

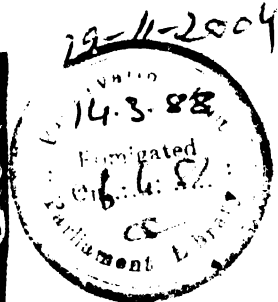
Saturday, 2nd March, 1935

THE
COUNCIL OF STATE DEBATES

VOLUME I, 1935

(11th February to 17th April, 1935)

NINTH SESSION
OF THE
THIRD COUNCIL OF STATE, 1935



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COUNCIL OF STATE.

Saturday, 2nd March, 1935.

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

QUESTIONS AND ANSWERS.

MESSRS. TEPLITZ AERATED WATERS CO., LAHORE.

58. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : (a) Is it a fact that Messrs. Teplitz Aerated Waters Co., Lahore, have got the contract for the supply of ice and aerated waters on the Northern Section of the North Western Railway, from Lahore to Peshawar ?

(b) Is it a fact that the Divisional Superintendent, Multan, reported the work of the said Company as unsatisfactory at the end of the last season ?

(c) If the answer to (b) above be in the affirmative, what action, if any, have Government taken in the matter ?

THE HONOURABLE SIR GUTHRIE RUSSELL : (a) Yes.

(b) Yes, but the Agent, North Western Railway, states that the complaints made were not of a serious nature and that the work of the Company was reported to be satisfactory on the three other divisions which form part of the area for which they hold the contract.

(c) The Agent states that the Company were instructed to make special efforts to avoid a repetition of the circumstances which had given rise to the complaints.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Will the Government consider the desirability of not giving any further additional contracts to Messrs. Teplitz Aerated Waters Co., in face of the fact that their work has been found unsatisfactory ?

THE HONOURABLE THE PRESIDENT : That is too long a question and I will not permit it.

MESSRS. TEPLITZ AERATED WATERS CO., LAHORE.

59. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : (a) Is it a fact that Messrs. Teplitz Aerated Waters Co., Lahore, sublet the contract on the Mandura Bhuan section in the Rawalpindi division to one Thakur Das ?

(b) Is it a fact that the said Company sublet the contract in the Multan division also ?

(c) Is it a fact that such subletting of contracts is prohibited ?

(d) Is it a fact that the Divisional Superintendent, Rawalpindi, conducted an enquiry and found that the said Thakur Das had carried unauthorised passengers in the ice compartments ?

(e) If the answers to (a), (b), (c) and (d) above be in the affirmative, what action, if any, have Government taken in the matters referred to above ?

THE HONOURABLE SIR GUTHRIE RUSSELL : (a) and (b). No.

(c) Subletting of contracts is not permitted.

(d) The Agent, North Western Railway, states that a complaint against Thakur Das, an iceman of the Company, for carrying unauthorised persons in the compartment reserved for the sale of ice and aerated waters, was investigated but the charge was not fully proved. The Manager of the Company was asked to dispense with the man's services and not to re-employ him on this work.

(e) Does not arise.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : May I know if the contract was not sublet to one Mr. Thakur Das ?

THE HONOURABLE SIR GUTHRIE RUSSELL : I have already said in reply to (a) and (b) that the contract was not sublet to Mr. Thakur Das.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Was any inquiry made by the Government ?

THE HONOURABLE SIR GUTHRIE RUSSELL : An inquiry was made by the North Western Railway.

MESSRS. G. S. PATTERSON & Co., ICE CONTRACTORS.

60. **THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Is it a fact that the contract of Messrs. G. S. Patterson and Co., Ice Contractors on the Eastern Section of the North Western Railway, from Delhi to Lahore, was cancelled on account of one of the partners of the said firm having sold his interest in the firm without informing the Agent, North Western Railway ?

THE HONOURABLE SIR GUTHRIE RUSSELL : The Agent, North Western Railway, states that the contract was terminated under clause 19 of the agreement as the Company had infringed clause 22 thereof by assigning the privilege under their contract to another firm without his permission.

PAY AND ALLOWANCES OF TICKET EXAMINERS ON CERTAIN STATE RAILWAYS.

61. **THE HONOURABLE SHAIKH MUSHIR HUSAIN KIDWAI :** Has the attention of the Governor General in Council been invited to the open letter dated Simla, the 9th October, 1934, addressed by the National Federation of Railwaymen, Delhi, to the Chief Commissioner, Railways, regarding the pay and allowance of the ticket examiners on certain State Railways in India ? If so, will Government please state :

(a) Whether the statements and references quoted therein are correct ?

(b) If the reply to part (a) be in the negative, in what respect and to what extent they are incorrect or inaccurate ?

(c) Whether the claim to average mileage allowance or 75 per cent. of the pay treated as pay is in order ?

(d) If the reply to part (c) be in the negative, how and why it is not in order ?

(e) What action has been or will be taken by Government on this letter ? If none, why ?

THE HONOURABLE SIR GUTHRIE RUSSELL : The answer to the first part of the question is in the affirmative.

(a) to (d). It is not possible for me in the short space of a reply to a question in this House to deal with all the arguments in the letter.

(e) The letter will be examined carefully by the Railway Board but, so far as I can see from a cursory examination, it brings forward no points which have not already been considered.

SHORT NOTICE QUESTION AND ANSWER.

62. THE HONOURABLE MR. MAHMOOD SUHRAWARDY : Will the Government of India be pleased to state :

(a) What are the names of the Committees that have considered the question of the Indianisation of the Army since 1920 ?

(b) What was the composition of those Committees ?

(c) Which of the reports of the Committees have been published and which have not been published ?

(d) If any of them have not been published, what were the reasons for not publishing them ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : I welcome this opportunity of giving the information asked for and hope it will remove a certain amount of confusion and misapprehension on this subject.

The Committees were as follows :

(i) The Military Requirements Committee appointed by the Government of India in May, 1921 and consisting of the late Lord Rawlinson as President and the late Sir Mian Muhammad Shafi, Mr. (now Sir Malcolm) Hailey, Dr. (now Sir) Tej Bahadur Sapru, Mr. (now Sir Denys) Bray, Sir Sivaswamy Aiyer and Lieutenant (now Lieutenant-Colonel Sir) Hissam-ud-Din Khan, as members. The Committee reported in July, 1921. Its report was not published because the Committee itself unanimously recommended that both its report and the evidence of the witnesses who appeared before it should be treated as secret documents and in no circumstances *ever* be made public.

(ii) The so-called Shea Committee on the Indianisation of the Indian Army, appointed by the late Lord Rawlinson in 1921 and consisting of General Sir John Shea, the officiating Chief of the General Staff, as Chairman and Generals Delamain, Macmunn, Black, Cory and Parr and Colonels Charles,

Nevile, Coleridge and Shea, all of whom were senior staff officers of Army Headquarters as members. The Committee reported in January, 1922. Its report was not published because it dealt with matters of military policy extending beyond the limits of the Indianisation problem, which it was not in the public interest to make known. A summary of their proposals relating to Indianisation was, however, furnished to the members of the Defence Sub-Committee of the first Round Table Conference.

(iii) The Indian Sandhurst Committee appointed by the Government of India in June, 1925 and consisting of the late General Sir Andrew Skeen, the Chief of the General Staff, as Chairman and the late Pandit Moti Lal Nehru, Mr. Jinnah, Sardar Sir Jogendra Singh, Sir Phiroze Sethna, Diwan Bahadur Ramachandra Rao, Nawab Sir Sahibzada Abdul Qaiyum, Captain Hira Singh Brar, Dr. Ziauddin Ahmad, Captain J. N. Banerjee, Major Thakur Zorawar Singh, Captain Haji Gul Nawaz Khan, Major Bala Sahib Daffe and Sir Ernest Burdon. The Committee reported in November, 1926. Its report was published.

(iv) The Indian Military College Committee appointed by the Government of India in May, 1931 in accordance with the recommendation of the Defence Sub-Committee of the first Round Table Conference and consisting of myself as Chairman, and three senior staff officers of Army Headquarters, the then Army Secretary, Sir George Anderson, Khan Bahadur Sharbat Khan, Sir Abdur Rahim, Sir Sivaswamy Aiyer, Rao Bahadur Chaudri Chhotu Ram, Lieutenant-Colonel (now Sir Henry) Gidney, Dr. Moonje, Mr. S. N. Mukerji, Captain Sher Mohammed Khan, Lieutenant Narain Singh Bahadur, Major-General Rajwade, Colonel Lachman Singh and Lieutenant-Colonel Mirza Kadar Beg as members. The Committee reported in July, 1931. Its report was published.

In addition, in accordance with a further recommendation of the Defence Sub-Committee of the first Round Table Conference, an expert investigation was initiated in April, 1931 by members of my staff under my direction into the question of the reduction of the number of British troops in this country. This investigation naturally necessitated consideration of the problem in relation to its effect upon the capacity of the Army in India as a whole to carry out the various tasks assigned to it, and this involved a careful study of the implications of the Government's policy in regard to the Indianisation of the Indian Army. The results of the investigation were submitted to Government in June, 1931. For obvious reasons these could not be published *in extenso*, but a press communique summarising them was issued in December, 1933.

GENERAL DISCUSSION OF THE GENERAL BUDGET FOR 1935-36.

THE HONOURABLE THE PRESIDENT : The General Discussion on the Budget (Part II) will now proceed. I will not prescribe a time limit for speeches but I would request Honourable Members to be as brief as possible as regards the duration of their speeches.

THE HONOURABLE SIR PHIROZE SETHNA (Bombay: Non-Muhammadan) : Mr. President, the Honourable the Finance Secretary delivered his budget speech late on Thursday afternoon. The House received it with appreciation both because of its clarity and its conciseness. There is, however, one point to which I would ask some of my colleagues to draw your

attention, Sir, as also that of the Finance Department. As I have said, the speech was delivered late on Thursday afternoon and we are asked to discuss the budget this morning, which practically gave the Members only one day to digest the speech as well as the material sent along with it. In that respect the other House will have the advantage over us by not commencing the discussion till Tuesday next.

THE HONOURABLE THE PRESIDENT : May I inform the Honourable Member that the President has nothing to do with the fixing of the date? The power lies with the Governor General to allot the date for the discussion of the budget.

THE HONOURABLE SIR PHIROZE SETHNA : The Honourable the President will kindly convey the wishes of the House to His Excellency the Governor General. I am sure His Excellency will accede to your request, which will meet with our wishes.

Mr. President, the Honourable Sir James Grigg, the Finance Member, has presented this year his very first budget. He has come to this country with a great reputation and we have no doubt that by the time he hands over charge to his successor, that reputation will be greatly enhanced. We see in the papers today some criticisms of the budget, which is called half-hearted, disappointing and featureless. That may be the view of one section of the community, but I think the Finance Department and the Government would better gauge the feelings of the country by knowing what the commercial communities think of the budget, and I am glad to inform the House from telegrams which some of us, business men, have received from such commercial centres as Bombay and Calcutta that they regard the budget as a very favourable one.

Mr. President, I would particularly draw the attention of the House to the first and last paragraphs of the speech of the Finance Member. In the last paragraph, he says that this budget will completely satisfy very few people. Speaking about himself, he adds that he would have very much wished to remove the whole of the emergency taxes on income. This is indeed a very laudable ambition, and we trust that before long he will succeed in that purpose,—not only in removing the emergency taxes on income, but in appreciably reducing the income-tax and super-tax that is levied in this country. In the first paragraph of his speech, the Honourable the Finance Member says that it is to him somewhat confusing to find that he has to present three sets of accounts. It appears to me, reading between the lines that perhaps the Finance Member will before long introduce certain changes in the method of preparing the budget, and if he does so, it will be a very welcome change indeed. I may in this connection be allowed to make a suggestion. The budget is at present prepared in the conventional departmental manner. Not only the man in the street, but also the politician and the publicist cannot make much headway with the figures that are given unless they are presented in a better form. We are furnished with a lot of details which are certainly very helpful. As for example, we are told what is the amount of revenue, what is the amount of expenditure, the values of our exports and imports and also how much revenue is derived from taxes and how much from non-tax sources. We are also given an account of our debts and various other matters. If any one however asks us questions in regard to the average income per head of population in this country, or whether the country is progressing materially or retrograding, or whether the standard of living is improving or not, I do not think that the material supplied to us

[Sir Phiroze Sethna.]

will enable us to answer such questions. It is therefore that I suggest that a change in that direction will prove helpful. What is more. In enlightened countries in the West, all particulars and data in regard to the average income are carefully examined and the results given to the public, and I hope the Finance Department of the Government of India will do likewise. I would also like the Honourable the Finance Member in the other House and the Honourable the Finance Secretary in this House to devote some portion of their speeches to the clarification of this subject and also other cognate subjects. After all, the taxpayer or the voter on whom the Government relies for its sources of income is naturally anxious to know how he stands, whether he is going up or going down. If Government enlighten him on this subject, it will mean that he will get a better conception of the manner in which the finances of the country are administered, than he can by wading through the piles of figures and the observations which are made in the speeches.

It was towards the end of 1929 that not only India but the rest of the world came upon evil days in the matter of severe economic disturbance and depression. We have to congratulate Government for the manner in which they have faced the situation these last few years. They have now been able to turn the corner. As an Indian, I cannot help remarking that if the Government of India had taken the advice of Indian politicians and Indian financiers and fixed the rate of exchange at the figure which we asked for, perhaps the turning of the corner would have taken place long before now. Sir, I think it will be a splendid opportunity for the new Finance Member to signalise his period of office in this country by taking up this question once again and fixing such a ratio of exchange as will prove to be in the interests both of the Indian taxpayer and the Indian agriculturist.

It is always a difficult question how to dispose of a surplus. Fortunately for Sir James Grigg, in his very first year of office, he is able to present a budget with a surplus. Of the different heads under which he has divided the surplus, one recommendation that has been made is acclaimed throughout the country, namely, the reservation of Rs. 1 crore to be allotted to the different provinces for the economic development and improvement of rural areas. I know it is already insinuated that this is a counter-blast on the part of Government against what Mr. Gandhi and the Congress desire to do in the matter of the uplift of villagers. But whatever that may be, any money spent for the betterment of the rural classes is money well spent, and I trust that if Rs. 1 crore has been allotted this year, it will be possible in succeeding years to allot more and more. It is for that reason that I for one favour the Indo-British pact, because it will certainly help the agriculturist and the cultivator and India is principally an agricultural country. If there is any dissatisfaction with regard to the manner of the disposal of the surplus under other heads there is some little as to the complete abolition of the cut in pay and only a small reduction in the surcharges. The pay cut was 10 per cent. originally. It was reduced to 5 per cent. some time ago, and the remaining 5 per cent. is removed in this budget. That 5 per cent. represents Rs. 108 lakhs. If we deduct Rs. 16 lakhs which Government will get back in the shape of income-tax, it will leave Rs. 96 lakhs. In paragraph 38 it is pointed out that the removal of the surcharges altogether would amount to Rs. 334 lakhs a year, while the removal of the tax on incomes between Rs. 1,000 and Rs. 2,000 would cost a further Rs. 75 lakhs, or in all Rs. 409 lakhs. I quite admit that any recommendation which the Finance Member may make will not prove acceptable to all alike, but I for one believe that the country would

be better pleased if instead of a reduction of one-third there had been a reduction of one-half in the surcharge, etc., which would have absorbed a little over Rs. 2 crores, and instead of restoring the whole of the 5 per cent. cut in pay only 2½ per cent. had been given this time and the balance of 2½ per cent. later. That would have proved more acceptable to the country at large.

Sir, the credit of India, thanks to the efforts of succeeding Finance Members, has been very greatly advanced, particularly so during the time of Sir James Grigg's two immediate predecessors, Sir George Schuster and Sir Basil Blackett. It is partly owing to this improvement in the credit of the country that Government has been able to borrow money at as low a rate as 3 per cent., and thereby effect considerable saving in interest charges. But I cannot help observing that this is somewhat tantamount to what is made in the swings is lost in the roundabouts. If Government is getting money at this low rate of interest, it is because for the last few years the general public have been fighting shy of industries because industries were not all in a good way. They are improving now and if more money is devoted to industries, as it should be, then Government will not be able to get from the public as much funds as they are getting for investment in Government securities nor get it at the low rate of interest at which they are borrowing today. Industries must be developed to a great extent and such development in the country would help India far more than being able to borrow at 3 per cent.

Whilst on the subject of interest I would like a reply from Government in regard to the 3½ per cent. irredeemable Government paper. People have been investing in this because they know that Government have denied themselves the liberty of paying back the capital and they also believe that the rate of 3½ per cent. on these securities will remain fixed for all time. It would appear however that recently an opinion has been expressed that, whilst Government cannot refund the capital, it will be open to them if they so wish by giving a few months notice to reduce the rate of interest from 3½ per cent. to something less. I do hope that will not be the case, and even if Government have that liberty, I trust that for the satisfaction of the country at large they will give an assurance that on this irredeemable Government paper interest will continue at the rate of 3½ per cent. I say this, Sir, because this 3½ per cent. security is a great favourite with the public because of the certainty of the rate of interest. Most charities whose incomes are devoted to different purposes and the investments of widows and minors are invested in this particular security. Any difference in interest means a big drop in income. I know that in the prices of commodities, rents and other details there has been a reduction as compared with prices five or seven years ago, but certainly they are much higher than what they were 15 or 20 years ago. These charity organisations depend upon fixed incomes and we know of several cases in which the funds having been invested in other scrips than this 3½ per cent. irredeemable paper there has been a very considerable diminution of income. I am just reminded of one instance, that of the Indian Research Fund Association, which is having its annual meeting today. They have a capital of about Rs. 45 lakhs in different scrips and a reduction of only 1 per cent. in interest means a reduction of Rs. 45,000 in their annual budget; it also means the axing of officers and reductions in pay and the efficiency and work of that Association is thereby greatly impaired. And this applies equally to other associations, particularly to investments for the benefit of widows and minors.

Sir, the Honourable Finance Member has reduced the surcharges by one-third. The surcharges were fixed at 25 per cent. and they are now brought down to 16½ per cent. We are thankful to him for even this much relief, but we do hope that the balance of 16½ per cent. will also be removed before long.

[Sir Phiroze Sethna.]

A high rate of income-tax and super-tax cripples industry, inasmuch as it takes away so much money from capitalists which they would otherwise devote to the improvement of their existing industries or in the launching of new industries which they are prevented from doing today. The rate of income-tax and super-tax in this country is decidedly very high. I do not compare it with England, but as compared with other countries we certainly have a very high rate of income-tax and super-tax. But in certain instances we pay even more than is the case in Great Britain. I have the authority of officials of the largest Canadian Life Insurance Company, a company which is doing an extensive business in this country and which operates in 42 or more countries throughout the world, that they pay in income-tax more in India than they do even in Great Britain. The reason is that it was pointed out in Great Britain some years ago by life insurance companies that the profits which they pay to their policy-holders ought not to be made taxable. Their request was acceded to, with the result that life insurance companies in England today pay income-tax and super-tax at a lower rate than is the case in India. I drew the attention of both Sir George Schuster and Sir Basil Blackett to this, but they drew my attention to the financial stringency which prevailed in their days and they asked me not to pursue the point further. Now, however, that conditions are better, I trust the present Finance Member will afford relief in this matter. It does not affect life insurance alone. My European friends from their experience will be able to confirm what I say that in certain cases they have to pay a higher rate of income and super-tax in India than is the case in Great Britain.

Mr. President, you have asked us not to unduly prolong the discussion. I will therefore refer to only one other point before I conclude my remarks and that is in reference to paragraph 35 on page 12 of the Finance Member's printed speech, headed Additional Import Duty on Salt. He says he has a good deal of sympathy with the views which have been expressed in the past by Honourable Members from Bengal that an impost which has the effect of helping the producers of Aden at the expense of the consumers of Bengal is fundamentally unfair. I cannot endorse that statement and I hope I shall be able to prove it, because this duty is not in the interests of Aden manufacturers alone, but it is also in the interests of those who produce salt on the Western Coast of India. What is more? The Finance Member says that he would like this duty to continue for at least the next financial year, but in the same breath he goes on to say :

"I should perhaps make it clear that if the Assembly should prefer to remove the duty at once, in this matter at any rate we should accept its decision."

This I regard as positively unfair. Aden is still a part of India. Aden may be transferred and will be transferred, but until Aden is transferred, to discriminate in the manner the Finance Member has done in this section, I repeat, is unjust and unfair. Now, if the duty is removed, it will not be Aden manufacturers alone that will suffer; along with them also Indian manufacturers will suffer. The primary object of this additional duty is to drive out foreign competition and I do not include Aden amongst the foreign competitors. Foreign competition came from various parts. Hamburg still sends 40,000 tons of salt a year. Liverpool used to send a lot. Liverpool salt is the finest in the market. Salt merchants do not mind the inclusion of Liverpool salt to a limited extent and in fact some of us interested in the salt trade actually suggested this. What we want is to drive out salt coming from other European countries, and particularly from Italian ports within about 100 to 200 miles from Aden.

They will dump the market and the consequence will be that there will be cut-throat prices and not only the Aden manufacturers but those on the Western Coast of India will all have to go to the wall. It is in their joint interests that this duty has been imposed and it is in their joint interests that it is necessary to continue that duty. I am sure the Congress representatives in the Assembly will never agree to the removal of a duty which will favour the import of foreign salt and they will never regard Indian merchants in Aden as foreigners. It is said that the Bengal consumer suffers. As against the Bengal consumer paying perhaps a few annas more for his consumption in a whole year, look at the positive injustice you will be doing to manufacturers on the Western Coast of India and in Aden. There is salt made in the interior of the country, but that cannot be carried to Bengal because of the high railway freight, and consequently it cannot compete either with Aden salt or with salt coming from the Western Coast of India. Aden salt besides is the best of all the salts except Liverpool salt which comes into this country and the Bengalee prefers to pay a little more to get better salt as has been proved by official statements and if necessary we shall be able to satisfy the present Finance Member as well on that point. Salt from the western ports of India is gradually improving in quality but just at present Aden salt is distinctly superior and the consumer cannot do without it.

Sir, the question of the transfer of Aden has been before the House on more than one occasion. As far back as 26th September, 1921 I had brought forward a Resolution against the transfer of Aden; again as recently as 31st August, 1933 the Honourable the Leader of the House brought forward a Motion to the effect

"That the Government of India communiqué, dated the 20th June 1933, regarding the future administration of Aden be taken into consideration".

I moved an amendment which you, Sir, allowed to be substituted as a substituted Motion. My Motion was:

"That a representation be made to the Secretary of State that the administration of Aden be continued under the Government of India and not be transferred to the Colonial Office".

THE HONOURABLE THE PRESIDENT: Are you now referring to the question of expenditure on Aden or to the transfer of Aden?

THE HONOURABLE SIR PHIROZE SETHNA: No, Sir, to Aden salt.

THE HONOURABLE THE PRESIDENT: I have heard you on Aden salt. You are now speaking on the transfer of Aden?

THE HONOURABLE SIR PHIROZE SETHNA: When this question of the transfer of Aden was before the House, I brought forward certain arguments and I want to read just two or three sentences from that speech in order to show that we foresaw at the time the difficulty which has cropped up now according to paragraph 35 of the Finance Member's speech. I am quoting from the last paragraph of page 103 of the debates of this Council of the 31st August, 1933. I said:

"It has been said that we are fighting and agitating against this proposed transfer merely on the ground of sentiment. If we do so, are we not justified? Indians have been in Aden even before the British were there. The British acquired Aden 94 years ago in 1839. Indians were there before that time and because of the encouragement given by British officers more Indians followed the British flag and particularly because they had assurances that Aden would ever remain a part of the Indian Empire".

[Sir Phiroze Sethna.]

If it had remained a part of the Indian Empire no discrimination would have been suggested by the Honourable the Finance Member, as he is doing now.

" If they at any time had doubts on the subject, because of Indian experience in other colonies they would never have sunk their lakhs as they have done in buildings, shipping wharves, salt factories and in other concerns. They control in a great measure the trade of the Settlement "

This quotation will serve to show that it is only because of the proposed transfer that the Finance Member has made the recommendation to which I have just referred. Sir, when the British Indian Delegation went to England to confer with the Joint Select Committee, several members of the British Indian Delegation under the leadership of His Highness the Aga Khan waited in deputation on the Secretary of State. He assured us in reply to the deputation that Indian interests will not suffer. Here is an instance of how Indian interests will suffer. There are four large salt factories in Aden. The largest belongs to an Italian firm and the other three to Indian merchants from the Bombay side. These three have put in somewhere about half a crore of rupees, and if this recommendation is given effect to all their factories will go to the wall, and half a crore of rupees will be lost to Indian merchants. Sir Samuel Hoare was good enough to allow me to put the case before the Joint Select Committee. His distinct words were : " I will not queer your pitch ; you try to convince them as best as you can ". I endeavoured to do so and I am afraid I did not succeed, to judge from the recommendations that have been made.

In this connection, Sir, I would like to refer to paragraph 475 at page 277 of the Joint Parliamentary Committee's Report. I am quoting from half-way down commencing from line 45. There is no reference here to the transfer of Aden, but there is reference to the separation of Burma and the case is on all fours with what I have mentioned. It says here :

" The separation of Burma from India will create a special category of persons in Burma of United Kingdom domicile for whose protection in India provision will, we think, require to be made in the Constitution of India rather than that of Burma. We refer to the case of companies established already in Burma with United Kingdom personnel and United Kingdom capital. Such companies have established themselves in Burma as a province of British India and we think that it would evidently be inequitable if, after the separation of Burma, they are in a less favourable position in respect of their operations in British India than a company established at the same time and under the same conditions in, say, Bombay or Bengal "

I say, Sir, that the case applies to Indian merchants who have gone to Aden and spent any amount of money in improving that Settlement and therefore Indian interests in Aden would require to be carefully safeguarded and I appeal to the Finance Member to do so.

My submission therefore in conclusion to the Finance Member is not to be in a desperate hurry over this matter as he evidently is, for, as I have said, whilst he has recommended continuation of the duty for one year 1935-36, he goes on to add that if the Assembly chooses to do away with the duty immediately, he for one would have no objection, and that, I repeat, in spite of the fact that Aden is not yet officially transferred from India to the Colonies. My request, therefore, is that the Finance Member inform the Assembly that he proposes in any case to continue this duty for one year. This will give us all breathing time for twelve months and he may make what arrangement he likes for the official year 1936-37 but not before he has held a conference of the different interests concerned, namely, Bengal as the consumer, Aden, the Western Coast of India, and any others he desires to invite, and hear them.

all, and only after that to arrive at an arrangement which will prove satisfactory to all concerned from 1st April, 1936. I am sure that there is nothing extravagant in the suggestion that I have made and I trust that the Honourable Mr. Tallents will convey this to the Honourable the Finance Member and see that this request which I am preferring, not only in the interests of the Aden manufacturers but also in the interests of Indian manufacturers on the West Coast of India, is represented to him and also see that effect is given to our wishes.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan): Mr. President, I wish first of all to congratulate our Finance Secretary on his good fortune in presenting a surplus budget. It is a matter of some pleasure to me, Sir, that it has been the good fortune of a Civilian from my province to present the first surplus budget during the last five years that I have been in this Council. Sir, we are rather missing the presence of the Honourable the Finance Member from our discussions. It has been the usual custom that the Finance Member comes to this House when we are discussing the budget and it seems a little discourteous of him to ignore this House even when the Assembly is not sitting.

I am thankful, Sir, to the people of India and to the Government of India for what they have done to remove the sufferings of the people of Bihar. They have been kind, they have been generous and they have been helpful. They did something for us last year and further provision has been made this year to help us tide over the difficulties with which we are faced. I am also thankful, Sir, that the turn of the wheel has allowed some relief to the already harassed finances of the three eastern provinces of Bihar, Bengal and Assam in the matter of jute taxes. The good fortune of the Government of India has been reflected in the enhanced contribution to those Governments. The people of these three eastern provinces are thankful for this small relief.

Sir, I very much regret that we have been forced to discuss this budget after such short notice. The time allowed to this House is very inadequate. Considering the fact that the budget is of such immense magnitude and the papers which our Honourable colleague the Finance Secretary sends to us are so numerous the time at our disposal is too short to enable us to digest them.

Sir, coming to the budget itself, I find something very gratifying, and a matter on which I have some personal pleasure. I note that the Government of India under the regime of the new Finance Member have corrected the anomalous accounting which they used to carry on in their former budgets. For the last two years I have been asking Government to eliminate from the accounting the interest payment on war loan liability which we have taken on our shoulders. Last year I brought this matter forward also and I showed that the provision of Rs. 1 crore and 42 lakhs was made in the papers of the budget but never paid on those accounts. I am very glad, Sir, that both those items under head "Interest charges" and "Sinking Fund Provision" have disappeared from these papers. It is not a matter of economy. It is simply a matter of accounting. I wish they had taken my other suggestion too in this connection about the reduction of external expenditure. I shall, Sir, show by some of the figures which I have got with me that our external expenditure is not coming down in the ratio in which it ought to come down. From the papers I find, Sir, that in the year 1932-33 the actual expenditure in England amounted to Rs. 36 crores 39 lakhs while this year the 1935-36 forecast shows that the expenditure will be Rs. 34.38 crores. This shows that there is an apparent reduction in expenditure of Rs. 1 crore and 61 lakhs. I call this an apparent decrease, Sir, because of the fact that one of the greatest

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items in our home charges was interest payment. That has come down, Sir, by means of our repayment of old debts at lower rates from Rs. 20 crores and 4 lakhs to Rs. 18 crores and 92 lakhs, which means a reduction of Rs. 1 crore and 42 lakhs in interest charges. For this reduction I do not pay any compliments because I find that interest charges reduction in England is much less than it is in India. In India, Sir, within the same period that I have discussed, the interest payment has come down from, Rs. 23 crores and 38 lakhs to Rs. 19 crores and 64 lakhs, a reduction of Rs. 3 crores and 74 lakhs, or about a 15 per cent. reduction by means of repayment at lower rates of interest. Well, in the English charges the reduction is only of Rs. 1 crore and 42 lakhs, which comes to a reduction of less than 7 per cent. This reduction of interest charges in English and Indian loans shows how far our credit has either deteriorated or we have been at pains to give more interest to the English lenders. Whatever it might be, the Government cannot be congratulated on having reduced the English interest charges by 7 per cent. while they have reduced the Indian charges by 15 per cent. The real reduction of external expenditure during 1934-35 is only Rs. 19 lakhs. This, Sir, I consider to be a very small decrease and not by any means a considerable one.

Then, Sir, I very much regret that in the budget of His Excellency the Commander-in-Chief our external obligation has gone up by 3·4 per cent. His expenditure, Sir, in 1933-34 the latest actual figures that we have in the budget papers was Rs. 10·92 crores while this year he is budgeting for an expenditure of Rs. 11·25 crores from the revenue account which means an increase of Rs. 32 lakhs in the expenditure at the rate of 3·4 per cent. In connection with this army expenditure, Sir, I do not think that I would be justified in considering the policy or the Capitation Tribunal at this stage. That can better be discussed at the stage when we are considering the Finance Bill. Therefore, I shall not dwell much on the increase in the army budget which has been found in the present estimates.

I note with pleasure that in paragraph 27 the Honourable the Finance Member says that he will probably pay back £15·40 millions of sterling loans which are going to mature this year. I wish to stress the point that every loan which matures in England should be paid off either from our Treasury balances or through rupee accommodation. We do not wish any further English loans to be floated. It should be the consistent policy of the Finance Department to reduce as far as practicable and as much as they can the expenditure which India has to finance outside.

THE HONOURABLE THE PRESIDENT: Is it possible to raise all the loans in India?

THE HONOURABLE MR. HOSSAIN IMAM: Mr. President, in this same paragraph, the Honourable the Finance Member says that he has got sufficient money—about Rs. 10 crores—to start a Silver Redemption Fund at once. If he can not find money anywhere else, he can pay back from this and wait before starting the Silver Redemption Fund. It is not the question whether Government have money or not, as money is always available. Whether they want to utilise it for this purpose or not—that is the question? I have always said that Government are always in funds. Their English balances at the present moment is something like Rs. 80 crores. It is almost unthinkable that they cannot find £15 millions to finance this, when they have got Rs. 80 crores in the shape of sterling securities. All the time that they have been taking English loans during the last two years, I say they were always in funds, and

they took sterling loans in spite of that. When we were considering the question of silver redemption in the Joint Committee on the Reserve Bank Bill, a recommendation was made that these proposals should be placed before the two Houses of the Legislature. Up till now, that recommendation has not been given effect to, and the trend of this paragraph 27 makes me doubt whether they intend to place it at all before the two Houses. I would request the Finance Member to place it before us and get our sanction for any line of action which they may choose to take.

Sir, this budget as presented is no doubt a surplus budget. In this budget Government have tried to reduce the burden of taxation, but I would not be unjustified in calling it a rich man's budget. All the relief is for the rich man. There is no relief to the poor man. He is nowhere in the picture.

THE HONOURABLE THE PRESIDENT: A crore of rupees has been allotted for rural re-construction in India.

THE HONOURABLE MR. HOSSAIN IMAM: That is a non-recurring grant made out of our past savings. The budget does not provide for any recurring reduction of direct taxation, which falls on the poor. Take, for instance, salt. If we are going to reduce the surcharge, was not salt entitled to a decrease on the surcharge also? That would have concerned the poor man. But Government never even considered it. They are surrounded by capitalists. They have made common cause with them, and therefore they have not even thought of the poor. This one crore that has been set apart for rural uplift has been very well described by a friend of mine from the Assembly as a race between Mr. Gandhi and Government for the favours of the rural masses.

THE HONOURABLE LIEUTENANT-COLONEL NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province: Nominated Non-Official): But it is for somebody's betterment, is it not? It is not for the betterment of the rich people. It is decidedly for the betterment of the poor.

THE HONOURABLE MR. HOSSAIN IMAM: I have very decided opinions of Government in these matters. Whenever a department is created for giving relief or doing something for the masses, they create the department with a host of secretaries, deputy secretaries, under secretaries and assistant secretaries, and clerks in each province, who will be pampered and fed. The department will remain in being for three years. Out of the grant, 75 per cent. will go in pay and allowances of the officers and men serving in that department, and perhaps 25 per cent. may reach the masses.

THE HONOURABLE LIEUTENANT-COLONEL NAWAB SIR MAHOMED AKBAR KHAN: Solution of unemployment!

THE HONOURABLE MR. HOSSAIN IMAM: That is a very good suggestion! But when we are talking of unemployment, we are thinking of hundreds and thousands, not of units. You will create posts on high salaries for a few officers who are pets of Government or those who have not been successful in winning the popular franchise and who have been debarred from coming into the Legislatures.

THE HONOURABLE MR. P. C. TALLENTS (Finance Secretary): May I say a word, Sir? As I mentioned in my budget speech the other day, one of the conditions on which this money is to be given to the provinces for the

[Mr. P. C. Tallents.]

improvement of the conditions in village life is that the schemes will be recommended by the provinces and sent to, and approved by, the Government of India. I can assure the Honourable Member that no scheme in which 75 per cent. of the cost was to go in paying secretaries, deputy secretaries, under secretaries and assistant secretaries will receive the approval of the Government of India.

THE HONOURABLE MR. HOSSAIN IMAM: I am very glad to hear this assurance from the Government. Let us hope that they will do something really good. But only the future can tell us about it. My other colleagues will stress the point as to how this money should be spent and what the procedure adopted should be. I will therefore leave it at that.

I come now to the second item, the flow of gold outside India. In spite of the united protests of all non-officials, irrespective of colour, cast or creed, from European merchants down to Indians, most reactionary or belonging to the most extreme section of the Congress, and in spite of the demands of all these people for an export duty on gold, Government is as callous as ever before. It never cares for public opinion in India. Even the opinion of European merchants, who have some experience, is disregarded because they have identified themselves with the interests of India. If Government had imposed even a small duty of 2 per cent. on gold exports, they would have gained Rs. 5 crores during the period the gold exports have been going on. It would not have been a hard duty when you know that these people were making a profit of from 50 to 60 per cent. on the sale of gold. Would it have been hard to tax them 2 per cent.? There is absolutely no reason for not imposing an export duty on gold except that they want to drain India of all the gold she contains, and that they wish to have all the gold going to England, so that their own financial position may be eased. We, Indians, have no standing in the international market. All our transactions are carried on in terms of sterling. Whether we export gold to England or America, our export surplus has always got to come back to the London stock market, and it is there that all these are liquidated. What is the result? If England has an unfavourable balance with America or with France, it is liquidated through the gold which we have exported. And we have the additional

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disadvantage that it creates funds in England which are liquidated by means of enhanced imports into India. If this export of gold were checked the result would be that there would be a stringency of funds for the purchase of importable goods, with the further favourable result that we would have an increased export surplus. It has been said that the inauguration of federation is dependent on sound finances and the establishment of the necessary export surplus. That will never come as long as we have this flow of gold going on. (*An Honourable Member:* "The Reserve Bank will do it.") The Reserve Bank is as powerless to do anything in this direction as our present Government. The Reserve Bank cannot impose a check on the export of gold. It cannot purchase the gold because it will have to pay such a high premium from its book value. It will not be possible for it to find the money to write off the premium which it will have to pay. I shall not discuss the Reserve Bank because we are now concerned with the budget estimates. But it seems to me that it is going to be a failure from the very beginning. It is going to give us such a small sum of money this year that it is only half what we received from the Currency Department even at the time of the worst of the depression.

Sir, may I suggest that if in the future it should be Sir James Grigg's good fortune to have a surplus budget again, he should think of the masses and give some money to the provinces for the inauguration of free primary education in rural areas, which is a crying necessity for the Indian masses, because it is only through education that they can understand their own responsibilities and implement the federation which is going to be introduced ?

While on the subject of education I cannot help remarking on a strange example of what I should say is the Government's Jewish tendency to insist upon their pound of flesh. The Government could easily find Rs. 108 lakhs to restore the cuts in the salaries of its own servants, but its financial pandits would not allow even Rs. 71,300 in order to restore cuts in the University grants. Knowing the great love which India has for its education, knowing that the Benares and Aligarh Universities are dear to the heart of every Indian, to say the least, it is callous of the Government to still persist in maintaining the 10 per cent. cut in the grant of those two Universities. Is it because the Vice-Chancellors do not happen to be *persona grata* with the Government that this cut is continuing to be made ? There can be no other explanation, Sir. And incidentally the poor Delhi University also comes in for that cut of 10 per cent. in its grant. Out of the grant of Rs. 13,000 to the Calcutta University, Rs. 1,300 has been deducted every year. We have been bringing this forward for the last three years and it is simply due to the fact that Government employees do not stand to gain anything out of it that this has not been restored. The first charge was the restoration of cuts in salary : the second charge was reduction in the surcharge on income-tax, because it would touch the pockets of our colleagues on the Treasury benches, and of course incidentally other people have also benefited from that ; that is why it has come second in the list ; if they had been the only beneficiaries it would have come first.

Sir, as I have said, I did not get time to study the details of this budget and I am not able to say anything on the detailed expenditure. I simply wish to draw attention to one fact in order to bring home to the Treasury benches that everything is done for the benefit jointly of the denizens of the Treasury benches and only incidentally for others.

THE HONOURABLE THE PRESIDENT : I would advise the Honourable Member not to go into personalities.

THE HONOURABLE MR. HOSSAIN IMAM : No, Sir. I am giving only the facts which we find from the Report of the Appropriation Account for the latest period we have. In the case of the unorthodox clerks' quarters, after deducting maintenance charges from the rent received therefrom, there is a saving of 2.59 per cent. on the capital at charge. But when we look into the rent from the quarters of the poor officers who manage to live on Rs. 1,000 to Rs. 4,000 a month, we find that they pay the handsome return of 1.59 per cent. on the capital at charge for their houses. This, Sir, compels me to say that everything is done in the interests of these gentlemen themselves. And do you know, Sir, what happens in the case of the Honourable the Executive Councillors ? We, Members of the Central Legislature, who come here and stay, in the case of the Assembly for two and a half months and in our case for a month and a half only, from the figures I was able to find—

THE HONOURABLE THE PRESIDENT : We have discussed that question at considerable length the other day and I would ask the Honourable Member to confine his observations to the budget before us.

THE HONOURABLE MR. HOSSAIN IMAM : I am referring to the return from the Public Works Department, the capital at charge on public works and the return therefrom in regard to the quarters which are let out to four different categories. I have shown what it is from the unorthodox clerks' quarters and from officers' quarters, and I am now taking the two other items. The quarters for Members of the central Legislature pay a return of one per cent. on the capital at charge for the very short period they are rented. But in the case of our Honourable colleagues, the Executive Councillors, their houses give the handsome return of one-third of one per cent. on the capital at charge, and they occupy these houses for seven months in the year. This shows how far everything is managed or mismanaged by this Government.

Sir, this budget has been variously described as unsatisfactory, featureless and otherwise. I am not going to go so far as to say that it is featureless, but I am going to say I echo the cryptic words of the Honourable the Finance Member in paragraph 39 of his speech, "*It certainly does not satisfy me*."

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official) : Allow me, Sir, to open my remarks by paying a well-merited compliment to Sir James Grigg, if not for his budget, but for his brutally frank statement that the budget as presented by him, did not satisfy him. People have complained that in the speech of the Honourable the Finance Member in the other House there was a lack of literary flourish. It is for that very reason, Sir, that I characterise this speech of his as the reflection of what I might call the Grigg personality. And the budget also has that unmistakable stamp of that Grigg personality and I am glad that it is so.

Sir, in spite of some changes in taxation which the Finance Member has announced, the real importance on this occasion is not the actual changes in taxes but the new orientation in the financial and taxation policy which they imply. For example, the grant of a crore of rupees to provinces for rural uplift work, the capital expenses granted for broadcasting and civil aviation are certainly new and pleasing features. For this reason, I would rather deal with the broader issues and the more fundamental problems raised by the budget than with the actual details. For this somewhat general treatment, may I ask for, and may I feel sure, of your indulgence, for I am confident that many of the Honourable Members of this House will most likely concentrate their attention on the details, as has been done by the Deputy Leader of the Progressive Party. Moreover, there is a special importance on this occasion for the discussion of the fundamentals. This is the first budget of the new Finance Member, who if I may say so, is somewhat differently constituted from his predecessor both in outlook and in temperament and he has afforded us an insight into the working of his mind. For future guidance let us exactly understand how to appreciate this mind at work. *Secondly*, we are on the eve of the inauguration of the Reserve Bank. A big portion of the activities and transactions and even responsibilities of the Finance Department are likely to be transferred to the Reserve Bank and this needs a reviewing of the past and an assessment of the future. *Thirdly*, in spite of the Bombay resolution of the princes, I share the optimism of the Secretary of State that the differences will be adjusted and the federal scheme will ultimately materialise. In view of this the problems of federal finance are now of more practical import and of nearer relevance. We have to understand and weigh the present in relation to the demands of the future. For all these reasons, I consider—and I hope my colleagues of this House will concur with

me—that the budget discussion of this year could be and should be fruitfully employed for a proper gauging of the fundamentals of Indian finance.

Looking at this matter from this wider standpoint, there are three definite issues to which I would like to address myself. They are, *firstly*, the implications of the creation of the Reserve Bank, *secondly*, the need for the study and planning of the Indian taxation policy on lines which will be in accordance with scientific canons, and *thirdly*, the nature of the financial machinery in relation to the new economic world.

So far as the Reserve Bank is concerned, it is one of the safeguards of the White Paper, which excites no bitterness. It is the safeguard which satisfies even the criterion of Mr. Gandhi himself and it is demonstrably in the interests of India. It is devised in order that currency and allied affairs can be taken out of the purview of politics; but I like to look upon the Reserve Bank as a safeguard against the incompetency, ineptitude and clumsiness of departmental management of currency. We have been told that the credit and currency of India should be protected from the likely incompetency of the future Indian Finance Minister. But I have always felt that India needed protection far more from the proven incompetency of the non-Indian Finance Members who have presided over her destinies and of their lieutenants. It was not an Indian Finance Minister who, in the spring of 1933, floated a 3½ per cent. loan in India and within a few days came out with a 4 per cent. sterling loan in London, thereby causing a phenomenal fall of nearly 10 points in Government securities in this country, a fall the like of which could have only happened in the event of a cataclysm like a war. It was not an Indian Finance Minister, who had, in the teeth of public opposition from all quarters worked the sterling exchange standard for the last three years in such a way as to create and emphasise deflationary influences. It was not an Indian Finance Minister again, who was content with the adventitious aid lent by gold shipments and who lived without a care or thought of the day when the gold stream might dry up. I hope that the inauguration of the Reserve Bank will mean that the currency and monetary policy hereafter will be in the hands of people who have the training, the instinct, the experience, the knowledge and the equipment to understand the intricacies and mysteries of finance.

For my part, I would have liked a Reserve Bank fashioned somewhat differently from the one that we are now to have. But I am more than reconciled to the situation as it will now be created, for I believe that men who run it are far more important than the rules and regulations, or Acts or by-laws.

There is widespread satisfaction in all circles that Sir James Grigg has appointed Sir Osborne Smith as the first Governor of the Bank. I know and have heard many unpleasant things that happened behind the scenes. Knowing something of all this, I can sincerely congratulate Sir James Grigg on the wise choice he has made, because it was the only choice, if intrinsic merits only were the criterion.

With the starting of the Reserve Bank, with the handing over of the Currency Department to the Bank, with the conduct of remittances in charge of the Bank, with its dual control of credit and currency, I hope Sir Osborne Smith will make a striking departure in monetary and credit policy. He will have first to realise that the policy of cheap money, regarding which the British Chancellor of the Exchequer has given repeated assurances, is as vital and necessary in India as it is in England. Till now, the Government in this country never realised their responsibility in this regard. We hope Sir Osborne

[Mr. Bijay Kumar Basu.]

Smith will make cheap money an earnest, active and enduring policy ; and that towards this end he will see the folly of maintaining the Bank rate at 3½ per cent., borrowing on Treasury Bills at higher rates than are justifiable and abusing sterling purchases for the enforcing of a deflationary policy.

This brings me to, by far the most important issue, which he will have to tackle. The departmental working of a currency standard can never be satisfactory. It is only a central banking institution which can ensure the working of a currency standard in conditions that will be as free from interference as possible. I hope Sir Osborne will give effect to the principle that remittances to the budgeted programme must be treated as Treasury operations and of remittances beyond that limit must be deemed currency transactions.

I hope with the statistical and economic intelligence section which he is sure to develop in the bank, he will be able to impress on the authorities the necessity of taking steps to rectify the present unnatural position of the international balance sheet being balanced by colossal shipments of gold. How is the position to be restored in which the merchandise surplus will be equal to the invisible imports ? It is amazing that the authorities do not seem to have realised the importance of the question. It is to be hoped that the rectification of the overseas trade position of this country will be taken in hand in the early months after the Reserve Bank comes into being.

If the Finance Member will be relieved of a considerable portion of his present work, it stands to reason that he will have more time and more opportunity for making a detailed study of the Indian taxation system, which is now overdue. In the course of a discussion in the other House on the taxation policy of Government, Sir James Gigg made some refreshingly and characteristically frank observations. I am sure these will and must now be followed up. The problem is not merely one of finding out whether the existing taxes and their proportion and measure are in accordance with scientific principles. A far more important problem is, to my mind, the exploration of new avenues of taxation. I should like a proper investigation to be made of the possibilities of tobacco monopoly, matches monopoly and death duties. It has been customary for our Finance Members whenever they were faced with deficits to screw up the existing taxes higher and higher. By this means they had hoped to rope in all the funds they needed. But the law of diminishing returns has proved mightier than Finance Members. The beaten track has now to be abandoned for the simple reason that it has proved futile to pursue that way. Here are three suggestions for new taxes to which no exception can be taken on scientific grounds. Countries like Japan and France—in fact many countries of the world—have tobacco monopoly and matches monopoly in full and complete working order, yielding substantial revenues and furnishing an important basis for raising loans when necessary. The possibilities of these two monopolies in a vast country like India are immense—what cannot we do with the additional revenue from these sources ? Why should there be any misgivings about the reforms wrecking on the financial rock ? The fact is that our taxation authorities have always been unduly sensitive to powerful vested interests, but they must realise that both in regard to tobacco and matches, the vested interests involved are very few in number though they may be extremely powerful in influence. There will not be much upsetting or dislocation. The monopolies can be easily worked. No special administrative complications will arise. There is great revenue in store. Why should there be any delay in tackling these important sources ?

As for death duties, here again, we are up against vested interests. They are not few, they are many. They control the press. They are powerful in legislatures. They are amongst the favourites of the authorities. Conditions in England were not different when Sir William Harcourt introduced death duties. The landed aristocracy were up in arms. All the same, death duties became part and parcel of the taxation system of Great Britain. Nobody objects to them now. Nobody finds it even irksome today. The same thing will happen in India. For the equalising of wealth, and this is the essence of taxation, death duties are an indispensable feature of any taxation scheme.

As I said, the Finance Member will have more time and more occasion to study the taxation problem of this country, but he will have to devote some time to the understanding of the financial machinery in force today. Gone are the days when all that was expected of Finance Members was the levy of taxes, the collection of taxes and the spending of the collections. The Finance Member has to be more than a mere taxgatherer ; in the new economic world with which we are confronted today he has to be also an economist. His secretariat must needs be more than a machine, there must be imagination (though it may land them in jail), vision, understanding and ideas. It is true that imaginative financiers usually end up in jail---

THE HONOURABLE THE PRESIDENT : This is all very academic !

THE HONOURABLE MR. BIJAY KUMAR BASU : Well, it has to be ? It arose, Sir, out of the speech of the Honourable the Finance Member in the other House. What I say is that it is equally true that totally unimaginative financiers might find themselves in the madhouse, and Sir James Grigg knows better than anybody else that a financier with imagination is not the same thing as an imaginative financier. From my point of view, the existing financial machinery is antediluvian and totally out of date, absolutely unsuited to the new needs and new problems. What are the measures that Sir James Grigg should take to fashion the financial machinery to the increasing demands of the present generation is the question on the solution of which depends the economic well-being and progress of our nation.

THE HONOURABLE MR. E. MILLER (Bombay Chamber of Commerce) : Sir, may I first add my congratulations to those of others to the Honourable Mr. Tallents on the very clear and concise speech he made when presenting the budget to us last Thursday. To this I should like to add a word of thanks to the Honourable the Finance Member for presenting a balanced budget and to congratulate him on being able to do so at the end of his first year of office. I am with my Honourable friend Mr. Hossain Imam in expressing disappointment at the absence of the Honourable Sir James Grigg from his seat in this House on this occasion.

My remarks on this occasion will be brief, for it is quite impossible as other^s have said to deal with the mass of detail handed out to us at the close of our sitting at a little before 6 P.M. only the day before yesterday. I can see no good reason why Government should have given us so little time and I hope, Mr. President, if you agree with me, that you will kindly take up this matter with Government. I feel sure you will have the unanimous support of all Honourable Members.

My comments therefore, on account of this short notice, will be in the nature of first impressions on the speeches in both Houses and the more detailed views of the European group will be given expression to in another place at a later date.

[Mr. E. Miller.]

With regard to the restoration of the out in pay in the Government services, we have known this for some time and while it is an unusual feature to disclose any proposed changes before presenting the budget each year, I can understand that in this case it was unavoidable on account of the railway budget and some provincial budgets being presented at an earlier date. While I rejoice with my friends in the services that their salaries will once more be intact in another month's time, I could wish that both they and the rest of us might have obtained greater relief from the surcharge on income-tax than is proposed. While we recognise that the Honourable the Finance Member has to some extent kept to the pledge of his predecessor by reducing the surcharge by one-third (and I am glad he has included in this small benefit, the income-tax levied on incomes between Rs. 1,000 and Rs. 2,000 a year), I feel that half the surcharge could reasonably have been removed. If that cannot be agreed to then the total removal of the remaining two-thirds must be the first relief granted in the budget next year if Sir George Schuster's pledge is to be completely fulfilled. I hope the Honourable Mr. Tallents will give us some assurance in regard to this.

The proposal that a crore of rupees should be distributed to provinces for schemes of economic development and improvements in rural areas is one I think that will have the sympathetic support of everyone. Amongst other possible ways in which this money might be utilised, Sir James Grigg mentions improved methods of agriculture and I hope provincial Governments will note this and include in their schemes the adoption of mechanical ploughing for the eradication of deep-rooted weeds from areas that have gone fallow on this account, or for the opening up of undeveloped areas. The Council of Agricultural Research have been paying great attention to this during the past few years, and are about to publish a monograph on the subject, which I commend to all who are interested in the uplift of the ryot. Demonstrations have taken place in many parts of India and in Indian States and in one area alone in the Bombay Presidency, 4,000 acres are at present being ploughed, while Sind are considering the utilisation of mechanical cultivation on a large scale. That in certain conditions, mechanical ploughing is an economic and business proposition, has been proved beyond all doubt, while the theory that it will increase unemployment has also been exploded, because it opens up areas hitherto undeveloped and also improves the price of the products when they are placed on the market.

One of the difficulties in connection with the introduction of tractor ploughing for weed eradication purposes, is the limited means of the poor ryots who have not the necessary funds to finance the initial outlay of even a few thousand rupees. This is where the co-operative societies can render great assistance by persuading some of the unemployed to take up tractor ploughing and arranging for the purchase of plant on easy terms of repayment. The ryots can also be assisted by *taqavi* loans and much has been done in this direction particularly in the Bombay presidency and the United Provinces. The ploughing of the 4,000 acres to which I have already referred, has been almost entirely carried out on small holdings by means of contract ploughing and with the assistance of *taqavi* loans arranged by the provincial Governments.

I welcome the grant of Rs. 40 lakhs to the reserve of the Road Development Fund and I congratulate Assam on the special consideration they are receiving. Many representations have been made to the Government of India in recent years for an increased annual contribution to the Road Fund account and I hope that the above contribution is an indication that this demand is

recognised as being fully justified and that next year Government will fix it on a more definite basis by granting an increased contribution from the petrol tax of four annas a gallon, after first removing the surcharge. Any temporary loss of revenue will be quickly recovered and larger receipts obtained by the increased use of motor transport.

The grant of Rs. 25 lakhs to the North-West Frontier for the construction of roads is also a very sound proposal and our friends who criticise army expenditure should welcome this as while it is mainly for the assistance of economic development in the tribal areas, there is no doubt that it will also assist in the guarding of our frontier by affording greater mobility in the movement of troops in case of need and therefore possibly a reduction in the numbers held at certain points.

A matter to which I should like to refer as I come from Bombay, is the announcement that the Government of India have decided to finance the repayment of the Bombay Development Loan, which is very satisfactory news.

The Honourable the Finance Member in concluding his speech in another place expressed extreme disappointment that it had not been possible to take the first steps in the revision of our revenue tariff in a downward direction. As Sir James says, tariffs are certainly too high and too complicated and on both counts are restricting trade. There are many outstanding instances of this amongst which one that ranks very high is motor transport. Although imports of cars and lorries have increased during the past year, it is mainly because this mode of transport is no longer a luxury but a sheer necessity and this upward move in imports would be rapidly assisted if more reasonable import duties were levied. I believe the Honourable the Finance Member fully realises this but I take this opportunity of mentioning it as being another instance of where a reduction in duty will after a short interval bring in increased revenue not only directly, but also indirectly by assisting rural development and reducing unemployment.

Now, Sir, as I have already said my remarks would be brief and as probably my Honourable colleagues from Bengal and Burma may also wish to make a few remarks, I will not take up any more time of the House. I would only add in conclusion that to me the general impression left after considering this year's budget is one of hopeful optimism in regard to the future and a conviction that while we may experience temporary setbacks, we have it within our power, given the spirit of goodwill and co-operation, to enjoy a fair period of steady progress and moderate prosperity. I trust this may prove to be the case.

THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT (Bombay : Non-Muhammadan) : Sir, the budget as presented this year will, I think, satisfy even some of the most obdurate critics of the Government. I cannot but congratulate the Honourable the Finance Member who has at least the credit of not burdening the country with fresh taxation. But, Sir, I join issue with the Honourable the Finance Member when in the course of his budget speech he eulogised Sir George Schuster, the outgoing Finance Member of this country. I say that people of this country will appreciate him more in his absence for all that he did in steering safely the barge of Indian finance to the port of stability during the stormy days of world-wide trade depression. There is no doubt that his labours have brought in this twilight on the financial horizon of India, when India may expect to balance her budget in future and may even expect to have surpluses which, in times to come, may be utilised in lowering the burdens of taxes on the poor masses of this country, such as the reduction of the salt duty and the postage rates. Sir, though

[Sardar Shri Jagannath Mahara] Pandit.]

I have congratulated the Finance Member, yet I cannot but say a few words regarding the surcharge on income-tax. This surcharge was levied as an emergency measure together with the levy of a salary cut. As an emergency measure the limit of the taxable income was also lowered from Rs. 2,000 to Rs. 1,000. Sir, the cut in salary was restored by 5 per cent. last year and it was expected that this year these other two classes of taxpayers who were also burdened under the emergency measure should be given some relief before the cut in salary was fully restored. What I mean is that the restoration of salary to its fullest extent could have been deferred by another year, and in the meantime the current year's surplus could have been better utilised for raising the taxable limit of income-tax from Rs. 1,000 to at least Rs. 1,500 if not to the original level of Rs. 2,000 and also to the abolition of the whole of the surcharge on income-tax. Sir, I think it would have been more justified, dignified and graceful for the services to suffer a year more before they had their cut in salary fully restored. I do not by this even for a moment mean that the cut in the salaries of the present incumbents of Government posts can with any justification be made permanent. The Government and the Legislature committed themselves to the fact that these salary cuts are only emergency measures but, Sir, as I said before, that was not the only emergency measure which was adopted to weather the storm of depression.

Then, Sir, I once more congratulate the Honourable the Finance Member for promising half of the jute duty to Bengal which, to my mind, Bengal could justly claim to meet their deficits. I heartily welcome the proposal and nothing will please me more than to see the Government of India giving up gradually the whole of the jute duty to Bengal. But, Sir, here I cannot but justly complain about the step-motherly treatment to Bombay. A share in the income-tax revenue is also a legitimate claim of Bombay, whose finances are also in a very bad plight. The Government of Bombay are carrying on their administration with great difficulty by levying fresh taxes year after year, and it would have been most fitting if the Honourable the Finance Member could have found his way to give some relief on this occasion to the Government of my province by way of a share from the income-tax revenue to which Bombay's claim is as just and equitable as is Bengal's claim to the jute duty. Then, Sir, I would once more draw the attention of the Honourable the Finance Member to the army estimates. The country irrespective of caste, creed or political party to which each Indian belongs, demands reduction in army expenditure and the Indianisation of the army. We press for Indianisation not only for the relief of unemployment amongst the educated men of this country, but also for the reduction in the charges of army establishment in India. Sir, unless and until the army estimates of the country are considerably reduced neither the provincial Governments nor the central Government can really do anything for the welfare and benefit of the masses. The army estimates are the heaviest item of expenditure and out of about Rs. 45 crores for army expenditure I think it is not very difficult to knock off about a couple of crores a year, which will go a great way to making the provincial Governments and the central Government more solvent.

THE HONOURABLE MR. SHANTIDAS ASKURAN (Bombay: Non-Muhammadan): Sir, as a newly elected Member of the House, I want to indicate in this, my first speech, on the occasion of the budget statement, the point of which from which I propose to approach it, as, indeed, all other questions which will come up before the House. I am primarily a businessman interested, naturally and keenly, in the economic prosperity of this country.

But economic prosperity depends on the political contentment and the social welfare of our people. Though I am not a politician, I heartily share the political aspirations of my countrymen and look forward to the day when we shall have a stable constitution responsible to the people and undertaking schemes of social and economic progress.

From this point of view, I must confess I am somewhat disappointed with the budget presented to us. Two weeks ago, the Honourable the Finance Member, replying in the other House to a debate on the revision of our taxation policy, seemed to admit that the incidence of taxation was too high. Though he would not agree that the present rates had come under the operation of the law of diminishing returns, the fact remains that in spite of the heavy surcharge, income-tax and super-tax have shown hardly any tendency to bring in more revenues. I sincerely trust that the promise given by the Finance Member on the 14th February last, which was really a repetition of his promise at Simla last year, to have the entire system of taxation in India overhauled in the not far distant future, will materialise very soon. Non-official opinion in India, whether from the ranks of businessmen or of politicians, is, I assert with confidence, almost unanimous that the present burden of taxation is far too heavy and prevents the recovery of trade, besides driving the poverty-stricken masses to the verge of starvation.

A little relief has, no doubt, been provided in the shape of reduction by a third of the surcharge on income-tax and super-tax. But the country is entitled, I maintain, to expect the removal of the *entire* surcharge, which would have meant a loss to the Government of Rs. 334 lakhs. Where after all, I ask, was the pressing necessity for the restoration of the 5 per cent. cut in salaries, costing us, even excluding railways, over a crore of rupees? Even in England, where the standards of living are higher but the scale of salaries lower, there has not been, I understand, a full restoration of the salaries cut. The Honourable the Finance Member's speech in the other House two weeks ago had roused general expectation that an announcement of the abolition of the whole of the surcharge would be made; and its absence has caused equally widespread disappointment. As a representative of Bombay, I am bound also to voice the resentment we feel that under this item so large a sum as almost Rs. 5 crores (Rs. 83 lakhs as super-tax plus Rs. 416 lakhs as income-tax) is being contributed by my province to central revenues. Other provinces which plead their inability to balance their budgets obtain relief from the Government of India, while Bombay is penalised and made to pay for the progress of other provinces. Such treatment is unfair and inequitable, and I shall be failing in my duty if I did not add my protest to those which have been made in the past in both Houses.

Let me now touch on one important aspect of the budget—the economic consequences of the policy followed by the Honourable the Finance Member, a policy that has come to him as a legacy from his predecessors, the policy of finding revenue to meet expenditure rather than control expenditure to meet revenues. Allow me, Sir, to quote the words of the Honourable Mr. Taylor in this House during the budget session of 1934. The Honourable Member said :

“Unfortunately the officers in charge of a department like the Finance Department know only one canon of taxation which comes first, and that is that they must get the money”.

I submit to you, Sir, that, as a businessman I cannot see the truth in such statements. If my income were reduced from a lakh of rupees to fifty thousand, would it be right if I budgeted for an expenditure of a lakh?

[Mr. Shantidas Askuran.]

What applies to an individual applies with equal force to a nation. Just because the Government can put its hands into the pocket of the individual without fear of reprisal, is it proper, Sir, that no effort should be made to limit our expenses to our revenue ?

It looks as though the process of preparing the budget begins with a statement from the army authorities as to their needs. Not a pice is to be touched there. Then come the demands of the civil administration, almost equally uncompromising. Sir, does the Government exist for the welfare of the taxpayers or the taxpayers for the convenience of the Government ? What is the good of talking of economic recovery or international action to bring the world to saner methods of doing business ? What are we doing in this country to increase the purchasing power of the masses which is, as I view it, the most effective method of stimulating trade and industry ? And rural masses or urban classes, what have they left to them after paying central taxes, provincial taxes and local taxes and cesses ?

I cannot help feeling, Sir, that there is not a proper sense of proportion or a perspective in the manner in which the Government of India considers this question of taxation. Defence expenditure still stands at Rs. 44·98 crores, and all our requests for economy go practically unheeded. We are told that we do not show sufficient appreciation of the fact that it has been brought down from Rs. 55 crores in 1928-29, to the present level. But let me make two observations on this point. Is there sufficient appreciation on the other side of the fact that when this constitution was inaugurated, the Meston Committee did not anticipate a normal defence expenditure of more than Rs. 40 crores a year ? Secondly, let me say that the Simon Commission, an all-British Commission, pointed out that I was impressed with three cheap features of India's financial situation :

" (1) the mass of the people are extremely poor ;

" (2) she is incurring expenditure on defence and the maintenance of law and order as high in proportion to her wealth as Western Nations ;

" (3) her expenditure on social services, such as education, health, sanitation, etc. is far behind Western standards and, indeed, in many directions is almost non-existent ".

As the Commission further observed :

" Wise expenditure on social services and particularly on health and education should be remunerative in the sense of increasing the wealth-producing power and therefore the taxable capacity of the country. Security is, of course, essential, if production is to develop ; but it cannot be claimed for expenditure on defence either that it is mere redistribution of income, or that it promotes productive efficiency. Indeed, economically speaking, it is the most burdensome form of expenditure, and this is particularly the case where, as in the case of India, the army contains a large element drawn from elsewhere ".

His Excellency the Commander-in-Chief made a comparison the other day on the floor of this House between defence expenditure in this country and in some other countries. But he should have taken also the average income of the Indian in considering this matter. The Simon Commission reckoned it six years ago at £8 a year, as against £100 in England, but since then the average in India has gone down very considerably.

It was stated by the late Lord Rawlinson in the Legislative Assembly in 1923, when he was pressed to effect further economies in defence expenditure, that he had to take into account the problems of internal security and conditions abroad. As a layman I hesitate to express a definite opinion on this subject. But it seems to me that with the abandonment of civil disobedience

and the return by Congressmen to constitutional methods ; with quiet reigning on India's frontiers, there can be no compelling necessity for the maintenance of such a scale of expenditure as the military authorities have decided upon.

It has been possible, I notice from the budget figures, to reduce by Rs. 20 lakhs one item of army expenditure through a closer estimate for grains and other foodstuffs. Low prices have been obtaining for a number of years ; but, apparently, it is only this year that such economy was effected. Comparatively, it may seem a small point ; but, Sir, it strengthens my conviction that pursuit of further economies, assisted by a committee of businessmen and experts, would yield similar results in other directions.

In any event, I am emphatic that the pace of Indianisation of the defence forces should be appreciably accelerated both with a view to economy and also for the purpose of providing India with a national defence force within a measurable period of time. It is as a businessman that I hold that the best guarantee of internal peace is not a large army which requires so much for itself that very little is left for expenditure of a remunerative kind, but the contentment and prosperity of the people through schemes of social and economic development.

The Government's proposal to set aside one crore of rupees for rural development schemes is to be welcomed ; and I hope that this grant will be a recurring one. At the same time, let me add that the question of its proper and efficient utilisation should engage the attention of the central Government. I would suggest the formation of a Central Board of Rural Development working on lines similar to the Imperial Council of Agricultural Research and deriving active assistance from experts on marketing, dairy products, live-stock and other problems which are closely connected with India's rural life. There is one other important aspect of rural development to which attention may be drawn : I refer to public health. Sir John Megaw, late Director General, Indian Medical Service, in his report on the conditions of health in the rural areas in 1933 took a gloomy view of the future :

“ Not only for the masses of the people who must face an intensified struggle for bare subsistence, but also for the upper classes whose incomes depend upon the production of a surplus of crops and other commodities ”.

The present Public Health Commissioner with the Government of India in his latest report has expressed the opinion that there is urgent need for a wide development of both the central and provincial Public Health Departments which should be manned by experts capable of advising on the many difficult health problems which confront the country. No one will challenge his assertion that the health and welfare of the people are the most important problems with which the Government is faced. I trust, therefore, that the scheme of rural development will give a prominent place to problems of public health and the measures to be adopted for their solution.

I must compliment the Honourable the Finance Member on the foresight he has shown in recognising the claims of the roads in the national economy of this country ; and it is a great pity that more could not be done towards that object. Sir, lack of adequate road communications have done more to impoverish India than any other single factor, by increasing the cost of production. I may say, Sir, that roads deserve to receive better consideration than they have received till now.

In the matter of the reduction of the silver duty, Sir, I cannot see eye to eye with the Honourable the Finance Member who looks at the matter from a

[Mr. Shantidas Askaran.]

purely budget point of view. He does not seem to have taken into account any other factor but that of the prevention of smuggling. But has the Honourable Member paused to think what would be the consequences of such a step? For an indefinite period in the past, India has been importing silver and the amount exported has been negligible in comparison. The wealth of the country is bound up in silver and a decrease in prices is bound to have adverse effects on the poor masses with grave repercussions on the national economy of the whole country. The price of silver has already gone down as a result of the reduction, and the silver holdings of the peasants have diminished in value in proportion to the fall in price of silver, thus aggravating their misfortunes resulting from natural causes like irregular rainfall and the recent cold wave. The action of the Finance Member at this juncture seems to be the proverbial last straw; and to the extent, therefore, the purchasing power of the country has been lessened, the blame for any consequences that might ensue may be laid squarely at the Government's door.

In this connection I might point out, Sir, that even in America they are following a policy of increasing silver prices with a view to increase the purchasing power of the silver-holding millions of India and China.

Finally, Sir, I would observe that the Government of India should exercise its imagination and realise that the success of the new reforms will depend, more than on any other factor, on the funds available for the nation-building departments in the provinces. I earnestly trust that the period between now and the inauguration of the new constitution will be utilised by the Government of India for removing the financial difficulties of the provinces. In conclusion, I would like to express my gratitude to the House for the patient hearing which it has given me.

THE HONOURABLE MR. V. V. KALIKAR (Central Provinces : General) :

Sir, as a layman I approach these budget proposals from various points of view. When a date is fixed for the presentation of the budget in both Houses of the

1 P.M. Indian Legislature, various hopes and suspicions are created in the minds of the masses as well as the classes. The industrialist thinks that he might get some benefit from the budget proposals of the Government of India. The agriculturist thinks that his burden of taxation may be relieved and the educated classes think that they may get something by way of an employment scheme, which will to some extent relieve the trouble of unemployment amongst them. Looking at these budget proposals, Sir, I as a layman cannot say that all these three points of view are found in them. No doubt it may be said that a grant of a crore of rupees for the rural development of India has been made with a view to relieve unemployment, but, Sir, my complaint is that all the emergency measures that were introduced in 1931 and 1932 have not been done away with while the salary cut about which much has been said in this House and outside also has been completely restored. In the year 1932 you sounded a note of warning to the then Finance Member, Sir George Schuster, that he should not make up his mind to restore this salary cut without taking into consideration the financial situation in India. I am not against the principle of restoring the salary cut. I must make it perfectly plain that I desire that the salary cut should be restored. But when? When the emergency taxation has been withdrawn, then and then only you have the right to restore the salary cut and not till then. Sir, it may be said that the surcharge on the super-tax and income-tax on low incomes from Rs. 1,000 to Rs. 2,000 has been taken away to a small extent, by one-third. I submit Government would have given greater relief if they had removed it altogether before restoring

the salary cut. That promise, Sir, I submit, has not been fulfilled and therefore my complaint is that even the industrialists who have to pay by way of income-tax a very large sum to Government are not satisfied. I find my Honourable friend from Bombay saying that he also is not satisfied with the proposals of the Government of India. I do not know how my Honourable friend, Sir Phiroze Setlwa, says that he has received telegrams from Bombay saying that the commercial community is satisfied with the present proposal. I congratulate the present Finance Member and the Finance Secretary for giving us a surplus budget. But then, Sir, I will not call it a surplus budget unless and until the heavy burden of taxation is taken away and relief is given to the masses as well as the classes. Sir, as I said before, the services are very costly in India as compared with the services in the other countries of the world. The services have got the Lee concessions and the principle underlying the Lee concession was that the prices of commodities were very high. That has ceased to hold good as the prices of commodities have gone down to a very great extent. So, Sir, the services should not have come in this year and this proposal of restoring the cut should have waited for a year more. Another mischief that this salary cut has done is to disturb the budgetary equilibrium of the provinces. I have not got definite knowledge of other provinces but I can give to this House information regarding my province. Sir, if the salary cut had not been restored, my province would have got a surplus budget of Rs. 5,47,000. But on account of the restoration of the salary cut my province has got to face a deficit budget of Rs. 1,33,000.

Another thing, Sir, that the people of my province are faced with is that to pay this additional taxation in order to meet the restoration and to make provision for contribution to the nation-building department, the local Government of my province have introduced additional taxation and people who are already suffering under central and provincial taxation will have to bear the further burden of this additional provincial taxation. Looking at it from that point of view, Sir, I do not think that the budget can be said to present a very satisfactory feature this year.

Then, Sir, I come to the question of the grant of one crore of rupees for rural uplift. As I said, I really welcome this scheme on the part of the Government of India and I further request that a grant of this nature should be a recurring one. But, at the same time, I think the attempts on the part of Government should not come in any way in conflict with the attempts made in this direction by Congress and Mahatma Gandhi. Unfortunately, Sir, a secret circular which saw the light of day and was debated in the other House created a suspicion in the minds of people who have devoted their time and energy to rural uplift that the Government of India would not allow the efforts of these organisations to go on smoothly. I therefore request Government that just as they—I am told—co-operated with private organisations in Bihar in giving relief at the time of the earthquake damage, so in this charitable work they will also join hands with other private organisations and will not in any way come into conflict with other organisations so far as rural uplift is concerned. Various schemes have been proposed for rural uplift and I believe the Government of India will take into consideration that the money spent for rural uplift—as was said in answer to a question put by my friend Mr. Hossain Imam by the Honourable the Finance Secretary, that a large amount of that money—will not be spent on the services but will be spent in the interests of the agricultural population of India.

Then, Sir, I am sorry but I have to come to the "*popular stick with which Government is always beaten*", and that is the military expenditure. It may

[Mr. V. V. Kalikar.]

be said that that subject has been discussed here a great many times, that Government have made authoritative statements and that they cannot do anything further in the matter. As a young man, I have to knock and knock, and I am sure that when I knock continuously, the door will open.

THE HONOURABLE SIR DAVID DEVADOSS : Knock and it shall be opened !

THE HONOURABLE MR. V. V. KALIKAR : Sir, it has been admitted by military experts that much of the expenditure over the army in India is spent on the British element, and that the British Army in India is to a very great extent maintained for imperial purposes. I do not for a moment believe that His Excellency the Commander-in-Chief has given up all hopes of curtailing the expenditure in this department and of putting pressure on the British Government to allow him to Indianise the army. In spite of the statement that His Excellency made the other day on the Honourable Mr. Mehrotra's Resolution that he is not going further during the transition period, I still believe that he has been forced to make that statement under the dictates of the British Government, and it is with the intention of strengthening the hands of His Excellency that we are knocking and knocking at the same point again. If a British soldier costs Rs. 850 and an Indian soldier Rs. 250—

THE HONOURABLE THE PRESIDENT : May I ask you to be as brief as possible on this point? We have discussed this point threadbare on the Resolution the other day.

THE HONOURABLE MR. V. V. KALIKAR : I have said, Sir, I am an optimist, and therefore, I want to knock again. I submit that he will not only take credit for reducing the military expenditure, but he will also find employment for the educated youth of India who have taken a liking for a military career.

I now come to the proposal of the Government of India to give a portion of the jute export duty to Bengal, Assam and Bihar. If the Government of India had lessened the burden of taxation, if the Government of India had found their way to remove the match excise duty and the sugar excise duty, if the Government of India had seen their way to lessen the burden of income-tax and raise the taxable minimum to the old level of Rs. 2,000, I would not have complained. But if at the cost of this additional taxation on all the provinces, Bengal, Bihar and Assam are going to get this, then certainly I have a right to quarrel with them. I would not have been sorry if Bengal, Bihar and Assam got it.

THE HONOURABLE MR. BIJAY KUMAR BASU : These provinces have a right to the whole of the duty.

THE HONOURABLE MR. V. V. KALIKAR : The Central Provinces and Berar have a right to the whole of the income-tax. But nobody gives it. If a question of the right of a province arises, then certainly all the provinces throughout India can claim certain taxes for themselves. I do not want to make it a complaint. But I frankly state, Sir, that unless these taxes were removed, the Government of India should not have considered the claims of Bengal.

Only one word more. All the provinces have to make some demand on the central revenues. I find that something is being given for civil aviation. I should make a request to the Government of India on behalf of my province that some amount may be spent over civil aviation in Nagpur. They are going to start a club there. The local Government, I am told, is going to approach the Government of India. I therefore request the Government of India to consider their claims also.

In concluding my remarks, I have to congratulate the Honourable the Finance Member and the Honourable the Finance Secretary because they have been fortunate enough to present us with a surplus budget of Rs. 150 lakhs. But, as I said in the beginning, there are so many emergency taxes that I cannot call it a surplus budget.

THE HONOURABLE LIEUTENANT-COLONEL NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province : Nominated Non-Official) : Sir, first of all, I have to protest strongly against the manner in which the discussion on the general budget has been expedited this year. Ever since the formation of this Chamber, Sir, discussion of the general budget has always been proceeded with full five or six days after its presentation in the Council of State and the Legislative Assembly. Even last year, it was presented in this House on the 27th February and discussed on the 5th March, with a full period of six days for consideration after its presentation. This time only a single day has been allowed between its presentation and discussion. I am sorry that I cannot make out the reasons for such a hasty disposal of such an important business as the general budget of the Government of India. I fail to understand what are the special reasons for this deviation on the part of the Government of India from the procedure adopted for the disposal of the general budget every year ever since the inception of the present form of central legislature? No doubt the days allowed for its presentation and discussion have been sanctioned by His Excellency the Viceroy but the allotment must have been surely made at the instance of a responsible Member of the Government of India chiefly associated with the work of this budget. Can I expect that the Honourable the Finance Secretary will take the trouble to explain it to the House as to why the disposal of such an important item has been arranged to be proceeded with in such a hasty manner?

As for myself I have found it absolutely impossible to read the bulky volumes of papers connected with the Statements of Demands of Grants which have been given to Honourable Members in the evening of the day before yesterday, within so small a time as a single day allowed to us between their presentation and discussion. Sir, the Delhi session of the central Legislature is generally known as the budget session and it is chiefly for the consideration of the budget that a session of the central Legislature is convened at this place at such a great expense. Is it not then strange to find that the special work necessitating the calling in of the Delhi session is given the time of only two days for its presentation and consideration, discussion and disposal all through? To my mind this method of proceeding with the disposal of such an important work in such a hasty manner is nothing but to make a mockery of the work and I cannot see how far the Government of India is justified in treating so lightly such an important subject as its budget which concerns it most as well as the general taxpayer? As I suppose, Sir, each and every Honourable Member of this House is a taxpayer, contributing his quota of taxation in a larger measure as compared with the Members of the other House. As such this House is more concerned with the consideration of the Government of India's budget than the Legislative Assembly, but what a pity

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that only a single day is allowed to us between its presentation and discussion, whereas the other House is granted full four days to take up its consideration after its presentation therein. It is simply due to our bad luck this year, otherwise it has never been so in the past, and I hope that in future also, in the interest of the larger taxpayers, the Government of India will stick to the old procedure of allowing us at least five or six days between the presentation and discussion of the budget so as to enable us to study it full well, look into its merits and demerits as best we can and thereby be in a position to express our considered opinion on it.

As regards the budget under discussion, Sir, it is really gratifying to see another surplus budget this year also. It is the third surplus budget of the Government of India and it is a happy augury for the Honourable the Finance Member to produce his very first budget with a surplus of Rs. 150 lakhs. Rs. 8 lakhs of this surplus he proposes to dispose of by abolishing the export duty on raw skins and Rs. 136 lakhs of it towards a slight reduction of the income-tax surcharges, leaving a nominal surplus of Rs. 6 lakhs at the credit of the Government. No doubt, the Finance Department deserves to be congratulated for any surplus budget nowadays and especially the one under discussion which is the third of this kind in regular succession, but if we look at the other side of the picture we will find that all these so-called surpluses are simply due to the operation of the Supplementary Finance Bill of September, 1931. As Honourable Members are well aware the Supplementary Finance Bill of September, 1931 was only adopted as a temporary measure for a period of a year and a half, simply to make good the deficiencies of the preceding budgets. Its passing into law at that time was subject to a clear promise on the part of Sir George Schuster, the then Finance Member of the Government of India, that it will be no longer required after its stipulated life of a year and a half. This means that its operation ought to have ceased after the end of March, 1933. But how does the matter stand at present? It is now a month less than three years and a half since its operation from September, 1931 and still it is going on without any perceivable signs of its withdrawal in the near future. In other words, it has exceeded its life limit of a year and a half by nearly two years and still there is no hope of its remission in the immediate future. As already pointed out, at the time of its imposition, it was declared to be a temporary measure. It was not designed to become permanent, whereas it is very nearly the case in view of its operation of two years over and above its stipulated life, and there being no mention as to its ceasing to operate in the speech of the Honourable the Finance Secretary on the occasion of his presenting the budget under discussion.

The meagre reduction in the income-tax surcharges by one-third of their enforced rates is not an appreciable attempt towards withdrawal of the Bill in question. It further loses its significance when we see that the salary cut of the servants of the Government of India amounting to Rs. 108 lakhs, which is the second instalment of its kind, has been restored *in toto*, while the income-tax surcharges have only been reduced by one-third of their present rates. Sir, the only purpose of the existence of any Government is the welfare and the well-being of its subjects and all this depend on the amount of taxation borne by the subject-community. In the case of this poor country we find that the interest of the subjects here are always put next to those of the Government servants. Although I do not grudge their emoluments, but, as a matter of fact, they are drawing high salaries and it makes no difference to them whether the 5 per cent. cut in their salaries is restored to them presently or a little later. But the poor taxpayer is dying under the burden of taxes

and justice demands that he should be relieved of the unbearable burden imposed on him in the shape of these surcharges as soon as possible. On the contrary we find that the taxpayer is constantly kept down to bear the burden of highly excessive taxes simply to provide the Government of India for their avocations of constructive works such as the Public Works Department.

This policy of continuing taxation, Sir, is a matter of great objection to every taxpayer and I wish to make it known to the Government that they should please see to the advisability of discontinuing it as soon as possible. The existing form of rates of taxation are proving very hard on the general public. Take the case of income-tax. India is a poor country as compared with the United Kingdom. This fact is very well admitted by all, and yet we find that the rate of income-tax in England is not so heavy as it is in this poor country. In England, concessions are given to married men. There are allowances for the wife, children, and dependents, while there is no provision of the sort in the Indian Income-tax Act. In England allowances for wife and children are increased according to their number. Further there is an exemptable minimum of £130. If a man's income is £700 per year, the exemption in respect of £130 is allowed, and his income liable to assessment is taken at £570, but there is no such exemption in India. As regards super-tax in India, at the time of its imposition in the year 1918-19, it was represented by Sir Malcolm Hailey, the then Finance Member, as purely a war measure. It is now more than 14 years that the war has terminated but the super-tax is still tied to our necks with some increase in its rates every year. This policy of increasing taxation every now and then is not a good policy and the Government ought to have resort to a more lenient policy of taxation than its present one. Personally speaking, I am in favour of a universal rate of tax and I think that all my Honourable colleagues would also agree to it, for it has ever been enforced here as well as in other Muhammadan countries and I would suggest to the Government to adopt that form of taxation. But as regards graduated rates of taxes, I am strictly opposed to them and the sooner we are relieved of this form of taxation, the better for the general tax-payer. It is therefore that I want to impress it upon the Honourable the Finance Member that substantial reduction in the present rates of income-tax and super-tax is urgently called for and add that unless the supplementary Finance Bill of September, 1931 ceases to operate, there is not much to rejoice over these surplus budgets.

Another feature of disappointment with regard to the present budget is that no reduction has been allowed in the postal rates or the prices of post-cards and envelopes. These are the things which concern each and every person and especially the poor people. It is a matter of great regret to find that in spite of three surplus budgets in succession, not even the slightest relief has been provided to the teeming millions of the poor classes all over the country. Although the flat-rates of the Posts and Telegraphs Department are borne equally by the high and low, yet unless all these excess in charges are removed once for all it cannot be said that in the strict sense of the word we have a real surplus budget.

On the expenditure side it is indeed gratifying to note that the defence budget for 1935-36 has been reduced to nearly Rs. 50 crores, with a reduction of no less than Rs. 10 crores as compared with the army budget after the termination of the war. This is undoubtedly due to the untiring efforts and sympathy of His Excellency the Commander-in-Chief, to whom I take this opportunity of expressing our grateful thanks. At the same time I would request him to please stop the question of any kind of reduction in the pension

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of military pensioners. When there is no question of reduction in the salaries of the officers in service, why should there be any reduction in the pensions of retired officers ?

Owing to the world depression, Sir, there has been a considerable downfall in the economic conditions of this country. Prices have gone down and the purchasing power of the people has also gone down. It is said to have declined by over 47 per cent. On the Government side the chief feature of their budget is a steady level of the tax receipts and a slight decrease in expenditure. The present day conditions in the country do not permit of a 5 or 10 per cent. cut in expenditure. What is needed is a heavy axe to bring down the expenditure in all the civil departments almost in the same proportion as the fall in the national income. May I, therefore, ask the Honourable the Finance Member if he is prepared to consider the question of reducing the Government expenditure to the pre-war level ? To my mind this is the only way to restore the equilibrium of the country.

THE HONOURABLE MR. HOSSAIN IMAM : Reduce the salaries !

THE HONOURABLE LIEUTENANT-COLONEL NAWAB SIR MAHOMED AKBAR KHAN : Well, reduce everything all round ! Cut your coat according to your cloth ! That is the saying.

Another matter to which I would like to invite the attention of the Government is the question of finding some stimulus for the export trade. India is an agricultural country and owing to the general depression throughout the world, it has suffered most on account of the fall in prices of its agricultural products. This has resulted in great distress and suffering to agriculturists. Honestly speaking they are living on the verge of starvation and the majority of them are in a state of actual starvation. The present rate of prices of their products is leaving them no profit at all and they have to dispose of their cattle and other holdings in order to pay the Government land revenue and water taxes. Under the circumstances, it is highly imperative that some effective measures should be found with a view to remove their misery and distress. Some fresh markets should be opened for the agricultural produce of India in order to secure restoration of their prices which is the only way to bring relief to the poor agriculturists of this country.

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

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

THE HONOURABLE KHAN BAHADUR CHAUDRI MUHAMMAD DIN (East Punjab : Muhammadan) : Sir, the Finance Member is to be congratulated for presenting a budget which shows signs of improvement in the financial position. There has been considerable increase in revenue over the original budget anticipation during the current year so that the surplus is now expected to be Rs. 327 lakhs instead of Rs. 10 lakhs. Sir, between 1931 and 1934 the cost of civil disobedience and terrorism was one of the biggest items in the country's expenses especially in the province of Bengal. It is not possible to over-estimate the evil effect of these movements on the financial position. It is a matter of gratification that our countrymen are now realising that such movements are most harmful to the best interests of the country and India's salvation lies in peace and harmony. If the money which had to be spent

in suppressing these evil movements could be spared and spent in carrying out the nation-building schemes India should have by this time gone a long way towards real prosperity in spite of the world-wide depression during the last four years.

Sir, a most satisfactory feature of the budget is the grant of one crore for distribution to the provinces to be spent on schemes for the economic development and improvement in rural areas. India's mainstay is agriculture and any steps towards the welfare and prosperity of the agriculturist would go a long way towards the amelioration and contentment of the masses. Most of the provinces are showing deficits in their budgets and they require financial assistance from the central Government to balance their budgets. Schemes like the Bhakra dam in the Punjab, and the general river scheme in the Frontier province are held up for want of funds and should be taken up as early as possible. Although much has been done in this direction, vast areas of cultivable land remain to be developed for lack of irrigation. If means are found to utilise the water which runs to waste in the sea, India would be raised to one of the most prosperous countries in the world. Sir, the contribution of Rs. 40 lakhs towards roads is another gratifying feature of the budget. So much has been spent on the Sukkur Barrage scheme but there are no roads in Sind worth the name and without roads no colonisation scheme can be made successful.

Sir, our pressing need at present is to find markets for our agricultural and other products and we should strain every nerve to revive the export trade. The abolition of the export duty on raw skins is therefore a welcome change. The relief under the head of income-tax is another pleasing feature of the budget. I hope next year it will be possible to take off the surcharge altogether. Sir, India's credit stands high in the markets of the world and the result is due to the efficient management and control exercised by the Government of India in the Finance Department.

THE HONOURABLE DIWAN BAHADUR SIE RAMUNNI MENON (Madras : Nominated Non-Official): Sir, I should like at the outset to express my appreciation, if I may presume to do so, of the short, lucid and businesslike speech in which the Honourable the Finance Secretary explained the main features of the budget, and I should also like to congratulate the Honourable the Finance Member who is present here on his good fortune in being able to present a surplus budget. Most people do not regard the budget as an abstract problem in public finance. They are interested in the budget because they expect to find in it some expression, however abbreviated it may be, of the policy of the Government in various spheres of national activity and also because they expect to find in it a measure of the moral progress and economic prosperity of the people. It is to one or two aspects of the budget as thus regarded that I propose to direct my remarks. I must, before proceeding any further, express my disappointment that the Government have not found it possible to come to a decision on the rice question, which was discussed in the Council a few days ago, and in the other House about two or three weeks ago and which has been engaging the attention of the Government for a good long time now. I hope, however, my disappointment which I am sure will be shared by others will soon be dispelled by the decision of the Government.

One of the very attractive features of the present budget, to which Honourable Members have already called attention, is the allotment of a crore of rupees to provinces for rural development. I welcome this measure for two reasons. On its merits, rural development is so absolutely essential to national prosperity that the expenditure of public funds on it will be readily

[Sir Ramunni Menon.]

welcomed by all people. I welcome the measure for another reason, namely, that it is an indication that, in matters of national importance, the Government of India will not take a narrow view of their responsibilities but will be prepared to come to the assistance of provincial Governments even in a sphere of activity which is primarily a provincial concern. I hope that this occasional practice of giving assistance to provincial Governments will soon be converted into a regular policy of the Government of India and that the policy will be extended to all spheres of national activity.

There is a small item of expenditure of Rs. 25,000 hidden somewhere in the budget under Education. I bring this to the special notice of the Council because I think this expenditure is for a sound and beneficial purpose. This expenditure is provided to meet the cost of the Central Advisory Board of Education. The establishment, or, to be more accurate, the revival, of this Board is, I consider, one of the most beneficial measures that the Government have taken in the last year. The Advisory Board has long been over due, and I am very glad that it has arrived at last. The whole system of education in this country requires thorough overhauling in all its stages. I am sure that, in this critical juncture in educational development in this country, the opinion, advice and guidance which the Central Board will be able to give to the provincial educational authorities and the co-ordination of policy and effort which it will be able to bring about should be of the greatest possible advantage. I am very glad, therefore, that the Honourable the Leader of the House—whom we miss here today—has been able to add this to his many other achievements as head of his department.

I should now like to put forward a point which I think deserves consideration, and if the Government find in it anything with which they are inclined to agree, I hope they will bear it in mind when framing their schemes of taxation and expenditure for the future. It has been observed that the existing distribution of responsibilities and resources between the central and provincial Governments is not satisfactory. The provincial Governments are charged with Education and other national activities which entail an unlimited expenditure, but are assigned sources of income which are incapable of expansion. On the other hand, the central Government have responsibilities of a comparatively restricted kind and at the same time enjoy growing sources of revenue. It is quite obvious that under this arrangement, if the provincial Governments are to discharge their responsibilities adequately, they will have to depend upon considerable financial assistance from the central Government. The force of this contention seems to be recognised by the authorities, because I find that in the new Constitution Bill a provision has been introduced by which, under certain conditions, proportions of income-tax and salt-tax will be distributed to the provincial Governments. One does not know when this statutory provision will be brought into operation, but pending its being brought into operation, I venture to think that the central Government should accept the principle and act upon it and distribute any available surpluses to provincial Governments towards the financing of national schemes. The need for assisting provincial Governments is particularly urgent in the matter of Education.

One of the most pressing needs of the day—I should regard it as the most pressing need—is the extension of elementary education. In the modern State the provision of education for its citizens is coming to be recognised as one of the primary duties of the State. In fairness I must say that in India the State has accepted this responsibility. But unfortunately, the provincial

Governments upon whom the charge for education rests, have not been able to embark upon any comprehensive scheme of education owing to financial difficulties. Whatever schemes they were able to inaugurate have had to be curtailed owing to the financial depression, and the inevitable result is that the rate of progress has been very materially retarded. The Report on Education in India for 1932-33, which has recently been published, will support my statement. I consider that the task of dealing with the education of the masses cannot any longer be delayed. Every year of delay will merely increase the magnitude of the task and will throw an increased burden on the future taxpayers. Money must somehow be found for a very ample measure of expansion of primary education. In considering schemes of expenditure and taxation I think this fundamental fact should be borne in mind. After all, the many illiterate millions of this country have some claim on the revenues of the Government. Are they not entitled at least to the barest minimum of equipment necessary for their cultural growth? I consider that their educational need is a national need and should have a first claim on the surpluses both of the central and the provincial Governments, and in dealing with surpluses which we hope will accrue to the central Government in the future, I hope the Government will always consider this national need before they decide to utilise them in other ways.

I have referred to this particular aspect of the question because I consider that sufficient attention has not hitherto been paid to it. There are other features of the budget which invite comment, but I shall not refer to them. On the whole I think this year's budget is extremely satisfactory and should commend itself to this Council.

THE HONOURABLE MR. S. D. GLADSTONE (Bengal Chamber of Commerce): Sir, I will refrain from adding yet another protest to those which have already been made by so many Honourable Members about the totally inadequate time which we have been given to consider the budget proposals. It is sufficient for me to say that I concur with what has been said on this subject this morning and that any views which I express now are of necessity only of an entirely preliminary nature.

Sir, my first impression of the budget proposals as a whole is that they are sound to the degree of being too cautious. It seems to me that they are based upon unnecessarily conservative views of the future. I recognise that even if this is so, even if an unduly cautious view has been taken in some instances, as I believe it has, it may be claimed that there is no serious ground for complaint and that the benefit of this policy will accrue in the future. In this country, Sir, as in the United Kingdom, we have been brought up to appreciate to the full the inestimable benefits of sound finance and sound budgeting, and the last thing any one of us can want is a departure from this policy even to a small degree. As I have said, however, I think the Honourable Finance Member has exercised undue caution in framing some of his estimates and as a result there will be legitimate disappointment felt by the taxpayers. The tale which was so ably and so concisely unfolded to us in such clear language by the Honourable Mr. Tallents in this House on Thursday afternoon reflects the undoubtedly improved position of most branches of commerce and industry in this country and there is, in my opinion, every reason to believe that, given freedom from political and other disturbances, this process of improvement will continue, resulting in increased revenues to the Government of India and to provinces, and in the opening up of the way, not only to reduced taxation, but also to a more bold policy of expenditure upon schemes of a

[Mr. S. D. Gladstone.]

productive nature which it has been impossible to cater for adequately during the years of depression and shrinking revenues.

That we have left behind us the worst part of the depression has been clearly indicated by trade and traffic returns for many months past and also in a number of other ways, and that conditions are really substantially better than they were is conclusively proved by the figures which have now been laid before us. It must be a matter of great satisfaction to the Honourable Finance Member to find that he inherits—along with some liabilities, no doubt,—surpluses over estimates of no mean extent from the years 1933-34 and 1934-35 which places him in the happy position of being able to make distributions at once to the extent of Rs. 389 lakhs. With his proposals as to how this amount may best be disposed of, I think we can have no quarrel and I would specially applaud the proposed gift of Rs. 1 crore to the provinces to be spent upon schemes for the economic development and improvement of rural areas. This is a most thoroughly deserving object and the money so spent—and I have no doubt it will be expended with the greatest care and under the strictest control—will certainly prove to be a sound investment. The same may be said to apply to the Rs. 65 lakhs which are to go to Roads.

As regards the grant to Broadcasting, I feel inclined to support this on this occasion as the scope for broadcasting in this country

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is very great and it can undoubtedly do very great good.

Moreover without some assistance development is bound to be slow. But as far as possible and as soon as possible this department should be able to stand upon its own legs. I would not like to think that it is to become a department which is to require permanent assistance from Government revenues. I think even now the financial position of Broadcasting would be appreciably better if the licensing rules were to be more rigidly applied.

With the principle of the proposal to pay for the transfer of the Pusa Institute to Delhi out of the surplus, also the cost of the Civil Aviation programme I am in whole-hearted agreement, as it would clearly have been unsound to charge the cost of these two schemes to capital but I am not so sure whether it would not have been fairer to have spread this expense over a short period, say, of three years.

I now turn to what are described as the main proposals for 1935-36 and if we admit the justice of the restoration of the balance of the pay cut, as I personally do, it seems to me that the Honourable Finance Member's proposals regarding the disposal of the surplus of Rs. 142 lakhs are as fair as they could possibly be. But this opinion of mine is based on a surplus of Rs. 142 lakhs and my contention is that Sir James Grigg might justifiably have produced a better sized rabbit out of his hat, might reasonably and without departing in any way from the principles of sound finance and sound budgeting, have shown a surplus sufficient to reduce the surcharges on income-tax and super-tax by one-half instead of one-third. Surely conditions today are immeasurably better than they were when the first half of the pay cut was restored. So why must the unfortunate taxpayer be content with a rather miserable one-third?

Still we must be thankful for whatever we may get, that I clearly recognise and if we must be content with a one-third reduction for the present we will only be so under protest and in the sure expectation that the remaining two-thirds of those surcharges will come off at the close of the current year. That the small income-taxpayer should share in any relief going, is, I consider, equitable and I consequently support the decision that those paying tax on incomes between Rs. 1,000 and Rs. 2,000 should share in the scheme.

Before closing, Sir, I must refer briefly to two matters of particular interest to Bengal. It was a great satisfaction to us from that part of

India that after so many years the justice of the jute-producing province's claim to the proceeds of the jute export tax was recognised in principle and it is gratifying that under this head Bengal is to receive some Rs. 140 lakhs. I want to emphasise once again, however, that Bengal's claim is for the whole of this tax and full justice will not have been done until the whole of it is released.

Finally, a word about the additional import duty on salt. This is clearly a duty imposed in order to assist the producers of Aden and the burden of it falls upon the poorest classes in Bengal. I therefore cordially welcome the Honourable Finance Member's statement in this connection and earnestly trust that both Houses will decide to remove this duty at once. I do not consider that such action would involve any harsh treatment of the vested interests which have grown up because I think they were clearly warned at the time the additional duty was imposed that it was only temporary. There will certainly be much controversy on this question and keen opposition from some quarters but it is to be hoped that the Bengal view will receive the sympathetic consideration which it clearly deserves.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadan) : Sir, I desire in the first instance to congratulate the Honourable the Finance Secretary on the admirable lucidity and brevity of his statement. But, Sir, while it is possible to admire the brevity and lucidity of the budget statement, it is not possible to enthuse over the budget which has been presented to us by the Honourable the Finance Secretary. Indeed the author of the budget, the Honourable Sir James Grigg, whom we are very glad to see just now here, has himself said that he is not satisfied with the budget and that this budget will satisfy no one. Now, Sir, what are the main features of this budget ? Considering what we have been through during this period of economic depression, it is satisfactory to note that we have a surplus budget and that the revised estimates also show a surplus of about Rs. 327 lakhs. But, Sir, how has this surplus been obtained ? This surplus has been obtained by keeping taxation at a very high level. This surplus has been obtained by not enforcing the provisions of the sinking fund prior to 1933-34. These are facts which we might remember in considering the question of the surplus. What are we going to do with this surplus ? The distribution of a surplus is always a difficult task and it must be admitted that so far as the provision for rural uplift is concerned, it has the support of this side of the House. Sir, I do not know, however, whether this provision is in the nature of a political stunt or whether it is really intended for the benefit of the masses of India. The Government of India have suddenly realised that they have a duty towards the rural classes in this country. Mahatma Gandhi has roused the Hindu conscience on the question of untouchability ; he has also succeeded in rousing the conscience of the Government in the matter of rural uplift. But, Sir, whatever be the motive behind this move, the move itself is in the right direction and I do earnestly hope that in the actual spending of this money the Government will take into confidence non-official Members of the Legislature. My suggestion would be to appoint an advisory committee of both Houses of the Legislature to consider the ways in which this sum might be best utilised. I do not wish you to give any executive powers to this committee. It will act merely as an advisory committee and I say if you appoint an advisory committee you will strengthen your position so far as the Legislature is concerned. Then, Sir, a sum of Rs. 20 lakhs is going to be spent on broadcasting. We all know that broadcasting is a very useful object, but for whom are you going to broadcast ? Are you going to have some provision for free broadcasting in rural areas or is this broadcasting going to be only for the rich and the wealthy, that is, those who

[Mr. P. N. Saprú.]

can afford broadcasting instruments? If the latter is going to be the case, I do not think that the money is being well spent or well used.

Sir, there has been some relief so far as the surcharge on income-tax is concerned and also on incomes between Rs. 1,000 and Rs. 2,000. And, Sir, for this little relief we are thankful to our trustees who are anxious to have their cuts restored. It is the heavy income-taxpayers who will benefit by this small reduction of the surcharge on incomes, and for this mercy they will have to thank their trustees who also will benefit by this reduction. So far as the poorer classes are concerned, that is to say, those income-taxpayers with incomes of Rs. 1,000 to Rs. 2,000, their case is already hard and one would have thought that in decency and fairness Government would have waited for the restoration of the cut until such time as they were able to reduce substantially the burden on the poorer sections of the community. But, Sir, the country exists for the services and not the services for the country and that is the plain truth of the matter. Therefore, it is no use our protesting against the salary cut. It was indeed a surprise that there ever was a salary cut. It would have been a scandal if there never had been a salary cut and now the earliest opportunity has been taken for its restoration. Now, Sir, we enter our protest. It might have been possible to support the restoration of the salary cut had it been confined to the poorer employees who get Rs. 100 or Rs. 150. but for over-paid servants, well, Sir, who can say that he can support the restoration of the cut?

Then, Sir, I come to some more fundamental problems. The fundamental fact about India, the tremendous fact about India, the terrible fact about India, is that it is a terribly poor country. We can have some idea of the poverty of the country when we remember that the gross central revenue of a vast sub-continent is only Rs. 121 crores and if we take into consideration only the net revenue it is about Rs. 77 crores because for the money that we get from railways—Rs. 32 or Rs. 33 crores—for that we act merely as a clearing house and the cost of collection has also to be deducted. Then out of this Rs. 77 crores, what is the amount we spend on the army? We spend about Rs. 45 crores—Rs. 44·8 is, I believe, the actual figure shown in the budget. This is the visible amount we spend on the army. So far as the invisible amount is concerned, it is difficult for me to calculate it, having regard to the short time which has been given to us to study the budget. Now, Sir, this means really that we are spending very nearly 60 per cent. of our net central revenues on the army. I have no doubt that the army is being kept up in a state of perfect efficiency. But, Sir, we have to cut our coat according to our cloth. Sir, we are not responsible for the foreign policy which dictates military expenditure. We are not responsible for the foreign commitments of Great Britain. We are not responsible for the imperial purposes which Great Britain has in keeping this army here. It is no use saying that British troops are intended to be here only for the purpose of internal order and defence from external aggression. Sir, the present ratio was fixed in 1859 after the Peel Commission had reported on this question of the ratio. And what influenced the Peel Commission in fixing the ratio was the Mutiny complex. The British authorities at that time were suffering from the Mutiny complex. You ought not to stick to that ratio now. You say you want to lead India to dominion status. Why do you not substitute for this policy of distrust a policy of trust? Before the war, the British Army strength stood at 80,000. Now, the strength of the British garrison is about 60,000. Well, has this reduction of 20,000 led to greater disturbances? Has it led to more Hindu-Muhammadan riots? Has it led to more insecurity of life? Well, if it has, then you are not paying

a compliment to your rule of 50 or 60 years in this country. Therefore, Sir, there are two alternatives before you. Either you reduce the British portion of the army very very substantially,—I want to emphasise these words “very substantially” because a nominal reduction will not satisfy us,—or if you are not prepared to reduce very substantially the British troops in India, at any rate bear the cost of these British troops yourself. Sir, we know that a Capitation Tribunal was appointed to inquire into this matter. Two very eminent Indians, to whom I desire to pay a tribute—Sir Shah Suleiman and Sir Shadi Lal—wrote a minute of dissent. As a result of this Capitation Tribunal, what is the relief that the Indian exchequer has had? About Rs. 1 crore and 50 lakhs will in future be contributed by the War Office to us towards army expenditure. You have by this plainly admitted that there is an imperial purpose behind this army, otherwise why are you contributing at all? Is it out of generosity? The real reason why you are contributing something towards the army expenditure—it follows as a matter of logic—is because you think that there is an imperial purpose behind the army in this country. The army provides training for your officers. The frontiers provide training for your officers and men. It is a sort of imperial depot for your troops. And you have got vast commercial interests in this country and you want to maintain this army for these interests. Well, what is the value of these interests? How much ought you to contribute having regard to the interests that you have in this country? Now, Sir, it is obviously difficult to go into the statistical material on this point in the very limited time which one can have in a discussion of this character. But I would just refer to a memorandum which was submitted at the first Round Table Conference by certain delegates to the Conference, the most prominent of whom was the late Sir Provash Chunder Mitter. In that memorandum they stated that the contribution of England towards the cost of the army should be Rs. 27 crores, or one-half of the total expenditure on the army. Now they quoted with approval from Mr. Ramsay MacDonald, the Ramsay MacDonald of an earlier day who was a Socialist before he became the nominal head of a National Government. Well, Sir, they quoted from that memorandum and they also quoted from the observations of Sir Walter Layton which are embodied in the Simon Commission Report, and then they went on to emphasise that it would be a gesture of goodwill on the part of England if she were to make a substantial contribution and they indicated what in their opinion that substantial contribution should be. They wanted Britain to make a substantial contribution towards the cost of defence in this country. Now, I would ask His Excellency, who has fought this question for India before the Capitation Tribunal, to take into consideration this memorandum of very moderate men and try and secure some relief for the people of this country. We want some relief, Sir. We want to develop the nation-building services in this country. We want to have ambitious programmes of social and economic reconstruction.

We want to have comprehensive schemes of social and economic reform. It is no use saying that other countries are spending very heavily on the army. Other countries are also spending very heavily on nation-building services. Other countries are much richer than we. There is no comparison between the national wealth of this country and the national wealth of France, of Italy or of even an Asiatic country like Japan. Therefore, Sir, when we say that you are responsible for our foreign policy, you are responsible for our military policy and you ought to have some concern for the poor cultivators in this country who want a better and higher standard of living for themselves, are we then to be dismissed as merely irresponsible politicians who have not studied this question carefully? Sir, I would like the Government to view this question from the point of view of humanity, from the point of view of the

[Mr. P. N. Saprū.]

people who have to struggle to make both ends meet, because, believe me, there is much poverty in this country. I have had some experience of slum work and I know what the lot of the poor in this country is.

I have been connected in my province with the movement for the uplift of the depressed classes, the Harijan movement, and I know what is the terrible condition in which these people live. I should have thought that with these surpluses you would have done something for these depressed classes whom you can use for your political purposes, but for whom you can find nothing in the budget. You have got some centrally administered areas and I should have thought that as a gesture of goodwill towards these depressed classes, Government would have out of this surplus made some contribution towards their amelioration. I may suggest that a sum of Rs. 5 or Rs. 10 lakhs at least should out of this surplus be reserved for the improvement of the condition of the depressed classes living in centrally administered areas. You would then be giving a lead to the provincial Governments in regard to this matter.

Then, there are certain other questions. There is the question of the fiscal policy of India. What strikes one when reading the budget papers is that most of our revenue is derived from indirect taxation. It is very difficult to find out what the incidence of an indirect taxation is. But I would say this, that the system of taxation is not equitable, and fair in so far as the poorer section of the community is concerned. So far as the poorer section of our countrymen are concerned, they have to bear a heavier burden than they should having regard to their actual financial condition. I am glad, Sir, that in some cases, the Finance Member himself realises the injustice of the present system of taxation. But, Sir, I do not know what he has in mind, whether he proposes to modify this system by preferential or differential arrangements, arrangements to which we on this side of the House have objection or in some other way. I think these preferential and differential arrangements have contributed not a little to the distress of both the commercial and poverty-stricken classes in this country.

There were other points to which reference was made by my leader, Mr. Hossain Imam. He referred, Sir, to the export of gold and the failure of the Government to levy a duty on the export of gold. Other countries are trying to build up their gold reserves. But you say that it is not necessary for us to have any duty on gold. Am I wrong in saying that a national Government would in this matter have acted in a very different manner?

Then, there is the burden of excise duties on matches and on sugar, and industrialists are not satisfied with these excise duties. They say that these excise duties are hampering industry. There is an industry in my province, the glass industry. It is situated in the Aligarh district. A Tariff Board was appointed to consider the question of this industry. But no action has yet been taken on that report of the Tariff Board, and the industry is struggling for existence.

Sir, before I close my remarks, I would also like to refer to the case of the non-official universities in my province which are under the charge of the Government of India. These universities are doing very useful work. I do not think we have had enough of university education. We want both expansion and improvement of university education in this country. I know, Sir, the Benares Hindu University, and I know what magnificent work the Engineering College of that University is doing for our province, and yet, while you are prepared to restore the salary cuts in the case of men who are

enjoying the Lee concessions even at a time of depression, in the case of men who are getting very good salaries from our point of view, you cannot find money to restore the cut in the case of these universities. That is not how a National Government would act in regard to universities which owe their existence to an Act of this Legislature and which are doing very good work so far as the education of all classes of the people are concerned.

This is all that I have got to say. But before I close, I would again emphasise that there is need for a substantial reduction of military expenditure and that His Excellency should use his best offices with the Government in England to get either a very substantial contribution for us or be prepared to reduce very substantially the British troops in this country. Sir, the burden is intolerable and with this burden, I dread to think of what will happen when the new constitution with the heavy expenditure it will entail comes into force.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I congratulate the Honourable the Finance Member and the Honourable the Finance Secretary on their good fortune in presenting to the Legislature their very first budget and that a surplus budget. I must say that on the whole this budget is disappointing. One of my friends, while speaking from this side of the House, said that in Bombay and Calcutta this budget has been well received. I will myself quote the opinion of a leading Bombay gentleman which appeared in the Press this morning. That business-man says :

“It has had a depressing effect on the market, which today opened half an hour after the publication of the budget. Government securities registered a decline of $3\frac{1}{2}$ per cent. slumping from Rs. 96-10-0 to Rs. 96-4-0”.

Sir, I endorse the remarks which have fallen from the lips of my Honourable friends, Mr. Miller and Mr. Gladstone, that this House is not given due consideration. The budget was presented to this House at about 6 P.M. the day before yesterday, and we are asked to take part in the debate today. Is this possible and are Government justified in thinking that Members can go through that volume of literature in such a short time and come here prepared to make right observations ?

Sir, this budget is disappointing because practically it gives very little relief in taxation, which stands today at a very high level and is unbearable. The author of the budget himself admits that it is disappointing, so I need not dilate more on this subject. The army expenditure is again going up. This year it has gone up by practically Rs. 80 lakhs, Rs. 60 lakhs being directly shown in the estimates and there being a saving of Rs. 20 lakhs in the purchase of foodstuffs. So practically it comes to Rs. 80 lakhs, and if you add the loss on strategic railways and other incidental expenses, it will be swollen still more. I beg to ask His Excellency to be so kind as to tell this House what are the factors since the war which have made the expenditure swell so high and why has there not been a reduction to the pre-war level ? Is it that the relations of our Government with the neighbouring powers have become strained ? Sir, no country in the world keeps such a huge standing army and I am of the opinion that the sooner the army is reduced the better. I think the Retrenchment Committee proposed a substantial reduction in army expenditure which I am sorry to say has not yet been achieved. I will read a few lines from the report, from which it will appear that His Excellency the

[Rai Bahadur Lala Ram Saran Das.]

Commander-in-Chief gave us a warning that the army expenditure is likely to rise more and more. He said :

“Honourable Members have been warned from time to time that the budget allotment accepted by His Excellency the Commander-in-Chief during recent years should not be regarded as marking a new permanent level of defence expenditure, because to some extent the very large reductions made have been achieved by measures of a purely temporary nature”.

Sir, I would request His Excellency the Commander-in-Chief to effect more savings in army expenditure. The chief factor which will materially reduce army expenditure is increased Indianisation in the services and reduction in the number of soldiers. From what His Excellency told this House the other day, it appears that during the next 14 years he saw no hope of Indianisation proceeding at a greater pace than today. I request him to move in the matter again and try to get the pace of Indianisation accelerated, and the system of army reserves and militia much developed and increased.

Sir, the Government of India has this year shown its solicitude for the poor. I thank Mahatma Gandhi for this, because I think he has been the real sponsor of this movement, and I hope that the amount provided for rural uplift will be spent in the right direction. Much is being said about rural uplift and the amelioration of conditions for the rural classes, but what do we find in practice ? The present exchange ratio is not in the interest of the cultivator and that fact has now been proved and established. While the rupee value has appreciated the revenue, which was based on the old level of the rupee, has not been decreased. Exactly the same is the case with canal water and other cesses. The chief trouble in India is unemployment. Although many committees have sat in various provinces to solve this problem, nothing practical has yet been done, and in this rural uplift campaign, if no impetus is given to the development of small industries, the problem of unemployment will remain where it is. In this connection I would also say that a definite reconstruction programme should be set forth, so that the people may understand that this money will be rightly spent. From the information that has been placed before us here, I think it will be very difficult to spend all this money in the coming year, because the limitations on expenditure have been so defined that it would be impossible to spend the whole of this money.

Sir, money is very cheap today and we have been greatly disappointed not to find the Honourable Finance Member trying to substantially convert the loans to a cheaper rate of interest. I ask the Honourable the Finance Member to kindly tell this House why there has been no substantial conversion of loans this year ? When money is so cheap, the old loans bearing a high rate of interest should be replaced by 3 per cent. loans.

We expected that as a result of the inquiry which was going on through a special officer appointed by the Government to go into the question of the future salaries of superior officers something would be done. The present salaries are too high and we were promised that in the very near future a new scale of salaries for the superior services would be brought into operation. I understand that on that point the Secretary of State has ruled that there should be no reduction in the scales of pay for superior officers ? If I am wrong in this information I hope the Honourable the Finance Member will put me right.

Then, Sir, I endorse the views expressed in regard to the flight of gold from India. Finance Members have from time to time advised us that the sale of gold is in the interest of the poor people, who have got it as a surplus

and who sell it. I would with due deference inform the Honourable the Finance Member that this is distress gold. People in distress are selling it and every sale they make is a loss to them. Since the flight of gold began the price has been rising until now gold stands at a price which we never thought it could reach. The export of gold should be stopped.

Sir, I come next to income-tax and I must say that Government now has adopted the habit of violating their pledges. Their sacred pledges are being thrown to the winds. When a sacred pledge is made, it is made seriously and it is made with the intention of fulfilling it. As far as the income-tax office at Lahore is concerned, matters are becoming scandalous; no secrecy is being kept whatsoever. We thought that the visit to Lahore of the Honourable Mr. Lloyd would put matters right, but nothing has been done so far and I can say from my personal experience that no account, no statement, can remain secret in that big hall where accounts are examined, where the assesses are examined and everybody overhears others. The other day I myself appeared before an income-tax officer and whatever I said to him, which was supposed to be in confidence, was overheard by the people sitting around me, so much so that the Assistant Commissioner of Income-tax recognised my voice. I told him that I had overheard what he dictated to his stenotypist and he told me that he also overheard me. I think in case Government want to stand by their pledge, this scandal should be immediately put right. In case an officer of the Income-tax Department has blundered in taking a long lease of an unsuitable building, that building should be sub-let even at a loss and the sacred pledge of the Government should be fulfilled.

THE HONOURABLE THE PRESIDENT : There is no question of pledge. There is a distinct section in the Act enjoining secrecy.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Then my argument becomes stronger because as it is embodied in the statute, it is the sacred duty of the Government to carry out that obligation. Then, as my Honourable friend the Nawab of Hoti has observed, there are no legitimate allowances given to income-tax assesses as regards their carrying forward their losses from year to year and for the maintenance of their families and the education of their children, these concessions are overdue now.

Sir, we were all expecting that, as the Government is now taking a solicitous view for the poor, the postage rate for the postcard would be reduced to one pice. That is a communication which is meant for the poor and we find that no reduction whatsoever has been made in that direction. Telephones, particularly trunk telephones, are becoming quite popular in India, and particularly in my province where, perhaps, we have more telephone stations than any other province of India, and I would suggest for the sake of better income to Government there should be no extra fee for a personal call. It will increase traffic and thereby it will increase the income of the department.

Then, Sir, I come to the Lee concessions. The time when the Lee concessions were given are now changed. The prices of foodstuffs and the cost of living has gone down and I see no reason why these Lee concessions should continue. It was said that they now form part and parcel of the salary, but I do not think that that was ever intended when they were introduced. That is all, Sir, I have to say.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTY (Madras : Non-Muhammadan) : Sir, I would also like to join with my friends in their remarks regarding the short time allowed to this House to consider

[Diwan Bahadur G. Narayanaswami Chetty.]

the budget. I would ask you, Sir, to request His Excellency the Viceroy to see that this House also is treated in the same manner as the other House is treated so far as the budget discussion is concerned. We were given on Thursday a very big bundle and speech and were asked to be here at 11 A.M. on Saturday ready for the general discussion. I submit it is physically impossible to go through these papers carefully if one wants to refer at least to previous speeches on the budget and to come prepared in this House.

Sir, I should like to congratulate the Honourable the Finance Member for having been able to introduce even in his first year of office such an optimistic budget with a surplus of Rs. 150 lakhs for the year 1935-36 and another non-recurring surplus of Rs. 389 lakhs as a result of last year's and this year's working. This is no doubt due to the very careful balancing and distribution of the assets and liabilities of the Government. This must be of very great encouragement in future years when we all hope the finances will improve considerably and surplus budgets become a matter of course.

The burden of taxation has been reduced in the shape of reduction of surcharges on income-tax and super-tax—though to a very small extent. Funds have been allotted for promoting schemes for economic development in the provinces, for the development of civil aviation and for the development of roads. Provision has also been made for the construction of broadcasting stations in Madras and Delhi. The export duty on raw skins has been abolished and we from Madras feel particularly happy over this abolition of export duty, since Madras is the only province, I think, which exports a large quantity of raw skins to foreign countries. This budget must also satisfy the hard-worked officials of the Government, whose cuts in salaries have been restored, and also the general taxpayer, whose burden of taxation has been reduced—though only to a small extent. These are certainly features which every Finance Member may feel proud of and that the new Finance Member has been in a position to do this at the very beginning of his career, is a matter for congratulation.

At the same time I am constrained to make a few observations on some of the points in the budget which require careful consideration and to make a few useful suggestions. Though an attempt has been made to stop the flow of silver from India, gold has been allowed its free flow outside. The items of taxation which fall heavily on poor people and other dumb masses have not been reduced. For example, excise duty on matches, sugar, kerosene and tobacco have not been reduced; and the rate for postcards in which this House has been for the last three or four years asking for a reduction still stands at the same level, though it was hoped every time that it would be reduced in the next budget from the time the rates were increased. I hope the Honourable the Finance Member will keep the interest of the masses at heart and do everything to alleviate their economic distress. I would also suggest that the funds allotted for the economic development of rural areas should be utilised for the laying out of village roads, construction of drinking water supply wells and for providing adequate rural medical relief. In this connection I would like to suggest that an advisory board like the one attached to the Imperial Council of Agricultural Research ought to be formed by the Government of India, so that they may be in direct contact with the Government of the provinces so far as rural development is concerned. Sir, it may be said that rural reconstruction is and will be a provincial item under the provincial Legislature; still I want the Government of India to have some sort of control over the spending of this money by the provinces and see that really substantial good is done by the allotment made by the Government of India. These

are important factors in the every-day life of the agriculturist and I hope the Honourable Member will bear these in mind when he distributes the amount of Rs. 100 lakhs for rural economic development, and if my suggestion about an advisory board is given effect to, a lot of good work will be done.

In conclusion I would strongly urge on the Government to completely remove the surcharges on income-tax and super-tax. These surcharges were imposed under protest, in 1931, but as the then Finance Member assured us that they were only emergency measures of a temporary nature, we accepted to being over-taxed. But now more than three years have elapsed and yet these surcharges are in existence, though I must thank the Honourable the Finance Member for having reduced it to one-third of what it was before. But this reduction is not enough. We want these emergency taxes to be completely abolished, if not this year at least next year and I am sure, if the Honourable Member wills it, he can abolish it just as he restored the cuts in the salaries of Government servants.

Sir, before I conclude I should like to say a word about an important matter concerning the province of Madras. The other day this House carried a Resolution of mine to check the import of foreign rice and I was looking forward very much to the budget proposals to see if anything was there but I am sorry to have to share the disappointment of my Honourable friend, Sir Ramunni Menon, regarding it. Sir, the matter has been under correspondence with the Madras Government since July, 1933, and, as the Finance Member said in the other House, they have come up five times to the Government of India who have not yet come to any decision, though I understood from my Honourable friend, Mr. Stewart, the other day that as Government's immediate attention has now been drawn to the fact, something may be done. I hope, Sir, that at least some measures will be adopted to alleviate the condition of the agricultural classes in my province so that they may be able, at least, to pay Government dues without any trouble and inconvenience. As I told the House the other day, Sir, they are not able to meet their annual *kist* for land or even to sell the land. Sir, these are the features I would specially stress. On the whole I agree with the conclusion of the Honourable the Finance Member, who very frankly admitted, that this budget will be found completely satisfactory by few people, but I hope, Sir, when we come next year to this House the over-burdened taxpayer will be given greater relief and the budget will be received in a more gratifying spirit by a larger number of people. I once again congratulate the Finance Member on the very satisfactory budget he has presented to us.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, some of the Honourable Members opposite appear—I will not say to have manufactured a grievance but they have put forward a grievance which is apparently based on the idea that the increase in the military budget has come upon them as a surprise. All I can say is that if it has done so they could never have listened to what I have said during the last two or three years. During those years we have never concealed for a moment the fact that the military budget of the last three or four years has been in effect a false budget. It has been a budget to meet an emergency and in addition we have only been able to implement the figures we have put forward by the fact that commodity prices have fallen to such an extent that we have sometimes made a saving from this cause of as much as Rs. 60 or more lakhs a year. And I am now in the peculiar position myself of being, I hope, a good citizen but at the same time one of the few citizens in this country at any rate who desire a rise in commodity prices. Probably everybody else in this House and in this country desires a

[His Excellency the Commander-in-Chief.]

rise except me. Because I know very well that if a rise occurs this year, the bottom rather falls out of my own budget.

One Honourable Member said that India was fortunate in the fact that her finances had been so sound that they can now borrow at 3 per cent. I would like to suggest that India is also fortunate in the fact that she is practically the only country in the world whose military budget has not gone up by anything from two to five times what it was before the war. On the contrary, I have been able to make what I hope are very large permanent reductions as well as those I have made to meet the particular crisis. The savings I made were not only produced to meet that crisis but they were a very genuine attempt on my part and my officers to make a permanent reduction in what I genuinely considered was the too great cost of the army in India. But a great many of those savings were made at a risk and we have now arrived at a state of affairs which I will explain, I hope, to the satisfaction of my Honourable friend Rai Bahadur Lala Ram Saran Das. There are more than three or four items in which we have run into dangerous ground. One is buildings. I have allowed the necessary repair of buildings to get into such a state that it is becoming absolutely uneconomic to allow them to go any further. I have, as it were, existed on my own fat. I have left my own resources—my ordnance requirements for war, my ammunition and so on—in a state where it would be dangerous for me to let them go any further. And I would ask my Honourable friend Lala Ram Saran Das, and I would ask the Honourable the Finance Member, which they would prefer—to allow a situation to arise such as arose just after the so-called Inchcape cuts? There was an insistent demand at that time that enormous reductions should be made in the army. Lord Inchcape came out here and he made certain proposals and the result of those proposals was that the army authorities were forced to let their stocks, their ammunition, their weapons, everything that was required for war, go down to a state of great danger. And they had to come to the Government and ask for a large lump sum, a sum of Rs. 10 crores for re-equipment. Would the Honourable Lala Ram Saran Das and his friends opposite, and the Honourable the Finance Member, consider that it would be better finance for me to allow that to happen again, or to go to the Finance Member now with a well-thought-out yearly programme and ask him for a sum each year which will, I hope, suffice to put the things right which have been allowed to get into a dangerous condition? To my mind there is only one answer to this question.

The full increase of the army budget this year is about Rs. 67 lakhs of which Rs. 58 lakhs are accounted for by the restoration of the cut in pay. The remainder of the items are absolutely necessary ones as I have explained. The biggest of them is Rs. 25 lakhs for works and buildings which have got in many cases into a dangerous condition. The next largest item is Rs. 12½ lakhs for renewal of stores of which I am rapidly running so short that I could not go to war. I have also had to propose a largish annual programme for the renewal of aircraft which we at present possess. That is not because the aircraft we at present possess are inefficient. They are very efficient. But aircraft suffer from the same disease from my point of view as battleships. They are obsolete almost before they touch the water. Invention is so rapid nowadays that I am told that unless I have a programme for the renewal of my present aircraft out here, our airmen might meet the enemy at a disadvantage, and that is unthinkable, I think you will all agree. That is an item that comes to Rs. 12 lakhs this year and there will be an annual similar programme for the next eight years. I can assure the House

that I will continue to do my best and I feel sure my successor will do his best to keep the cost of the army as low as possible, but I am absolutely convinced and I stand here before you all and tell you once again that the army and air force in India and the navy are just sufficient in my opinion to carry out the possible tasks that might be laid upon them and I would like to say that those tasks are not, as Mr. Sapru said, imperial tasks.

As he knows perfectly well, the Imperial Government have decided more than once and the Indian Government also, and they have given me my orders, that I shall maintain the fighting forces in this country at sufficient strength for what is known as the minor danger. That is, the tribes and Afghanistan, and my task is to have the army ready to ward off the first brunt of anything bigger than that until such time as we are reinforced from Empire sources. Having said that, Sir, I do not think I can put forward any further arguments to counter those that have been put forward from the other side of the House. So far as I can see, they are all old ones, old bones dressed up in new frills, but nothing that we have not heard many times before.

I would like to conclude with a repetition of my statement that there is no possibility of reducing the army as things are at present. One Honourable Member on the other side of the House actually suggested that because civil disobedience has been called off, the army could therefore be reduced in size. You might just as well say that when Mr. Gandhi's activities ceased for the moment in 1922, we could then have reduced the army largely. What have I had to meet during the last five years out here? I have had to meet the rebellion in Burma which absorbed 11 battalions suddenly. I have had to put two brigades into Bengal. I have had to put nearly two divisions into the North-West Frontier to meet the Red Shirt menace. I have had to help in difficulties in two States. I have had troops called out in aid of the civil power over a hundred times in one year. Is there any one Member on the other side of the House who can say that all these things might not have occurred at the same time? I can assure you that although only one or two of them occurred at the same time, my Chief of the General Staff and I were more than once hard put to it to find battalions to deal with them.

THE HONOURABLE RAJA GHAZANFAR ALI KHAN (West Punjab: Muhammadan): Sir, we have all listened with very great respect and attention to the speech on the army budget just concluded by His Excellency the Commander-in-Chief. I think every Member on this side will agree with me when I say that His Excellency's utterances in this House are really marked for their straightforwardness, frankness and candidness. The other day, when we were discussing the question of the reduction of British troops, and incidentally the question of Indianisation of the army, I think His Excellency left no doubt in our minds where we stood. He clearly explained to us that our ideas of Indianisation were absolutely unacceptable from his point of view, and that we should understand clearly that for some time to come at least, there was no chance of accelerating the pace of Indianisation. Today, Sir, equally important questions are being discussed in this House and His Excellency has made it clear to us that he does not see any possibility of reduction in the army budget in the near future. He has given some very convincing arguments in favour of that proposition. On the other hand, he has himself mentioned the Inchcape Committee Report which laid down a certain amount to which the army budget must be reduced in due course—

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: That, I think, was to a 50 crore budget.

THE HONOURABLE RAJA GHAZANFAR ALI KHAN—and His Excellency has further made it clear to us that it is absolutely impossible even to think of any substantial reduction in the near future. On the other hand, there is every chance of the army budget being increased owing to the restoration of these temporary cuts in pay, etc., which were imposed during the last four or five years, which he calls emergency cuts. I personally am one of those people who would not like to express any definite opinion on these highly technical military matters, because, after all, it is only experts who are in a position to know how much expenditure is required for keeping the army in its present efficient form. At the same time, I hope His Excellency the Commander-in-Chief will agree with me that during the last 10 years at least, this has been the burning topic of the day. Almost every section of the House, both in the Legislative Assembly and in the Council of State, has very strongly criticised the army budget. There are the taxpayers and their representatives who, rightly or wrongly, believe that the army expenditure in this country is absolutely beyond their means and can be reduced considerably. On the other hand, there are the army officers and His Excellency the Commander-in-Chief who certainly have better knowledge than these critics, who think that the army budget cannot possibly be reduced. So what do we find? There is a continuous struggle, continuous tug of war, between these two schools of thought. Is it not in the interests of the Government that some attempt should be made to reconcile these points of view? Is it possible? I am of opinion that with a little goodwill on the side of the Government, it is possible to achieve this object. I would appeal to His Excellency the Commander-in-Chief to see if he could take into confidence some leading Members of both Houses, whom he can ask to sit on a small committee and convince them of his case that it is impossible—that it is not in the interests of the army that any further reduction should be made.

THE HONOURABLE LIEUTENANT-COLONEL NAWAB SIR MAHOMED AKBAR KHAN: An Army Committee sat very recently. There was the Army Retrenchment Committee under the chairmanship of Mr. Rangachariar. Have you read their report?

THE HONOURABLE RAJA GHAZANFAR ALI KHAN: I must confess that I am not aware what report that committee made and when that committee was appointed and what was the result. I can assure the Government that the position which some Members take up will be different if they are given responsibility. I have got personal experience. I think it was in 1927 or 1928, when I was a Member of the Assembly, almost all the leading politicians of the House used to say that the recruitment of British officers to the army should be stopped immediately. When the Sandhurst Committee was appointed, these very people subscribed to the proposition that by 1950 the number of British officers should be reduced to 50 per cent. That is the difference which responsibility makes. Therefore, I personally would advise the Government that instead of insisting on this attitude that they cannot reduce the army budget, should take a few leading men into their confidence and try to convince them that it is impossible in the circumstances to reduce the budget. It will serve no useful purpose for somebody to get up on the floor of the House and to say, "I am here to tell you that no reduction can be made". In this House and in the other House there will be a large number of Members who will get up and say, "We are here to tell you that the army budget must be reduced". Instead of creating bad blood, it will be much better if there is goodwill on both sides and if we both appreciate each other's difficulties.

But, Sir, the reason for my taking part in this debate was not really to take up the time of the House in a long discussion of the army budget. As a matter of fact, I had no mind to speak on this question, because I agree with my Honourable friend Sir Phiroze Sethna that the value of the budget should be judged from the opinions expressed by great businessmen and commercial magnates and not laymen like myself coming from a corner of the Punjab. But the reason why I made up my mind to speak was that I shall be failing in my duty to my constituency if I did not express my sincerest gratitude to the Government for providing Rs. 1 crore for uplift work in rural areas. It is not that the amount is so substantial or that I feel that the requirements of the rural people are so small that the amount of Rs. 1 crore would be enough, but it is because, even though it may be after a very, very long delay, the Government do realise that they owe a duty to the villagers and to the rural areas in this country, and I am very glad that they have provided this small amount. I do not know whether this amount is recurring or non-recurring. If it is non-recurring then I must submit that the Honourable the Finance Member must make up his mind, at least as long as he is in charge of his office and as long as he is lucky enough to give us surplus budgets, to see that this item becomes a recurring charge. The condition of the agriculturists has been most deplorable during the last seven or eight years, and I think every Member of this House will agree with me when I say that the Government have hopelessly failed to appreciate the difficulties and trouble of the rural people and in applying remedies. The other day a Member of the Assembly was enumerating the great things which the Government have done for the people in the villages. I come from a village and I can assure you that that reminded me of a story of a newspaper reader who read in a paper that there had been heavy rain in his town. He had only read that there had been rain, but in fact there had been no rain. Similarly when we read these debates and hear these speeches, we feel that there must be perfect sanitary arrangements in the villages, that almost everybody must be well educated and well fed and that they are leading a very happy life. But those who live in the villages only know what little attention is paid to their needs. A sum of Rs. 40 lakhs has been provided for road development. That is another item upon which I congratulate the Finance Member, but our experience has been that the sole attention of the Road Development Committee is directed to the construction of those roads which really concern the big towns. They have never paid any attention to the construction of roads in the rural areas.

Secondly, I would submit that this amount of Rs. 1 crore will not be enough to remove the difficulties and hardships under which these people in rural areas are working. There are two things which the Government must do if they want peace in the country, and if they want the rural people to appreciate the fact that the Government has their welfare at heart. First of all, the rural areas must be saved from the clutches of the money-lenders. Certain steps in this direction have been undertaken by local Governments, particularly the Punjab Government. But those steps are very half-hearted and hesitating. I was surprised that, in spite of a Bill having been passed by a local Council, His Excellency the Governor was reluctant to give his assent to the Bill. So the first thing the Government must do is to save these people from the clutches of the money-lenders, and, more than that, to set up certain organisations through which they can borrow money from banks at a low rate of interest.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Has the Government found a substitute for that Bill ?

THE HONOURABLE RAJA GHAZANFAR ALI KHAN : That is what I am referring to. Government must provide some organisation through which zemindars can get money from a bank at a cheaper rate of interest. Co-operative banks there are at present, but their financial condition is not so good that they can meet the needs of the zemindars.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Do you want land mortgage banks ?

THE HONOURABLE RAJA GHAZANFAR ALI KHAN : If I had unlimited time at my disposal I would love to answer all the questions put by the Leader of the Opposition, but as I have other points to make I do not like to answer these interruptions

The second thing is corruption. There is no doubt that corruption is rampant throughout India, and particularly in the rural areas. I will not be exaggerating when I say that at least half the income of the poor zemindar goes in giving bribes. Therefore the Government must take some measures to stop it. I know that it is public opinion which can really stop this evil but the Government have their own responsibility in the matter and I am sure they can and will do something.

Then, Sir, as everybody has talked about the benefit which his own province has derived or hopes to derive from this budget, I would make a submission in regard to the Khewra salt mines which yield an income of more than Rs. 50 lakhs to Government every year. Now, while the Government derive this benefit of about Rs. 50 lakhs of net saving from these mines, they are absolutely blind to the great damage which those mines have done to the culturable lands of the people in the neighbourhood. Sir, I come from a nearby town myself which once had a population of 35,000 which has now been reduced to 7,000, entirely on account of these salt mines. There is no drinking water anywhere. The poor villagers have to bring water for drinking purposes sometimes from a distance of 10 miles, all on account of the salt mines. The Government of India have been quick to reap the benefit of that salt, but they have not done anything to help the poor agriculturists who suffer through the mines. But I will raise this question on a separate Resolution and I need not detain the House on this point now.

Before I conclude there is one more point upon which I must congratulate the Finance Member, and that is in regard to the restoration of the 5 per cent. cut. I am very glad, Sir, that the Government have restored this 5 per cent. cut, because I personally am of opinion that if you keep your servants discontented, if they feel that you are being harsh to them, you cannot expect to get efficient work. Our first duty should be to see that those who are in service are content.

THE HONOURABLE LIEUTENANT-COLONEL NAWAB SIR MAHOMED AKBAR KHAN : And what about the subjects ?

THE HONOURABLE RAJA GHAZANFAR ALI KHAN : I say that is my opinion. The other is a separate matter. The services must be made content. And particularly when they are employed on certain terms, if a reduction is made in their salary against their will, it is the moral duty of the Government to restore that cut as soon as they possibly can.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will that moral duty apply in other directions as well ? In regard to surcharges ?

THE HONOURABLE RAJA GHAZANFAR ALI KHAN: I can tell you that I have very little sympathy with those who suffer from the surcharges. You only hear about them when you come to this House, when the big businessmen who are rolling in wealth talk about surcharges. But they do not talk much of the poor zemindar whom I am here to represent. Even a zemindar whose income from land is only Rs. 50 has to pay a tax. But the people who complain of the surcharge are those whose income is so high that they can well spare a portion for the revenues of Government. Therefore the Honourable the Leader of the Opposition may have sympathy with the demand for removing surcharges but I have none.

THE HONOURABLE LIEUTENANT-COLONEL NAWAB SIR MAHOMED AKBAR KHAN: Have you got any sympathy in regard to super-tax?

THE HONOURABLE RAJA GHAZANFAR ALI KHAN: My Honourable friend wants to create sympathy with the payers of super-tax in the minds of people who are not concerned. I am not concerned. My constituency is not concerned. What I am concerned with is the condition of the rural people. That was the only reason why I took part in this debate, i.e., to express my gratitude to the Government for taking a step in the right direction, and I hope that with the passing of time they will increase the allocation they have made.

THE HONOURABLE MR. J. B. GLASS (Burma Chamber of Commerce)
Sir, I have to add my protest in regard to the short time allowed to us in which to assimilate and digest some 17 books and/or pamphlets containing information and statistics in connection with the budget. How can the Government expect this House to give a reasoned and intelligent criticism under such circumstances? How can I personally get the assistance of and the considered views of my constituency in Burma to put before you. It is clearly impossible.

In regard to the presentation of the budget I have to join in congratulating the Honourable Mr. Tallents on the clear and concise manner in which he has painted the picture for us and to the Honourable the Finance Member for presenting us with a budget in which no new taxation figures.

I regret that under the present circumstances it is impossible for me to do other than skim over the salient points which primarily have appealed to me.

It is satisfactory to note the unexpectedly large surpluses which have been obtained but I, on behalf of my Chamber, cannot but express disappointment that relief to commerce from the removal of the surcharges on income-tax has only extended to a third whereas the cuts in pay have been restored in full. This latter aspect is in effect a further tax on the provinces as the central Government by restoring the cuts which have also to be borne provincially, actually adds to its revenue receipts by Rs. 16 lakhs of income-tax.

In the case of my province the extra expenditure involved by the restoration is Rs. 15½ lakhs and we are now budgeting for further economies amounting to Rs. 67 lakhs, despite an estimated deficit for the coming year of Rs. 93 lakhs, which will have to be borrowed from the Government of India and the total of our debt on the 31st March, 1936 will then be, if estimates are correct, Rs. 863 lakhs.

I do not cavil at the Finance Member including as a quasi surcharge the tax on incomes from Rs. 1,000 to Rs. 2,000 in his proposals for a reduction

[Mr. J. B. Glass.]

of such taxation by one-third? But it may prove an awkward precedent if Government do not favour proposals that income-tax on such incomes should be abolished altogether. I myself consider the incidence of both direct and indirect taxation should be levied in as widespread a manner as possible. It is interesting to note the progress made by the income-tax authorities in the collection of this tax :

	Rs.
1931-32	17,34,926
1932-33	69,78,048
1933-34	82,61,097

which must disprove any theories held that cost of collection counterbalanced receipts.

The budget may, as the Finance Member has said, satisfy few people but I trust it represents a definite turn of the tide and that next year it will be found possible to abolish the remaining surcharge on income-tax and customs and afford further relief to small incomes despite the advent of provincial autonomy.

I congratulate Bengal, Bihar and Orissa and Assam on the recovery of the full half share of the export tax on jute, but still maintain as emphatically as I did last year that Burma should in equity and justice, have been similarly treated in regard to the rice export tax as she contributes 90 per cent. of the amount collected which has represented roughly a crore of rupees annually to central revenues.

It is perhaps idle to expect a gesture from the Government of India to Burma in the budget on the approach of a parting of the ways but I do trust that the Government of Burma when stressing our relative treatment, while the discussion on the financial settlement between India and Burma is in progress, will meet with a sympathetic reception.

We welcome the removal of the export duty on skins as we did that of the duty on hides last year, measures my Chamber have long pressed for. In regard to the reduction of the tax on silver I take it there will be a corresponding reduction in excise.

Before I sit down I would say that the members of the Progressive Party should appreciate the manner in which some of their criticism of last year has apparently been met by Government. Grants are to be made to provinces totalling a crore, for schemes in rural areas for economic development and improvement, also Rs. 93 lakhs are to be provided for the civil aviation programme.

My Honourable friend from Bombay who has worked so hard on the Road Board has expressed satisfaction with the special contribution made to the Road Development Fund Reserve and I gladly note the special consideration to be given to Assam. I only hope that my province, which has been generally starved in regard to development and is no less financially embarrassed will also not be forgotten.

In conclusion I can but hope, as I feel that, the budget is based on conservatism and that the figures at the end of the year will enable the Honourable Finance Member to give freer range to his imagination in spite of his apparent fear of the consequences.

THE HONOURABLE THE PRESIDENT : As I wish to give all Honourable Members an opportunity of addressing the House, I will adjourn the Council for twenty minutes.

The Council then adjourned for Tea till a Quarter to Five of the Clock.

The Council re-assembled after Tea at a Quarter to Five of the Clock, the Honourable the Chairman (the Honourable Mr. E. Miller) in the Chair.

THE HONOURABLE THE CHAIRMAN : The debate will now be resumed.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan) : Sir, if I begin by congratulating the Finance Department in the customary manner on this occasion, it is not because the budget that has been presented to us has aroused any great interest or enthusiasm but because of the candid admission made by the Honourable the Finance Member towards the close of his speech in another place that this budget would completely satisfy very few people and that it certainly did not satisfy him. It must at the same time be admitted to the credit of the Honourable Sir James Grigg and the Finance Secretary that the former's speech in the lower House and the latter's in this House while presenting the budget the other day were remarkable for their brevity and are on the whole businesslike statements.

The only relieving features of the budget are the proposed expenditure of a sum of Rs. 1 crore on schemes for the economic development and improvement of rural areas, and the reduction of surcharge on income-tax and super-tax and the income-tax on incomes between Rs. 1,000 and Rs. 2,000 by one-third. These proposals are welcome so far as they go, but nobody can question that they do not go far enough. The only people who can be said to have obtained any relief are the Government servants whose salary cut has been restored on the one hand and who will have on the other hand the advantage of having to pay less income-tax in future. But the budget proposals provide no consolation to the impoverished taxpayer who feels ground down under the crushing burden of heavy taxes. He is not provided any relief, nor a hope of early relief. It was high time that the Government had realised that the present level of expenditure was too high and the burden it involved on the people had verily become unbearable. If the Finance Member were to trace the history of most of the taxes he would discover that they were levied under the pressure of emergency and in every case a promise was held forth that they would be abolished as soon as the emergency was over. But a state of emergency has been fast assuming the shape of normality, and what was at one stage abnormal expenditure, has become, so to say, the irreducible minimum for running the State. Sir, in view of the fact that His Excellency the Commander-in-Chief has already replied to the criticism on military expenditure, I will refrain from dilating on that subject. In this connection, I will only say that it is our misfortune that I and my friends on this side of the House are not able to see eye to eye with him as regards the military policy of the Government of India. I will content myself with saying that no substantial relief to the taxpayer can be achieved unless the defence expenditure is reduced.

Now, with regard to the fractional relief proposed for the income-taxpayer, I need hardly remind the Honourable the Finance Member that the surcharge and the tax on incomes between Rs. 1,000 and Rs. 2,000 were emergency measures for a temporary period and that even the enhanced scale was never expected to be permanent. The beginning, therefore, that has been

[Rai Bahadur Lala Jagdish Prasad.]

made in reducing the surcharge on income-tax and super-tax should have been more substantial. Or, at least persons with incomes of Rs. 1,000 to Rs. 2,000 should have been given complete relief in the matter of income-tax by sparing the small sum of Rs. 75 lakhs out of the Rs. 5 crores available to the Finance Member for giving reliefs. This amount could easily have been found if the civil aviation programme for which Rs. 93 lakhs have been provided had been charged to capital account.

Then, Sir, it has been more than once urged on the attention of Government that the Income-tax law should be so amended as to allow the assessee to carry forward their business losses for a period of three years to be set off against the business profits of the basic year of assessment. But the Government have so far turned a deaf ear to this demand of the income-tax paying public. This is a very fair proposition and it is quite justified on the analogy of the practice prevailing in other countries.

Sir, I am surprised to find that my esteemed friend the Honourable Mr. Basu whom I do not find in his seat at this moment, has suggested the introduction of death duties in this country. I only hope, Sir, that my learned friend was not quite serious in putting forward this suggestion. At any rate, my friend can take it from me that his suggestion will not find much support in the country, but will on the other hand meet with vehement opposition, as India is not England and anything and everything that exists there cannot suit conditions here. I hope that the Government will not give my friend's suggestion their serious consideration.

As regards postal rates, Sir, there is a country-wide demand for their reduction, but I suggest that at least the half tola unit of weight for one anna letters should be increased to one tola as soon as possible.

Coming to the question of gold exports, we find that Sir James Grigg has been at pains in paragraph 23 of his speech to defend the policy of Government in allowing over Rs. 100 crores worth of gold to leave the shores of India. The gold exports might have succeeded in sustaining the artificial exchange ratio of the Government of India as claimed by the Finance Member, but no true student of Indian economics can view the position with equanimity. The Finance Member says that he sees no sufficient reason for placing gold exports in a different category from exports of any other commodity of which India has a surplus. But how is it, I ask, that other countries which have any surplus of gold, instead of exporting it, are making an altogether different use of it by conserving it for their own stability and for encouraging trade? If, therefore, such a large amount of gold has left the shores of India, I maintain that the flow of the precious metal has only made the country poorer and a national government would not have followed such a ruinous policy.

One word more, Sir, and I have done. It is a pity that in spite of the fact that the report of the Tariff Board on the Glass Industry was received by the Government as far back as 1932, the Government have not completed their examination of it and come to a decision as regards affording protection to the sheet glass industry in India, a fact to which a reference was made by my Honourable friend Mr. Sapru. It is well known that imports of window panes and plate glass in India from Japan has increased by more than 500 per cent. during the last four years and because of Japanese competition, two out of three glass factories have, I understand, been closed and the only one, at Bahjoi, which is in my constituency, remains and that one too is in a precarious condition. I hope that the Government of India will see their way early to extend adequate protection to the sheet glass industry in India in order to save it from extinction. Then, Sir, I would suggest the abolition of the import duty on raw films in the interests of our cinematographic industry.

Lastly, I join in the complaint which has been given expression to by several Honourable Members that this year the Government have thought it fit to allow only one day's interval between the presentation of the budget and its general discussion in this House, viz., that of yesterday. Surely, while the non-official Members of the Assembly have been allowed no less than four days to study the budget, it is too much to expect the Members of this House to be able to go through the bulky volumes of the budget in one single day and to do full justice to the subject during this shortest space of time. I hope the Government will be good enough to bear in mind our difficulty in this matter and will give us sufficient time for the study of the budget in future years.

THE HONOURABLE MR. P. C. D. CHARI (Burma : General) : Sir, I appreciate the kindness and consideration of the Chair in sitting late hours to enable some of us to express our views, but at the same time, I assure you, Sir, that I shall not abuse this indulgence by holding forth long, as I would have done at an earlier stage. I shall not at any rate inflict a long speech on a thin House.

The Honourable the Finance Secretary in this place and the Honourable the Finance Member in the other place have given us an exceptionally lucid picture of the real financial position at the present time. But I cannot refrain from remarking that the budget is an over-cautious budget, principally because the Finance Member is presenting his budget for the first time. The budget has got the same features which are to be found in the usual budgets of the central Government and provincial Governments. It lacks a national financial policy, and there is also a lack of a scientifically considered system of taxation. In other words, every year, we have got a sort of exigency budget, without any considered system of national policy and national taxation. I hope that the Finance Member will rectify these defects and I am fortified in this hope by his statement in paragraph 39 of his speech. Discontent is a sign of progress. He clearly states that he is not satisfied with the budget. He does not therefore expect other people to be satisfied with the budget. The closing remarks of the Honourable the Finance Member clearly indicate that he would, on a further study of the financial conditions of India, really introduce a more scientific system of financial policy and taxation. With these remarks, Sir, I will refer to a few outstanding features of this budget.

I endorse the view expressed by several Honourable Members as to the indications that we have definitely
5-5 P.M. turned the corner. The Finance Member has not been able to take his courage in both hands and go forward with a bold policy of reducing taxation. He would have done well to see how far he could have gone in the matter of reducing at least emergency taxation. I am afraid he was handicapped in this respect by the previous pledges in the matter of priority of relief laid down by the former Finance Member, and was obliged to give preference to the restoration of the pay cut. But in fact, as the removal of the surcharge would have benefited a larger number of people, we had naturally expected the remission of the surcharge altogether, or at least a considerable portion of it. I hope next year it will be possible to remove surcharges on income-tax and also to raise the lowest level of taxable income to Rs. 2,000. I do not grudge the restoration of the 5 per cent. cut to Government servants, but it would have been better to reduce or do away with emergency taxation before restoring the cut.

I welcome the proposal for the creation of a silver redemption fund. I take this opportunity of voicing the country-wide protest against the free flight of gold from India. I cannot subscribe to the view of the Finance

[Mr. P. C. D. Chari.]

Member that the flight is not of distress gold but of the surplus gold. I wonder why he has not followed the policy adopted in Great Britain and other countries in trying to strengthen the gold reserve position in India, rather than allow the gold to leave the country.

It is a matter for gratification that the Government of India has after all realised its responsibility to the masses and allotted one crore for distribution to the provinces for rural uplift work. I do not think that will go very far but all the same it indicates an honest desire on the part of the Government and I am glad the masses have now come into the picture of the central budget. I hope that in future years, in view of the improved times, it will be possible for the Finance Member to make it a recurring grant and to increase them. In this connection I would suggest that the sum of Rs. 75 lakhs proposed to be set apart as an additional fund for debt redemption, as our unproductive debt is not very large, can very well be allotted along with this one crore for the purpose of rural uplift.

(At this stage the Honourable the President resumed the Chair.)

Of course this proposal to distribute Rs. 1 crore for alleviating the conditions of the agriculturists coming at this psychological moment when other national agencies have started the same work gives room for doubt as to whether it is only a political move. But whether it is or not a political move it is a move in the right direction. I for one would not question the motives of the Government and would give them credit for sincerity of purpose in trying to alleviate the conditions of the masses. At the same time I would urge on the Government not to look upon the national agency under the leadership of Mahatma Gandhi with suspicion or distrust. What I urge is that Government should co-operate with other non-official agencies engaged on this work and they should welcome the movement started under the auspices of the Congress in this behalf. They should judge these organisations as they would themselves be judged. If there is co-operation between official and non-official agencies in this work a great deal can be done even though the amount set apart is small indeed.

We are glad to hear that His Excellency the Commander-in-Chief will not relax his search for further economies in military expenditure. Our military expenditure is unduly high and beyond India's means or military requirements. The army is maintained not purely in the interests of India but primarily in the interests of the Empire. This huge army of occupation, the Indian watch-dog of the Empire, is maintained at the cost of India and is a grievous injustice to India. It is a great pity that in such a poor country as India 60,000 British troops are maintained at a cost of Rs. 850 per head when they can without any loss of efficiency be substantially replaced by Indian troops at a cost of Rs. 285 per head. No more proof is needed that the military expenditure and the British personnel are maintained at India's cost in the interests of Great Britain. The mere assertion by His Excellency that the British element supplies the backbone of the Indian Army cannot carry conviction. This post-war mentality of the Britisher is probably due to a lapse in memory, and as the years roll on he forgets that the bones of British Indian soldiers have bleached the fields of France and Flanders in saving the Empire at a critical juncture. I would remind His Excellency, who is not in his place now, that the Indian soldier has got his own backbone, both physical and moral and does not need to depend upon the backbone supplied by the British.

element in the army. I would ask His Excellency the Commander-in-Chief to be at least fair to the Indian war dog and not to give the Indian soldier a bad name.

Sir, I would also offer a few remarks on points which immediately concern us in the province of Burma. I heartily welcome the proposal to abolish the duty on skins. It will be a great advantage to people in Burma, which has no real leather industry. I would endorse the view put forward by my Honourable friend Mr. Glass that the proceeds of the rice export duty, or at any rate a fair proportion of it, should be allotted to Burma, more especially as during recent years it has been a deficit province, and during the current year it has a budget deficit of Rs. 93 lakhs. Now it is my duty to urge upon the Government to see that the Indian interests in Burma, in view of the separation, are not allowed to deteriorate after separation. Now is the time when they are doing preliminary work for entering into a trade agreement and I hope and trust that the whip hand which India has in the matter of trade with Burma is not given up in the matter of entering into a trade agreement. We asked for statutory safeguards for the interests of Indians in Burma and if we cannot get statutory safeguards we at least expect the natural safeguards that we have in the shape of our bargaining power in the matter of trade should not be given up. In other words we ought not to be tied down beforehand; when we find our interests are being injured in Burma we should not feel ourselves in a powerless position. I do not want to injure the interests of Indo-Burma trade. What I want is the promotion of goodwill and the promotion of goodwill can best be done by retaining the advantage which we have so that the Burma Government, the Burma Legislature and the Burmese people may always bear in mind this fact, that if they do harm to the interests of Indians in Burma to any the slightest extent, India will be in a position to retaliate very effectively and do her harm; so also in the matter of the emigration convention which is proposed to be adopted. I hope the Government of India will fight the Indian cause strenuously and see that their position after separation does not deteriorate. I do not want to take up any more time of the House, but I would conclude by remarking that the view which I have repeatedly put forward in this Council as regards the protection of the interests of Indians in Burma may be steadily kept in view when the preliminary negotiations are going on before effecting separation from Burma.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan) : Sir, I would join my Honourable friends in tendering congratulations to the Honourable Finance Secretary and the Honourable the Finance Member on the good fortune which has fallen to their lot in preparing the budget proposals for the coming financial year. Sir, whatever may be the defects in the present budget, I feel there is no cause for despair, inasmuch as the Honourable the Finance Member himself appears to be perfectly alive to the imperfections in the present financial policy of the Government of India. There is therefore every hope that the Finance Department will not relax their efforts in trying to improve the situation and formulate a more courageous and better policy in the interests of the country. It is a fact, Sir, that the rigidity with which the Honourable Sir James Grigg and his distinguished predecessor Sir George Schuster pursued the policy of sound finance has after all borne fruit. India's credit stands high. The Government of India is in a position to issue loans at 3 per cent., which is the first loan to be issued at this small interest since 1896. The Government of India are in a position either to repay all their liabilities next year or to convert a substantial portion of them into long term liabilities with smaller rates of interest. This is indeed a remarkable achievement, but this result has been

[Saiyed Mohamed Padshah Sahib Bahadur.]

achieved not only by the policy that was pursued by the Finance Department of the Government of India, but also by enormous sacrifice on the part of the people in the country. We know, Sir, how, during the years of depression, heavy taxation was levied all round. Heavy duties, increased income-tax and subjecting to tax even small incomes which so far had been exempt from tax, all these had to be resorted to, and the people in this country more or less cheerfully submitted to this. They bore this burden in the hope that when the financial position would be easier, the Government would try and remove the heavy burden of taxation which was weighing so heavily upon them. But, what is the position, Sir? We find the Government proposes to reduce the surcharge and the tax on small incomes only by one-third. Sir, this is utterly inadequate. The demand that the country has been making all along has been for the total removal of these things. Even if the Government could not see their way to remove altogether the surcharge, it should have been quite possible for them with a little earnestness on their part to have found ways and means to remove the tax on incomes ranging from Rs. 1,000 to Rs. 2,000. Sir, relief in this direction, I plead, is much more urgently needed and would have been more welcome than gifts to broadcasting. Sir, when I talk of broadcasting, I fail to see the advantage that it will give to the people in the villages who are not given proper facilities to make use of the postal service. We find, Sir, even in spite of the fact that the financial position has improved, there has been no reduction in the postal rates. It has got to be admitted that the Postal Department is not one which could be considered to be purely commercial. Indeed, it is that branch of public service which goes a long way in educating and civilising the people in the country. Last year, Sir, I admit that there was some reduction in the postal rate, but I am afraid that the reduction that was effected has produced quite the opposite effect. The charge for letters was reduced by one-fifth and the weight was reduced by four-fifths of its original figure. I am afraid that this reduction in the rate for letters has not had any salutary effect. On the other hand, I feel that the public should have paid much more by way of excess stamp fee than they would have done if the original price of the letter had been maintained. I feel, Sir, that it is necessary that we should at once proceed to reduce the price of the postcard at least. This, Sir, in my opinion is not only a matter of necessity from the point of view of the convenience of the people, but also, in my opinion, a thorough business proposition.

Well, Sir, there is one more point on which I do not think that I am satisfied with the budget. As has been pointed out by my Honourable friends from Madras, the Government have not yet been able to see their way to take measures to stop the import of rice from foreign countries into Madras. I do not think I need say much about this. All I need say is that now that Government have realised that there is some particular class of rice that is adversely affected by these foreign imports, I hope, Sir, they will try to take prompt measures to check the large volume of import that come into our country from Siam and Indo-China.

Sir, as regards the defence expenditure, much has been said about it by most of the Honourable Members who have taken part in the debate. I feel, Sir, that I am in a difficult position when I try to form any opinion either way. On the one hand, I feel that the defence expenditure has been drastically cut down and that the present figure at which it stands is much lower than the figure at which it was set down by the Inchcape Committee. It is about Rs. 5 to Rs. 6 crores less than the amount that the Inchcape Committee considered was the proper amount to be spent upon the defence of the country. And

we have also the opinion of His Excellency the Commander-in-Chief who has made no secret of the facts bearing upon the question and who has given us every proof of his earnestness in trying to effect retrenchment,—we have his opinion to the effect that expenses have been cut down to the rock-bottom figure and it is not possible to effect any further reductions. On the other hand, Sir, there is this insistent demand on the part of the non-official Members that the military expenditure is of such dimensions that it takes away a very large slice of the revenues of the country. And they are of opinion that even now, with all the retrenchment that has been effected in the Military Department, even now it is possible for further reductions to be made. So, Sir, I gather from the remarks that have been made on this question that there is no chance of these two schools of thought trying to reconcile their views. I feel, Sir, that the only way to bring about this reconciliation and see that misunderstandings are removed would be by carrying into effect the suggestion that was made by my friend, Raja Ghazanfar Ali Khan. I feel, Sir, that this Committee might lead to a better understanding of the matters at issue.

Now, Sir, on the whole I feel that the proposal to give Rs. 100 lakhs to the provinces for rural uplift is a very welcome one as it gives us an assurance that the Government are not oblivious of their duty in respect of ameliorating the conditions of the masses in the country. This is a step and a very substantial step in the right direction, and I feel that, if only the provincial Governments make judicious use of the funds and if only they do not allow large sums of money to be spent on establishments which might have to be set up for the purpose of rural development,—and in this connection we have the assurance of the Honourable the Finance Secretary that the Government of India will take care that the money is not wasted in this way,—if this is done I feel that much will be done which will go to materially improve the condition of the people in the villages. As I said, Sir, on the whole this is a very good budget and this is the budget which for the first time since the depression began has broken through the gloom which has hung over the finances of the Government of India all these years.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal : Non-Muhammadan) : Sir, before I proceed to discuss the budget speech of the Finance Member, I can not, but bring it to your notice as to how niggardly and shabily this House has been treated in the matter of allotting the 2nd of March for the general discussion of the budget in this House.

THE HONOURABLE THE PRESIDENT : You need not stress that point any further. It has been stressed quite enough.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : Sir, we will go on until the Government hears.

It is humanly impossible, Sir, for any man to finish all those volumes in 24 hours from the time those huge bundles of budget papers were supplied to us. I request you, Sir, being the custodian of the dignity of this House, to censure the Government in this matter from the Chair. To supply those huge bundles of papers on the evening of the 28th and to ask us to discuss the whole budget on the 2nd morning is preposterous and farcical. If it is the view of the Government that this House is unnecessary why do they maintain it at all against the wishes of the country at such a heavy cost? Now, Sir, in coming to the budget proper, I can not join in the volume of praise that has been showered on the Honourable the Finance Member. The budget has not given any relief to the poor taxpayers who are either agriculturists or day labourers. It has neither shown any reduction in the indirect taxations nor

[Mr. Jagadish Chandra Banerjee.]

in the direct taxations which have been saddled on the masses of India in the name of emergency and in the name of stability and sound finance. The price of postcards which are the only means of communication for the poor have been raised from one pice to three pice during the last few years. The necessaries of life like salt, sugar and kerosene have been taxed with no intention of reducing those taxes. It is the present Government's policy that once a tax is imposed in the name of emergency, it becomes a permanent feature of the revenue policy of the Government of India. Sir, in the current year's revised estimate, we were told that there was a surplus of about Rs. 3½ crores, but it is a great surprise to me that nearly the whole of that surplus has been utilised on the restoration of the salary cut of those who are occupying the Treasury benches. I admit that the salary cut was an emergency measure but may I ask the Honourable the Finance Member whether that was the only emergency measure taken to balance the budget? A few years back in the name of emergency a kerosene duty was also imposed but did the Government ever abolish that duty when there was a surplus? Why then was there so much hurry in the restoration of the salary cuts? The only clue for such hot haste in this matter that I can find, is that this emergency measure touched the pockets of the British public masters though by courtesy they call themselves public servants. It shows that the fruits achieved by the cautiousness and vigilance on the part of the ex-Finance Member Sir George Schuster is being squandered by the present Member in charge of Finance. From the surplus achieved in 1934-35 we find Rs. 93 lakhs being spent on civil aviation. There seem to me two reasons for this expenditure. The first is the financial help to the British manufacturers of aeroplanes and to the British Airways Company and the second is the development of aviation for use in times of emergency for military purposes. This expenditure should better have been transferred to army estimates, and this sum of Rs. 93 lakhs could have been utilised for reduction of taxes of the poor. Then, Sir, I for one do not agree with the Honourable the Finance Member that the sum of Rs. 34 lakhs which is going to be spent on the Pusa Institute transfer should be met from this surplus and not from capital. It is altogether a new item of expenditure and more or less meant for the development of Delhi and as such this item of Rs. 34 lakhs should have been included in the head Delhi Capital Outlay and the sum released from revenue could have better been utilised for the reduction of those taxes which have touched the pockets of the poor. As regards the sum of one crore set apart for distribution to the provinces for rural development, I must say that it is nothing but a drop in the ocean. If, at all, the Government's deaf ears have been turned to rural development, I must frankly thank Mahatma Gandhi for diverting his energies to this object from political activities and it is clear as transparent water that, but for the activities of Mahatma Gandhi and several of his co-workers, Government would not have come forward with this grand idea of rural development. Even here, though they have decided to do something in this matter, yet they would do, as usual with the bureaucracy, in a halting manner and in a most miserly way. I would have welcomed the idea had all the surplus of Rs. 389 lakhs been earmarked for this particular purpose. I think I could have sincerely congratulated him for his wide outlook and imagination.

Then, Sir, I come to the question of the export duty on rice. I can not congratulate the Finance Member for not abolishing it altogether. It is his own admission that the export duty on rice is not yielding much revenue. What then is the justification of retaining this duty and handicapping exports of rice which has gone down in price so much in this country causing great

distress amongst the agriculturists producing this commodity. To crown all even in spite of the Resolutions passed in this House and the other, Government could not find their way even now to put an import duty on Siam and Indo-China rice, which would not only have stopped unfair competition in the Indian market but would have yielded a good revenue to Government. If the export duty on hides and skins could be lowered on the ground of reviving the export trade, as admitted by the Honourable the Finance Member in his speech, why on the same ground the export duty on rice could not be abolished altogether? Last but not least is the question of the export of gold. Sir, the arguments adduced by the present Finance Member is merely the reproduction, like His Master's Voice, in this House of what the London coterie of financiers are broadcasting through the microphone like the Secretary of State. I ask here, can the Government produce even one Indian financier or economist worth the name who has agreed with the argument of British financiers in this matter of the export of gold? As the export of gold is needed to tone up the sterling rate in the world market, therefore India must sacrifice her distress gold.

Before I conclude if I am to congratulate the Honourable the Finance Member it is not for his good rendering of the accounts but it is for admitting for the first time the just claim of my province of Bengal for the return of the jute duty. Sir, I congratulate the Honourable the Finance Member even for this small mercy to my province though I for myself do not yet admit that full justice has been done to my province. I will only be satisfied when my province will get back the full amount of the duty on jute which she is legitimately entitled to.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated : Indian Christians) : Sir, at this late hour, I do not mean to take up much of the time of the Council. It is a pleasing feature of the speech of the Honourable the Finance Member that he frankly admits that he is not pleased with it. So far as it goes, the speech is a very satisfactory one. There are one or two things to which I wish to draw attention. The first is that these subventions and payments to provinces would, I think, create a lot of disharmony in course of time. The provinces are going to be autonomous, and if the central Government is going to give certain amounts to certain provinces, I fear that there will be a real struggle for getting doles from the central Government, and when certain provinces do not get the doles, there will be heartburning and there will be a good deal of jealousy created. Bengal no doubt claims a portion of the jute tax. Quite recently, one of the Honourable Members wanted a portion of the income-tax revenue for Bombay. My Honourable friend from Burma wanted a portion of the rice duty for Burma. If we are going to do this kind of thing, where are we to stop? I think Madras can legitimately claim the whole or a good portion of the salt revenue, because Madras produces very large quantities of salt, and if the central Government gets at least three-fourths of its salt revenue from Madras, would I be justified in asking for a few crores for Madras? Sir, this I mention as a warning to the Finance Member. In a year, when the provinces become autonomous, there will be a regular tussle to get doles from him, and I do not know how he will be able to satisfy the various provinces. Therefore, the best way of meeting this is for each province to be asked to cut its coat according to the cloth available. I may say, not by reducing the pay of the existing services, but by dispensing with offices which are not necessary. I venture to submit that there are a number of posts which could be abolished and their work could be asked to be undertaken by other officers. Speaking for Madras, I can say there was

[Sir David Devadoss.]

a time when the district collector or the district magistrate or the head of the district was in charge of almost every department of Government. He was then the Registrar of Assurances; he had the police in his hand; the forest department, district boards, taluk boards and all that. There are now non-official presidents of the district and taluk boards and municipalities. A good deal of work has been taken away from such officers. They could be asked to do a lot of other work. When their work is considerably reduced, a good many of the offices could be abolished. No doubt, there is a good deal of scriptory work going on. I can say with some confidence that most officers are confined to their desks. It was not so years ago. But all this could be remedied. The administration could be carried on as now, but relief could be given to these officers from their scriptory work. Therefore, I submit that the provinces should not be made to look for doles from the central Government. If this goes on, I am afraid the central Government will find itself in hot waters.

With regard to the grant of Rs. 1 crore for rural uplift, it is a very welcome feature of the budget. It has been clearly stated by the Honourable Finance Secretary that a large portion of this amount will not be spent in servicing it. I would suggest that before the various Governments embark upon rural uplift work they should study conditions in the various provinces in the rural areas. I would ask them to study, for instance, what the Young Men's Christian Association is doing in Madras. Very good rural reconstruction work is going on at a place called Ramanathapuram in Coimbatore and also in South Travancore not far from Nagarcoil. Recently the Mysore Government have offered a very big slice of land and also promised a contribution I believe of about Rs. 4,000 a year to the Young Men's Christian Association for rural reconstruction work in Mysore, and they have promised buildings also to the extent of Rs. 15,000. I would ask local Governments to study the work going on there before they themselves embark upon any elaborate programme of work.

We are very grateful to the Finance Member for removing the duty on skins. Madras specially will feel grateful for this relief. The Madras merchants have been asking for this relief for a number of years because the trade was nearly killed by the duty on the export of skins and hides.

We Madras people naturally expected some statement from the Honourable Finance Member as regards the import of rice into Madras. I hope the Government will do something in this matter.

There is one other matter which I would like to mention. The Honourable Mr. Basu said that the Government might well think of imposing some kind of death duty. Sir, that is a duty which weighs very heavily in England. We hear of ancient families selling their country houses and works of art in order to meet this duty. I hope the Government will never think of imposing such a duty. We do now pay in a way death duties, for instance, letters of administration and probate duty, which is about 3 per cent. on amounts over Rs. 10,000. I think that is quite sufficient. We do not want to embark upon death duties in India. But I would suggest an excise duty on tobacco. Tobacco is very largely grown in Madras and other provinces and an excise duty on tobacco would certainly bring in an income and would not weigh heavily on the poorer classes. Instead of finding ways and means of meeting the expenditure of the country we should not embark upon fresh legislation which will press heavily upon the poor classes. It has been said, and I am not going to repeat the arguments, that the poorer classes are very heavily

taxed already. Land is taxed very heavily in Madras and we should not add to the burden of the already overlaid camel. It is the last straw that breaks the camel's back. Other new avenues can be explored and the Government would be well advised to try and cut down expenditure as much as possible in all the services instead of trying to raise revenue to meet the cost of the services. With these few remarks I would suggest the Government should take some immediate steps to stop the import of rice into Madras.

THE HONOURABLE SRIJUT HERAMBA PROSAD BARUA (Assam : Non-Muhammadan) : Sir, the striking features of the budget presented by the Honourable the Finance Member, Sir James Grigg, are that there is a surplus of Rs. 389 lakhs as a result of the working of 1933-34 and 1934-35 and there is another surplus of Rs. 150 lakhs as a result of the working for the next year. I take this opportunity of heartily congratulating the Finance Member in securing such a financial equilibrium in his very first budget. The Finance Member proposes to dispose of the recurring surplus of Rs. 150 lakhs by giving the following reliefs, *viz.*, reduction of silver duty to two annas an ounce, abolition of export duty on raw skins and reduction of surcharge on income-tax and super-tax. The non-recurring surplus of Rs. 389 lakhs is to be utilised for economic development of rural areas and the development of the co-operative movement, development of roads, development of broadcasting, civil aviation and the transfer of the Pusa Institute and the reduction of debts. The additional import duty on salt is to continue for another year and the Finance Member does not propose to make any change in the arrangement for the distribution of the proceeds. The Government of my province of Assam have already put down in the next year's budget the last year's provision from this source in the expectation of their share of this customs duty. Like the proverbial drowning man she will naturally catch at a straw.

Sir, the next thing that concerns me is the grant of about Rs. 8.5 lakhs to Assam out of the proceeds of the export duty on jute. This will help this most necessitous province to a certain extent and we the people of Assam are thankful to the Government of India for this kind consideration.

Now, Sir, the grant of Rs. 100 lakhs out of the surplus to the provinces for economic development and improvement of rural areas will go a great way in ameliorating the condition of the people. Introduction of improved methods of agriculture is a great necessity in an agricultural province like Assam and I hope the Government will sympathetically consider her just claim when distributing this grant. The cottage industries ought to get a great impetus from such a grant. In Assam sericulture and hand-loom weaving deserve special mention. Nowhere in India except in Assam are the *muga* and *endi* worms reared for the famous beautiful silks to be had from them. Besides Assam is the only province in India where climatic conditions favour the rearing of three or four other species of silk worms. It is only in the fitness of things that the Government of India should investigate into the possibilities of establishing a central sericultural research institute in the province.

Sir, hand-loom weaving is a great cottage industry in Assam. Assam is unique in the matter of hand-loom weaving. Every householder in Assam, be he rich or poor, has got a hand-loom or two. This is certainly a favourable state of affairs for doing real rural welfare work which the Government of India has got at heart now. The Government will do great good by making liberal grants to the province for starting a fully equipped institute for training the youths of the province in the economic and technique of the industry on improved and modern lines. Liberal grants to this province for the establishment of cottage and other industries will give employment to the daily

[Srijut Heramba Prosad Bama.]

increasing unemployed and increase the happiness and contentment of the poor Assamese cultivators and bring about a general improvement in village life.

Next, Sir, the attempt at developing the co-operative movement on sound financial foundations is a move in the right direction. In Assam this great movement has not been able to make good headway for want of funds.

Next comes the question of road development. The Honourable the Finance Member proposes to make a contribution of Rs. 40 lakhs towards the Government of India Reserve in the Road Development Fund. In this connection, Sir, during the last Simla session I drew the attention of the Government to the deplorable condition of roads in Assam and was assured that the Government of India were "anxious to help Assam in the matter". As an earnest of their solicitude they were pleased to make some substantial grants to Assam thereafter and we are very thankful to the Government for the same. It is now gratifying to find that in distributing this sum of Rs. 40 lakhs, they will give "prime consideration to the province of Assam" which they have after all recognised as the most necessitous of all the provinces. Although this help was overdue, I submit, Sir, that we are thankful to the Government of India for having recognised our claim after all.

But, Sir, however useful such grants might be, they are earmarked for special projects. These grants will not go to the general pool to reduce our deficits and thereby alleviate the desperate financial difficulties of Assam. The financial condition of Assam is really desperate today. For five years in succession the province is having deficit budgets. The total indebtedness of the province at the end of 1935-36 to the central Government on account of loans and overdrafts will be about Rs. 2 crores and 12 lakhs and the total receipts have been estimated at Rs. 2 crores 28 lakhs and 86 thousand in the budget of 1935-36. Yet from such a slender income Assam is expected to wipe out her alarming deficits by annual repayments. The Comptroller of Assam has rightly described such a process as a device for the repayment of loans by fresh loans incurred.

"Had such a state of affairs occurred in ordinary commercial life", said the Honourable the Finance Member of Assam at the time of introduction of his budget this year, "the only straightforward course would have been to file immediately a petition in the bankruptcy courts".

Truly, Mr. Roffey, the leader of the European group in the Assam Council, advised the then Finance Member of Assam in the 1933 budget session that the latter

"should entitle his budget as an insolvency petition: in the matter of the province of Assam in liquidation, petitioning creditors, the Government of India",

and send a copy of it to Sir George Schuster. In short, Sir, Assam is sinking more and more into the morass of insolvency and without any immediate relief, she will be inextricably and irredeemably lost. The Comptroller in his Audit Report for 1935 points out:

"The deficit of Assam, which was 8 per cent. only in 1932-33 increased to 17 per cent. in 1933-34, whereas in the budget of 1934-35, the deficit is nearly 30 per cent. It seems very probable that it will soon fall behind Burma and Bengal which were the last in the race in 1932-33".

Sir, our financial difficulties were not our creation. Neither were they due to our career as a rake. The Government of Assam and the local Legislature have all along endeavoured to restore the financial equilibrium. They have followed a rigid programme of economy extending over several years and retrenched expenditure below the margin of safety. But in spite of all this, our province is almost irredeemably lost. The reasons are not far to seek. The province has all along been subjected to grossly unfair treatment. Under the Meeson Award, Bihar and Orissa never paid an anna, Bengal only paid for a time but poor Assam had to pay Rs. 15 lakhs annually till the other day. Next we were forced to meet some quasi-agency expenditure, such as defence of the North-East Frontier, the maintenance of the Assam Rifles, administration of the Hill Districts and the like. On the other hand we have been losing all the benefits of our natural products—the mineral wealth of our province. Sir, if Bengal has rightfully got a moiety of her jute duty, should not Assam claim with greater reason the excise duty on petrol and oil? Jute is an annual produce. Harvesting of the annual crop does not impoverish the country on which it is raised. But the oil wells are not inexhaustible perennial sources. Continuous drawing upon them will exhaust the wells sooner or later. It is nature's gift of national wealth showered upon the people. And still the people should be deprived of its benefits is anything but fair. Assam is not poor in her natural resources. Given necessary finances, Assam can develop herself beautifully. Give us just enough for our development and we will not disappoint you.

Sir, I am happy to find that the Joint Parliamentary Committee Report has admitted our difficulties and claim to an adequate and permanent subvention. But we do not know when this will come. Assam cannot wait any longer. The Government of Assam, like that of Bengal, are also introducing measures for new taxations. In these hard times, new taxation is the last straw on the camel's back. But they have no other alternative.

Lastly, Sir, the prosperity of Assam depends greatly upon the prosperity of the tea industry. The depression in the trade is also responsible to a great extent for the financial difficulties of the province. We are thankful to the Government of India for implementing a scheme for regulation of exports and I only want to submit that any help to this industry will always be a help to the province of Assam.

With these words, Sir, I resume my seat.

THE HONOURABLE MR. P. C. TALLENTS (Finance Secretary): Sir, I have been desired by the Honourable the Finance Member to express his regret to the House that, owing to causes beyond his control, it has not been possible for him to take a more active part in today's debate. He has, however, also asked me to say that he hopes to take a more active part when the time comes to introduce the Finance Bill in this House and that he will then come in person to answer the criticisms and remove the doubts of Honourable Members.

Before I touch on the budget itself, I should like to say a few words with regard to the date for which this debate has been fixed. All Honourable Members have taken this point and I may say, speaking for myself, that they have my very cordial sympathy. This is the first year in which I have attempted to grapple with the documents connected with the Government of India budget and I may say that they appear to me to be of great complexity and volume. The allowance of only one day to examine them seems to me rather

[Mr. P. C. Tallents.]

a short time. The difficulty on this occasion was as follows. The budget is always introduced on the last day of February,—that was the 28th, Thursday,—while the latest date on which it was thought possible to start the business of Demands for Grants in the Assembly was the 7th of March, which is the following Thursday. The 1st of March, which was a Friday—that is the day after the introduction of the budget—obviously could not be used for budget discussion in either House. The 3rd is a Sunday and the 4th, Monday, is a holiday. That only left three possible dates, the 2nd, Saturday, and the 5th and 6th, Tuesday and Wednesday. The ordinary practice is that two days are allotted for discussion in the Assembly and one in the Council of State and that the debate in the Council of State follows the debate in the Assembly. If therefore of these three days the first two had been allotted for the debate in the Assembly, that would have meant the 2nd, Saturday, and the 5th, Tuesday, in which case the 6th, Wednesday, would have been allotted for the debate in this House. It was however thought unsuitable that the two days allotted for the discussion in the Assembly should be separated by Sunday and Monday, two holidays; and therefore, contrary to the usual practice, the debate in this House was fixed before the two days in the Assembly and so it happened that the general discussion on the budget was fixed for Saturday, the 2nd. Now, some of the Honourable Members have claimed that in this matter they have been treated less generously than the Members of the other House. I have here the dates for the last 14 years on which these discussions have taken place. I will give you the dates for the last two years. In 1934 the budget actually was introduced on the 27th of February. The 28th was, I believe, a holiday. That year the 2nd and the 3rd March were the days fixed for discussion in the Assembly and the 5th March in the Council of State. In the previous year when the budget was introduced on the 28th, the 2nd and 3rd March were fixed for the discussion in the Assembly and the 4th of March in the Council of State. Therefore there is no substance in the statement that this House has been less generously treated than the other House. What has happened is that this year the debate has started in this House and the debate in the Assembly is taking place afterwards.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : As far as the Assembly is concerned, they have other occasions to discuss the budget, as the voting of Demands for Grants, while we have none; and so I hold that the argument put forward by the Honourable Finance Secretary does not hold water.

THE HONOURABLE MR. P. C. TALLENTS : I have merely explained the difficulty in fixing the dates this year. I quite appreciate the difficulties which have been felt by Honourable Members in this matter and I can assure them that when it comes to fixing dates next year full consideration will be given to the points which they have urged.

Well, Sir, many Members have been extremely generous in congratulating the Finance Department on the happy position in which they find themselves, and I can assure you that the present incumbents of the posts in this department are fully sensible that any credit that there may be for that must go to their predecessors. This is the first year that we have had a small surplus to deal with, without the assistance of extra taxation. Before, however, I go on to that point, I should like to say that it is very gratifying to find that the proposals of Government for dealing with the surplus of the current year have met, I think, with almost

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universal approval,—particularly the crore of rupees for improving conditions in the villages. I think every Member who has spoken has approved of that proposal. Several of them have expressed alarm as to how that money is going to be spent—that it may be wasted on establishment and so on—but, as has already been stated in the budget speech, any scheme that comes up from the provinces will be examined and criticised in the Government of India. I can assure the Honourable Members that there is not the smallest intention of allowing this large sum of money to be frittered away in establishment charges.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : What kind of examination will be made ?

THE HONOURABLE MR. P. C. TALLENTS : The usual form of examination which these schemes have to be subjected to when they come to the Government of India : they will be examined in the Finance Department. Well, Sir, every Honourable Member who spoke mentioned that proposal with approval and I am very glad to find that this is so. Also, I think that they approve of the other proposals, that is to say, the allocation of Rs. 40 lakhs to the Road Fund, the expenditure on broadcasting and the expenditure on the North-West Frontier Province. As regards the last proposal, I should like to give one or two figures just to prove, on financial grounds alone, what a very sound piece of insurance that expenditure will be. In the last 70 years there have been 26 major campaigns on the Frontier. In the last 40 years no less than Rs. 67 crores have been spent in such operations. The heaviest expenditure took place from about 1920 to 1925, which was the period of the Third Afghan War and its repercussions. The expenditure then was necessarily higher than during the other years, but since 1925, when the circular road was constructed in Waziristan, the reduction in the expenditure has been very remarkable. Since then, the expenditure has only amounted to an average of Rs. 14 lakhs a year and that would have been very much lower but for two particular expeditions. The Government of India are satisfied that, if this road project can be carried to a successful conclusion—and I may say that there is no intention of carrying it out by force ; the road will not be built unless the tribes are agreeable to its being built—that there could be no better insurance against a large expenditure of money in operations in that part of the world in future.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will that mean that all road construction will be debited to the Army Department ?

THE HONOURABLE MR. P. C. TALLENTS : No, Sir. My recollection is that expenditure in the North-West Frontier on the tribal area is not debited to that head. The expenditure will not be confined entirely to roads, I may add, but will be principally.

Well, Sir, I think there is no further criticism that I need reply to with regard to the utilisation of the surplus for the current year. One Honourable Member did suggest that it might be used for reducing taxation but, as I pointed out in my speech, this surplus is a non-recurring surplus ; it cannot be used for recurring purposes.

Coming now to next year, it is also gratifying to find, and I think there is not much doubt about it, a universal acceptance of the position that, when a small balance has emerged, that balance should be used not to incur further

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expenditure but to relax the existing burden of taxation and other impositions that have been made during the last few years of emergency. It has been suggested by more than one Honourable Member that, if the Finance Department had been rather braver, the surplus would have been larger and a more generous relaxation of these burdens could have taken place. Well, Sir, the budget figures of revenue are necessarily ultimately guesses. The Finance Department does its best ; it consults all the experts who can give useful advice in these matters, and in regard to some of the principal figures it is no breach of confidence if I tell you that the Finance Department was more sanguine than some of its advisers. It would be possible to take higher figures and it would be equally possible to take considerably lower figures. It would be most undesirable, however, to take figures with the ulterior object of being able to provide for further expenditure. Figures have to be fixed on their merits and this is how they have been fixed on this occasion. For instance, take the import duty on sugar. It has been suggested to me that we should have put that figure higher. The Government of India consider that there is every reason to suppose that that source of revenue will be substantially reduced in the course of the next few years : they cannot say exactly at what rate it will be reduced but the figures we have put into the budget represent the reduction which, on the best advice we could take, we considered would occur next year. It would not have been right to fix a higher figure in order to have a further relaxation, let us say, of the income-tax.

Well, Sir, having fixed our revenue figures on that basis, there emerged a surplus of Rs. 150 lakhs, and the first use to which it was decided that that should be put was the relaxation or rather the non-re-imposition of the pay cut. Government have always held, and still hold, that that pay cut was a direct violation of the conditions on which officers enter Government service and that the step could only be taken in entirely exceptional circumstances, and should be restored as soon as possible. Sir George Schuster when introducing the emergency budget in September, 1931 said as regards the relaxation of this emergency measure (I will give his exact words) :

“ Relief must come first in restoring the emergency cuts in pay, and secondly, in taking off the surcharge on income-tax now to be imposed ”.

That was the definite statement of the policy of Government and he repeated it in so many words in introducing the budget for 1933-34. Therefore Government consider that this is the first relaxation that must take place. The total cost, as I explained in my budget speech, and as some of the Honourable Members have repeated today, is Rs. 92 lakhs net on the central budget, — excluding the railways, of course. But when we come to the surcharge on income-tax, which is the next relaxation which Government had to consider according to that formula, the total cost of removing the surcharge on the income-tax and the super-tax and the additional tax on small incomes would be Rs. 409 lakhs or net Rs. 401 lakhs, the difference being due to the fact that, if the tax was taken off the small incomes, it would be possible to get rid of some of the staff employed for the purpose of collecting it. As you know, the cost of relaxation to the extent of one-third is Rs. 136 lakhs, which is the line which Government eventually took. One-half would have cost Rs. 205 lakhs. If, as some Honourable Members have suggested, the whole of the tax on the small incomes had been relaxed, that would have meant a net cost to Government of Rs. 67 lakhs, Rs. 30 lakhs in respect of incomes from Rs. 1,000 to Rs. 1,500 and Rs. 37 lakhs in respect of incomes between Rs. 1,500 and Rs. 2,000. Either of these figures would have unbalanced the

budget. Therefore, on a purely mathematical calculation, Government, seeing how far they could go, decided that the proper course was to relax to the extent of one-third, and that is the proposal which finds its place in the budget.

THE HONOURABLE MR. E. MILLER : Will the remainder be removed next year ?

THE HONOURABLE MR. P. C. TALLENTS : I am not in a position to say. We are not discussing the proposals for the following year.

THE HONOURABLE MR. E. MILLER : Will its abolition be considered ?

THE HONOURABLE MR. P. C. TALLENTS : It will certainly be considered.

Several of the Honourable Members have mentioned their desire that there should be relaxation in the case of postcards. I wonder if Honourable Members realise what that would cost. The cost of introducing the half-anna postcard once more would mean Rs. 68 lakhs, with another Rs. 16 lakhs incidentally involved in connection with the inland packet post ; that is to say, altogether Rs. 84 lakhs. That is a very large sum of money for what may appear a very simple change.

THE HONOURABLE MR. SHANTIDAS ASKURAN : If you reduce the postage, do you not think there will be more correspondence ?

THE HONOURABLE MR. P. C. TALLENTS : That is undoubtedly so and that is a consideration that must always be taken into account. It has been discounted in these figures. At the same time, to reduce the inland letter rate from one and a quarter annas to one anna will cost about Rs. 45 lakhs a year. These proposals, which sound very simple,—when you come to calculate the cost—are very formidable, and to introduce either of these changes, which Government, I need hardly say, would like to do if they could, will completely upset the balance of the budget.

THE HONOURABLE LIEUTENANT-COLONEL NAWAB SIR MAHOMED AKBAR KHAN : What was the state of affairs in the pre-war days about the postage ?

THE HONOURABLE MR. P. C. TALLENTS : Sir, I am afraid I cannot answer that question off-hand. After all, it is the next year's position we are discussing, and not what it was 20 years ago.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : What about the future scales of salaries of the superior and covenanted services ?

THE HONOURABLE MR. P. C. TALLENTS : I ask that I may be left, Sir, if I may, to confine my speech on my own lines.

THE HONOURABLE THE PRESIDENT : You please proceed with your speech.

THE HONOURABLE MR. P. C. TALLENTS : The non-reimposition of the cut in pay and the remission of the surcharge on income-tax and super-tax and the taxes on small incomes to the extent of one-third, account for the greater part of the surplus which will emerge next year.

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I was also gratified and interested to hear that all Honourable Members in this House who mentioned the subject approve of the abolition of the export duty on skins. When the duty on hides was taken off last year, the duty on skins was retained on the ground that skins were a semi-monopoly of India. But since then, during the last year, a different situation has arisen which makes it very doubtful if India can any longer regard herself as having a semi-monopoly in this article. In 1933, 13,000 odd tons of raw skins, valued at Rs. 223½ lakhs were exported from April to November. During the same months this year, 8,938 tons valued at Rs. 118½ lakhs were exported; that is to say, the trade this year is about half of what it was last year. There is also a fall in the internal prices in skins. Actually, the figures show that there is some fear of the Indian exports of this article being replaced by skins from such places as West Africa. Therefore, it has been decided that this export duty should be removed, and, as I say, it is gratifying to Government to know that this proposal has the support, practically unanimous, of the whole of this House.

Not many of the Honourable Members referred to the duty on silver, but when this duty was imposed, there were two principal reasons for imposing it. One was the desire to raise revenue and the other was to maintain the internal price of silver in India. When the duty was first imposed in 1930-31, it produced over Rs. 232 lakhs. That figure fell gradually until in 1933-34 less than Rs. 1 lakh was realised from this duty. In 1934-35 a larger sum has been produced owing to the imports from China, but it seems unlikely that this import of silver from that source will be maintained. Anyhow, as an important revenue-producing source, this duty no longer exists. As regards the price of silver, when the duty was first put on, the internal price of silver was, I think, Rs. 39-8-0 per 100 tolas. The price is now Rs. 63 for 100 tolas. Therefore, that argument also no longer exists. As there is no doubt that a great deal of smuggling is going on and that honest trade is being penalised, Government have decided that this duty should be removed.

As regards gold, if Honourable Members desire a lengthy discussion on the subject, I would refer them to Sir George Schuster's remarks when he introduced the budget of 1933-34. This is not the time of the evening at which I should propose to enter into a long discussion. But I will give the figures, from the last report of the Controller of Currency. For 14 years, from 1920-21 to 1933-34, the net imports of gold exceeded exports by 21 million ounces valued at Rs. 83½ crores. That is only from 1920-21, and Honourable Members no doubt know that for many, many years before that, gold had been flowing into India. These figures seem to me to show quite clearly that this gold, which is now being exported, cannot be described as distress gold. If, however, it is admitted that it is distress gold—and Government do not admit that—then it follows that this export duty on gold would be paid by the distressed peasants who under pressure of distress are giving up their gold. I see no means of avoiding that dilemma.

Sir, I have in a sense been surprised that we have not heard more about the financial difficulties which the provinces are at present facing. I know it is a very sore subject, and the non-reimposition of the pay cut has caused great difficulties to some provinces like the Central Provinces. The Honourable Mr. Barua has referred to the case of Assam. The case of these provinces, and in particular Assam, has been causing very anxious thought to the Government of India for some time past and will continue to cause them

anxious thought for a long time to come. I do not know whether Honourable Members have studied clause 139 of the Government of India Bill. It runs as follows :

“ Such sums as may be prescribed by His Majesty in Council shall be charged on the revenues of the federation in each year as grants in aid of the revenues of such provinces as His Majesty may determine to be in need of assistance and different sums may be prescribed for different provinces ”.

The question of subventions to deficit provinces is going to be one of the most difficult problems connected with federal finance, and if the Government of India have decided that nothing can be done at the moment, it is because of the reasons which were just now mentioned by the Honourable Sir David Devadoss. They consider the whole problem must be faced simultaneously and it is not fair on the other provinces that the case of one province should be considered in isolation. All must be considered together. But the fact that no further relief has been given to the deficit provinces this year than was the case last year does not mean that the problem has not been receiving the most careful consideration of the Government of India. It may be some small consolation to Bengal, Bihar and Orissa and Assam to notice that they are likely to get Rs. 10 lakhs more next year out of the half of the jute export duty. Also I hope that the Honourable Member from Assam noticed that I said in my speech that Assam would receive special consideration in connection with the allocation of Rs. 40 lakhs to road development. Assam is said to be in special need of road development and we hope it will receive some relief in that way.

Well, Sir, in the course of today's debate I made note of certain points which I should like to reply to before I sit down. First of all the Honourable Sir Phiroze Sethna suggested that in the budget we might give figures showing the average income per head and the standard of living of the population of this country. I wish we could get sufficiently accurate figures on that subject to publish, but I do not know of any Government budget in the world in which such figures are printed and I am afraid that is not within the range of practical politics.

The same Honourable Member asked whether Government intended to reduce the rate of interest on the 3½ per cent. irredeemable Government paper. I am not quite sure what the Honourable Member meant by his question. If he meant “ Are Government going to indulge in compulsory repudiation ? ” the reply is of course in the negative. If it is a question of voluntary conversion, the Honourable Member must wait and see.

As regards the additional salt duty, Honourable Members will recollect that the proposal is that it should be left to the House to decide whether it should be imposed for one year more. The Bill will be brought before the Legislature and if the Legislature turns it down, the Honourable Finance Member has indicated that the verdict of the House will be accepted. Sir Phiroze Sethna, I understand, thought it was unfair that the case should be left in that position. But this duty was imposed on the recommendation of a Committee of the Assembly and if the Assembly now decide that it should no longer be imposed, I cannot see why Government should step in. I cannot see any unfairness in that particular proposal. It must rest with the Legislature to decide whether that duty will be imposed for another year or not.

Reading over the speech of Sir George Schuster which he delivered in this debate last year, I find that the Honourable Mr. Hossain Imam made the same allegation about the increased external expenditure that he has made on this occasion. Sir George Schuster offered on that occasion that, as he

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could not follow his figures, if the Honourable Member would come round and discuss the position with him he would endeavour to explain away what must be a misconception of facts. I do not know whether the Honourable Member ever went to see Sir George Schuster, but the Honourable Member and I both come from the same province and I repeat the invitation. If he will come and see me and show me his figures, I will do my best to explain away his difficulties.

The Honourable Mr. Basu expressed the opinion that the taxation policy of the Government of India should be overhauled. Well, the Honourable Finance Member has already indicated that this matter is receiving his consideration, and I am sure it will not cease to do so.

The Honourable Mr. Gladstone referred to the over-caution of the department in budgeting. That is a point I have already referred to. Obviously it would be quite wrong to frame one's budget of revenue with the ulterior object of increasing one's expenditure. The figures of revenue on which the expenditure figures are based must be calculated on their own merits.

The Honourable Lala Ram Saran Das asked why there had been no conversions this year. Well, that is not a fact. I will give him the figures. I will read again one passage of the speech I delivered in presenting the budget figures :

" This year we issued no sterling loans but we issued two rupee loans, one of 2½ per cent. loan 1947-50 and the second of 3 per cent. bonds 1941. Together these loans produced Rs. 35 crores and 80 lakhs. With the proceeds of these loans, Rs. 32 crores and 42 lakhs of permanent debt bearing higher rates of interest were replaced ".

It is not correct to say that during the current year we had no conversion operations.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I said sufficient conversion was not done. I did not say it was not done at all.

THE HONOURABLE MR. P. C. TALLENTS : I mis-heard the Honourable Member.

Well, Sir, in the course of a discussion like that which has taken place today many points have been raised and it would be quite impossible for me to follow every Honourable Member and discuss every point, particularly at this late hour of the evening. Most, in fact I think all, of the considerations which have been urged in the course of the day were considered by Government when the budget was being prepared. After a series of years in which the whole attention of Government has been concentrated on reducing expenditure and adding to the revenue just so much as would enable the budget to be balanced, we are faced this year with a new problem. We have to set about the more congenial task of lightening the burden imposed during the last few years of difficulty. Congenial tasks are not always easy, but on the whole I think from what we have heard in this House today that the proposals of Government have the substantial support of Honourable Members. The surplus which we anticipate next year we think can safely be regarded as a recurring surplus. Honourable Members have agreed that it should be used, not for incurring fresh expenditure, but for removing the existing burden of taxation. The Honourable Sir James Grigg has said that he himself is not satisfied with the budget and he does not suppose that many other people will be either. In view of that statement I think that the support which the budget has received in this House may be described almost as surprising and certainly as satisfactory.

Although Honourable Members may have criticised this or that feature of the budget, in its general outline it is, I think, acceptable ; and not only in this House but outside also from what I have seen in the telegrams and newspapers, the budget has been well received. If today's discussion has assisted in clearing up doubtful points and bringing into relief the reasons and the justification for particular proposals, it has served its purpose ; and I think the more Honourable Members look into the budget and examine it at close quarters, the more they will find it reasonable, practical and satisfactory.

THE HONOURABLE THE PRESIDENT : This concludes the debate on the Budget, Part II.

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