931-32 to 1936-37; in fact, they have not yet repaid all that they had received from the provinces. Assam contributes every year to the Central Exchequer about 1½ crores in the shape of petrol and kerosene taxes, and we also contribute another 25 lakhs to the Central Exchequer for income-tax, and yet we have been very shabbily treated in the Niemeyer Award, which has not done justice to us at all. The province of Assam has still to face a debit balance of 32 lakhs every year, and, unless something is done to improve its finances, I do not think that we will be able to balance our budget. The only thing that we can do is to tax the people further, but I must clearly say that they cannot bear any further taxation. In fact, the Assam Government, on account of the poor agricultural condition of the people, have been forced to remit land revenue to the extent of three annas per rupee to help them to get out of their difficulties, and now, if the Assam Government were again to resort to any further taxation, the poor agriculturalists will have to sell off their lands, and such a state of affairs is neither desirable nor advisable. Therefore, I trust, the Government of India will see their way to assist the Assam Government, so that they may be able to balance their budget more suitably. We do not grudge the good fortune of the N. W. F. P. for getting one crore, and Orissa 47 lakhs, and the share which the other provinces have got, but what we want is that measures should be devised, so that Assam may get 34 lakhs more, in order that the province may balance its budget. I trust the Government of India will see that justice is done to the province of Assam.

Khan Bahadur Sir Abdul Hamid (Nominated Non-Official): Sir, I do not propose to make too large a draft on the time and courtesy of this Honourable House, but I rise in the hope that the observations I shall venture to offer will be received with indulgence. Sir, the picture the Honourable the Finance Member has drawn of the finances of the country, both in the current year and of the one which is about to dawn, is neither very bright nor unduly lurid. He warns us, and quite rightly too, against undue pessimism, and sounds a note of cautious optimism. The facts which he has so lucidly and frankly presented show that even the Finance Members of this country are not blessed with a cornucopia. Their budgets are creatures of circumstances and are dominated by a variety of factors. The story he has unfolded reflects the repercussions of international events over which he could possibly exercise no control. It depicts the transitory adverse reaction of certain provincial legislation on Central Revenues. We witness, Sir, the effects, present and future, of the introduction of constitutional changes. It is indeed very gratifying to be assured by the Honourable the Finance Member that those constitutional changes will be introduced in not very unfavourable conditions. Sir, protection of industry has also resulted in a fiscal loss of great magnitude. Incidentally, the situation furnishes a convincing refutation of the criticisms frequently levelled at the Honourable the Finance Member against over-cautious budgeting.

Sir, in these days of economic and commercial interdependence, India cannot escape the inexorable pressure of events in other countries. We are bound to be affected by reactions of world forces and international economic and political movements. Take, for instance, the Abyssinian imoroglio. As an original member of the League of Nations and as a signatory of the Covenant, this country was bound to identify itself with the international protest against its flagrant breach and had to apply economic sanctions against the aggressor. This action, dictated as it was by considerations of the highest international importance, had its inevitable result. The imports from Italy ceased for a time and it led to a decline in our customs revenue. The political situation in Europe has led to a rearmament race and this factor has also reacted harmfully on our imports. The provincial rural indebtedness measures designed to promote the economic salvation of our debt-ridden peasantry, highly beneficent measures indeed in themselves, have hit the Central finances in two ways. With the inevitable contraction of credit the agriculturist has been chary of purchasing dutiable articles, with the result that there has been a loss of customs revenue. These measures have also affected the moneylenders' profits and the volume of his business. It has caused a decline in the income-tax receipts. This, Sir, should not be regarded as a lasting phenomenon. Ultimately these measures, I must say, are bound to enhance rural prosperity, and the moneylender will have a scope for healthy investment. The introduction of constitutional changes, the separation of Burma and provincial autonomy means a loss of over four crores to the Central Government. To this should be added an even larger sum on account of the devolution of the jute duty and subventions to certain provinces. The shrinkage of sugar imports has brought about a heavy deterioration in customs revenue receipts. This is directly attributable to the protection the sugar industry enjoys in our country. The estimates for 1937-38 disclose the fact that the country is faced, speaking purely with reference to the actual revenue receipts, with

[Khar Bahadur Sir Abdul Hamid.]

a shortfall of three crores and 42 lakhs, and the Honourable the Finance Member proposes to meet this in the following manner. Revenue reserve fund—one crore and 84 lakhs; new taxation—one crore and 65 lakhs. This plan would extinguish the deficit, and, at the same time, give him a surplus of seven lakhs. The revenue reserve fund was at its inception earmarked for replenishing the funds available for 1937-38, the first year of Provincial Autonomy, and, therefore, is very properly being laid under contribution for that purpose. The proposals for new taxation are two fold; enhancement of sugar excise and a duty on silver. From my own limited knowledge and experience,—I was responsible, I may say, for the establishment of sugar industry in the State where I served,—I can say without fear of contradiction that the Honourable the Finance Member's scheme is a modest and eminently appropriate one. The sugar industry is heavily protected. This protection, as I observed a little while ago, has occasioned an enormous loss in customs revenue. It is only fair and equitable that the industry itself should, to a certain extent at least, shoulder the burdens of that loss. The revenue from imported sugar has almost completely vanished. The sugar excise receipts, even at the enhanced rate, will not cover that prodigious loss. This is the price we must pay for protection. Sir, this proposal will prove, in my opinion, a blessing in disguise in more ways than one: (1) It would give the Central Government an additional revenue amounting to one crore and 15 lakhs: (2) The consumer will experience no serious hardship. In view of the present level of prices, he will be paying no more than what he used to pay until very recently. (3) Over-production will be checked and multiplication of inefficient and poor sugar factories will be arrested. Undercutting of prices and their reduction to uneconomic levels which has been going on will also cease. (4) The cane grower will sell his cane to reputable manufacturers and obtain a good return for his commodity. In this connection it would be pertinent to recall the instance of the jute industry in Bengal. During the war, production had to be stimulated and that level of production continued even during the post-war period, leading to over-production and consequent low prices. The poor cultivator was badly hit. The cane grower will be similarly confronted with an almost identical situation. Quality will be sacrificed for the sake of quantity and the prices will fall. The manufacturer will have an abundance of raw material no doubt, but of a poor quality, with a consequent deterioration of the quality of his output. Thus, in the interest of both the grower and the manufacturer, over-production should be subjected to a healthy check, and this, I think, will be provided by the proposed enhancement of the excise duty. The proposed small duty on silver is obviously a modest proposal and scarcely needs any elaborate defence or justification. I am convinced that the new proposals impose no burdens on the poorer classes and should arouse no controversy. In my view no more unexceptionable proposals for additional taxation, from the point of view of the poorer classes, could be formulated.

Sir, I shall now refer to some other vital factors which bear a close relation to the financial situation of the country. The prices of primary commodities seem to be looking up. This means a gradual increase in the purchasing power of the cultivator. Trade shows certain signs of improvement. The corner appears to have been turned. These facts are borne out by increased railway earnings. These are distinct pointers

to the dawn of a cycle of prosperity, but the continuance and development of this state of affairs, Sir, hinges in its turn on the maintenance of normal and peaceful conditions in the country and the avoidance of political and communal conflicts and upheavals and flamboyant and alarming political programmes. The occasional recrudescence of communal trouble and communal outbreaks, and hostilities (let us say) on the frontier are a source of economic wastage to this country. What a relief it would be to the taxpayer of this country if these communal outbreaks ceased and outbreaks like those we have periodically on the frontier also ceased.

We are now, Sir, on the threshold of momentous constitutional changes in the provinces. The electors have given their verdict; as a result of the poll, political power, constitutionally speaking, will vest in majority parties, and it will be up to them to use it beneficently or otherwise. Let us hope that whoever sits in the seats of the mighty will regard it as his primary and bounden duty to maintain peace and order within his respective sphere, because this is a *sine qua non* of financial recuperation and general prosperity and may be described as the steel frame of our financial structure.

To my mind, the Honourable the Finance Member deserves the compliments of this Honourable House for the moderation of his proposals for new taxation and for the caution and foresight with which he has framed his budget estimates for 1937-38.

Before I sit down, I should like to associate myself with the compliments that have been deservedly paid to the Honourable Sir Frank Noyce who is on the eve of retirement, and I offer him my best wishes for his future happiness.

Dr. P. N. Banerjea (Calcutta Suburbs: Non-Muhammadan Urban): Sir, the deficit budget presented by the Honourable the Finance Member, while it is disappointing to himself, is sure to cause misgivings in many quarters. The main causes which have produced this deficit budget are, according to him, three: first, the failure of revenue to come up to expectations, second, the separation of Burma, and third, the adoption of the Niemeyer report. I will deal with these three causes *seriatim*.

So far as the first cause is concerned, it appears that the economic depression, so far as India is concerned, is not yet completely over. But before the economic depression has come to an end, the extraordinary measures which had been taken by the Government to meet it have been withdrawn to a very large extent. The other minor causes of the revenue failing to come up to expectations have been the protection granted to the sugar industry, the sanctions against Italy and the war clouds which are hanging over Europe. With the exception of the first of these items, the people of India have had very little to do in either retarding or helping the growth of revenue.

Coming to the second cause, namely, the separation of Burma, we all know that Burma was separated, not because the Burmans wanted such separation, but because it suited British policy to separate it from India. It was expected by British politicians that the political domination and economic exploitation of that country would continue for a longer period

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if Burma were separated from India than it would if Burma remained linked to this country; and, in order to appease the feelings of the Burmans, a so-called Award was thrust upon India which has had a very unfair effect upon her.

Coming to the Niemeyer Report, I find that the recommendations of this gentleman may be divided into two parts: first, the subventions proposed to the newly created provinces, and second, the assistance to be given to the older provinces. The creation of new provinces at a time like this is a luxury, and indulging in this luxury has produced a very prejudicial effect on the older provinces. It is for this reason that Sir Otto Niemeyer has been unable to do full justice to the older provinces. For instance, he has not been able to propose the handing over of portions of the income-tax revenue to the provinces for a period of five years.

Thus we find that the present difficulty has arisen mainly from the action or inaction of the Government of India and their masters, the British Government. But on whose shoulders do the consequences fall? On the people of India. Now, what is the extent of deficit? As the Finance Member has pointed out, the deficit for the current year is nearly two crores, and the deficit for the ensuing year is nearly 3½ crores. These deficits cannot be regarded as small ones for a country like India.

Coming to the measures which are proposed by the Finance Member to meet the deficit, we find that he has to draw upon the whole of the Revenue Reserve Fund. It was a wise step taken by the Finance Member when he initiated the creation of this fund. I supported him at that time, but I advised him to put larger sums of money into this fund; and if this advice had been taken, then perhaps additional taxation could have been avoided

Sir Cowasji Jehangir (Bombay City: Non-Muhammadian Urban): Where was the money to come from?

Dr. P. N. Banerjea: It was suggested by me that the measures of taxation which affected the richer classes could have been continued for a longer time. It was also suggested

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadian Rural): Are there any rich classes in India?

Dr. P. N. Banerjea: Richer. I did not say rich. Of course, compared to the masses there are the richer classes. I also suggested that the money which was going to be spent on Baluchistan out of revenue might be credited to this fund. However, that advice was not taken. Now, the result is that only a portion of the deficit can be met out of the Reserve Fund, namely, to the extent of 1,84 lakhs. The rest is to be found in other ways; and what are the Finance Member's proposals for meeting the remainder of the deficit? Additional taxation. This additional taxation is taking two forms. First, an enhancement of duty on silver. I do not object to this, but I have a strong exception to take to his second proposal, namely, the increase in the excise duty on sugar. I do not think that the complacent observation of the Honourable the Finance Member that it will help to eliminate the weaker factories will be approved by this House. We have here the testimony of a great

authority, namely, Sir T. Vijayaraghavachariar, who held many high positions in the service of the State for a large number of years, and who was, a few years ago, the Vice-President of the Agricultural Research Council

An Honourable Member: What is his present position?

The Honourable Sir James Grigg (Finance Member): He is an employee of the sugar interests in India.

Dr. P. N. Banerjea: We very often object in this House to the attributing of motives, but our Finance Member has no hesitation in ascribing motives to a man like Sir T. Vijayaraghavachariar

Sir Cowasji Jehangir: Everybody is paid something, why not?

Dr. P. N. Banerjea: Anybody who knows anything about the sugar industry will admit that the industry is still in its infancy, and the reduction in the measure of protection given to it is sure to hit the industry very hard. So far as the cultivator is concerned, he also will suffer very greatly, because a considerable number of his purchasers will cease to exist. I am not sure that the consumer will not be touched at all. But apart from the effect of this measure of taxation on the grower of sugar-cane or the manufacturer of sugar, it leads us to a further question, namely, the fiscal policy of India. Rightly or wrongly, after due deliberation the Government of India has adopted a protective policy, and is it open to the Honourable the Finance Member, I ask, to deviate from that policy? He himself, I know, is a free trader: but is it right and fair on his part to impose his own view and his own will on the people and the Government of this country? Sir, the Honourable the Finance Member admits that this will raise a controversy, but he does not trouble himself about it. Perhaps he has in mind the saying of a great Finance Minister of his own country who on one occasion said:

"It is as difficult to tax and please, as it is to love and be wise."

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

Dr. P. N. Banerjea: The Honourable the Finance Member closed his speech with a note of optimism. I agree with him, but my angle of vision is different from his. India is a rich country

Mr. S. Satyamurti (Madras City: Non-Muhammadan Urban): Potentially he means.

Pandit Krishna Kant Malaviya (Benares and Gorakhpur Divisions: Non-Muhammadan Rural): India was a rich country.

Dr. P. N. Banerjea: Please wait, I shall explain my position presently. India is a rich country. India has large resources which are ample for her needs, but the people of the country are poor, very poor. And why are the people of the country poor? Because of the present financial system among other causes. Under the present system, the tax burden falls very heavily on the masses of the people; and, as for expenditure,

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very little is spent on the nation-building departments, while the expenditure is extravagant in many other directions. Unless and until this situation is altered, there is not likely to be any contentment in the country.

Babu Kailash Behari Lal (Bhagalpur, Purnea and the Sonthal Paraganas: Non-Muhammadan): Sir, in the ordinary sense the word "Budget" means a statement of receipts and expenditure of a Government, and a discussion over it is meant to influence the Government to adjust the income and expenditure so that the maximum of happiness may be derived by the people, but the discussion over the budget of the Government of India means something different. Our discussion is not a discussion of those whose judgment can influence the decision of Government as it is in other countries, but our discussion is that of "wards" under the permanent guardianship of "trustees" whose own sense of responsibilities is the highest court of justice, so far as the rights of the perpetual minors are concerned. It is with this feeling that I have ventured to take this opportunity to make a few of my suggestions, so that, in their dispensation of adjusting the income and expenditure, the Government of India may see their way to look to the grievances of the people. It will be of no use to suggest to the Finance Member any change in the budgetary figures, nor do I feel that I am capable of that. Many capable and far well versed people in budgetary figures have put their heads to detect the jugglery of the Government in the matter of finance, but the result has been that, year in and year out, the juggler goes on showing his figures of deficit and surplus. Is it of any avail then to make any suggestion? However, I will point out that the people at large are not so much concerned with the subtle budgetary figures with which the Finance Member has treated this House. They are concerned with the sum total of the result that will accrue out of it. And what has been the result of so many years of budget framing of the Finance Members of the Government of India? By how far have they been able to reduce illiteracy and poverty among the masses? How far have the people of the country as a nation been able to defend their own hearth and home in case of any foreign attack? Only the answer to these can justify the claim of the trustees to the skill of handling the budget. But this is all for a well meaning trustee. The fact of the matter is that the "trustees have created their own interest as against the beneficiaries", and there is a regular tug of war between the two interests. The moment there is change in the angle of vision of the "trustees", they will begin to find that it is in nobody's interest either to maintain a big army or to keep the people illiterate or to impoverish them. The change in the angle of vision will at once lead to a change of policy of "divide and rule", and they will earn an everlasting gratitude of a people that will make their history a pride for their progeny. What is, after all, the communal quarrel? Why do the people fight for the offices of the Government, but not in the Government offices? The communal frame of mind is so well adjusted and the training is such that all such exhibitions are witnessed outside, but never have we found the Law Member and the Commerce Member fighting in the office though they belong to different religious denominations. The fact is, and the Government cannot deny that, it is the Government that is responsible for tickling communal passions in the people, and when they are roused,

the Government pretend to show an anxiety over the consequences of such communal passions. Will those, who are responsible for guiding the destiny of the people of this land, lay their hands upon their heart and swear that they have sincerely tried to put an end to the communal tendency in the people? On the other hand, whenever an opportunity presented itself to the Government to do some good in settling communal matters, they have caught it to further the flame

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member is speaking on the budget. He must confine himself, as the rules lay down, to the budget as a whole and to any question of principle involved in the budget.

Babu Kailash Behari Lal: All right, Sir. This communal policy of the Government is responsible

Mr. President (The Honourable Sir Abdur Rahim): The Chair cannot allow that. It is the budget which is under discussion.

Babu Kailash Behari Lal: What justification have the Government to maintain an Ecclesiastical Department for Christians on an expenditure of lakhs of rupees out of the general revenues derived from persons of different religious persuasions? Is it not committing a breach of trust with the people? It is just as it goes in a Hindustani proverb:

"Halwai ki dukan, Dada ka Fateha."

An Honourable Member: Translate it.

Babu Kailash Behari Lal: Yes. It means: "The Sweetmeat shop may belong to the shopkeeper, but it is easy for one to make offering of the whole of it to his grandfather."

What can be the purpose behind the maintenance of this Ecclesiastical Department by the Government? Surely, it can never be in keeping with the dictates of any religion or morality to erect a temple, mosque or church by stealing or depriving others by any subtle means? Then, has it any political motive behind it? The problem of two religious groups is already a complicated one, to which a third has been added, of late, and who knows to make confusion worse confounded one more might have been contemplated. But, rest assured that those who utilise the domain of God to further their nefarious activity must meet with the vengeance of God. And I must warn the Government that, if they really mean well, they must stop committing breach of faith in respect of more than one quarter of a crore of rupees howsoever much they may term it as "non-voted".

The other thing to which I shall draw the attention of the Government is the appalling question of unemployment of people throughout the length and breadth of this country. In spite of the cries of the people to Indianise national services which might have opened doors of employment to Indians and to some extent relieved the acuteness, the Government have not only not listened to the demand, but in their own way and from their own angle of vision have thought it fit to make "Railways" a still more "reserved quarters" for the Europeans. And this, too, in a most clumsy way. Railways and Posts and Telegraphs Departments are said to be commercial concerns, and there is no doubt that, had these

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two concerns been managed in a business like manner and economically, they would have been not only national concerns giving employment to a large number of our nationals, but they would have relieved the poor masses of the country from being taxed in so many ways by yielding a large revenue to the Government. But, instead, it is being sought to strangle the motor vehicle traffic which is fast growing up in the country giving employment to a large number of indigenous people, and, at the same time, a hopeful promise of yielding some revenue also to the Government coffers. The Government should take a warning that the problem of unemployment of Indians is assuming such a shape that unless they change their angle of vision and cease to regard "Railways" as a fruitful source of draining off India's money through "interest" charges and employment of Europeans, there is not only no chance of improvement of railway finances, but, in course of time, the whole railway system may break down due to desperate action on the part of Indians leading to the boycott of railways.

The most important thing to which I wish to refer is the question of unrest amongst the rural masses. The situation is so developing that from all reading it is not strange that any world event may act as a spark and explode the whole fabric of both the society and the State. Although I am not in a position to speak so definitely of other provinces, but, so far as my province of Bihar is concerned, I can say with some emphasis that it is only the terrible might of this Government that has kept the people from bursting out in all their furies against the landlords and the Government; otherwise, what could not a starving people do? The incidence of land rent is so high that, after paying the rent, an average *kisan* is not able to save even one month's meals for his family, and sometimes he has to pay even rent by borrowing. What a poor consolation they can have if they were even able to get a *Darshan* of the Heaven of Imperial Delhi and Simla with their gods installed therein! With all the major heads of income appropriated to the Imperial Government of India, the provinces are left with their meagre resources to combat appalling conditions all round. There is scarcity of roads in rural areas so much that, for want of roads in certain areas, the grains sell at a very cheap rate and the poor cultivators have to suffer loss. There was some effort before now to construct roads, but, since the scare of road-rail competition has come into existence, there is not only a desire on the part of the authorities to delay and postpone constructions of roads, but from what an Honourable Member from the Punjab narrated the other day, there is a tendency to undo even what has been done up till now. On the one hand, the demands of the *kisans* are that fat salaries of the officials should be cut down to make money available to offer reliefs to the rural people. The Zamindars should forego their grandeur to be in a position to reduce rent. The Government should have a definite plan for the reduction of rent, for the construction of roads in rural areas, and for effecting progress in the method of agriculture by means of electricity and modern appliances. On the other hand, the Government are busy in finding out means how best they can develop railways at the cost of roads to give more employment and fat salaries to the Europeans. May I ask what power will come to the rescue of this situation? If the eyes of those who are guiding the destiny of India at present are not opened, Heaven knows what will happen.

By the way, as I represent one of the most important so-called excluded area, the Santhal Parganas, it would not be out of place to mention here that the policy of the Government to stigmatize certain areas as backward and make them the hunting ground for interested purposes is not a thing that will escape long the attention of men and God and is sure to bring about the visitation of God and the wrath of men over the heads of those who are responsible for all sorts of differentiation in administration. Although I am not in a position to say about the excluded areas of other provinces, I can say about Santhal Parganas at least that the kind of machinery of the Government, that is inflicted on Santhal Parganas in the name of protecting the people of the so-called backward and hence excluded areas, is even worse than the military rule promulgated on occasions elsewhere under extraordinary circumstances. If you see with your own eyes how the poor Santhals are not even allowed to carry on their peaceful avocation and how they are not even allowed to eat the fruits of their own labour, tears would draw out from your eyes. I would implore the Government at least to enquire into their condition with the help of non-official agency, and they will come to know how the system of administration, which they have set up in the name of protecting the people of so-called excluded areas, has proved to be a veritable engine of oppression to grind down a portion of humanity.

The last thing that I would like to bring to the notice of the Government of India is that, in the matter of appointments under the Government of India, backward provinces like that of Bihar have suffered most from the very early days when the seat of the Government was in Calcutta, and even today when it is in Delhi and the appointment is made by means of competitive examination. In the first place, Patna and Nagpur are the only two provincial capitals that have been left out from the list of centres for holding competitive examinations under the Public Service Commission. It can be well imagined how much hardship it may entail upon poor Biharis either to go to Patna, Allahabad or Delhi to sit for examination and compete with those who are the residents of the place of centre of examination under many kinds of odd circumstances. In course of my talk with a big official of the Government of India in whose department the Biharis suffer most, I was informed that we are not the proper sort of persons who always talk in terms of community and accuse the Government of helping communalism. His contention was that as now recruitment is made by means of competitive examination, there should be no talk of this province getting so much or that province getting so much. The official himself happening to be an Indian had lost sight of the fact how much of rank communalism was replacing the healthy provincialism on territorial basis through the instrumentality of the Government. On my retort if he was going to abandon the proportionate allotment on the basis of religious denomination and rely solely on the result of competitive examination, he said it was already an accepted principle by the Government. May I, then, know, why should not the Government accept a healthier principle for the uniform development of provinces when provinces have been accepted as units for political and administrative purposes? For good or for bad, India has accepted the principle of Federation, though not the federal structure of the Government under the Government of India Act, and it is but proper that, for the healthy political development, each province should be recognised as a unit in every matter of representation in the Government of India, and communal divisions should be discarded. From this point of view,

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I would urge upon the Government of India to recognise the claim of Bihar to appointments in the Posts and Telegraphs Department, the Railway Department and other Departments of the Government of India, in all of which, so far as the contribution to the coffers of Government is concerned, Bihar does not lag behind any other province.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member is not in order. He must deal with the budget and not with anything else.

(At this stage, the Honourable Member was standing in his place.)

The Honourable Member must resume his seat when the Chair rises.

Babu Kailash Behari Lal: All right, Sir. The deplorable sort of thing in this respect has gone so far that, to take one example regarding employment in railway services, it will make you clear as to how the things stand. For years before, we could see on the platforms of railway stations in Bihar indigenous vendors of food and other articles, but today, perhaps on account of some peculiar system introduced in respect of vending, all such persons are drafted from outside the province. As regards

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member's time is up. He must conclude his speech.

Babu Kailash Behari Lal: If you will allow me only one minute more

Mr. President (The Honourable Sir Abdur Rahim): The Chair cannot allow him to go on any longer.

Mr. K. Santhanam (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Mr. President, the speech of the Honourable the Finance Member in introducing the budget estimates was hardly an exposition of the financial position of the Central Government of the Indian people. It was rather in the nature of the annual financial report to the Indian Bureaucracy, Limited, of its Financial Director. What all it said was that the salaries and pensions of the Army and the Central Services were easily paid in 1935-36, were being paid in 1936-37 with the help of an overdraft of 1.92 lakhs and are expected to be just paid in 1937-38 with the aid of an increase in the excise duty on sugar and the import duty on silver. It made the most casual and unilluminating references to the economic fortunes of the Indian people who have to pay these bills.

Now, Sir, salaries and pensions may be indispensable for any Government, though in India they are pitched on a scale utterly disproportionate to the capacity of the people or the needs of efficiency, but when the only activity of a Government is to collect taxes to pay these bills, the people under it are indeed in a pitiable condition. No one who compares the magnificent attempts of almost every other Government in the world and, in particular, those of the United States of America and Great Britain to lead their peoples out of the world depression with the disastrous passivity of the Government of India can fail to come to the conclusion that this country is living under a police state which administers the affairs of its

people very much in the spirit and manner the Indian zamindar manages his estate, that is, by sheer idle exploitation and coercion.

Mr. N. M. Joshi (Nominated Non-Official): You can name some of them.

Mr. S. Satyamurti: The Rajas of Bobbili and Pithapuram!

Mr. K. Santhanam: I hope the same fate will overtake this Government.

Now, Sir, I represent a constituency which, like many other parts of India, has been utterly ruined by the policy of masterly inactivity of the Honourable the Finance Member and his colleagues. I have been commissioned, Sir, by the lady voters of my districts (Laughter) which were once among the most prosperous and are now among the worst districts in the whole country to convey to these fat salaried and honourable gentlemen their sense of appreciation for having charmed away, as if by magic, their gold ornaments. (Hear, hear.) I wish, Sir, the Honourable the Finance Member would go to them and explain what profits they have made over the transaction. They are contemplating like the brave German women during the War whether they should not make their *thalis* or marriage symbols of iron which has entered their souls and hearts. Nor, Sir, are their husbands less grateful. Their burden of indebtedness has grown so much that for most of them their lands have become irredeemable except by some drastic and almost revolutionary action of the State. Dealing with the decline of the Income-tax, the Honourable Sir James Grigg spoke about "the restriction of rural credit caused by Indebtedness Bills". I presume, Sir, it is his ignorance of rural India which has made him take these Bills seriously. They have been mostly hypocritical make-believes, and in my province the Debt Conciliation Act has not yet come into effective operation. Even where these measures have started work, they have not touched the fringe of the problem of agricultural indebtedness. Rural credit, Sir, exists today and has existed for the last four years only in the imagination of comfortable officials who, like the barber with the lump of gold, cannot imagine any one without credit or overdraft. Coming from a South Indian village, I can assert from personal experience that credit has altogether disappeared from our villages. They hear of easy money and low interest rates only in the same fashion as they hear of the beautiful climate of hill stations. They bear the burden of both for the benefit of others and both are equally inaccessible for their own use.

I may be asked how the Government of India are responsible for the disaster brought about by the world depression. The answer is simple. If it had acted like other Governments, the Finance Member of India would have been able to say of this country what the "*Economist*" has said about Great Britain in its first issue for this year, namely, "the greater part of this country is prosperous to a degree it does not realise and would not have believed it possible four years ago". In this connection, I am surprised at the light-hearted way in which the Honourable Member has spoken about "the increasing prices of primary products".

The Honourable Sir James Grigg: Is it in order to use the expression "light-hearted"?

Mr. President (The Honourable Sir Abdur Rahim): It is perfectly in order. The Chair may say that its ruling the other day was that the Honourable Member cannot cast any reflection on the votes of the House.

Mr. K. Santhanam: The Finance Member was careful not to give figures. I come from a province in which the price of paddy is one of the chief factors of economic well being. I can assert, without fear of contradiction, that it has not risen at all in all these four years from the depths into which it fell soon after the onset of depression. While there have been fluctuations in the price of certain commodities, the same is true of the general level of prices in India in sharp contrast to the rise in prices in the rest of the world. Assuming the wholesale price Index for 1929 to be 100, it was for India 65.2 in November, 1935, and 66 in November, 1936, or a rise of only 8 decimal points. In the same period, Sir, the index rose from 72.5 to 85.8 in Great Britain, 88.1 to 92.6 in Japan, 83.4 to 85.8 in U. S. A., 82 to 88.2 in Australia and 98.9 to 108.1 in anarchic China. These figures should drive any impartial observer to the conclusion that under the able management of the Honourable Member, depression has been stabilised in India (Laughter) with the ratio 18d.

This naturally takes me to his other casual and light-hearted observation that the increase in exports indicates that this ratio appears to be undervalued rather than over-valued. The most remarkable fact in the budget figures is the failure of customs to rise up to expectations. If India had her due share of the world's increase in prosperity during the current year, these expectations should have not only been realised, but surpassed as in the case of Great Britain and other countries. What are the facts? The Honourable Member has admitted that the failure of expectation has ranged over the entire field of imports except silver and artificial goods. I don't believe that the Finance Member will dispute that the imports into India have been on a minimum scale for the past four years. The decline this year has not been due to any substitution by increase in local manufacture. It is solely due to a further decline in the purchasing power of the people. If allowance is made for the rise in prices of imported commodities, the decline in quantity of imports should have been greater than indicated by the shortage of customs receipts. I may also point out that a large part of the present imports are dependent upon the expenditure of Central and Provincial Governments and the railways which, as the House knows, is largely independent of the purchasing power of the people. The Honourable Member has remarked how, in spite of his best efforts and the reduction of duty, the British textiles have not made much headway. It is one of the consequences of his short-sighted policy, and it would be in the fitness of things if Lancashire were deeply discontented with her agents in India who have killed the goose which was laying the golden eggs.

Now, Sir, let me go back to the increase in exports. This was not in payment of increased imports. It was, therefore, due to the decline in gold exports and the necessity to meet India's foreign liabilities which are estimated at between 75 and 100 crores a year. The increase of exports has to be understood as the result of a convulsive effort to maintain solvency rather than as a sign of economic health. In the same way, as the Indian peasant has to pay his taxes and rents even while starving himself and his family, peasant India has to pay the tribute to her exploiter by the export of treasure and commodity. To draw any inference from this fact, about the propriety of the ratio, is to mislead the ignorant. The real tests of a proper ratio are the price level and the increase of economic prosperity in step with other countries. I have pointed out that the former is more or less stationary while, in the latter, far from there being any progress, there has been a set back.

I shall just refer to three other matters in the budget. Though the separation of Burma has resulted in a loss of 6,61 lakhs of revenue, the defence budget of India gets a relief of only 1,04 lakhs. This confirms the suspicion that the separation has been brought about, not only to secure a freer hand for British capitalism to exploit Burma, but also to increase the military burden on both the countries. I shall not be surprised if this decrease of 1,04 lakhs in the Indian budget proves to be temporary, while Burma is called upon to contribute many times this amount. If the basis of the Amrey Award had applied to defence also the separation should have resulted in a seven and a half per cent. decrease in the defence budget or Rs. 3½ crores. There has thus been an indirect increase of 2½ crores in the defence budget. The absence of any explanation about the re-distribution of defence forces consequent upon the separation indicates another essential character of the budget proposals. The Indian people are no more expected to understand them than to consent to them. They have only to pay!

As a demonstration of his sympathy for the poor, the Honourable Member has coupled the concession relating to book-packets, which benefit chiefly the big firms, with the increase in parcel rates which will mainly affect the poor living in remote rural areas far away from the railway stations. I take it that many other Honourable Members will deal adequately with the part of the Honourable Member's speech relating to the fate of struggling small sugar companies which the Government of India never took the trouble of preventing from coming into existence, but whom they are so anxious to kill. If it only affected the big capitalists, I should not have referred to it. But it is the middle-class investor who stands to lose, and I can only marvel at the complacency with which the Honourable Member proposes to further alienate him.

After all, Sir, the proof of the pudding is in the eating. The stark misery of the masses cannot be explained away by the most specious arguments. The eighteen pence ratio has done much to contribute to that. But it is not my contention that by devaluation alone the price level could have been raised or the depression countered. India needed all the measures which President Roosevelt applied in the United States of America: devaluation, public works, drastic measures to deal with debts, bold planning and regulation of agricultural production, of marketing and of prices, all these would, if adopted simultaneously, have brought to India the same measure of recovery which they have done to the people of America. The British Government has set up no less than eleven agencies to regulate Britain's own agriculture and industries and spent enormous sums on housing, unemployment relief, and other constructive works. Sir, it is only the people of India who were totally abandoned to the ravages of the economic blizzard. But, Sir, I am an optimist. (Hear, hear.) Even out of the depths of despair, a new courage and hope have come to the people. With the loss of their gold, they have also lost their fear of the British Government and they have steadily set their faces towards independence. The results of the recent elections have indicated the feelings of our people, in a manner so direct and powerful, that no words of mine are needed to describe them. I shall only say how proud I feel that it should have been the privilege of my own Province of Madras to give the most powerful verdict against the system which is grinding the people of India between the millstones of poverty and of slavery.

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

Mr. K. Santhanam: This state of affairs cannot go on for long, and I shall conclude, Sir, by uttering a solemn warning that the day of reckoning is not far off! (Loud Applause.)

Mr. R. F. Mudie (Government of India: Nominated Official): Sir, coming from the United Provinces, which grows, I think, about fifty per cent. of the sugar-cane grown in India, what interests me most in the budget is the sugar excise. The Honourable the Finance Member's proposals have been criticised by several speakers, but most of them have criticised them from the point of view of the sugar manufacturer. One Honourable Member did indeed say, at the commencement of his speech, that there was a danger that the proposals might harm the cultivator,—and then he mentioned casually something about decrease of $1\frac{1}{2}$ million acres. Well, Sir, I am not particularly interested in the sugar industry; it is the other aspect of the incidence of the tax upon which I shall say a few words, the incidence on the cultivator. The whole crux of that question seems to me to be the fact that only about one-quarter, if as much, of the cane grown in this country is turned into sugar; the rest, that is, three-quarters, is made into *gur*. And it is only sugar that is taxed, not *gur*. What, therefore, will be the effect of raising the tax, on sugar? The manufacturer is bound to raise the price of sugar and he will probably also try to lower the price of cane. Now, a rise in the price of sugar is bound to decrease the consumption of sugar and increase that of *gur*. Therefore, there will be a rise in the price of *gur* and that will benefit the cultivator.

Mr. N. M. Joshi: They are not substitutes of each other?

Mr. R. F. Mudie: If Mr. Joshi will wait one minute, I shall develop my argument. A rise in the price of *gur* will benefit the cultivator and enable him to some extent to resist the fall in the price of cane which the manufacturer would like to offer him. Mr. Joshi challenged my proposition. Well, Sir, I have looked up what happened when the duty was put on in April, 1931, when the surcharge was put on in October, 1931, and when the excise was put on in April, 1934. I have looked into the prices indices of *gur* in the Cawnpore market. In April, 1931, the price index, taking 1930 as 100, rose from 84 to 103. The only explanation was the reaction of the increased price of sugar on the price of *gur*. In October, 1931, when the surcharge was put on, the price index rose from 107 to 117 and next month to 145, and in 1934, when the excise was put on, the index rose from 85 to 101. Now, I have not the least doubt that the same thing will happen this year. I have given you my reasons, and I have also shown you that this has been the actual result in the past.

I do not, therefore, think that this proposed increase will, as Honourable Members fear, press at all hardly upon the cultivator. It is hardly possible that it will decrease the area. It is true that the rise of price may decrease the demand to some extent, but it must be remembered that if the average consumption of *gur*, which is about 28 lbs. per head per annum, is to be maintained, with the increase in population, about 35,000 additional acres will have to be sown with the sugarcane each year. There need, therefore, be no fear of a real reduction in area, whatever may be the case for one or two years nor of a great decrease in the cultivator's

profits. The advantages which the cultivator will obtain from the stabilization of the industry seems to me far to outweigh any losses he may suffer. There is a great danger at present of a great increase in the number of sugar factories, many of them indifferently financed, with little or no resources. What happens when the price falls? A large number of these factories close down. The cultivators who have grown the sugar-cane around these factories in the expectation of selling it to them have to put it on the market, as *gur*. down goes the price of *gur* and down goes the area of cane, then up goes the price of *gur* and up the area of cane, and so on. We get violent fluctuations in the cultivator's profits, and, Sir, what is the main problem in the cultivation? Debt. And what is this debt due to? Primarily to fluctuations in profits. That is the reason why agriculture is so liable to debt. I am not altogether surprised that there has been so little attention paid to the effect of this excise on the cultivator, because I feel that the cultivator is sometimes trotted out as a stick to beat the Government with and again put back in his place. I do not wish to say too much on this subject, but there have been statements in the papers from my own province that the Congress will resist the temptation—I think these were the words—of doing something for the good of the people of that province. I hope very much that that temptation will not be resisted, and I hope the Congress will do something for the good of the people, and that the cultivator will really be in the forefront of the picture and not merely brought out as a bogey to frighten Government and put in the background again when he has served his purpose.

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.

Mr. N. V. Gadgil (Bombay Central Division: Non-Muhammadan Rural): Sir, I am sorry I cannot join in the congratulations which have been offered to the Honourable the Finance Member in the course of the discussion.

Pandit Krishna Kant Malaviya: You never do.

Mr. N. V. Gadgil: I am glad that my Honourable friend, Pandit Malaviya, at any rate understands me perfectly. I shall never join in the congratulations unless it is a Swaraj Government under which the Finance Member introduces a budget entirely in the interests of the Swaraj population.

Sir, during the last two years, that is, 1935-36 and 1936-37, there was one circumstance that attracted my attention in the budget speech of the Honourable the Finance Member, and that was about the grant of one crore of rupees for rural uplift in India. The suspicion was there when this grant was first made in 1935 as just at that time the Congress had started its work in the rural areas. Last year, a similar grant was made

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although the purpose for which the grant was made showed that it was entirely for the benefit of the masses in the rural areas, yet we know how the amount has been spent. It was done in a way which was calculated to detract the influence of the Congress. However, the Congress succeeded more perfectly in the rural areas than in the urban, and now the Government see that the game is over, we find that in this year's budget, there is no sympathy shown for the masses in terms of rupees, annas and pies. I know there will be lip sympathy.

An Honourable Member: There is not even that lip sympathy.

Mr. N. V. Gadgil: Of course that will be forthcoming after my speech but so far as sympathy in terms of money is concerned, it is conspicuous by its absence. Last year, I attacked the defence budget. This time, I do not wish to have my Honourable friend, the Nawab Sahib, as my target. This time I propose to confine my remarks to the costliness, particularly of the civil administration. I thought instead of raising the taxation on sugar which is consumed by the poor in India, the Government would come forward with a proposal for a ten per cent. cut in their salaries. (Hear, hear.) But I know, this is not going to happen at all until a certain thing which the Congress proposes to do will materialise. That this administration is too costly beyond all proportion is an admitted fact, and even Sir Walter Layton admitted it in his report, and he has stated that so long as India wants the English element, this costliness will continue to be there. Now, Sir, I propose to look at this question from perhaps a new point of view. I have got with me the figures of salaries for various countries, the figures of earnings of labouring classes from the same countries, and by a comparative table I propose to show that there is some relation existing between the earnings of an ordinary labourer and a clerk of the lowest degree in any Government, and there is also some proportion existing between the lowest paid man in the Government service and the highest paid man in the Government service. If I am able to show to this House that these two things are approximately the same in other countries, and if I am able to show that in this land the variation is out of all proportion, I think it will be of some use. The figures are these:

Taking South Africa, the lowest salary of a Government clerk is £ 140 and the highest salary of an administrative post is £ 1,600. In the United Kingdom, the national income *per capita* is £98, the wages of the urban unskilled labourer is £ 100 and the lowest salary of a Government clerk £ 95 and the highest salary, £ 3,000. In Canada, the national income is 518 \$; the wages of urban unskilled labour 955 \$, the lowest salary of a clerk, 600 \$, and the highest salary 10,000 \$ for an administrative post. In the United States of America, the national income *per capita*, is 676 \$, the wages of urban unskilled labour 1,075 \$, the lowest salary of a clerk is 1,140 \$, and the highest salary of an administrative post is 10,000 \$. In Germany, the national income *per capita* is 800 Marks, the wages of urban unskilled labour is 1,750 Marks, the lowest salary of a Government clerk, 1,700 Marks, and the highest salary of an administrative post, 22,900 Marks. In Japan, the national income *per capita* is 218 Yens, the wages of urban unskilled labour is 500 Yens, the lowest salary of a Government clerk is 480 Yens, and the highest salary

for an administrative post is 6,500 Yens. In India, the national income per capita is Rs. 74, the wages of urban unskilled labour is Rs. 240. . . .

Mr. N. M. Joshi: It is an exaggerated figure.

Mr. N. V. Gadgil: To that extent the proportion will vary in my favour.

Then, the wages of unskilled labour is Rs. 240, the lowest salary of a Government clerk is Rs. 360 and the highest salary for an administrative post is Rs. 46,000.

Then, the proportion between the lowest salary and the highest salary is as follows:

South Africa, 1: 11.

United Kingdom, 1: 32.

Canada, 1: 17.

U. S. A., 1: 9.

Germany, 1: 13.

Japan, 1: 14.

India, 1: 133.

Now, Sir, this costly agency can only be justified on certain grounds. If talent is not available, one can understand the employment of this costly agency. But that is not the case. In fact talent exists outside the Government service more than inside.

Mr. N. M. Joshi: That shows there is acute unemployment.

Mr. N. V. Gadgil: Yes, it does. If today those in the Government service were to resign, I am sure no hands will be wanting to fill their places with as much efficiency, if not more. Now, what is the exact salary bill that works out? I have taken the figures for the Bombay Presidency. The total salary bill for the Bombay Presidency is 5.37 crores out of a total expenditure of 14½ crores. From this salary bill, I leave out of consideration those who get less than Rs. 2,000 a year, and only calculate the salaries of those who get Rs. 2,000 or more. It works out to 2.02 crores, i.e., one-seventh of the expenditure. If, from this basic figure, we were to calculate what India must be made to pay towards the high-salaried officers, roughly it would come to 40 crores of rupees. If a country which is acknowledged to be the poorest under the sun is made to maintain a service which is admittedly the most costly, I fail to understand how we are going to give relief to the masses, how we are going to remove the difficulties in the way of trade recovery or the recovery of the masses from poverty and destitution. Sir, this is not only an aspect which concerns the financial position of India, but by following the policy of engaging highly paid officials, both European and Indian, it has resulted

The Honourable Sir James Grigg: Sir, I am sorry to interrupt the Honourable Member, but I want to make certain that I got his point correctly. Was it his assertion that in Bombay two crores is the salary bill of men who are drawing Rs. 2,000 a month?

Several Honourable Members: No; he meant people drawing Rs. 2,000 a year.

Mr. N. V. Gadgil: The other point is that it is not merely the foreign element which is getting these, but even the Indians who are getting the benefit of these high salaries are not entitled to it. From the figures and their comparison I have given, you will find that the maximum salary of Rs. 500 proposed by the Congress is in consonance with what is actually the state of affairs in other countries. There are people who say that this is an abstract figure, but, in the light of cold facts and figures that I have quoted, you will be able to see that it is just the maximum which works out if we take the percentages available in other countries. I was just now referring to the other aspect of the question where the Indian element is also getting equally high pay.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member has two minutes more.

Mr. N. V. Gadgil: All right, Sir; I will be quite satisfied with two minutes, although it is a question of crores.

The supposed equality and dignity are, I think, quite irrelevant. The real ideal of service is poverty, anonymity and obedience. That is the ideal which Indian culture puts before us. I do not think my Honourable friend, Mr. Bewoor, will be less honoured if he appears in a *dhoti* than if he appears in an English suit. Their whole outlook has been Europeanised, in point of dress and diet and general outlook. It has a very demoralising effect on our standard of life, not only among the upper strata, but even among the lower strata; and, just because a few people have set up a higher standard, therefore everybody wants to set up a high standard. I think, Sir, that not merely on the financial ground, but even on the moral ground this costly agency is not justified at all. I would, therefore, content myself by saying that in a country like India, where one-fifth of the people go nearly hungry, this agency ought not to exist. Sir, my time is up, and I have done.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, I listened to the budget proposals with a good deal of consolation. We are accustomed, on the 28th February each year, to have a number of taxes imposed, but this year there were only two new taxes which did not spring up as a surprise.

Some Honourable Members: Budget leakage! (Laughter.)

Dr. Ziauddin Ahmad: This is no leakage.

Now, I was rather surprised about *khandsari* sugar, because that is an article on which no fresh tax ought to have been imposed. From the figures we see that it is not in a flourishing condition, and I am not sure that the law of diminishing returns will not apply in this case. I will not discuss it today, but will take an opportunity of doing so on the occasion of the Finance Bill. But I wish the additional duty to be removed.

I am also disappointed about the postcards. I expected that at least the value of the postcard would be reduced from nine pies to six pies, but this has not been done. I thought the post office is in a flourishing condition and this reduction could be made.

I will next refer to our protection policy which is based on the Fiscal Commission's report. The report was written 16 years ago. Many things have happened during the interval, but our policy still remains the same. Now, the time has come for us to adopt a bold policy and a fresh policy to suit existing conditions. I will say clearly that I am in favour of protection, but not in favour of the protection of capitalists. If the protection is for the benefit of the masses of this country, it may be justified, but if it is for the benefit of the monied classes, it is certainly a curse and not an advantage. I will just deal with the present working of the protection policy. The first thing is that, as soon as protection is given, there is no machinery to watch its working year after year and see whether the protection is really working for the benefit of the industry. There is no control over the prices. The Tariff Board gives a certain fair selling price; but there is no check if the actual selling price exceeds the fair selling price and this happens in many cases: the benefit of these high prices goes to the shareholders and not to the poor people. I say the extra profit should not go to the shareholders alone. It may go to the consumers, and this can be done by reducing the quantum of protection, or it may go to the Government, which can be done by putting an excise duty on it. But if it goes to the shareholders, it merely means giving a higher dividend to the shareholders. If it goes to the protected industry itself, it can be done by building up a reserve. But whether it goes to the industry or to the consumers or to the Government, it should not go to one place, and that is to the shareholders, as is now happening in the case of the Tata Iron and Steel Company. They are now paying very high dividends to their shareholders: and, in a few years, in 1941, they will back to the Government and ask that, in order to protect this key industry, the consumer should continue to be taxed, though all this time they have been paying huge profits and though they failed to build up any reserve during this period. I say, it is the duty of the Government to compel the industry to build up a reserve at the time of bounties, and not to spend away all the profits they get by giving high dividends to their shareholders. That was not the intention of the Legislature at all. We gave protection to the industry, we never intended to give high dividends to the shareholders in that industry.

The textile industry is another example. In the years 1920-22, they paid high dividends—their shares went up forty times their original price. But they never built up any reserve, and when depression came in, they went to the Government and sought for protection. The consumers of India are taxed in order to cover up the mistakes of those who are running the industry, who made huge profits in 1920, 1921 and 1922, but did not set aside any reserves at that time. It is said that the people have invested a lot of capital in these concerns. That may be true, but I would like to emphasise that the mill industry in India is run by a contribution of 17 crores every year by the poor consumers. It is not run by the money which the capitalists have put in it. I ask, how long are Government going to compel the consumers of India to give this contribution year after year though there is no prospect of any improvement in

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their method of administration, as we saw in the course of the discussion on the Companies Bill

Mr. S. Satyamurti: You would have Lancashire goods instead?

Dr. Ziauddin Ahmad: Lancashire is not under consideration now. That is not the thing I am discussing. I am discussing the contribution of the consumer towards this industry. I am fighting for the interests of the people.

The next thing—which I will discuss in detail when the time comes—is about the import duty on Japanese goods. I am very strongly in favour of having a quota for such goods. Automatically the quota for our mills also would be settled. But I say it is unnecessary to put on at the same time a very high duty, to the detriment of the consumers of this country. A duty of 50 per cent. together with a quota is really very hard on the consumer. If you have the quota, reduce the duty, from 50 to 35 per cent.

I do not want to discuss anything about the Ottawa Agreement at this stage, as I understand a Committee is sitting on it. But one thing we must not forget, and that is that India has to pay Rs. 70 crores every year for our commitments and remittances. This 70 crores ought to be obtained by a favourable balance of trade, and we cannot continue paying this amount by the export of gold. This point must be borne in mind whatever agreements we may enter into with other countries. We must have a favourable balance of trade of 70 crores. We have been really paying this by the export of gold. Gold unfortunately has got three different aspects. Firstly, it is a commodity like any other commodity—wheat, cotton, barley, etc. At the same time, it is a reserve for the maintenance and stability of our currency and our credit and, thirdly, during war, when the world is in commotion, it is the only currency left for transaction. It is very important, therefore, that every country should have some reserve of gold. In Europe, gold is kept by the Government and by the banks. But, in India, from time immemorial gold has been stored by private individuals: gold in private possession is really the reserve of the country, and I do not think it is desirable that we should continue to let it go out indefinitely: we must keep some gold as a reserve which should only be used in time of necessity. We have exported so far about 285 crores worth of gold, and I think we have got about the same amount left

Pandit Krishna Kant Malaviya: And that should be sent out also!

Dr. Ziauddin Ahmad: It is a difficult proposition, because, unless we export gold, we will not be able to pay all our commitments; but I say that, whatever policy we chalk out for trade agreements, it should be done in such a way that we may be able to pay for our commitments, not by means of export of gold, but by export of merchandise.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member has got two minutes more.

Dr. Ziauddin Ahmad: As regards rural uplift, I am in favour of giving some money for the benefit of the poor, but it ought to be spent only in two ways—primary education and supply of seeds. Another important problem left for the villager to solve, which we have not been able to solve, is raising the price level of agricultural products, so that the villager may get a fair selling price. We must also find out a solution for their indebtedness and we should establish co-operative banks, so that they need not borrow money at exorbitant rates of interest, 20 per cent. and 25 per cent. and 30 per cent., or even more.

The next thing I should like to mention is about our tariff. The Indian
 3 P.M. Tariff Act is really very difficult to understand. It contains so many different articles that I am sure if you take an examination of all your appraisers and ask them to take a particular column for a particular commodity to be assessed, 50 per cent of them would fail. This is an exceedingly complicated matter. Sir, we have a Commerce Member and a Finance Member, both of whom have an abundance of driving force, and if the clarification that is so urgently needed is not carried out in their regime, if the tariff is not simplified in their time, then the time of the simplification of this will be very remote. I think there should be simple customs duties like 15 per cent., 20 per cent. and 25 per cent. and we should allot the various articles under that head.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member's time is up.

Dr. Ziauddin Ahmad: Then I reserve my remarks for the Finance Bill.

Captain Rao Bahadur Chaudhuri Lal Chand (Nominated Non-Official): Sir, one of the privileges of this House is that on this occasion we can not only talk on any subject from North Pole to South Pole,

Several Honourable Members: No, no.

Captain Rao Bahadur Chaudhuri Lal Chand: But it is also open to Honourable Members to give advice even on highly technical subjects to experts. As a corollary to this privilege, the Honourable the Finance Member is held responsible for every shortcoming in our expectations. With your permission, Sir, and following this custom, I wish to make a few remarks

Mr. Deputy President (Mr. Akhil Chandra Datta): On the budget, of course. (Laughter.)

Captain Rao Bahadur Chaudhuri Lal Chand: Yes, and I hope both the Treasury Benches and the Opposition will excuse me if I do not see eye to eye with them. On the budget figures I have only to say that the Finance Member had a most difficult year to provide for, particularly in view of the expenditure incurred by the Reforms, separation of Burma and Aden, and by the creation of deficit provinces. Judging from these difficulties and a number of others like trade depression, passing of indebtedness bills and equipment of the army for emergency of a war breaking out, he has played his part in a most commendable manner. ("Hear, hear" from Congress Party Benches), and his budget, though not a surplus one, shows his skill

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and tact in a marked degree. The financial statement he has presented to the House is very lucid, and he must have worked hard and laboured day and night (Laughter from Congress Party Benches) in order to bring about this result. He could, indeed, impose more burdens in view of the substantial drop in the customs revenue and the possible and unforeseen increase in defence expenditure. In spite of these difficulties, he has not forgotten the Revenue Reserve Fund, and I congratulate him on his masterly handling of a most difficult situation. ("Hear, hear" from Congress Party Benches.)

Mr. S. Satyamurti: Don't blush, Sir James!

Captain Rao Bahadur Chaudhuri Lal Chand: Sir, I am not sure how the extra sugar excise duty will affect the consumer, and what effect this additional silver duty will have on the trade. But one thing is certain. His choice has not fallen on articles that will affect the masses. The large number of sugar factories were proving a source of exploitation of the poor cultivator by the dominating capitalists, and, as the sugar-cane growers were not getting full value for their cane, I welcome this burden on sugar, as the *gur*, which was the luxury of the poor, was fast disappearing from the market and the capitalists were exploiting him

Bhai Parma Nand (West Punjab: Non-Muhammadan): Have you seen a sugar factory and hundreds of carts loaded with sugar and waiting for days?

Captain Rao Bahadur Chaudhuri Lal Chand: Show me the one you have in view. It was stated that some factories will close down. My reply is that the old indigenous industry for making *gur* will revive as a corresponding gain to smaller people.

Then, Sir, the Honourable the Finance Member has been rather over cautious and moderate in his proposals for additional taxation inasmuch as he has sacrificed his pet scheme of financing rural uplift schemes on the altar of economy. I know he must have done this most reluctantly and has sacrificed his one crore, in order to save the country from further taxation. Rupees one crore a year for a population of 32 crores living in villages gave us only two pice per head and was only a drop in the ocean. With full Provincial Autonomy, the provinces will, I am sure, devise their own schemes and tap their resources rather than depend upon doles from the Central Government. I heard a very serious complaint on this point made by my friend, Mr. Gadgil, but I must tell him that for these rural schemes in future he must look to the Deputy Leader of his party, *i.e.*, Pandit Govind Ballabh Pant, who is shortly going to the United Provinces as the Chief Minister. Ordinarily, I should have blamed the Finance Member for not providing for rural uplift, but as this was his own scheme, and as he has done this to save taxation and in the interests of economy, I only sympathise with him. For, Sir, I fully realise the difficulty with which the Honourable the Finance Member was faced. His only fault is that he did not anticipate these financial difficulties last year when he raised the income-tax limit again to Rs. 2,000. Where was the hurry for that? But the classes that are more vociferous than others always succeed, and the schemes for poor villagers have to suffer.

I know, in suggesting this, I am incurring the displeasure of the middle class shopkeepers and Government employees, but I may point out that, as a result of the rural uplift propaganda, that is carried on by Government, and, with the spread of education, an awakening is coming in the rural population, and the Government could not leave them behind the urban people any longer without serious discontent in the country. Sir, the time has come when Government should take rural problems seriously into consideration, and my own feelings are that concentrated efforts should be made immediately to give the villager his due. Democracy means that a man should be treated as a human being, and neither more nor less. Vote alone cannot supply the place of bread. My Honourable friends opposite will be strengthening the case for rural uplift if they agree to my suggestion of bringing the income-tax limit to Rs. 1,000, if not to Rs. 500 as early as possible. If this is not done, it will be impossible for any Finance Member to find money for provincial schemes, and we will be asking for extra expenditure without bearing extra taxation.

Sir, the problems of India are different from those of Europe. Ordinary labour problems do not apply to India, as ours is an agricultural country and a large number of cultivators are peasant proprietors, most of whom are only in a miserable plight, because they remain tied down to their uneconomical holdings, and there is not enough work for them to do. This is one class. The other class is that of cultivators who labour day and night to produce enough for the growing needs and luxuries of the big landlords whose lands they cultivate. The problems of these two classes are different from labourers. I do not wish to disturb the relations between landlords and tenants, but I wish to add that just as the money lender exploits his debtors, in the same way the big landholder also wants to get as much out of his tenants as possible, and mere indebtedness laws, to which reference has been made by the Honourable the Finance Member, will not give relief that is needed for the tenant class. Tenancy laws, whereby a limit is fixed to the share of a landlord, are as necessary for this class as the indebtedness laws. Thank God, the problem does not exist in my province as we are all peasant proprietors, and the few landlords that can be called big are very friendly to the tenants.

Further, I know this is a provincial subject, but have the Government of India done all that is necessary in Delhi and other small areas in their charge? Does the Honourable the Finance Member know that no indebtedness laws exist in the Delhi Province in spite of large meetings having been held and representations made by the villagers? Where are similar laws for Ajmer and Merwara? As a matter of fact, these small areas afford Government an opportunity of turning these into demonstration plots for other provinces to follow. We hear of parties of high Government officials visiting rural development centres in the Delhi Province as they are called. I welcome this move, but may I ask if any steps have been taken to improve the inter-village roads in the Delhi Province itself? Local self-government here is still in the stage of the last century. In the District Board of the Dehli Province, we have still an official Chairman and an official Secretary. The Government of India make liberal grants to the Old Delhi Notified Area Committee, but where are the corresponding grants for the Delhi Province District Board? There is an Urdu proverb:

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Which means "there is always darkness under a lamp", and this applies to the rural conditions prevailing in the Delhi Province. As soon as you cross the line of dazzling electric lights in New Delhi, there is the utter darkness of the eighteenth century in villages. I earnestly appeal to the Treasury Benches to look into conditions in areas under their direct charge.

Sir, the Government of India are either urban minded or are afraid of urban classes. Probably they are both, as they are always surrounded by officers and clerks belonging to urban areas and Government service has become a monopoly of certain sections living in towns. Now, all sources of taxation have been exhausted and yet the usual grant for rural uplift has had to be sacrificed. So, the Government of India should do two things in helping His Excellency the Viceroy in improving conditions in rural areas which he so much desires. But, while on this subject, I might mention one small matter. Section 60 of the Civil Procedure Code gives certain exemptions from attachment under execution of decrees to agriculturists. There is, however, no such exemption for cattle breeders, and it is high time that this relief should be extended to cattle breeders as well. The other day, my Honourable friend, Sir Girja Shankar Bajpai, got a Bill passed. It is now styled the Grading and Marking of Agricultural Produce Act. Here agriculture includes poultry farming and cattle breeding, but, in section 60, there is no such exemption for cattle breeders. Will the Honourable the Home Member come to our rescue?

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member has got only two minutes more.

Captain Rao Bahadur Chaudhuri Lal Chand: I want to make a few suggestions. Firstly, the taxation theory should be revised. Small peasants should now be given a margin of exemption for their bread and butter, and, in order to make good the losses to the exchequer, the unearned increment in the price of urban property should be taxed. We all know how very rapidly the price of land for house sites in Delhi itself is going up. So, a tax on this increase in prices will be fully justified; for, we all know that this is the result of peace and settled government that we have enjoyed for over a century. My second proposal is to cut down the expenditure of civil administration. To start with, Indianisation has been proceeding very rapidly, and, during the last ten years

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member's time is up.

Captain Rao Bahadur Chaudhuri Lal Chand: I have some other things to say, but I will do it on the next occasion.

Mr. T. S. Avinashilingam Chettiar (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): Sir, it has become a habit with some people to congratulate the Finance Member whatever the budget he brings before the House. If it is a surplus budget, it is a surplus, and so he must be congratulated. If it is a deficit budget, how nicely, how beautifully he has managed out of a difficult position! This is the attitude of some of the Members. Not only that, but I am surprised to see Members in support of the Government coming forward with puerile explanations, as some of

them have done, in justification of the excise duty on sugar. One gentleman goes to the length of saying that this will help in the making of *gur* and the cultivator will get a better price. You can as well say, because Mahatma Gandhi has said *gur* is good for the body, it is good that the people go back to *gur*.

An Honourable Member: But that gentleman does not wear *khaddar*.

Mr. N. M. Joshi: Sugar is left only for these people.

Mr. T. S. Avinashilingam Chettiar: It seems to be their policy that whatever the Government say, they will support it, though the facts may be otherwise.

Before I come to sugar, I will say a few words about the budget itself. The last lines of the printed speech of the Finance Member say that there is about between Rs. 1½ and 1¾ crores deficit. In fact, I think the deficit is a little more. In his speech at page 6, he says that Burma, according to the Amery Award, contributes Rs. 3,23 lakhs. Out of that, 94 lakhs is in respect of Burma's liability for pensions, and the other 2,29 lakhs is in respect of the debt and other liabilities. Now, the Amery Award is that the debt which Burma owes to India must be liquidated in the course of 45 years in 45 payments, that is to say, the contribution that Burma has to make is not only for the interest, but also partly for capital, because the capital and the interest have both to be discharged in the course of 45 years. That being the case, this amount of 2,29 lakhs is not altogether to be credited to this year's budget, but, in my opinion, it should go to the sinking fund which is for the liquidation of those debts, or to the liquidation of the debts themselves. So, in effect, this year's deficit is not Rs. 1½ crores, but 1½ crores, plus a portion which must go to the liquidation of this debt which Burma has to pay to India. The first portion of the Finance Member's speech consists only of facts and figures and statistics, and the rest of his speech is political vapourings which have no basis in facts. He says:

"Contrary to our hopes therefore we are between Rs. 1½ and Rs. 1¾ crores short of a balance in 1937-38 and unless we assume a growth of revenue during the year greater than we have any right on past experience to expect this should connote a deficit in 1938-39 too of something like the same amount. Are our calculations then all wrong and are we pursuing a chimera in judging that we can finance the new constitution? I do not think so."

And the reasons which he gives are something for which there is no basis in facts. Now, I shall first take the point which has already been made by some of the Honourable Members of my Party, and give some figures. The Finance Member says:

"On the other hand, there are definitely encouraging signs. Railway traffic returns indicate quite clearly a substantial increase in prosperity."

What did the Honourable the Railway Member himself say in his railway budget speech about the prosperity of the railways? He said:

"During the current year again we have experienced a steady increase in traffic, but it is too early to predict with any confidence that the level attained during the last few months will be maintained. I believe I have gone as far as it would be safe to go in assuming that the total improvement in earnings that has taken place in the current year may be maintained at a slightly lower level on an average during the next year."

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He proceeds:

"I think there is at the moment not enough justification for assuming that the level of improvement reached during the last three months will be maintained throughout the next year."

He does not expect that the improvement that has taken place now will be maintained throughout the year. I will again read from the Finance Member's speech: He says:

"The steadily increasing prices of primary products point to the same conclusion."

Let us see what is the increase in the prices of primary products. I have before me the February issue of the "Monthly Survey of Business Conditions in India". Here they say:

"The percentage change is shown as follows, as compared with the prices obtaining in the previous year:

April	. . .	—1
May	. . .	—1
June	. . .	—3
July	. . .	—3
August	. . .	—2
September	. . .	—1
October	. . .	—2
November	. . .	—3"

Not only that. I have before me the *Indian Trade Journal*. On page 745, there are the index numbers of wholesale prices in Calcutta by groups of articles. I take grains:

"In 1936, for January the index number was 80, in February 79, March 76, April 80, September 80, October 82, November 79, December 83 and January this year 81."

Therefore, what was the basis on which the Finance Member relies for his statement that the primary products have increased in value? This is the fashion of people who are not really in touch with public opinion, who have not lived the life of this country, who merely deal with figures. What does the Honourable Sir James Grigg know about the prices? He does not bother about them. He knows them only on paper. We, who live in the villages and countryside, know whether the prices have increased or decreased. I know from my own personal experience that rice has not increased in value. There is the biggest slump in rice in South India today, and to say that prices have increased is to say something which is not quite true at all. So, what I want to impress upon the House is that the presumptions on which the Finance Member relies are entirely wrong, and not only that. Further on, he says:

"Further, the almost phenomenal increase in exports of merchandise must soon result in an enhancement of purchasing power and altogether we have many pointers towards a greater resiliency of revenue in the not distant future."

The Honourable Member must know and many others must know that the increase in exports is not due to the improved conditions of this

country, but because willy nilly we have got to pay 70 or 80 crores of rupees because of our British connection: Again he says:

“Another bearish feature is the substitution of silver imports for imports of goods subject to a higher rate of duty a re-appearance in fact of the old hoarding tendency.”

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

Let me point out to the Finance Member that if the people buy silver, it is not because they have got money, but for another reason. They have lost all their gold and precious metals. They want a substitute, even though it may be a poor substitute. They want silver for ceremonial and religious occasions and for their ornaments. Now, they cannot have gold. People are getting poorer and poorer. We who live in the villages know better. What do people, drawing Rs. 5,000 and living in New Delhi and who run away to the hills by April 15, because they cannot bear one hot day, know about the reality in the villages? It is really a misfortune that the finances of this great country must be in the hands of people who do not belong to the country, who do not understand the country and who know nothing about the country, and it is not surprising that they don't understand the country.

Now, I come to the Income-tax. One of the causes of the fall here is said to be a fall in the profits of money lenders. Now, it has been already pointed out that the Provincial Rural Indebtedness Acts have not begun to operate in many provinces. The villager has no credit and no money, and who will lend him money? If the money is lent, it is not returned because he has no wherewithal to return it, as the prices of primary products in this country are in such a low level. Besides, formerly the bankers used to lend on the security of gold ornaments. Now, there is no gold. So you are not getting the income-tax, not because of these Indebtedness Bills, but because of the other reasons I have mentioned. Of all people, I want the Honourable the Finance Member to face facts boldly, and, not only that, he should take bold steps. They may affect his colleagues and those near him, but he should be bold. My complaint against the present Government is that they are not prepared to face facts when it affects the people of this country, but they will be active if it concerns their own people, the I.C.S. and other highly paid officers. They do not care where the poor people are concerned. What he should do is to take a bold step and have a cut in pay. Many times they tell us “This is nothing new”. But what else can we do? I am reminded of a remark made by a Swami in America. He said: “Be pure and strong”. One man said: “This is nothing new. We have heard about it before.” But the reply was: “Truth is as old as the hills, dales and mountains. Practise it, and then you will see.” Even so, I say, the first and foremost duty is to have a drastic cut.

I have only a few minutes more, and I will say only one thing more. Let me refer to sugar. I have not much time to go into the problem in detail. But I would like to place before the House the opinion of a distinguished Indian who was for a long time connected with the Imperial Council of Agricultural Research as its Vice-Chairman, Sir T. Vijayaraghavachariar. This is what he said:

“Owing to severe internal competition, sugar prices were at an uneconomic level being less than Rs. 6-6-0 per maund. The Tariff Board had calculated the net cost of production at Rs. 7-8-5. Making an allowance for several factors which had

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changed since the Board reported in 1931, improvement in the quality of cane and increased efficiency of factory processes resulting in lowering of cost of production, the present day cost varied from Rs. 6 to Rs. 7 in Northern India which produced the bulk of Indian sugar. An increase in the excise duty amounting to annas eight per maund meant that factories would have to work at a loss. Naturally, several factories would close or suspend operations in the next working season. The inevitable result would be that the cultivator would lose the most profitable outlet for his cane, which was a factory and fall back on the manufacture of *gur*, a much less profitable concern. (Let Mr. Mudie note this.) The impulse given to the ryot by expansion of sugar industry resulting in the current season in an increase of acreage by about a million and a half acres, would disappear, and the one bright spot in agricultural outlook would vanish."

So, Sir, I say that exactly the opposite effect to that mentioned by the Finance Member would follow.

Mr. C. B. Nagarkar (Bombay: Nominated Official): Mr. President, I am grateful to you for giving me this opportunity of making a few comments on the budget proposals for 1937-38. I shall try to be as brief as possible and do not propose to occupy much of the time of this House. Unfortunately I am not in that very happy position in which Sir Leslie Hudson found himself this morning as he happened to be the first Member to speak as soon as the general discussion started. He is not here now, but he appears to have gone home with the satisfied feeling that, in whatever he spoke, he did not repeat himself. I mention this, Sir, because I wish to sound a note of warning. for it is possible that in what I am going to say I may inadvertently repeat remarks made by other Members who have spoken before me. Sir, the budget for the next year has been described in certain quarters as being a "book-keeper's budget" or an "accountant's budget". I shall quote what a well-known critic of Government policy wrote on Sunday last. He said:

"Our finances are being managed with the narrow outlook of a book-keeper, not the far-sighted vision of a statesman."

The implication in the above comment is that if the writer himself were entrusted with the work of the management of the finances of the country, he would doubtless deal with them "with the far-sighted vision of a statesman". Incidentally, this critic also sees in the Honourable the Finance Member's budget proposals a sinister desire to cripple the sugar industry and an equally sinister desire to encourage the inroads of Lancashire on the Indian market with a view to capturing the trade in piece-goods. Sir, I should, first of all, like to repudiate as strongly as I can the charge that we are dealing this year with a "book-keeper's budget". (Laughter.) Not only is it very uncharitable to use such an expression, but the phrase used is entirely without any justification whatever. Sir, as regards this year's proposals, I would say that this year's proposals, though they are perhaps not of a very spectacular nature, take a very sober and accurate view of the results of the current year and of the probable estimates of the next year. The proposals do not soar into the clouds of financial and economic theory, and this may be because the Honourable the Finance Member desired to state his case as clearly and as concisely as possible, so that he does not dope us into a false state of satisfaction by obscuring the main fiscal issues which we have to face this year and in the coming years. Sir, the budget of this year, the proposals in regard to which we listened to on Saturday last, is what I may call a "poor-man's budget", or I may call it the budget for "the man in the

street". (Mr. N. M. Joshi: "How?") The vast majority of the people of this country are poor. This is pre-eminently an agricultural country, and the fiscal problems that we have to face year after year are problems connected with the poor man, the man in the street, *viz.*, the ordinary citizen who wants a clear, concise and convincing statement of what Government are going to do with the money that he will be called upon to pay. The second part of the proposals is what I may call the operative part, (to use a legal term), of the budget proposals. This is the part that really matters to us and will doubtless occupy much of the time of this House both in this preliminary discussion and in the discussion to follow later on. Sir, if Honourable Members will take a reasonable view of this operative part, as I have no doubt most of them will, then it will be seen that, in spite of the sacrifices we are making on account of the separation of Burma and the advent of Provincial Autonomy, the scope of additional taxation for a part of this year and for the whole of the next year is astonishingly small. In spite of the temporary contraction of rural credit caused by the Indebtedness Bills referred to by Sir Abdul Hamid, the fall in customs duties, which is as large as about Rs. 1½ crores, and the small increase in the cost of defence, there is a surprisingly small amount of fresh taxation. Sir, I may assure the House that I have no access to the archives of the Finance Department of the Government of India, but I have no hesitation in saying that when I came here on Saturday afternoon, I was under the apprehension that the Honourable the Finance Member was going to deprive some of us of the small relief in income-tax sur-charge given recently. I also thought that there would be a further set-back as regards the limit of exemption from income-tax. Having in view the recent general depression in trade, I also apprehended that the tax-payer would be called upon to pay more on other dutiable goods. I also felt that as the recent Waziristan campaign was not the end of all such trans-frontier disturbances, the expenditure for the next year under the head "Defence" was going to impose further burdens on the expenditure of the country. I am happy to say that not only were these sombre apprehensions set at rest when I heard the budget proposals, but I was very agreeably surprised to see that there were only two proposals for an increase in taxation. The first of these is the increase in the sugar excise of annas eleven per hundredweight. Now, the incidence of this increase is so small that it can hardly be said to be a source of hardship to the poorer classes. (Mr. N. M. Joshi: "How much?") Sir, sugar, unlike salt, oil or food-stuffs, is not, strictly speaking, in the category of those articles possessing the quality of indispensability. (An Honourable Member: "Question.") On the other hand, this increase is to be judged from the point of view of the capacity to pay, and all the available signs are definitely propitious, as pointed out on page 12 of the budget proposals. Furthermore, it must be remembered that, as regards the sugar industry, the position in recent years has been a very peculiar one. Not only has this item caused since the year 1930-31 a gap of about eight crores in the customs revenue, but the protective tariff of Rs. 7-4-0 per hundredweight has led to underselling and cut-throat competition in Indian-made sugar. Evidence of this kind of cut-throat competition can be seen in all parts of the country where sugar-cane is grown. In the Deccan, for example, present and prospective sugar-company promoters are seen going about calling for capital from the public, and I think a stage has been reached when the public have begun to view with considerable suspicion the activities of these sugar-company.

[Mr. C. B. Nagarkar.]

promoters. Moreover, the additional duty will automatically come under review next year; so that it cannot be said that the effect of this extra tax will be such as to cripple the sugar trade. It is more probable that the extra duty will restore equilibrium in the industry and will stop the tendency towards wasteful and competitive over-production. The increase in the duty on silver from two annas to three annas per ounce is small, and, comparatively speaking, the increase is of a less controversial character than the increase in the sugar excise.

The real excess in army expenditure is only Rs. 20 lakhs! and in a budget of Rs. 44-62 crores, this increase is not of such a nature as to justify the charge of wastefulness. Sir, at pages 38 to 40 of the Financial Secretary's Explanatory Memorandum are explained in detail the causes that have led to the increase of this Rs. 20 lakhs. I do not propose to weary the House by reading extracts from the Explanatory Memorandum, but there is no doubt that the causes enumerated in the memorandum fully justify this small increase. Finally, I hope, Sir, that Honourable Members on the opposite side and other critics of Government will take a long view of the facts, and, in criticising the budget, will not forget the deterioration in last year's figures, the exceptional difficulties and the constitutional burdens of this year, and will also keep in mind the exceptionally small proposals for additional taxation. (Applause from the Official and other Benches.)

Mr. Sham Lal (Ambala Division: Non-Muhammadan): Sir, I do not think there is much use in repeating old arguments. While reading the budget and hearing the Honourable the Finance Member's speech . . .

An Honourable Member: You did not hear his speech.

Mr. Sham Lal: I read it not light-heartedly, but earnestly. While I was reading his speech, I was reminded of an incident which took place in a village while I was there. A priest with a long coat and several blankets came to our village to preach a sermon on God. When he came to preach, it was winter, and most of the boys had no clothes and they were shivering. When he began to preach the children, he said: "I pity you; I am very sorry for you; you are shivering on account of cold; I wish that you could have some clothes". One of the audience said: "If you could give us one of your blankets, we would be all right. If you could have your coat a little smaller and could give us the remaining cloth, it would cover some of us." Then the priest said: "Yes, that is true. But in order to carry on my work and the work of God, I cannot part with the blanket." (Laughter.) You are sorry for the deficit budget and you wish it were a surplus budget, but we say: "Give us a portion of your salary." Why should all these Honourable Members draw a salary of Rs. 6,000 a month if they are presenting us a deficit budget? They have got no right to be here and present deficit budgets. Why don't you give up your coat and pant? You have got no right to keep them. But they can keep them, because there are Honourable Members to congratulate them for the deficit budget. There are Honourable Members who flatter them, otherwise the cry should go from one end of the country to the other that these high salaried officers should quit this country. They have got no right to be here. What is the use of this *tamasha* of

the budget, putting certain figures here and putting certain figures there? Now, proving that there is a deficit of one crore, and at another time proving some surplus and sometimes giving one crore of rupees for uplift work,—I should say this is all jugglery and nothing but jugglery, and this sort of thing should not be allowed.

Now, the thing is this. It is not a budget of loaves, it is a budget of crumbs thrown at us. But the loaf is kept. I am also reminded of another story. We went for subscription to a lawyer whose income had fallen and we asked him to give some charity for a charitable institution. He said: "Look here, I used to give subscription when I used to earn Rs. 1,000 a month. My income has now gone down to Rs. 500 a month, and my expenses are also Rs. 500 a month. So, I cannot give you any subscription." I suggested to him: "If you are getting Rs. 500 a month in the shape of interest and rent, you can give us some subscription out of that." He said: "With regard to this, I have made it a rule that it should not be touched and it cannot be touched." That is the case with all these high salaried Government officers. What do they say? They say: "Yes, India is a poor country and the income is going down." Then, why don't you reduce your defence expenses and why don't you reduce this top-heavy administration? But their reply is: "No, no. With regard to that, we have made it a rule that it should not be touched." If you go on making such rules and if you say that, out of the limited space of 20 per cent, we should discuss the budget, where is the point of discussing. You say I. C. S. people must have their salaries and we cannot touch them, and so far as the military expenditure is concerned, they must have their salaries and everything and we cannot touch it. Then, what remains? What are we to discuss? If the revenue of the municipality is only sufficient to pay the salary of the ministerial staff, what are we to do in the matter of sanitation and education? You devour the whole of the revenue of India. You keep it there and do not leave us anything, and yet you ask us to discuss the budget. I think the main principle and the guiding factor should be that the services should be Indianised; their salaries should be cut down. The argument that is sometimes suggested against this principle is this: Look here, you have got only a few high salaried Government servants, and by reducing their salaries you won't be able to make a good deal of saving, and if you do save a few lakhs, it won't matter much. My submission is that it would certainly matter because we want this atmosphere of service. High salaried Government servants cannot create an atmosphere of service. They are after their comforts. Everybody is keeping a motor car, every body is having a bungalow. Ordinary officers, who formerly used to get Rs. 150 or Rs. 200 a month, are now drawing as much as Rs. 500 a month and are provided with bungalows. Their only argument is that as the Europeans are drawing high salaries, we, the Indians, on account of our prestige should not lag behind and we should draw the same salaries.

Dr. Ziauddin Ahmad: What salary will you draw when you become a Minister?

Mr. Sham Lal: I won't accept more than Rs. 500 a month. I think I can live within Rs. 250 a month, but the pay of a Minister will not be more than Rs. 500 as fixed by the Congress. Even if the Congress were to fix a pay of Rs. 250, it will be quite sufficient for us, and we will show

[Mr. Sham Lal.]

that all these European officers who are drawing high salaries should also be made to draw the same. We won't discuss the budget in the way in which you are discussing it. We will not say: "We cannot feed these poor people." The Finance Member must get Rs. 80,000 a year and the Home Member must also get the same amount and then we are presented with a deficit budget. We will not do that, and if we do that, we will be responsible for the fall of the Congress prestige. You will know it very soon if the Congress decides to accept offices.

Major Nawab Sir Ahmad Nawaz Khan (Nominated Non-Official): Why do you draw here the allowance of Rs. 20 per day?

Mr. Sham Lal: Bring a proposal, and we will be quite willing to reduce the amount. (Interruptions.)

Mr. President (The Honourable Sir Abdur Rahim): Let there be no interruptions.

Mr. Sham Lal: I am reminded of another story. Once a man kept a manager, and his income was Rs. 1,500 a month and the pay of the manager was Rs. 500 a month. His income fell down to Rs. 600 a month, and the manager went on drawing Rs. 500 a month. So, he used to have for his expenses only Rs. 100 a month. He suggested that the manager should go, but the suggestion was made: "If the manager goes, your house administration will not be so efficient." He said: "I do not want efficiency: I want bread: I want to live in this world." You always talk of the efficient administration. People must be imported from England in order to make the administration efficient in India and the people of the country should starve. Now, just make a comparison between the life of a Government servant and that of an ordinary man. Every businessman is losing his business and every professional man is losing his profession. What we find is that there is a great disparity between the life of a Government servant and that of an ordinary man. Go to any town, or to any village, and you will find that there is no comparison between the two. It appears that the Government servant is living in heavens and the ordinary man is living in hell. Look at the disparity. Of course, the Government servant may rest in peace for some time with his regularly paid salary, but there is bound to be revolution soon. You may have the army, you may have the police, with all that the starving people would not allow you to have this luxurious life, they will not allow you to have a sumptuous dinner when they themselves are starving. Time is soon coming when the Government servant will soon be disillusioned. Therefore, before you discuss the budget, you must lay down certain principles. A tree cannot be planted in a desert land like India. In our district of Rohtak, a plant was brought all the way from Kashmir, and it was planted there. The water of all the wells was given to it, and still it would not grow. The people do not get enough water for their own needs, for their drink.

Captain Rao Bahadur Chandhuri Lal Chand: When was that tree brought?

Mr. Sham Lal: I am surprised that the Honourable Member is not aware of that tree. I will refresh his memory by referring to the *pipal* tree which was brought by Mr. Atkins, the Commissioner and it was planted in the very presence of my Honourable friend, Captain Lal Chand. The Honourable Member knows all these things and still he congratulates the Finance Member for his budget. The Honourable Member took the Finance Member to Rohtak and got him photographed with a plough and a cow in order to show to the outside world that the Finance Member is very much interested in agriculture. But what happened afterwards? Where is the improvement? Where has all this money ear-marked for uplift of rural areas gone? All this grant is swallowed by Government servants, and nothing was spent towards the relief of the poor people. Unless you introduce a spirit of service in the country, unless you set an example, unless you behave in such a way that the Government servants are for the people and not for drawing high salaries, there will be no relief to the poor starving masses. How do you expect to receive congratulations from the starving masses? People are starving, people are hungry, and these high salaried officials spend their time merrily by getting congratulations. To congratulate those who are bleeding this country and those who are drawing Rs. 6,000 a month in such a poor country like India is the depth of degradation, and this cannot be tolerated. The only budget that can be appreciated is the one which is meant to give relief to the poor masses. I think a thorough overhauling is necessary, you must ask all the Europeans to quit this country, and then if a budget is presented giving substantial relief to the poor people of this country, that will be the time for congratulation.

Babu Baijnath Bajoria (Marwari Association: Indian Commerce): Sir, I share the disappointment with the Honourable the Finance Member over this budget. Instead of the expected surplus, however small, of six lakhs, we have been presented with a budget which shows a deficit of 1.92 lakhs. This is not an unexpected thing. Those who have been watching the customs revenue from import duties knew that the customs returns were falling and the result would be a deficit in the budget. What do we find? There has been an excess expenditure of 25 lakhs over the budget figures though revenue has decreased by 1.78 lakhs. This revenue would have decreased much more had it not been for the phenomenal rises in receipts in the duties from silver of 1.53 lakhs and from artificial silk piecegoods of 55 lakhs. When it was found that the revenue would not reach the expected budget figures, I think it was the duty of the Government to adjust their expenditure in time so that, about the end of this year, when the budget was to be presented, there might not have been any deficit. But I am sorry to say that no steps have been taken in this direction, and here we have the Honourable the Finance Member with a sad tale to tell when he presented his budget. Even now, instead of making any retrenchment or curtailment in expenditure in any direction, what has been suggested to balance the budget in the coming year is an extra taxation on sugar and silver. I will deal with the sugar excise duty first.

The sugar industry is no doubt indebted to the Government of India for the measure of protection which has been afforded to it, and the present sugar industry has been developed in the last few years mainly on the protection which has been granted to it. For this the sugar industry is highly indebted. Now, when the sugar industry has been well

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established here and when it is capable of producing all the sugar that is required for consumption in this country, I do not think it is fair on the part of the Government to let down the industry by levying a heavy excise duty on it. Now, Sir, I have told that India is capable of producing all the sugar she needs. In the last few years, there has been a phenomenal rise in production of sugar, and there has been keen internal competition which resulted in the fall of price even below the economic level. At the present moment, the industry cannot pay any further excise duty. At present the price of sugar is about Rs. 6 per maund only. Out of this, the manufacturers have to pay an excise duty of Rs. 1-5-0 per cwt., which comes to nearly one rupee a maund, and they get only Rs. 5 per maund which is much below the fair average selling price for Indian sugar as recommended by the last Tariff Board. Under these circumstances, when the sugar industry is doing so badly and when many of the mills are working at a great loss, I do not think the action of the Government, in increasing the excise duty from Rs. 1-5-0 per cwt., to Rs. 2 per cwt., can be justified in any way. It will be, in my opinion, the last straw on the camel's back and many a mill will have to close down. The other mills which may manage to survive will also show very poor returns. This will tend to a diminishing return in income-tax. The Honourable the Finance Member has already admitted that the present fall in income-tax is partly due to loss of profits in sugar industry. This is one of the main causes, and, if by his own action the Honourable the Finance Member is giving another slap to the industry, he must be prepared for still further reduction in income-tax receipts. Of course, by this development in sugar industry the Government lost a good deal by way of import duty on sugar, but they got a considerable amount by way of import duty on machinery imported from abroad and also by way of income-tax on profits earned by the sugar industry. The agriculturists also have been greatly benefited by this industry. I do not for a moment agree with my Honourable friend, Captain Lal Chand, that the manufacturers are exploiting the agriculturists in respect of their cane purchases. Would he like that the sugarcane be not bought by the Indian industry, but should be turned into *gur* only? Does he know that the price which is being paid at present for cane for making *gur* is much less than the price which the agriculturist gets by selling his cane to the sugar manufacturer?

Captain Rao Bahadur Chandhuri Lal Chand: For this the Honourable Member has only got to go to the Meerut district where the cultivators refused to give their cane to a certain mill, because that mill would not pay enough price. That was my complaint. If the mill does not pay proper price, it is better that the cane is converted into *gur*.

Babu Baijnath Bajoria: The Honourable Member is absolutely mistaken. The price which is paid by the factory for sugarcane is fixed by Government, and, as far as I know, it is now about four annas and six pises per maund.

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Mr. N. M. Joshi: It is low.

Babu Baijnath Bajoria: Does my Honourable friend, Mr. Joshi, know what percentage of yield the sugar manufacturer gets from his cane? It is only about seven or eight per cent.

Captain Rao Bahadur Chaudhuri Lal Chand: They are making cent per cent. profit.

Babu Baijnath Bajoris: The Honourable Member may see the returns.

So, Sir, I must take strong objection to the increase of this excise duty, and I will deal with it more fully on the occasion of the discussion on the Finance Bill.

The next point is silver. The import duty on silver has been gradually reduced. Only year before last, the import duty was reduced from five annas an ounce to two annas an ounce. From the figures which have been supplied to us, let us see how this reduction has been to the benefit of Government. The import duty realised from silver was two lakhs in 1933-34; it went up to 22 lakhs in 1934-35 and 38 lakhs in 1935-36, and then went up to 1,60 lakhs in the current year. The budget for next year also expects 1,60 lakhs. That means that even with the increase of duty from two annas to three annas no excess in income is expected. Sir, we all know that, when there is an increase of duty on silver, there is every chance of smuggling, through land frontiers principally. Of course, this duty has got little to do with any industry, but I think this raising of duty is not a happy one.

I should now like to deal with one or two more items. Take the case of artificial silk piecegoods. There has been a phenomenal rise in the import of artificial silk piecegoods, mostly if not entirely, from Japan. From the figures which are before us we find that the import duties realised on this account have gone up from 68 lakhs in 1933-34 to 1,10 lakhs in 1934-35, 1,36 lakhs in 1935-36, 1,85 lakhs in 1936-37, and Government expect to get 2,20 lakhs in 1937-38. So it is expected on Government's own showing that the imports of artificial silk will increase. No action is taken to prevent this import, and, from 1,85 lakhs in the current year, they expect 2,20 lakhs in the coming year. So it means that approximately 25 per cent. further increase in imports of artificial silks is expected by Government in the coming year. This artificial silk business is hampering and adversely affecting the Indian cotton industry, and I think it is high time that steps should be taken to check this increasing import. While on this question of cotton industry, I should like to say few words against the cotton mills of India. The cotton mills of this country are doing a great injustice to the cotton producers and to the cotton trade of this country. They are importing several crores of rupees worth of foreign cotton from Egypt and other countries, and this is greatly detrimental to the cotton producer and to the cotton trade. From the figures we find that about 40 lakhs of rupees is expected from cotton import duty in the coming year and 45 lakhs have been collected in the current year, which shows the large proportion of imports of cotton. It will be a good thing for the cotton industry to see that the quality of cotton produced here is improved, and as purchasers they can have a great say in the matter. The question of grading of cotton, so that there may not be mixtures of inferior qualities of cotton with superior qualities, is also another matter which the cotton mills may regulate,—particularly the cotton mills of Bombay where most of the mills are situated, and thus the quality of cotton can be improved, and we shall have no necessity to go in for foreign cotton in such large quantities.

I would like to say a few words about the import of betel-nuts. This is an article which is used by one and all in India, from the poorest to

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the richest. This is an item from which 55 lakhs of import duty have been received this year. I do not know whether betel-nuts can be produced effectively and economically in this country, but I submit that this is a matter which is worthy of consideration by the Imperial Council of Agricultural Research, so that betel-nuts may be produced in larger quantities here, and we may not have to import large quantities in future.

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

Babu Baijnath Bajoria: Sir, I am very glad that the repayment of 17 million pounds sterling was made during the current year without issuing any fresh loans in England. I congratulate the Honourable the Finance Member on this. It reduced our external debt to this extent, and I would request that, whenever any sterling loan falls due for repayment, he should repay it and issue loans, if necessary, in India, but not outside India. Even now we have got very huge external loans, and we have to pay about 17 crores of rupees in interest on our sterling commitments. Sir, money is cheap in this country and Government should take full advantage of this as they did last year when they issued a loan of 12 crores of rupees at $2\frac{1}{2}$ per cent.

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

Babu Baijnath Bajoria: Very well, Sir. I should also like to know something about the arrear compensation which has been paid to the Travancore and Cochin Durbars.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member must conclude his speech now; The Chair cannot allow any more time.

Mr. Sami Vencatchelam Chetty (Madras: Indian Commerce): Sir, I desire to make a few observations on the budget. The Honourable the Finance Member, in selecting sugar for his special generous treatment, has, I think, affected the weakest industry in India and an industry which is far more widespread than others. If it was necessary to augment the sources of revenue for Government by means of an excise duty on any industry, I think he may as well have selected steel, for various reasons. as against sugar. Sugar is an article which is eaten by almost all persons. Next to salt, I think, it is the most universally used commodity. Moreover, this industry has spread over all provinces. The Provincial Governments have accorded several concessions and have encouraged merchants and capitalists and other people to float sugar concerns. They have also given a lot of concessions, and, I am sure, that this excise duty might even affect some of the concessions so granted. Moreover, this sugar industry is not exclusively a machine industry. It is supplemented by what is called *khandsari* manufacture which is a cottage industry. The excise duty will actually affect, as it has already affected, production by *khandsari* manufacture. Whereas, steel is a commodity used largely by the richer classes of the people, and steel price has gone down very much, it is even able to compete with imported steel materials. If an excise duty could be

levied on steel by a corresponding increase in the protection duty in the tariff on imported steel, it would have perhaps given as much revenue as one would be able to get by levying an excise duty on sugar. For various reasons it seems to me that steel deserves the treatment which sugar is getting at the hands of the Honourable the Finance Member.

The second observation I would make is in respect of his remarks with regard to putting into effect the recommendations of the Income-tax Inquiry Committee. While it is desirable that all evasions from whatever source they may emanate should be stopped, it is also desirable that the Government, when assessing the accounts of merchants and other business men, must give greater consideration for the actual expenditure on several items of expenditure which they incur. We have been habituated to think of Government as a shareholder in our concerns, and we are agreeable to that arrangement. We would like to pay the share according to the rate at which Government have fixed as the income-tax assessment. But, in assessing our incomes, various items of expenditure which we have got to incur are overlooked. The assessing officers do not take into account, for instance, our expenditure for *inams* and *bakshish* to the several people who have got to be paid. That is because it is not the custom of European concerns to pay *inams*, whereas, in the case of Indian concerns and Indian merchants, however rich they may be, they have to pay these *inams* and other such items. We have also got to incur expenditure on account of various other semi-religious and semi-business matters. They are all no doubt small sums, but in the aggregate form a great share of a man's income and expenditure. It is desirable that if the Government should want a correct statement of account, they should be generous in the matter of allowances of this nature.

The third observation I would make is in respect of the Posts and Telegraphs Department. It is really very heartening that the Posts and Telegraphs Department has been able to make a small surplus in spite of the fears which were entertained at the beginning of the last financial year about the reductions which they were urged to make by this House. I dare say, a bold step in the matter of reduction of postcard rates will not affect the income of the post office: on the other hand, it will show a small surplus, if not a larger surplus. But in that connection the Honourable the Finance Member has said that that surplus would be utilised for certain specific purposes which did not comprise in them the revision of allowances and salaries of lower grade servants of that Department. I have come across, in recent months, certain very strong grievances of the Telegraph Department. I understand that the subordinate services have got to put in forty years of service before they can become entitled to a pension. Even granting that a man commences service at about 18 or 19, he has got to live 59 years before he can earn a pension of Rs. 6. Whereas, in the case of higher appointments, the pensionary rules and other rules are very liberal. When they come to the question of dealing with the subordinate services, the higher officers seem to be very niggardly and more miserly than even the worst enemy of that service can possibly be. If it affects their pay, they are very vociferous and they put up all sorts of extravagant claims in order to add to their already over-burdened purses. But, in respect of these menial services and subordinate services, in their treatment instead of being sympathetic and instead of realising the difficulties of these poor people, they seem to be very hard on them and put up rules which circumvent the sometimes miserly granted concessions.

[Mr. Sami Vencatachelam Chetty.]

Before I finish, I would like to endorse the remarks made by my Honourable friend, Mr. Bajoria, with regard to the importation of foreign cotton. It seems to me rather tragic that while we are imploring and requesting and demanding Lancashire people to use more of Indian cotton and finding fault with them for not using Indian cotton in a more liberal manner, Bombay and Ahmedabad and other mills are still persisting in importing large quantities of Egyptian cotton. I know that there are mills which can manufacture goods which can be marketed in this country from a very small percentage of foreign cotton mixed with a large percentage of Indian cotton. As a matter of fact, there are certain mills which use for their purposes 75 per cent. of their requirements wholly Indian cotton as against 25 per cent. of Egyptian cotton, and, I am sure, if further inquiries and researches are made, Egyptian cotton could be replaced by Punjab American and Sind American in the course of time. I hope that while we accord sufficient protection to this textile industry by which persons have become millionaires and masters of crores, they will pay particular attention with regard to using Indian cotton in larger measure than they have so far done.

Mr. M. Ananthasayanam Ayyangar (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): Sir, so far as the present year's budget is concerned, I have only to make two general remarks, and I will try to satisfy the House that those two general observations are absolutely borne out by the facts. The Honourable the Finance Member has been sent to this country, and, ever since he has been with us, he has been committing repeated mistakes with respect to his calculations, and the budgets he has been presenting to this Assembly have been absolutely barren, year in and year out. First, in the year 1934-35—I believe he came in that year—unexpectedly there was a surplus of three crores, which he did not know what to do with. Out of this surplus, he granted 22 lakhs for aviation purposes, 98 lakhs for broadcasting and one crore for rural reconstruction: for roads in the tribal areas—as if we have enough roads within the country itself!—he gave 22 lakhs and another 20 lakhs he gave for certain hill areas in Assam. Thus he frittered away the three crores. There was absolutely no calculation that there would be a surplus, and when it came unexpectedly, he had no scheme for spending it. He did not study world conditions, much less conditions in this country, and this surplus was thrown away in that fashion. When he made the one crore grant for rural reconstruction, we thought it would develop into a huge fund to which recurring grants would be made year after year, so that there may be a continuous process of improvement in giving a secondary occupation to the villager. Unless that was done and unless there was such a scheme, it would have been absolutely useless. A crore of rupees for six lakhs of villages works out to about Rs. 16 a village. Originally it was promised that there would be a designed scheme and it would not be interrupted, and there would be a continuous flow of money into that fund; but later we find the same miscalculation was repeated. In the year 1935-36, Sir, there was once again a miscalculation as regards the income that might be obtained. We find that in that year there was a surplus of 1.97 lakhs, and with that my Honourable friend wanted to provide for contingencies after the Provincial Autonomy was introduced, but we find that that amount has been swallowed up by the deficit next year, 1936-37, long before Provincial Autonomy has come into existence. Thus, even in regard to the income in the year

1935-36, there was a hopeless miscalculation, because the amount he wanted to provide for all contingencies during the Provincial Autonomy period has been swallowed up even before Provincial Autonomy had come into existence formally. This year also my friend makes the same mistake. He thinks there will be a huge deficit, for which there must be imposed an excise duty, that the duty on sugar must be raised from 1-5-0 to Rs. 2, and there should also be a duty on silver, but I fear he once again makes the same miscalculation, for, Sir, without the imposition of these duties on sugar and silver, I am sure that, with a little more circumspection, he could make the budget balance. Sir, I shall presently come to the means by which he could certainly balance the budget without the imposition of these additional taxes. Sir, this much with respect to his capacity and knowledge of Indian conditions and world conditions to put forward a balanced budget from time to time and to carry on the administration of this country. So far as the financial aspect is concerned, I may say that my friend is little better than a novice in the matter.

Then, Sir, with respect to the barrenness of this budget, I have only a few remarks to make. He says that unexpectedly the customs revenue has gone down; income-tax returns have also gone down equally, and if these are the two sources of income on which the edifice or the structure of financial stability is to be built in this country, I wonder if my friend is still living in a fool's paradise if he thinks that on these two items of revenue he can build the future structure, possibly with stronger foundations. Neither of them will stand. For one thing, so far as the customs revenue is concerned, it is not the export duty on any article he counts upon, but it is the import duty he relies upon. How long does my friend expect that the import of articles from other countries should flow into India so much to the detriment of this country and to the advantage of other countries? Sir, very often it strikes me, by reading the speeches delivered by my friend here, after they are printed that he thinks he is perhaps speaking to an English audience or in Whitehall or before the English Parliament, and that he is not addressing the Indian Legislative Assembly. He shudders at the thought of India becoming self-sufficient, of India not being able to import large quantities of sugar, on account of which he will not be able to balance his budget. He says that the purchasing power of the people of this country has improved. I wonder if he has studied the facts. The recent year has no doubt shown an increased export of articles. This is due to two reasons. First there was a tremor in the West. The articles that have gone out to other countries are not articles which normally India could export or with respect to which India could certainly expect to improve her trade balance. The articles that have gone out of India are metals and ores which are required for re-armament purposes. Then, there are the foodstuffs which have gone out in large quantities to other countries; those countries have taken these foodstuffs as a provision against all contingencies in case a war should break out, which is being threatened every day. These are the two categories of articles in which there has been an export trade. As far as we know the position during the last ten years, there has been a shrinkage in the export of raw products. Almost every kind of article other countries have been manufacturing themselves. Then, with respect to rice, only last year we had to cry hoarse for the imposition of an import duty on Siamese rice. For some time India was in the happy position to export rice, but today we are in this disgraceful position that we have to be protected against competition, because those countries which used to take our rice have converted their sugarcane fields to grow rice,

[Mr. M. Ananthasayanam Ayyangar.]

so much so, even Japan has been producing large quantities of rice. That is the position with regard to rice. Then, with respect to wheat also, we had to be protected against foreign wheat. Then, with respect to cotton, there has been an ever growing competition. Our attempt at producing long staple cotton did not succeed very much, and we are not able to produce it in large quantities. We are able to produce short staple cotton, for which there is not a sufficient home demand. We have been sending it out to Japan and to other countries with whom we have had to enter into trade pacts and at the expense of our mill industry in India and also the handloom industry. With respect to jute also, I find that other countries have been busy preparing suitable substitutes for jute. Thus, there is absolutely no market even at present, nor is there likely to be in the near future, for any of our raw products, but we find that our Finance Member expects, that, without our being able to export any of our raw products, we must be growing in wealth year after year—how he expects it, we do not know. He only wants that we should be in a position to purchase large quantities of imported articles from other countries. I am very sorry, Sir, that my friend has never cared even in his three years of service in this country to study the exact position in this country, he has never cared as Finance Member to address himself to the resuscitation of our industries in order to make India self-sufficient with respect to the various articles which are now being imported from abroad.

Sir, it is a myth to think that India will be in the position, even in the remote future, of being able to purchase large quantities from outside. If he thinks that customs duties must increase by India being able to purchase foreign articles, I am afraid, my friend has miscalculated. Our purchases of foreign articles have gone down. The only other remedy he can adopt is this. He must take a bold step; he must start a Board of Trade for India; he must have a special Board of Trade for each industry; he must encourage people to start a number of factories all over the country by giving them the necessary financial assistance. Similar steps have been taken in other countries. For instance, the Board of Fisheries was started in England; an Act was passed in the Parliament with respect to cotton industry in Lancashire. There were too many spindles, and they wanted to regulate the number of spindles working in order to place the industry on a proper footing, so that the industry may get proper prices for the articles they produced without undue competition and cutting down of prices. Such steps must have been taken long ago in this country, but unfortunately there is a stepmotherly help given to us in all these matters. Luckily, without much outside help, the sugar industry has been able to crawl for some time, but even with respect to this the protection given to it was no protection at all. Before the year 1930, there was a revenue duty of Rs. 6-4-0 per cwt. imposed on foreign sugar which was subsequently raised. Then, there was a Tariff Board appointed, and they recommended that there should be an additional margin of eight annas per cwt., so that it may stand competition with imported sugar. Thus it came to Rs. 7-12-0. Then, there was a surcharge of Rs. 1-5-0 or 25 per cent imposed in the year 1934. Thus, the import duty was raised from Rs. 7-12-0 to Rs. 9-1-0, and that has prevailed all along down to the present day. Today, to our surprise, we find the excise duty is sought to be raised from Rs. 1-5-0 to Rs. 2, that is, by eleven annas, whereas there is no corresponding increase in the import duty from Rs. 9-1-0 per cwt, which has only increased to

Rs.9-4-0 or rather three annas is the addition in the import duty on foreign sugar that is imported into this country. I am surprised to see that the reason advanced for adopting this course is that prices in this country are so low, that the producer and the consumer will both be benefited by the munificent gift of the Finance Member. First, let us take the case of the producer

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

Mr. M. Ananthasayanam Ayyangar: Sir, since 1930-31, when protection was given, the number of sugar mills has increased from 37 or 40 to 150, and today there are sugar factories all over India. I have known one of these mills in Hospet, and there they are trying to make both ends meet. If the excise duty is increased, I am sure, that Company will go to liquidation sooner or later. Evidently that is the purpose with which the Honourable the Finance Member has imposed this excise duty, and he has indicated it to some extent in a portion of his speech. I would say that by that step he would kill all the industries in this country if he wants to support only the tallest or the biggest of capitalists to the detriment of small factory owners. That will be an unwise step, and people who are with great hesitation trying to start Companies to improve the industrial position of this country—their hopes will be shattered, they will be for ever in a terror stricken state, and will be disheartened, and no industry will come into existence hereafter. As regards the consumer, I do not know how the consumer's position will be bettered by an addition to the excise duty of eleven annas per cwt. Certainly, the consumer will have to pay a little more. As regards the cultivator of the cane, I know that the cultivator has not been able to get a fair selling price even now, and if there should be an additional excise duty, certainly he would not get even half of what he would invest on the cultivation of the cane. I know that an Act was passed for fixing a fair selling price, but the Act has been a dead letter so far as the Madras Presidency is concerned. I presided over a Conference of cane cultivators where a resolution was passed requesting Government to fix a fair selling price for cane, but it has not been done.

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

Mr. M. Ananthasayanam Ayyangar: This excise duty is improper, and other means should be devised by cutting down the salaries by ten per cent., by reducing the defence estimates, and by having a good programme of borrowing.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member must conclude his speech now.

Mr. Mathuradas Vissanji (Indian Merchants' Chamber and Bureau: Indian Commerce): The budget prospects for the next year, as revealed by the Finance Member, indicate no cause for jubilation. The constitutional reforms appear, as indicated by the observations of the Finance Member, to be a most costly luxury; and I am not without apprehension that the real position may not prove to be even worse than the one shown by the Finance Member. The reason is not only the separation of Burma and Aden;

[Mr. Mathuradas Vissanji.]

but the costly nature of some of the institutions administrative or governing reorganised under the new constitution,—which it may not be quite wise to emphasise unduly at this stage, but which we, in this House, must not ignore altogether.

All the doors for effecting real and lasting retrenchment appear to be hermetically sealed by the express provisions of the new constitutional law; and if the new Governments, at the Centre or in the provinces, desire to undertake any developmental expenditure, they must find new sources of income before they can undertake such ventures. Our existing sources of revenue seem, on the showing of Sir James Grigg himself, to have reached a point where diminishing returns might be said to be setting in. It may be perhaps too much to read in the remarks and proposals of Sir James any hint of a revision, in the revenue or protective customs duties which would still further lower the yield of these duties. The institution of a new head,—that regarding corporation tax, is itself a suggestion of the future trend in this direction; and though we cannot take exception to some of the proposed reforms in the administration of the income-tax, or of the customs, we are entitled to feel that, at existing rates, the Exchequer seems to have touched the highest point of yield from these direct taxes; so that, any further addition to the burdens in these respects, no matter by what name they are called, will not bring proportionate returns to the Treasury.

On the expenditure side, again, the most considerable single item of expenditure, viz., defence, is accompanied by ominous words from the Finance Member, as reflecting the sentiment of those responsible for our defence budget. The race for rearmament now going on at such rapidly accelerating rate cannot but find its echo in this country; and I may, perhaps, be pardoned for reflecting that the present symptoms of economy are only intended to permit time for the States to join the Federation. If, at this time, the expenditure side of the Central Government is shown too inflated, the chances are that the enthusiasm of even the most enthusiastic advocates of Federation in the States might suffer a cold douche; and so those responsible for seeing to it that no unnecessary discouragement is shown to the States to join the Federation must have also used their influence to keep down expenditure on that account in the coming year. We cannot, however, take that to be the permanent state of affairs so far as defence expenditure is concerned; and have in the express statements of the Finance Member ample cause for serious misgivings on this head in the future. The relief to the defence budget, due to the separation of Burma, is inconsiderable, and utterly out of proportion to the burden said to be removed from the Indian shoulders because of the reduction of a long frontier to be guarded by Indian Defence Forces, the same being taken over by Burma. Finally, the pace for machinisation of the Indian Army must needs be intensified, if the Indian Defence Forces are, for Imperial reasons, to keep in line with the developments in Europe. The prices also of the military stores and equipment must increase; and there is no chance of securing any economy in the expenditure so far as salaries and allowances are concerned. I, therefore, consider, that on the expenditure side, there is no reason to feel at all hopeful; and the gloom will be deepened by the shrinkage in our ordinary sources of Central Revenues.

The cost of Provincial Autonomy is far more considerable than many of us might have at first believed. That, of course, is no reason to forgo

autonomy in the provinces; but the point is relevant in criticising this year's budget, in that, hereafter, many a source of income, which was a sort of reserve for the national needs, will now not be available to the Central Government; and that, to that extent, the general financial position must needs be regarded as being weaker than otherwise. Even if the provinces develop the sources of income open to them under the new régime, the Central position would not be improved; for to the extent that the capacity of the people to bear tax-burdens is utilised and exploited by the provinces, their ability to bear Central burdens in addition must needs be reduced. The provinces cannot expect, in the near future, any surrender from the Income-tax receipts of the Central Government; and so they must, if the new Ministries in the provinces are anxious to do something substantial for their constituents, tap those other sources of revenue left at their disposal by the new constitution; and so affect adversely the aggregate taxable capacity of the people, for the benefit of the Central Government.

The actual budget proposals to meet the deficit in the coming year reveal the same tendency to which this House has more than once taken strong exception. Taxation, by means of excise duties, of a country's own industry, is undesirable on principle; and when it takes the form of taxing industries which have just taken root, with the help of high protective duties, it would, in my opinion, sap the nascent economic strength of the country which cannot be desirable in the long run. In the present instance, of an increase in the sugar excise, it is possible the additional import may serve to check undesirable expansion of the local industry and so may help rather than hinder it. The expedient adopted by the Finance Member might have been tolerated had he seen to it, for instance, that that portion of the income-tax, which in fairness ought to come to the Indian Treasury, escapes taxation by the incomes, though arising in India, being paid outside India, is brought within the taxation of the Government of India. He must also realise, from the shrinking figures of the exports of treasure, that those who have objected to the free export of gold and silver from the country, as tending to sap the ultimate reserves of India, are right; and that the undesirable consequences this experience had boded will materialise more and more fully in the coming years. Lastly, though the Finance Member still persists in his policy of defraying expenditure on the rebuilding of Quetta out of revenue, one must point his attention to the laudable example set by the British Government in regard to their extraordinary defence programme being financed out of borrowed money. The defence needs of Britain, in face of the armaments race in Europe, is much more an ordinary expenditure than repairing of damage done by Quetta Earthquake; and it may at least be regarded as not more wasteful or unproductive than the money spent on armaments. If Britain could borrow for armaments, why should not India take advantage of the admittedly favourable monetary conditions, to meet her outlay on such items as rebuilding of Quetta?

Lastly, I associate myself wholeheartedly with the previous speakers in the eulogistic terms in which they have referred to the services rendered by my friend, the Honourable Sir Frank Noyce, and I wish him all happiness in the future.

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 3rd March, 1937.