

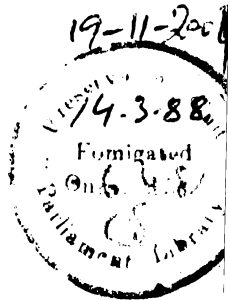
Wednesday, 31st March, 1937

THE
COUNCIL OF STATE DEBATES

VOLUME I, 1937

(16th February to 8th April, 1937)

FIRST SESSION
OF THE
FOURTH COUNCIL OF STATE, 1937



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COUNCIL OF STATE.

Wednesday, 31st March, 1937.

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

QUESTION AND ANSWER.

REPRESENTATION OF THE ARMY IN INDIA RESERVE OF OFFICERS IN THE INDIAN CONTINGENT FOR THE CORONATION.

99. THE HONOURABLE SARDAR BUTA SINGH: Will Government be pleased to state:

(a) Why when announcing that the Contingent proceeding to England for the Coronation was representative of all arms, branches, and services of the Indian Army, no mention was made of any representative of the Army in India Reserve of Officers?

(b) Why no officers of the Army in India Reserve of Officers are proceeding with the Contingent?

(c) Why representative officers of the Army in India Reserve of Officers are not invited to live in the Contingent Camp and to enjoy all the privileges that will attach to the Contingent during its stay in England? Why are they not drawing pay and other special emoluments?

(d) Why it has been found necessary to treat the Army in India Reserve of Officers on an entirely different footing to the rest of the different arms, branches, services, etc., of the Indian Army?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: (a) Because officers of the Army in India Reserve of Officers are on a general list and as such they do not represent any unit.

(b) Two officers of the Army in India Reserve of Officers have been selected for the Contingent. Both of them are now in England and are therefore not proceeding with it.

(c) The Honourable Member is misinformed. Officers of the Army in India Reserve of Officers will live in the Contingent camp at Hampton Court and will share the privileges of the Contingent. They will draw £1 *per diem* as deputation allowance while actually on duty with the Contingent. (The question of issue to them of normal military rates of pay, is still under consideration.)

(d) In view of the preceding replies this question does not arise.

FAREWELL SPEECH OF THE HONOURABLE MR. U AYE ON THE EVE OF SEPARATION OF BURMA FROM INDIA.

THE HONOURABLE MR. U AYE (Burma: General): Sir, with your permission I should like to crave the indulgence of the House to make a statement as this is the last day on which I will sit as a Member of this House.

THE HONOURABLE THE PRESIDENT : As a special occasion I will permit you to make a statement.

THE HONOURABLE MR. U AYE : Much water has flowed under the Irrawady Bridge since the institution of Dyarchy in India. I am reminded at the present moment of the fact that a Burman fittingly represented in this House at its inception and it is equally fitting, at the fag end of the session of this House, and so far as I am concerned during the last moments, I might almost say the dying moments, of dyarchy, that a Burman should come forward to say farewell to the people of India and that farewell is a friendly one. We part as friends. Nor can two neighbouring countries such as India and Burma afford to continue to live on any but the most harmonious and friendly terms. There is not much I can do here, but before the curtain is drawn I wish to appeal to the Members of this House and through them to the people of India to meet the wishes not only of the Buddhists in Burma but also of the 500 million Buddhists throughout the world in respect of the restoration of the Buddha-Gya temple to the Buddhists. May you all be able to rise to the level of that tolerance and generosity which inspired the Founder of the Buddhist religion which has played so important a part in the life of the Burmese people.

BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL : Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which were passed by the Legislative Assembly at its meeting held on the 30th March, 1937, namely :

- A Bill further to amend the Code of Civil Procedure, 1908, for a certain purpose ; and
- A Bill to amend the Indian Red Cross Society Act, 1920, for certain purposes.

STANDING COMMITTEE FOR ROADS, 1937-38.

THE HONOURABLE THE PRESIDENT : With reference to the announcement made by me yesterday regarding nomination to the Standing Committee for Roads and the Central Advisory Council for Railways, I have to announce that the following Honourable Members have been nominated for election to the Standing Committee for Roads which will be constituted to advise the Governor General in Council in the administration of the Road Fund during the Financial year 1937-38 :

- The Honourable Mr. R. H. Parker ;
- The Honourable Rao Bahadur K. Govindachari ;
- The Honourable Mr. Abdur Razzak Hajee Abdus Sattar ; and
- The Honourable Sardar Buta Singh.

There are four candidates for three seats and an election will be necessary.

CENTRAL ADVISORY COUNCIL FOR RAILWAYS.

THE HONOURABLE THE PRESIDENT: The following Honourable Members have been nominated to the Central Advisory Council for Railways :

- The Honourable Rao Bahadur K. Govindachari ;
- The Honourable Mr. V. V. Kalikar ;
- The Honourable Mr. Abdur Razzak Hajee Abdus Sattar ;
- The Honourable Haji Syed Mohamed Husain ;
- The Honourable Pandit Hirday Nath Kunzru ;
- The Honourable Mr. Sitakanta Mahapatra ;
- The Honourable Rai Bahadur Lala Ram Saran Das ;
- The Honourable Chaudhri Attaullah Khan Tarar ;
- The Honourable Sir David Devadoss ;
- The Honourable Lieutenant-Colonel Sir Shaikh Hissam-ud-din Bahadur ;
- The Honourable Nawabzada Khurshid Ali Khan ;
- The Honourable Mr. Ramadas Pantulu ;
- The Honourable Mr. B. N. Biyani ;
- The Honourable Kumar Nripendra Narayan Sinha ; and
- The Honourable Sardar Buta Singh.

There are 15 candidates for six seats and an election will be necessary. The date of the election will be announced later.

INDIAN FINANCE BILL—*contd.*

THE HONOURABLE THE PRESIDENT: The debate will now resume on the Finance Bill, second stage.

The Question is :

“ That clause 2 stand part of the Bill ”.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muham-madan) : Mr. President, this is the operative clause on which a great deal of discussion has taken place in the other House as well as in this House. The question at issue here is whether the Government are justified in imposing an excise duty on sugar production in India. There are two schools of thought in this respect—one is that which believes that there should be no taxation on production. This has been described by the Honourable the Finance Member as the mercantile thought, which has always raised a hue and cry —

THE HONOURABLE THE PRESIDENT: You are now speaking on the salt duty clause.

THE HONOURABLE MR. HOSSAIN IMAM: I am sorry, Sir.

THE HONOURABLE THE PRESIDENT: The Question is :

“ That clause 2 stand part of the Bill ”.

The Motion was adopted.

THE HONOURABLE THE PRESIDENT: The Question is :

“ That clause 3 stand part of the Bill ”.

THE HONOURABLE MR. HOSSAIN IMAM: I am sorry I disturbed the Council, Sir. The question of the imposition of an excise duty has been rather clouded by the tactics of the Honourable the Finance Member. He wanted to make out that in addition to the straight benefit of financing Government revenues, this would help the industry. He has the entire sympathy of India, if it really turns out that it will help the industry. We are doubtful of its beneficial effect on the industry. The question of sugar protection has had rather an eventful history. Before the Tariff Board was appointed the duty was Rs. 6 per cwt. which was almost equivalent to the protection required. Before the report was submitted, the duty was raised to Rs. 7-8-0, and before it was published the duty was raised to Rs. 9-1-0. Now, the initial mistake of the Government was in giving more protection than was required, and even before the Report of the Tariff Board — with the result that there was too great and hurried expansion of the sugar industry. Whenever there is too great and hurried expansion of an industry, the usual course of events show that it is not organised on scientific lines. You do not have that amount of care bestowed on selection of sites and the capacity of the market which you would have had if we had just sufficient protection. The result was that in my province of Bihar and in the United Provinces sugar mills grew up like mushrooms. People with an adventurous spirit, or I may say speculative spirit, went in for sugar, because they thought they will be able to recoup a greater part of their capital in the shape of return of interest on their capital in a short period. Government realised too late in the day in 1934 that they must bring in an excise duty because the fall in customs income was much more than they had expected. They were prepared to shoulder some reduction in the customs revenue, and were prepared to finance that from other sources. But as events showed, it was going down too headlong; so they thought they must step in and they brought forward this sugar excise duty. They again committed another blunder. In order to safeguard and give a further protection to the industry because of the fall in molasses prices and for other reasons—feared fall in Java prices—they left unbridged a difference of eight annas in the quantum fixed by the Tariff Board—I mean the difference between the customs duty and the excise duty. That, Sir, was the second mistake. Even then, Government might have remained, as they had been all these years, sitting idle, had it not been for the phenomenal fall in the sugar income, from Rs. 2 crores to barely half a crore which they expect this year. That opened their eyes. Here it must be realised that protection is not an unmixed blessing. You, Mr. President, and old colleagues of mine know that I am not a protectionist by choice, but circumstances have forced me to be a protectionist to a certain extent. But I quite agree with the Honourable the Finance Member that in giving protection we must count all the cost—the cost to the consumer, the cost to the Exchequer, and the possibilities of recouping it in future years. Theoretically I have no objection to the equalisation of the protection to the quantum given by the Tariff Board. That was a desirable thing. But I find that Government have based their case on the fact that this will weed out the weaker industries, that it will cause a shake-out, that it will have the effect of retarding the expansion of the sugar industry. I doubt whether it will have these effects. That it will stop new growth is very doubtful because, if you study the map of India, you will find that there are large areas which are quite suitable for sugar production and in which few sugar mills have been started. Those areas will go on starting new companies, because the composite cost of sugar production in Northern India together with the railway charges would still give them an advantage which cannot be eaten up by your excise duty. As far as weeding out of weak factories is concerned, there I differ from the Government. The Government thinks it is good that small units

should be turned out. Because of their capitalistic mentality they do not want anything which has not a huge capital behind it, while we believe that the need of India is the growth of small rather than big industries, although no doubt the bigger industries will benefit the Government more indirectly through increase under the head of income-tax. But still, if people with small capital want to come in and take a bit of the advantage offered to big business, the Government should not grudge it.

Then there is the cry that it will hit the cultivators. The Honourable the Finance Member was very vehement in stating that the mere fact that the industrialists are anxious to remove this additional excise duty is a sufficient proof that the incidence of this duty will fall on the manufacturers, and that the producers as such will not be hit by this duty. Our difficulty is that we do not believe that the disorganised producer can compete with the organised, well-backed and capital-owning industrialist. And that is not only conjecture. If the Honourable Member will look to the newspapers he will find that in my province of Bihar the rate prevailing last year was five annas per maund and this year the rate has been fixed at 4 annas. From the United Provinces the same sort of news comes. The price fixed by the Government under price control is less than it was last year. The reply will be that that reflects the reduction in the price of sugar. But may we ask, what guarantee we have under the present order, when there is no democratic Government in the provinces and interim ministries are going to be formed, that the interests of the masses will be safeguarded? If the Congress had formed the Governments in the provinces, as we believed that they would, we would have had some sort of assurance that the representatives of the people will be there to guard the interests of the producers. But the Government will excuse me if I say that we do not believe that the new executives will be good champions of the cause of the masses. I have reasons, and can substantiate that if need be.

Now, Sir, leaving aside the advantages and disadvantages to the producer and the manufacturer, the question is, what will be the effect on the consumer? The Honourable the Finance Secretary expressed the strange opinion yesterday that he hoped that the major part of this excise duty would be transferred to the consumer; so then the manufacturers and producers will go scot-free. If that is so, his argument that it will cause a reorganisation of the industry falls to the ground, because if the burden is transferred to the consumer no deterrent effect will be produced on the industry; the industry will continue in as bad or as good a condition as it was before the introduction of the Finance Bill. Here, Sir, I should like to mention that the Honourable the Finance Member in reply to our debate yesterday evinced a strange inferiority complex in saying that none but a dictator could organise industries. Well, it does not require a dictator. England is already doing it, even without legislation. There is the scheme for Lancashire reorganisation and other rationalisation schemes. How are they functioning? If they can function in England, why cannot we have the same sort of thing in India? Our industries are going to the dogs because the Government will not take proper care. Well, Sir, as long as industries are able to fend for themselves and ask for no protection, they have every right to tell us that they do not want us to interfere in their affairs. But as soon as we help them and burden the consumer with the profits of the industrialists, we have a perfectly clear title to demand a share in the control. But if the industries are not prepared to give in, I would have a law imposing an excise duty equivalent to the customs protective duty on those concerns that will not give us control. If they want protection they must be prepared to give us some share of control. I do not want to have Government control altogether. I want it in the interests of the industries themselves. Just as

[Mr. Hossain Imam.]

in the Assembly you have an overwhelming majority of the representatives of the people, so in the Central Boards that I advocate there should be a predominant majority of the manufacturers themselves.

THE HONOURABLE THE PRESIDENT : How can that deal with internal competition ?

THE HONOURABLE MR. HOSSAIN IMAM : Sir, by centralised selling and centralised purchase you can eliminate a lot of expenditure and competition. You can rationalise the distribution. There are many ways in which you can do things as long as you have imagination. But if you will not look at anything unless it comes up in a big file after it has gone the round of the Secretariat, you can do nothing. Things are not done like that. It is all very well to carry on like that under a bureaucracy, because there is no one to ask you what you are doing. But the very fact that you are an irremovable executive should teach you that you carry a greater responsibility on your shoulders than you would under a democracy. You go muddling through, as is the custom of the English nation. The fact is that our Government of India has a dreadful fear of the word "planning". If the word "planning" is uttered before the Government of India it gives them delirium and fever, they cannot even imagine it. And why ? The reason is simple. It disturbs their mental tranquillity. As it is, without planning and in muddling through, the Secretariat and all the staff and all the Honourable Members have an easy time. Everything goes merrily on ; through the Assistant Secretary, the Under Secretary, the Deputy Secretary and the Secretary. But planning means the introduction of the human element : it requires more personal application, more care and more work. And so we have the plea of the Honourable Member that the imposition of an excise duty is the only thing he can do to organise the industry. It is a wrong plea for two reasons. Firstly, as I have said, it is doubtful if it will have this effect ; and secondly, because better ways are open to the Government. It is open to the Government to call in all the sugar interests, and have a conference as they can easily do. One of the ways of the Government when they are hard pressed is to call for a committee or conference ; because that shifts part of the burden. The charge of irresponsiveness is removed, and then they can file the report in a pigeon-hole. That does not matter. We are here to see that it is not pigeon-holed. As long as the Government take some steps it will be all right. The condition of the sugar industry will be precarious if things are allowed to remain in the present state. I am very much afraid that the prophecy of the Finance Member will not come true, and the industry will go to the dogs. We have left the thing to take care of itself too long. The Honourable Member was very vehement and said that he does not wish India to be a free trading country ; but why the policy should be *laissez-faire*, hands off the industry ? You should not do it. Your function, as I said in the beginning on budget day, is not that of an auditor. You are managing this country. You have different duties to perform and therefore I appeal to the Government. This measure which they have taken will throw almost the entire burden on the consumer and the producer. A little bit of it will fall on the manufacturer too. But whether it will have the effect of stopping new growth I am very doubtful about. We will see, Sir, next year whether it had that desirable effect which the Finance Member stated or not. That will guide us in our future action in judging whether the additional excise duty should be continued or abolished. But for the coming year, as we are doubtful of its having a good effect either on the industry or on the producer, I think, Sir, we have no option but to oppose this clause.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA (Bihar : Non-Muhammadan) : I am sorry, Sir, the Finance Member is not present here to hear —

THE HONOURABLE MR. HOSSAIN IMAM : He is in the other House replying to questions.

THE HONOURABLE RAO BAHADUR SRI NARAIN MAHTHA : Be he wherever he may, my complaint is that he is not here to hear what we have to say in reply to the arguments used by him in support of the Bill. Like the proverbially mischievous school boy, having written something on the wall, he has run away.

Sir, I oppose this clause of the Bill for several reasons. The first is its certification after the adverse verdict on the Bill in the other House. The Bill, therefore, has —

THE HONOURABLE THE PRESIDENT : Certification always comes after the adverse vote ; otherwise it would not have come.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA : And, Sir, when it comes it brings a bad odour of autocracy about it. The Finance Member yesterday said that on a correct reading of the Government of India Act we have no business to expect that Government at the Centre should be responsive to the wishes of the Legislatures. He said that the provision of the power of certification was avowedly meant to be used as often as the Legislatures stood in the way of the fulfilment of autocratic decrees of Government. He contended —

THE HONOURABLE MR. J. C. NIXON : May I point out that that was not what the Finance Member said ? That may be the Honourable Member's translation of it.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA : It is the correct interpretation of what he said. I am not quoting his words. But that is what he meant to imply. I say, Sir, that he contended that the Members on this side of the House have no reason to express any amazement of protest at what the Government have chosen to do. I wish to tell him that the Members on this side of the House had a protest to offer because some of us still sometimes think that the Government of India have some consideration for the wishes of the people and some respect for the views of their chosen representatives. We expected, therefore, that after the Assembly had overthrown this Bill after such a prolonged discussion, the advisers of the Governor General would not think of giving him the improper advice of certifying a measure that had met with such universal condemnation. But, Sir, from financial advisers like our present Finance Member, who sees no harm in the high military and civil expenditure to which this country has been subjected —

THE HONOURABLE THE PRESIDENT : May I draw the attention of the Honourable Member to the fact that we are now discussing the clauses only and not the general aspect of the Finance Bill. Will he kindly as far as possible restrict himself to the clauses ?

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA : I am only laying bare the attitude of the Finance Member with regard to our problems and his inconsiderateness in choosing such a thing as sugar for taxation.

Sir, from financial experts like our present Finance Member, who sees no harm in the high military and civil expenditure to which this country has been subjected, much beyond its poor means, who sees no harm in gold being perpetually drained out of this country, we could not expect statesmanship, we could not expect that he would advise the lowering of the burden of administration or even of reverting to the 10 per cent. cut in salaries.

THE HONOURABLE THE PRESIDENT : May I point out to the Honourable Member again that he can speak all that on the third stage of the Bill. At present he must confine himself strictly to the clause.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA : Yes, Sir, I know the limitation that applies to the present debate. I say that when the country speaks nearly unanimously through the mouth of its representatives that the increase in the excise duty on sugar is detrimental to the industry, when we say that the sugar tax will work prejudicially against the interest of the grower, when we say that by increasing the burden of tax on sugar we may be running the risk of irreparably hitting an industry which for the time being is the main prop of the agriculturists of this country, the Finance Member turns round and says that we have no love for the agriculturists of this land and that we are partisans in an interested propaganda in favour of the capitalist. He wants us to believe that we are biased, that we are not to be trusted, that he is the best and the sole well-wisher of this country and the poor Indian cultivator. Let me remind him of the old saying that the woman who professes to love a child more than its mother is a witch. Howsoever adept in witchcraft the Finance Member may be, let me tell him that his angle of vision towards our problems is not hidden from us. If a man is to be judged not by his professions but by his deeds, the love of the Finance Member for the poor agriculturist and the poor consumer is evident from the commodities the Finance Member has chosen to tax. By his behaviour one is reminded of the village pedagogue described by Oliver Goldsmith in his poem *The Deserted Village* about whom he said "Though vanquished oft he argues still". The Finance Member makes bold to put forward a claim which can only be pardonable in the case of a maniac. He wants us to believe that there is no justice in the country-wide resentment against his present Finance Bill—that there was no just cause for the Bill having been rejected by the Assembly, that there is no honest viewpoint except his own and that all those who differ from him are accomplices in a plan to loot the cultivator. This claim and argument is so outrageous that it can do credit only to Sir James who wants to build up his reputation as a financier by propounding the argument that he alone has the monopoly of economic wisdom to determine what is best for the people of this country—a people whose curse it is to be subject to foreign domination and brazen-faced exploitation.

* **THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY** (East Bengal : Non-Muhammadan) : Sir, I am sorry to have to oppose this measure. We have ere this all along been told that capital is shy in India, that competition is always healthy, that it brings on economy of production and lowering of prices and therefore causes less hardship to the consumers,

* Speech not corrected by the Honourable Member.

but that is not what we hear from the Finance Member in this House now and we are told that capital should be driven off from this industry. The industry has only been recently introduced in this country, it has up to now been able to supply only a part of the needs of India, most people still using *gur* now; it has not yet been able to attain the stage of an exporting country, yet we must check the industry from further growth. The Honourable the Finance Member then tells us that it will not have that effect, but on this opinion is divided. The agriculturists who are in an extreme condition of poverty have now taken to the production of sugarcane as a profit-yielding crop and it will upset all their calculations and throw them helpless back on their old ways of cultivation. Then it was said that they would suffer because they will get their price of sugarcane on the basis of the price of sugar which will rise on account of the duty imposed. But the question is, if the industry suffers will he be able to sell as much sugarcane as before? It would therefore have been wise to adopt some other measures. I am not an expert on financial matters and it is therefore not possible for me to suggest some other measures. Somebody in the other House suggested an export duty on pig iron; this is a commodity which is going out of the country in large quantities. The producer is a powerful concern making a large profit and it is a commodity which is greatly needed by other countries and will not affect the people of this country much.

THE HONOURABLE MR. J. C. NIXON (Finance Secretary): Sir, I think I shall use my time most economically if I deal separately with the three Honourable Members who have spoken. In regard to the last speaker, Mr. Ray Chaudhury, I don't think I can really do better than refer him back to what I said yesterday. I do not know whether on that occasion I spoke particularly indistinctly or whether he had his speech written out before I had spoken, but he seems entirely to have ignored what I said or my logic could not have been of the brightest.

In regard to my Honourable friend, Mr. Mahtha, I would remind the House of a very learned book which was once written about Iceland. There was a chapter devoted to every subject under the sun and there was one chapter headed "mosquitoes". That chapter consisted of the words "There are no mosquitoes in Iceland". And in my book on the sugar clause in the Finance Bill 1937-38, under the heading of Mr. Mahtha I should say that Mr. Mahtha did not speak on the sugar clause.

But I now come to my friend, Mr. Hossain Imam, who did, as he usually does, treat the question with the seriousness that it deserves. He stated that the Honourable the Finance Member had only "trotted out" (I think those were his words) the idea that this excise measure would be of help to the industry. I won't hold myself responsible for what I am going to say but it was given to me quite recently by a very knowledgeable person that the thing which I ought to do at the moment is to invest my money in the better sugar shares. I think that is a complete answer to that.

I was very glad to hear my Honourable friend say that an industry might be given too much protection and I commend his proposition to the attention of other Members in the House. I also appreciate what he said in regard to the sugar industry having been given too much protection and its having expanded in too great and too hurried a fashion and having therefore, as he himself will no doubt admit, got itself into an unhealthy condition. He mentioned that he personally was in favour of fostering in India the small industry as against the big industry. I do not know whether he has overlooked the fact that in the sugar industry the small industry is represented by the trade-

[Mr. J. C. Nixon.]

in khandsari. Ninety-six per cent. of the khandsari manufacturers are completely untouched by the excise measures at all and therefore in that respect the small industrialists who supply the sugar requirements in India are not at any rate discouraged by this measure.

THE HONOURABLE MR. HOSSAIN IMAM : Will the Honourable Member say what was the justification for doubling the duty on khandsari? Was there any undue expansion there too?

THE HONOURABLE MR. J. C. NIXON : Sir, if the Honourable Member would care during the remainder of this session to put a specific question on that subject, I have a very good answer to it, but I prefer not to give it now.

There is one thing I would like to say to my Honourable friend in regard to his advocacy of small industries as against big industries. I myself have some doubts as to whether the eventual economy of a country is bettered by the country deliberately choosing a less economical form of production in favour of a more economical form.

In place of an excise duty the Honourable Member suggested that the industry should either control itself or be brought under control. The view of Government was that it was better to attempt to produce rationalisation in this industry by the introduction of an economic factor which would re-act in a normal economic manner rather than through the process of the policeman. I do not know whether my honourable friend has ever had any experience of a big industry attempting to control itself. I would like to refer him to the papers any time during the last year in regard to, for instance, the jute mill industry, to see the difficulty which that particular industry has had in controlling itself. I would also like to refer him to the cotton industry at Bombay and the success that that industry has had or not had in controlling itself. If I remember aright, the first measure of protection given to that industry was on the condition that it would reform itself and I wonder if my Honourable friend, Mr. Hossain Imam, really believes that it has. I was once told by a business man that in his experience there had never been an agreement between six business men from which one had not ratted in a pretty short space of time.

Sir, in regard to this particular clause I have nothing else to say except to express thanks to my Honourable friend, Mr. Kunzru, who unfortunately is not here at the moment, for his remark yesterday to the effect that my opening comments on this subject had been reasonably put before the House.

Clause 3 was added to the Bill.

Clause 4 was added to the Bill.

Clauses 5 to 7 were added to the Bill.

The Schedule was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. J. C. NIXON : Sir, I move:

“That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the excise duty on sugar leviable under the Sugar (Excise Duty) Act, 1934, to vary certain duties leviable under the Indian Tariff Act, 1934, to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, to fix maximum rates of postage under the Indian Post Office Act, 1898, and to fix rates of income-tax and super-tax, in the form recommended by the Governor General, be passed”.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muhammadan): Sir, I do not wish to record a silent vote on this Motion, without very briefly answering some of the arguments of the Finance Member advanced yesterday on the Motion for consideration. In the speech which the Finance Member made there was more of the Finance Member and his pet theories on protection which have been condemned over and over again by Indians, than of the Finance Bill itself. He was in a very angry mood; apparently he lost his balance by the accusation that he was the agent of British interests and that he was the chief supporter and instrument of those who are out for exploiting the Indian masses. Therefore he made an unbalanced speech. Apparently he thought that a counter-attack on his critics was an answer to them, and he illustrated the old adage that if you have no case, abuse the other side. I shall only deal with two of his arguments. I said that though protection was bound to have an adverse effect on the consumer, as a matter of fact, the consumer of Indian sugar did not always pay less in the pre-protection period on imported sugar and sometimes paid even more than he is paying today. The Finance Member characterised this statement by a very unparliamentary word, which he subsequently withdrew and substituted it by something less offensive. But I can adduce facts to show that the consumer is not unduly burdened by the protection which is now imposed on Indian sugar and, even if he is to a certain extent burdened the protection has its counterbalancing advantages to the people of this country. With regard to the particular statement whether imported sugar was always cheaper to the consumer than the protected sugar, I would like to cite a few figures. The average annual net import of sugar into India for the four years 1910-11 to 1913-14 was 620,000 maunds and the value including duty then paid for it was Rs. 1,995 lakhs. Compared with these figures, those for the sugar manufactured in India in 1934-35 are these. In that year, the estimated production of sugar was 578,000 tons and it was valued at Rs. 1,258 lakhs. The duty in pre-war years was 5 per cent. In 1934-35 it was 15 per cent. of current prices. This comparison would show that the Indian consumer paid no more in that year than what he paid in the four or five years preceding the war. That is what I was referring to, and I take my stand on published figures with regard to that statement. Mr. M. P. Gandhi, the Sugar Expert, from whose book I have taken these figures, says that the net cost to the consumer is not lower than what it was a quarter of a century ago, and we are as a matter of fact selling sugar cheaper today than the rate visualized by the Tariff Board at the end of the period of protection 15 years hence, i.e., 1946. Sir, I place more reliance on these figures and the statements of Mr. M. P. Gandhi than on the angry outburst of the Finance Member.

Another accusation which the Finance Member levelled against us is that we who condemn the addition of the excise duty are really the supporters of the manufacturing interests and of the capitalists and that our professed affection for the agriculturist was not sincere. It is a most ridiculous statement to make, in my opinion. This is another melancholy instance of the divide and rule policy, of creating differences between the several interests in this country where really there are none. The manufacturers and cultivators of sugar are dependent upon each other for their prosperity. The manufacturer cannot run his factory to profit unless he has the co-operation of the cultivator, nor can the cultivator thrive without the co-operation of the manufacturer. The Indian manufacturer is not one who follows the policy of killing the goose that lays the golden egg. He is more sympathetic, he is more concerned with the welfare of the cultivator in India than the Honourable the Finance Member is, and therefore any such pretended affection for

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the Indian cultivator and any attempt to create a cleavage between the manufacturers and the agriculturists in this country will not be considered to be honest by us on this side of the House.

Sir, I said that in the year 1934-35 the cost of sugar manufactured in India was Rs. 1,250 lakhs. What are the items of expenditure incurred by the manufacturers? Of these Rs. 1,250 lakhs, Rs. 600 lakhs went for the price of the cane paid to the cultivator, Rs. 120 lakhs for transport which is mostly by either bullock carts or lorries or buses, in which the ordinary cultivator benefited, and Rs. 200 lakhs went for the wages of labourers and Rs. 50 lakhs for salaries of the educated staff employed in the factories. I ask, in the face of these facts, if the industry is hit by some factories closing down, will not some of the poorer classes who are benefited by the industry suffer? Therefore we have as much the interests of the manufacturer at heart as those of the cultivator and we are not ashamed to say that we are opposing this measure not exclusively in the interests of the cultivator alone, but in the interests of both the manufacturer and the cultivator. I make no apology for it. Then, Sir, it is said that the excise duty will have the salutary effect of closing down some of the weaker factories and thereby reducing competition, which will result in increase of efficiency of production. Well, it remains to be seen

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how far this expectation will be fulfilled, but assuming that the assumption is correct, is there justification for closing down my factories and bringing down production? I do not agree with the proposition that there is over-production of sugar in this country today. We are perhaps just manufacturing the quantity of sugar we have been importing some years ago. That does not mean that there is no room for expansion of internal consumption in this country. I do not think that the people of this country are eating as much sugar as they ought to. A comparison of the figures of consumption of sugar will show that the average consumption of factory sugar in India is lower than it is in other countries. It may be due to the poverty of the people and their inability to buy sugar. It may be said that you must add to the consumption of sugar the consumption of *gur* which a number of people eat. But even taking that into account, I believe that there is scope for the people of this country purchasing and using larger quantities of sugar if their purchasing power is improved. Therefore there is scope for the improvement of internal production for internal consumption alone. I repeat what I have said on another occasion in this House that, provided adequate assistance from the Government is forthcoming to make the industry more efficient, to help it to turn molasses into some useful product without wastage and to help the agriculturist and the manufacturer to obtain larger yield and greater recovery, and so on, I think the industry could be made not only self-sufficient in regard to internal consumption but some day it ought to enable us to export sugar to other countries and compete successfully with other countries in the world markets. That is not an idle dream. I am not speaking without a sense of responsibility. If India were a self-governing country, with all its resources, its hospitable soil for sugarcane, with our ability to find capital for the establishment of 100 more factories in the past four years, as against the 50 in 1932, with so many other facilities, we could do a great deal. But we have not got our own Government to take advantage of those facilities. Any other country situated like India would not only have been manufacturing for her own consumption, but would have planned for exporting sugar to other countries. But planning is a crime in the eyes of the Finance Member. Our weakness is due to the very narrow and short-sighted policy pursued by the Government of India, especially under

the advice of the present Finance Member. I do not think the Finance Member can claim to have one friend for his policy in India, and when I said that he was not acting in the interests of India he disputed my statement. I would ask him to take a plebiscite of the people of this country and it will prove that I am right and he is wrong. The unanimous verdict of the people of this country will be that he is the agent of the exploiters of the Indian masses. I make no apology for having made that statement. He said that I had made it so many times that I had come to believe in it. I do believe it, not only because I have repeated it often, but because it is a fact.

With these words I oppose this Motion. I think the Finance Bill in its certified and recommended form is not one for which any elected Member of this House should vote. Let it be carried only with the votes of the officials and their nominees. By voting in favour of it we will I think be writing ourselves down as being unfit to represent any intelligent electorate in the country, in this House.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muham-madan): Mr. President, yesterday the Honourable the Finance Member lost his temper because he was accused of being discourteous to us.

THE HONOURABLE THE PRESIDENT: I do not think you are representing correctly what happened. He did not lose his temper at all.

THE HONOURABLE MR. HOSSAIN IMAM: Then am I to take it that it is your interpretation that he was deliberately disrespectful.

THE HONOURABLE THE PRESIDENT: He used the word "rubbish", which was not right and he had to withdraw that word. But I must correct you when you say that he was very much excited. I thought throughout his speech he was very much composed, though naturally he may not have liked the allusion that he was the agent of British exploiters.

THE HONOURABLE MR. HOSSAIN IMAM: That I shall explain later on. May I say in the beginning—

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: It seemed to us that he was excited from the moment he entered the House.

THE HONOURABLE MR. HOSSAIN IMAM: Whatever might be his mental condition, we will not discuss that. We will only say that when our Honourable colleague Mr. Sapru stated that it was discourteous of the Honourable Member to be absent, it was due to the fact that the Honourable Finance Member did not take proper care to acquaint himself with the time of meeting of this House. This House met at half past ten and the Assembly met at eleven o'clock. He had half an hour and if he desired to show courtesy to us he could have come beforehand and gone away later with a valid excuse that he was going to attend to public business. But his non-attendance before the Assembly met was nothing short of deliberate unthoughtfulness.

THE HONOURABLE THE PRESIDENT: Now on the other hand you are excited.

THE HONOURABLE MR. J. C. NIXON: Will the Honourable Member remember that that first half hour was taken up by questions.

THE HONOURABLE MR. HOSSAIN IMAM: Yes, Sir, but it was open to the Honourable Member to come here and tell us that because of his business he had to go away.

THE HONOURABLE THE PRESIDENT: I must point out to Honourable Members that though it is an act of courtesy on the part of the Finance Member to try and be present in this House as far as is practicable and suitable to him, he is under no obligation to be present here always. The Governor General under the Act appoints certain Members of the Executive Council to this House and nominates other Members to the other House, and they have discretion to attend a meeting of the House of which they are not Members for the purpose of elucidating matters. But they are not under any legal obligation to do so, and therefore any reference of this nature is improper.

THE HONOURABLE MR. HOSSAIN IMAM: Courtesies are never legal obligations. They are extra-legal obligations of civilised humanity. But we never expect courtesy from brutes.

THE HONOURABLE THE PRESIDENT: That is a phrase which you ought to withdraw immediately.

THE HONOURABLE MR. HOSSAIN IMAM: If you order me to.

THE HONOURABLE THE PRESIDENT: Yes, certainly.

THE HONOURABLE MR. HOSSAIN IMAM: Then I withdraw it.

The trouble with this House as well as with India is that we start copying things without understanding the implications thereof. British officials in India are correct in stating that they are not agents of our exploiters. They are paid from Indian finances, and in a nation of shopkeepers you cannot think of any one working for another without commission or remuneration. So he could never be the agent of the British nation and trade.

THE HONOURABLE THE PRESIDENT: That is a phrase which is out of date altogether.

THE HONOURABLE MR. HOSSAIN IMAM: So I say he is perfectly justified in stating that he was not an agent, because he could not be an agent unless he was paid for it from the British Exchequer. Nevertheless, we have another anomaly. In Indian industry you find the managing agency system, where the remuneration to employees are paid from the shareholders' profits but the orders emanate from the managing agents.

THE HONOURABLE THE PRESIDENT: There is no analogy.

THE HONOURABLE MR. HOSSAIN IMAM: A similar analogy exists in the case of the Czar at Whitehall. Under the present Government of India he is absolutely supreme and all the officials in this House or outside are under the orders of the Secretary of State, who is a responsible Minister of the British nation, and as such he has to see that British trade interests are guarded. And for that reason we regard that although the Finance Member is paid by us he is our man as far as payment is concerned, but as far as orders are concerned he is as powerless as ourselves. I can cite to you instance after instance not only of Honourable Members of the Executive Council but even of Viceroys being flouted by the Secretary of State. There is a whole volume of the Report of evidence of the Royal Commission on Finance, where you will find frantic appeals made by the then Viceroy, Lord Reading—

THE HONOURABLE THE PRESIDENT: I do not think there is anything strange in it because even in the Congress meeting the other day it was decided that all the elected Congress Members were to act in the House under the general control of the Congress Committee outside the Legislature.

THE HONOURABLE MR. HOSSAIN IMAM: They why take umbrage on the Statement of that fact? The Honourable Mr. Pantulu would not take umbrage if we said that he was under the orders of the Congress Committee. Why should the Honourable the Finance Member object to it being stated?

THE HONOURABLE THE PRESIDENT: Because the Act provides and gives the Secretary of State for India under the Act of 1919 powers of supervision, control and superintendence over the Government of India.

THE HONOURABLE MR. HOSSAIN IMAM: That is what I am stating, Sir. We are very thankful to you for elucidation. You have perfectly cleared the air. The Honourable the Finance Member with all his desire to serve India is as powerless to serve India as we ourselves. I am not saying anything derogatory to the Honourable the Finance Member. I do not say that he is deliberately attempting to do things against Indian interests, but he is just a puppet in the hands of the Secretary of State.

THE HONOURABLE THE PRESIDENT: Very probably if you were on the Treasury Bench you would do the same thing!

THE HONOURABLE MR. HOSSAIN IMAM: I would be as powerless. It is the system that is wrong and not the man and it is the system that must be ended.

THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: It is the vested interests.

THE HONOURABLE THE PRESIDENT: Order, order. Do not interrupt the Honourable Member who is in charge of the floor of the House.

THE HONOURABLE MR. HOSSAIN IMAM: The Honourable the Finance Member should not get angry at the statement of facts. I agree with him. It should be clothed in velvet and not said in a downright manner.

Sir, the usual practice in the other House is to ventilate the grievances at the time of the Finance Bill. You, Sir, have always restricted us to discussions of more appropriate things, of things which are pertinent to the financial well-being of the country and to matters of general policy. The system of ventilation of grievances has its origin in the fact that it is the custom in the Dominion and British Parliaments; but we should not forget that they are Sovereign Legislatures, where they have full power over the purse, where the Executive has either to give in or get out. Here it is not so. We in India are powerless; we have no control over the Executive; they are irremovable. Therefore it is no use telling them things that they will not learn or, even if they want, they are not allowed to learn. Whatever it may be, it is better to spend our time in more profitable discussion of matters of policy than of mere ventilation of grievances.

In the Budget discussion, the Honourable the Finance Member was very kind to make some remarks about my contribution to the discussion but even he got mixed up. I said that the fact that the Government was anti-nation was proved by the budget figures, for with the return of prosperity the finances of the Government have gone down. After reading it in this sense, he thought that I was referring to the coming year. In our Budget parlance we have three years, the past year, the current year and the coming year. I was

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referring to the present year when no reduction in sources of income or extraordinary obligations had occurred. With perfectly normal conditions and with prosperity in the country your finances have gone down by Rs. 2 crores. That itself shows whether the system of taxation is correct or not. I will take for the sake of comparison the figures of the Board of Inland Revenue and our own figure. You will find that in England a vast part of the income comes from direct taxation—taxation of those who can afford to pay taxes, whereas in our country the taxes are on consumption, on production and very little on wealth. Need I add that the last is always being reduced because it touches the pockets of even the people who are on the Treasury Benches? It was for this reason that there was the greatest anxiety to remove salary cuts and no less anxiety to remove the income-tax surcharges; but the people who were paying 25 per cent. extra taxation on kerosene and salt never come into the picture. The Government have no thought for them. The House will perhaps allow me to say, that in the system of taxation it is necessary that the paying capacity should be the criterion, and those who can afford to pay should be made to pay more and those who can ill afford to pay should be asked to pay less. We may not agree with the Honourable the Finance Member, but he has a valid excuse for not having done much for the industrial well-being of India, because he has never made a secret of his hostility towards mercantile economics. But he and his predecessor Sir George Schuster have been times out of number stating that the greatest need of India is increased purchasing power and rise in prices. I would ask, what concrete steps they have taken to attain this desirable object? The Finance Member had not a word to say about the action which the Government have taken in the current year to achieve this end. We expected a managing director's report, and not an auditor's report from the Finance Member. In this we are fortified by the practice of the Government of India. If you will care to read the speeches of Sir George Schuster and Sir Basil Blackett you will find that they have accustomed us to receive a managing director's report and not an auditor's report.

Sir, as I said in the beginning, and as you will remember, I have made it my custom for the last four or five years to spend the time at my disposal in the Finance Bill discussion to considering policies which have some bearing on the finances of the country. Last year I had selected the Credit subject for my discussion. This year I am going to discuss mostly our Debts head expenditure. First and foremost comes the Provident Fund. The Honourable the Finance Secretary has deprived us of that very useful statement of our debts, because of the excuse of the fluid condition; at least a provisional figure which he must have in his office would have helped us a lot to find out the incidence of the interest and other things. I am very glad that my appeal last year to reduce the interest has been approved. The rate was 5 per cent. during the year 1935-36 and for the coming year it is going to be 4 per cent. But as usual I am not satisfied with this. I want the Government to be more considerate, to go ahead, and act a little better than they have done in the next year's budget. Well, Sir, I am indebted to the Honourable Mr. Nixon for the information that a great deal of reduction in the Provident Fund account is due to the fact of the transfer to the provinces of some of its debts. By mutual transfer of the indebtedness of provinces to us and our liability to their provident funds we are reducing a part of these charges. But may I suggest that if you are removing some of the Provident Fund accounts in the provinces and just as you are going to start a family pension fund in England, why not transfer the Railway Provident Fund liabilities from our

accounts to the Railways? You are going to have a statutory body to control the railway finances. That body will most probably act for itself to find its own capital account. It may ask you to act as its agent but you will no longer continue to be day-to-day bankers of the Federal Railway Authority. Just as you are going to cease from tomorrow to be the general banking concern of the provinces and the provinces will start dealing with the Reserve Bank on their own account, similarly you have to face that possibility as well as the largest amount of the provident fund for which the Central revenue is liable is for the Railways. I believe, Sir, it is Rs. 32 crores. If this liability is transferred to the Railways by means of book adjustments, no doubt you will be put to some trouble in the beginning. Because you will be transferring to them liabilities at a smaller rate of interest, and you will be taking from them the loans which carry higher rate of interest at present. But in the coming years when you are repaying your present loans you will reap a harvest. So in a few years your losses of the beginning will be made up. Similarly there is the difficulty, that for the depreciation fund balances we are paying interest that ought to be transferred to the Railways. But that will have no effect on our finances because we are at present paying the same rate. But it will rather clear up your accounts.

Then, Sir, there is another possibility. As you have a body of Commissioners in England to administer the family pension fund, why not have a similar body in India to administer all the multifarious provident funds that might accrue and remain in the coffers of the Government of India? My only idea behind this is, Sir, that, if funds are transferred to the Commissioners, we would be relieved of paying interest at rates that are variable and we will be able to finance our needs either from long term credit or from treasury bills. I am not going to be straitlaced and say: "You must finance it from treasury bills". Do as you like. But there you have a definite rate of interest which is not variable whereas at the present moment it all depends on the market. From this point of view I advocate that the Honourable the Finance Member would be well advised to vest these funds in the Commissioners. The Secretary of State has started this thing, and I think that the Secretary of State will have no justification for refusing that his initial step should be copied by the Government of India.

Now, Sir, I come to Postal Cash Certificates. I brought this question up in the budget discussion and I asked question on the subject from the Honourable Member to which he very kindly replied. Now, I cannot understand how that Honourable Member is going to charge to the revenue account that which ought in reality to be charged to the capital heads; and I have, Sir, as usual, the sanction of the former Finance Member for this statement of mine. The Honourable Sir George Schuster in his budget speech, 1930-31, paragraph 24, to which the Honourable Member referred me yesterday, states:

"I have come to the conclusion that this accrued liability must be regarded now as part of the Government's debt and that, having regard to the provision which we make annually for reduction or avoidance of debt, the situation in regard to this is not unsound".

Well, he does not say in so many words that the uncovered portion of former years will be made good from capital accounts, but the intention is clear from this that ever since we started making provision on the accrual basis from 1930-31, if there is any lag between the accrued interest and the interest due for the years for which we had not made provision, that should be financed from a capital head. Or if you wish to be very careful, it was your duty to provide for this deficit from your realised surplus. When you had your realised surplus you were like a spendthrift anxious to give it away; and did not care to look into your own accounts to see whether you had some uncovered

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deficits to be provided for. From the revenue accounts, Sir, for the last year, I infer that this suggestion of mine is not unworkable, it is exactly similar to the action which the Government has taken. He will find, Sir, in Account No. 93, that the bonus fund was debited with Rs. 83,10,000 for the payment of the excess. This year I do not know what will happen because the accounts have not been published. But there is an additional provision of Rs. 50 lakhs in the revised estimates to meet interest liabilities accrued before 1930-31; I submit that they have wrongly placed this in the revenue accounts. We do not carry forward our losses in our accounts. The Government of India accounts are kept on a yearly basis. The realised surpluses are kept apart; we do not reduce the tax in the coming year for that account. Deficits too are not carried forward and we do not impose additional taxation to cover the deficits. How is it that the losses of periods before we started making provision on an accrual basis from 1930 are now thrown on us? Mistakes which had been committed by former Finance Members in accounting should not be thrown at the heads of the taxpayers this year. Therefore, Sir, the Government must decide either to pay on the accrual basis or discharge basis. If they accept the accrual basis, then the liability to pay for the years gone by should be transferred to the capital heads; or we must start paying on the old rates, whenever a cash certificate falls due, the interest whatever the amount may be will be paid. That will be a straight method of accounting. You cannot mix things up.

Now, Sir, I come to the provision for the reduction and avoidance of debt. The House will perhaps remember that in 1932-33, when the provision stood at the higher figure of Rs. 6·84 crores, I took objection to the system whereby provision is made not on our unproductive debts but on the total debts at charge. That system, Sir, was objected to by me because of the fact that our liabilities do not represent our own debts alone. We are acting as bankers for going concerns like the Railways, Post Offices and Provinces, which bear the liability for the major portion of our debts, and therefore, those going concerns should make provision for their own sinking fund. The taxpayers of British India should only be asked to make provision for reduction and avoidance of debt to the extent of the uncovered-by-assets liabilities of the Government of India and I had then suggested the figure of 1·25 per cent. on uncovered debts. Although the then Finance Secretary did not look at this with approval, rather, he was sarcastic, but the next year the exigencies of the situation made the Finance Member reduce the provision for Reduction or Avoidance of Debt to less than half its former figure—to a figure of Rs. 3 crores per annum. This worked out at the rate of 1·5 per cent. on unproductive debt. The total debt was however nearly Rs. 1,200 crores. On Rs. 1,200 crores a provision of Rs. 3 crores per year would be ridiculous. From tomorrow we will be taking up other debts on our heads, the quantum of our uncovered-by-assets debts will increase by Rs. 60 or Rs. 70 crores. Therefore, it is essential that we should make more provision than we have done. My objection is that provision should not be made upon the whole debt. The remark of the Finance Member in this House on the 4th March showed that he is thinking of making provision on the entire debts. I have suggested many times in this House that the Railways should make provision for their own sinking fund. From the time of the separation they have spent from capital about Rs. 100 crores on objects which are to all intents and purposes unremunerative assets, or as the Finance Member put it, they are assets which are not likely to pay interest and sinking fund charges. Therefore, as the Honourable Finance Member

himself said in connection with Quetta, it should have been financed from revenue account. Similarly, it is the duty of the Railways, if they wish to run as a commercial concern, to write down that over-capitalisation. If provision is made for sinking fund by the general taxpayer, the Railways do not gain by it. They pay to the general taxpayer and that is utilised for the sinking fund operation no doubt, but without advantage to the commercial concern. If you run it on commercial lines, you must be different in your dealings. Therefore, I have suggested many times that after providing for working expenses and interest charges, the surplus should be divided in the proportion of 2 to 1 or 3 to 1 between the depreciation fund and the sinking fund of the Railways. The Railways should have their own sinking fund and the excess over that money should go to the Central Exchequer: but that too should not be taken into the revenue account but should go direct to the Sinking Fund.

Sir, the name itself, "Reduction and Avoidance of Debt", is a misnomer. The Honourable the Finance Member has this year changed the names of certain of our demands and made some improvements in our accounts. It would have been better if he had given a more appropriate name to this fund. The difference between an ordinary sinking fund and a provision of this nature is that a sinking fund provision implies that you utilise it for certain specific purposes, whereas the provision for reduction or avoidance of debt gives you complete liberty. Ever since the ratio was fixed at 1s. 6d., this head has been the mainstay of the Finance Department to cover up its losses on the silver sale. From that time up to the inauguration of the Reserve Bank we lost more than Rs. 40 crores on silver sales and the provision for reduction and avoidance of debt was of a like nature in these years. Given a fund, the Finance Department would squeeze it. If they have no fund, they have to show that this increase in the capital at charge or unproductive debt is because of such-and-such things, and they are liable to be questioned. People will start asking inconvenient questions. If they have a provision of this head, it gives them a loophole to hide up. No one is going to look into the details of the account and find out what has happened to this money.

My third objection is to the non-utilisation of even the sinking fund provision. We have the enormous total of Rs. 10-31 crores in the sinking fund account of our Revenue Account books. Part of that money formerly used to be invested and the general taxpayer used to benefit by interest realised. Now, the Honourable the Finance Secretary can very well say that if we have resources available and do not invest them, and utilise them for our current needs, we incur no loss. But there is a world of difference between investment of money for long periods and meeting your requirements for short periods. We can get treasury bills at less than 1 per cent. but the investment account gives a return of 3½ per cent. or even more if he goes in for sterling 1931 3½ per cent. bonds, where there are £88,000,000 invested. If this money was invested in that security which is obtainable in the market at much below par, the Government can easily buy it, and it will give us a return of something like Rs. 40 lakhs, and this requirement can be financed for the present treasury bills for less than Rs 10 lakhs; and he has no valid excuse to make because the portfolio of the Reserve Bank has a very small portion of treasury bills now in its issue department. I will personally suggest, Sir, that it would be better if we utilise all our provision under this head for the purchase of Sterling India bonds. We have enough funds at the present moment. The last report which I saw showed that we have about Rs. 105 crores of sterling in the Reserve Bank. Such a huge sum is invested mostly in British Government treasuries; very little of it is cash at call at the Bank of England.

[Mr. Hossain Imam.]

The Honourable Finance Secretary when asked questions of the nature of the assets of the Reserve Bank replied the other day that the Reserve Bank is not prepared to give us this information. But it is really worth thinking whether all is well with the Reserve Bank Act, apart from the Reserve Bank. It is very questionable whether the Act is perfect or whether it requires some sort of change. The Honourable Finance Secretary will remember that when we had the gold standard reserve we had a rule what we should have securities maturing within two years up to a certain proportion of the assets, of five years maturity up to a certain proportion, and a certain proportion for longer duration. Here in the Reserve Bank Act you have restricted the Bank to purchase of sterling securities of very short maturity. Five years is no period. That is the reason why our income from the head Currency has become so low. Before the inauguration of the Reserve Bank, the heads "Currency" and "Mint" and the like heads used to give us an income, if I am right, of Rs. 1 crore and 91 lakhs per annum on the average over the last 10 years. Our income from these sources was the enormous figure of nearly Rs. 2 crores per annum, whereas now we are receiving Rs. 37 lakhs, Rs. 50 lakhs, and that sort of thing. I seriously suggest to the Government to reconsider the question whether the liquidity of assets has not become a fetish. It is all very well if you have a minimum figure of 40 per cent. to bank for safety. Safety first should be the principle there. But when you have an excess over the statutory minimum, it is questionable whether it is wise or in the interests of India that such a huge amount of our assets in the investment account should be held outside the country and at low rates of interest. It would be in the national interest if that money were invested in India. But in order to maintain the exchange you have to maintain it in sterling. But if you wish to maintain it in sterling then you must make it more remunerative.

Now, Sir, I come to the Family Pension Fund account. The Honourable Finance Member in his Budget speech said that he proposed to transfer £6 million to the Commissioners in England. After making that statement it is only in this week's Gazette that the Family Pensions Fund Order was published. That Order states that objection will be allowed up to the 31st March, 1937, unless the Secretary of state gives a further period in special cases or class of cases for objection to the transfer. The Honourable Finance Member was very cryptic. He did not say what was the total liability of ours for this fund, what was the rate of interest and what was the quantum of the pensions which would be covered by the objections received. Now, this has very great effect on our budget, because if we have not received objections up till today, which is the last day, and we are able to transfer the whole of the quantum of this family pension fund, which is between £11 and £12 millions, your expenses under this head under Demand No. 11 will be reduced by about Rs. 62 lakhs. You have made provision this year for the payment of the full interest on this although the Honourable Finance Member states that he will transfer half the liabilities to the Commissioners in England who will invest it on their own account and the revenues of India will no longer be bound to pay interest on that sum. I believe the payment will be made in April. The question may be asked, where will we find the money? We can find the money from Treasury Bills. The Reserve Bank is getting restive at the huge sterling resources that it has accumulated. It wants the Government to take up some of its burden, and rightly so. If the Government want the Reserve Bank to carry this burden for long periods they must be prepared for losses, and I know the Government is as anxious as ourselves to lighten their burden. It lightened the burden by the paying of the last loan from the current resources of the

Reserve Bank. Similarly, it will be clearing up this 6 million from the same source. I believe our interest heads should not be debited for the interest that will be saved on this head. The provision in the Demand for Grants is more than Rs. 60 lakhs for the current year and the same provision has been made for the coming year. If that expenditure of Rs. 63 lakhs is reduced, to the extent of reduction the justification for certification is also removed; because you have based your case on the fact that you cannot find the money, and I am going to suggest to you how you can make up that deficit. First of all, on this item, half of it, Rs. 30 lakhs, can be saved. You have already saved it but you have not mentioned it. Deliberately you have hidden your resources in order to play for safety.

Then there is the item of income-tax. We heard during the Round Table Conferences stories about discrimination against Europeans and safeguards for them. But it was nowhere provided that there should not be discrimination against Indians by the Government of India. In the Income-tax Department there has been discrimination against Indians. In this connection a very impartial report was prepared by authorities who had no bias for Indians. They recommended two kinds of action, action by executive direction and action by legislative sanction. But the Honourable Finance Member picks out of all those recommendations one part only about the income of husband and wife. In this evasion mostly Indians were concerned. But what about the other evasions, the legalised, sanctified avoidance of income-tax which the Honourable Finance Member has himself allowed? Look at the question of leave salary. Why should it remain exempt a day longer than is absolutely necessary? And the exemption of this leave salary has been carried to an illogical and illegal extent. Not only is that part of the salary which is drawn in England exempt from Indian income-tax, but a most obnoxious thing is allowed by the Finance Department in that the quantum of the annual income is reduced by pay drawn in England. Take, for instance, a Government servant who is drawing Rs. 3,000 a month. He goes on six months' leave. Not only does he escape income-tax on Rs. 18,000 which he has drawn in England but this annual income is reduced to Rs. 18,000. His tax is on an annual income of Rs. 18,000. The rate of tax goes down from 25 pies to 17 pies in the rupee. What really happens is that a Government servant who goes home on six months' leave draws pay for 13 months if you work it out.

THE HONOURABLE THE PRESIDENT: I am afraid you are making the Third Reading of this Bill into an opportunity for discussing every imaginable item of the budget, which has not been the practice hitherto in this House.

THE HONOURABLE MR. HOSSAIN IMAM: Mr. President, as I said I am going to show that the Government need not have certified this Bill because they could recoup the deficit by executive action mostly and therefore I am perfectly justified in removing the foundation of the certification of this Bill. It is the foundation, the basic stone, on which you have built up the story of certification. In effect the Government say that because the Legislature were foolish enough not to sanction the full amount of money which we want, we must certify. I say that with ordinary care which a responsible Government would be required to take you could find this money.

THE HONOURABLE THE PRESIDENT: There are two sides to the question. Opinions differ.

THE HONOURABLE MR. HOSSAIN IMAM: The Finance Member will have an opportunity of refuting my argument—

THE HONOURABLE THE PRESIDENT: My point is that the Third Reading of the Finance Bill is not the proper time or opportunity for discussing all these matters and impugning the whole financial policy of the Government.

THE HONOURABLE MR. HOSSAIN IMAM: It is not the question of the financial policy that I am discussing now; whatever I may have done in the beginning, at the present time I am discussing the methods of making up the difference.

THE HONOURABLE THE PRESIDENT: You have taken three-quarters of an hour to discuss those other matters.

THE HONOURABLE MR. HOSSAIN IMAM: That is what I am saying. If I was going outside the scope of the Bill I should have been stopped then.

THE HONOURABLE THE PRESIDENT: I have given you sufficient indulgence and did not want to stop you, but apparently you do take advantage of that.

THE HONOURABLE MR. HOSSAIN IMAM: We get very little opportunity of discussing matters of policy.

THE HONOURABLE THE PRESIDENT: All those matters which you have discussed today you could have easily discussed by separate Resolutions before this House, but not on the Third Reading of a Finance Bill.

THE HONOURABLE MR. HOSSAIN IMAM: We have six non-official days and 60 Members. The non-official days are getting so heavy that we have to leave over Resolutions and ask the Honourable the Leader of the House to give us an extra day in order to complete the agenda. How is it possible for us to discuss those things? The other House gets opportunity on the discussion of Demands for Grants.

THE HONOURABLE THE PRESIDENT: You will get the same opportunity when Federation comes.

THE HONOURABLE MR. HOSSAIN IMAM: Then we will not do this sort of thing. If the Government have any sense of decency and if they want that there should be a better morality in the commercial world, they must set the example themselves. They want that there should be no evasion and legal avoidance of taxes. Let them set an example themselves. The leave salary should not be exempted. To treat the income of an officer drawn in England as not his income is an unheard of thing. It is downright fraud. It is only because there is no one to look into your actions and consequently you are suffering from that laxity. Even the Income-tax Enquiry Committee was compelled to come to the conclusion that the most objectionable feature was the exemption granted by the Governor General under section 60, part 2, of the Income-tax Act. It is open to you to remove by executive action some of those notifications. I do not ask you to remove everything. But as long as there is the desire, as long as we find that the Finance Department has moved out of its groove, that it is no longer a machine working on the red tape, we will be satisfied. We want the human element; we want that the Finance Department should move a little faster than it does at the present moment. It is all right to say that big questions of policy must await discussion. The programme which the Finance Member has chalked out to implement the recommendations of the Committee may be all right. Opinions have been

asked and they will do everything in right royal style in God's own time. But there are certain things, which are a crying shame, which ought to be removed as soon as possible, if not at once.

THE HONOURABLE THE PRESIDENT: I hope you will bring your remarks to a close now.

THE HONOURABLE MR. HOSSAIN IMAM: I am not going to take up too much of your time, Sir. I only want to refer to one subject. The separation of Burma will take place from tomorrow. The quantum of the payment that will be made by the Burma Government has been provisionally fixed at a certain figure which the Honourable the Finance Secretary gave us the other day. They did not tell us, nor were they asked—to their credit I must say that they did not intentionally avoid replying to the question, but this question was not asked as to who has fixed the rate of interest and when that rate of interest had been fixed. Few people have realised that the increased rate of interest implies reduced payment. The working of the Finance Department is so anti-clockwise. But that was a question which was not definitely decided by the Amery tribunal. Now, Sir, the next question is, what would be the basis of the distribution of unproductive debts. Will it be the 31st March or the 1st April, the day when Burma separates. It should be the latter in equity and justice after giving effect to the Otto Niemeyer Report on the redistribution of the provincial loans account. Another item which I doubt whether it has been considered by the Otto Niemeyer Report or by our own Government is about the expenses of management of debts. Are we going to get anything from the Burma Government for management of debts? Ordinarily it will be thought that it is a very small item; it does not matter whether the Burma Government is made liable for it or not; but in our peculiar circumstances it involves a sum of Rs. 2½ crores which gives an incidence of about (1/5th) ·2 per cent. on all our debts. If you increase the rate of interest on our liabilities you increase the amount of payment from the Burma Government. We therefore suggest that if these two matters have not yet been finally decided by the arbitrator, they might be reopened by our Government with the Secretary of State, although the Secretary of State and the British Government have shown by their past action that they have no sense of equity or justice. In the case of the separation of Burma every kind of injustice has not only been allowed but forced on us. Look at the question of defence. Is it right and just that when you are separating Burma, the Burma Government should be liable for the same expenses as before?

THE HONOURABLE THE PRESIDENT: You have already spoken for an hour and a quarter. I have given you the widest possible latitude, although you know my ruling on the point. I request you to bring your remarks to a close.

THE HONOURABLE MR. HOSSAIN IMAM: The last point I wish to urge about Burma is that the Government should make representation to the Burma Government on defence. Sir, we have seen during recent years that the garrison in Burma is so insufficient that as soon as there was a small rebellion there the Army in India was called upon to send a contingent from India. Now you have separated Burma.

1 P.M.

We have no connection with it and yet you maintain the same force as you used to do formerly. Is there any sense in it? Is there any equity in it? Are we to act as a dumping ground for the military and defence forces for the whole of the Empire for ever and a day? Whenever a colony or part of the British Empire wants an army to defend its shores India must supply it, and

[Mr. Hossain Imam.]

for the time being that the Indian Army is there we get payment. Army is an insurance payment. Insurance you cannot have, unless you go on paying a premium the whole time. The Government of India is not a benevolent society or a body of philanthropists. We, Sir, are hard-taxed, we are overburdened. Then why should this burden be thrown upon us? And look at the facts. The Finance Member of India has to find new money to the extent of Rs. 3 crores to cover his deficits. And what is the fate of his brother in Burma? He has nearly Rs. 2 crores excess which he is laying by. And yet we are told that in equity and justice the British High Command has decided that the army in India should remain as it was and the army in Burma should remain as it was.

THE HONOURABLE THE PRESIDENT: You promised not to go into other matters.

THE HONOURABLE MR. HOSSAIN IMAM: No, Sir, I am talking about the army in Burma and I will conclude with that.

THE HONOURABLE THE PRESIDENT: If Honourable Members won't listen to me, I will enforce the ruling strictly.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, as I said, the least you can do is to relieve us of some of the British troops and place them in Burma. You have two battalions of British and three of Indian soldiers in Burma. I object to Indian soldiers working in a country where we have no control. If you want five battalions, take British troops from us, thereby you will save us the cost of three battalions of the British Army and make it up by three battalions of the Indian Army. Even if the strength remains the same, as the British soldier costs three times as much as the Indian soldier, we will make some saving. If the British soldier cannot live alone without having Indians to serve him, then pay us some premium. The Burma Government should in equity and justice make some payment for the liabilities of India to supply it with a certain amount of troops if need be. You have the justification of the British Government. The British Government is paying Rs. 2 crores because it has been using our army in times of need. Now, similarly the Burma Government can very easily afford, out of its Rs. 2 crores surplus, to pay the cost of a few battalions. Even that will be a welcome addition. There are any number of ways open to the Government if they were anxious to find the money. But because the Government are not anxious to look for it or to find new money they needs must certify this and confront us with a *fait accompli* of a certified Bill. If you bring a certified Bill we have no *locus standi* but you cannot ask for support from us.

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

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

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern: Non-Muhammadan): Mr. President, the Finance Member is not here, but the Honourable Mr. Nixon, whom we respect and admire so much, is here and I hope he will convey to the Honourable the Finance Member what I have got to say by way of reply to his observations yesterday. Sir, I shall deal very briefly with the speech of the Honourable Sir James Grigg. Sir James Grigg,

with the courtesy which is characteristics of him and which all those who have come into contact with him have begun to appreciate and admire was pleased to describe me as a paragon of learning and good manners. Well, Sir, I have never claimed any learning. I thought, Sir, that that was the peculiar prerogative, if I may use that word, of the Finance Member and I have no desire, speaking for myself, to encroach on that prerogative. As for good manners, Sir, whatever the Finance Member may say, I certainly claim to possess them. I am prepared to make a sporting offer to the Honourable the Finance Member. I am prepared to have an enquiry instituted into my manners and enquiry instituted into his manners, and I am prepared to abide by the verdict of that enquiry, because, Sir, if an enquiry is instituted into his manners and if an enquiry is instituted into my manners, I am confident that the verdict will not go against me. Sir, I have incurred the wrath of the Honourable the Finance Member because I dared to comment on his absence from the House. I know, Sir, that it is not his statutory duty to be present in this House. But as a matter of convention it had been usual for Finance Members to be present. I do not keep a watch over his movements. I did not know what he was doing. I did not know, Sir, that he had duties in the other House. All that I did know was that he was not present in the House. And therefore I claim I had every right to make a comment on the fact that he was not present to listen to the speeches of the Opposition. I have no regrets, I have no apologies to offer for the comment that I made in regard to his absence yesterday during, at all events, a period of the debate. The Finance Member, Sir, was pleased to say that he did not miss anything in my speech and he also insinuated that I had repeated the arguments which I and some of us on this side of the House had used in regard to the certification procedure in previous years—

THE HONOURABLE THE PRESIDENT : I am afraid you are under some misapprehension. When he said "miss" he did not mean it in any bad term. He meant that notes had been taken by Mr. Nixon and therefore he did not miss your points.

THE HONOURABLE MR. P. N. SAPRU : Oh, no, no, Sir ; he never means anything in any bad sense.

THE HONOURABLE THE PRESIDENT : That is the reasonable interpretation to put on those words. He was provided with notes of your speech.

THE HONOURABLE MR. P. N. SAPRU : May I just say this, that I am not vain enough to imagine that I could contribute anything of value to the discussions in the House ? Therefore, Sir, so far as I am personally concerned, I have no grievance that he did not listen to my speech.

THE HONOURABLE THE PRESIDENT : There was no disparagement to you in any way.

THE HONOURABLE MR. P. N. SAPRU : I think, Sir, that self-sufficiency is characteristics of the great and I am not presumptuous enough to think that I am great. I am not on the Treasury Benches. I do not occupy the exalted position of the Finance Member. What observations of value could I, an ordinary individual, sitting on the Opposition Benches, without the vast knowledge of finance which the Finance Member possesses, make to a discussion of this character ? Therefore, Sir, I have no grievance on that score. We, poor non-official Members, depend for the recognition of such work as we do upon our electorate, and the only consolation that we have is that we have the confidence of the electorate behind us, although it may be an electorate

[Mr. P. N. Sapru.]

of what the Finance Member, with his intense love for the poor, the depressed, and the weak in this country, would call an electorate of vested interests.

So far as the second charge, the charge of repetition is concerned, I would say this. I do not exactly know what repetition means. All politics is repetition. What else is politics but repetition? The problems are the same, the questions are the same, and I venture to think that if you read my speech carefully, you will find that it was—

THE HONOURABLE THE PRESIDENT: It means something else. If you read rule 16 of the rules framed under the Government of India Act, you will know what it means. It is repetition of what has been said previously by other Members or previously by the same Member. That is what is said in rule 16.

THE HONOURABLE MR. P. N. SAPRU: So far as other Members are concerned I would point out that, I am in the unfortunate position of being the opener of the debate. And so far as repetition of what I had said in previous years is concerned, all that I would say is that I was dealing with a situation which had arisen in previous years, and if my previous speeches are read it will be found that there was fresh matter in what I said. There is nothing new under the sun, but I would say that if there was repetition in our speeches, there was repetition of old platitudes in the speech of the Honourable Finance Member, and we do not find that there was much fresh matter in what he had to say in this House yesterday. Seriously, Sir, our main criticisms against the Finance Bill have remained unanswered. We never took the line, at least I did not, that certification was illegal or unconstitutional. I cannot claim to be an authority on constitutional law or constitutional theory, but I have read the Government of India Act and I have read the literature connected with the Government of India Act and I know—it was not necessary for the Finance Member to emphasize that—that the power of certification was intended to be real by the Joint Select Committee. I never took the line that any element of responsibility had been introduced by the Joint Select Committee. I was very careful in the language which I employed. The line that I took and that we on this side took was that it was possible for a non-parliamentary executive, for an irresponsible executive, to be responsive to the Legislature, that it was possible for an executive of this character to allow itself to be influenced by criticisms in the Legislature and that it was the intention indeed of the framers of this constitution that the executive should allow itself to be influenced by criticisms in the Legislature. I know that influence is not responsibility, but influence is influence, and the line that we took was that the executive was not allowing itself to be influenced by criticisms in the Legislature; and in so far as it was not allowing itself to be influenced by criticisms in the Legislature, it was not observing in spirit the recommendations of the Joint Select Committee in 1919. Sir James Grigg may derive whatever comfort he may from the fact that the consideration stage of this Bill was passed in this House by a majority of Members who depend for their nomination on the Government. But I would say that the moral victory yesterday was with us. I think there were 17 elected Members present in the House yesterday and out of those 17, 15 voted with us. So far as the Finance Bill in the other House was concerned, there was I understand not a single elected Member to vote for it. Therefore we on this side of the Opposition can claim that the moral victory was with us. Remember, Sir, that this is a Chamber which has won the approval of the mighty in this land. They like this Chamber and in this Chamber of conservative elements 15 Members voted

against the Finance Bill out of 17 here present. That is, I claim, a moral victory for the Opposition.

May I just in all humility say that the position which faces the Finance Member is one which ought to make him reflect a little. His predecessors in office had better fate with their Finance Bills than Sir James Grigg. His predecessors were not afraid of attacking vested interests, British and Indian, and yet they were able to get more solid support not only from vested interests but also from popular interests than Sir James Grigg. Why was that so? The credit of the Finance Department of the Government of India was built up by men like Sir George Schuster and Sir Basil Blackett. Who can say that the credit of the Finance Department of the Government of India stands as high as it did in the days of Sir George Schuster and Sir Basil Blackett? They were not afraid, Sir, of facing elected majorities; they were able to work with elected majorities because if I may say so they were men of imagination, they were men of courage and they were men of an accommodating spirit and temper. The Finance Member has accused us of being representatives of vested interests.

THE HONOURABLE THE PRESIDENT: You charged him with being an agent of British exploiters.

THE HONOURABLE MR. P. N. SAPRU: My friend the Honourable Mr. Pantulu, who is quite capable of looking after himself, charged him with being an agent of British imperialism. But I am quite prepared to discuss that there may be some element of truth in what the Honourable Mr. Pantulu said.

THE HONOURABLE THE PRESIDENT: I think we are now discussing the Finance Bill. You are taking the matter too seriously.

THE HONOURABLE MR. P. N. SAPRU: We are told, Sir, that we are representatives of vested interests. I can conscientiously say that I am not a supporter of vested interests. I look at questions not from the vested interests point of view but from the point of view of the community as a whole. I look at questions not from the point of view of the richer sections of the community but from the point of view of the poorer sections of the community. But if I had to choose between British vested interests, which I dislike, and Indian vested interests, which I dislike, I have no hesitation in saying that as a patriotic Indian I would choose the Indian vested interests if there had to be a choice.

Sir, our basic objection in regard to the sugar excise has been re-emphasised in a very able speech by our Deputy Leader the Honourable Mr. Hossain Imam and I am not going into the question of the sugar excise duty at this stage. But there was another line of criticism that we took and that has been entirely ignored by the Finance Member. We took the line that the budget could be balanced by retrenchment, that it could be balanced by following a different economic, political and constitutional policy. The criticism that it was possible to balance the budget if a different line in regard to these basic problems had been adopted has not been answered by the Treasury Benches. Holding the strong convictions that we do on certain political, economic, financial and constitutional issues, we have no alternative before us but to register our protest by voting against the Finance Bill. Sir, it is open to the Finance Member to derive whatever satisfaction he may from the votes of those who either because they happen to be under obligations to Government or are Government officials are bound to vote for the measure, but we on this side of the House claim that we have the elected Members with us and we, the elected Members, shall register our protest against this Bill. You can pass

[Mr. P. N. Saprū.]

this Bill, but you can only pass it without our consent and without our co-operation in its present form. These are all the remarks that I have got to make in regard to the Finance Bill.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras: Muhammadan): Sir, if I rise now to intervene in the debate and venture to add one more protest to those others which have been dashed to the ground by the Honourable the Finance Member before they even had the chance of penetrating as far as three yards, the responsibility for it—I do not say the blame for it, lies at the door of the Honourable the Finance Member, but for whose utterance I would not have had the temerity to speak on this Bill. Not being a pandit of high finance, I always take care not frequently to interfere unnecessarily in debates on subjects like finance. Sir, the speech that the Honourable the Finance Member made yesterday, however much it might have lacked in sound reasoning or weighty arguments or even convincing facts, that speech, despite all that, had a charm of its own. It was of a type which was quite different from that to which we are accustomed on the floor of this House. It showed a very delightful disdain of all conventions, a very delightful disdain of all Parliamentary practice, and the result was that those of us who before that outburst of eloquence had no intention whatever of intervening in the debate were forced to spring to their feet as soon as he finished his speech. But, Sir, since I was not lucky enough to catch your eye, I was not afforded the opportunity to speak yesterday, and I am sorry, Sir, that I have got to give expression to my views today in the absence of the Honourable the Finance Member, whom I would have liked to know our feelings on the matter. However, Sir, I am glad that we are having in our midst our esteemed friend the Honourable Mr. Nixon who I believe will show us the courtesy not to knock down every protest that is made here but will on the other hand convey faithfully to the Honourable the Finance Member the feelings that have been expressed in this House. Sir, in trying to meet some of the points which had been made by the Honourable the Finance Member yesterday I may at once state that I will take care not to indulge in the sort of rhetoric which was indulged in yesterday, I will not call people names, I will not indulge in that kind of rhetoric, simply because I feel it is not necessary for me when I am perfectly conscious of the cause which I am supporting, conscious of its strength, conscious of the fact that it is supported by weighty arguments and stern realities. Sir, we know it is a common practice with lawyers that whenever they have a weak case to defend they always start by abusing the opposite party. But, Sir, all this fury and invective which is pressed into service to do service for want of argument fails ultimately to have the desired object, as it did yesterday. It only tends to make more pronounced and apparent the inherent weakness of the case.

THE HONOURABLE THE PRESIDENT: That is quite enough for your preface. Will you kindly come to the Bill now?

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: Very well, Sir.

One of the objections which the Honourable the Finance Member took to the criticism that was levelled against him yesterday from this side of the House was, as has been observed by my Honourable friend Mr. Saprū, that there was always a repetition on the part of Members of this House when they criticise the measures brought before them by the Government. Sir, he said that we were not justified in repeating the old arguments without having regard to the

fact that there has been such a lapse of time. May I ask whether this lapse of time has taken away the right of any people to oppose objectionable measures? Does the fact that the Government has been persisting in a certain course of action without being deterred or influenced by popular feeling, does this fact that the Government has been pursuing a wrong course of action for ever so many years past, does this fact give it a prescriptive right of denying the right of other people to question the action of the Government? To my mind the lapse of time hardly makes any difference to the advantage of the Government and if it does make any difference at all, it is only to aggravate the enormity of the wrong that is being done and is persisted in for ever so many years. Sir, they have been doing the wrong without being influenced by what the representatives of the people have said as a protest against their action. They have been maintaining their administration top-heavy. They have been consistently refusing to listen to the advice that their expenditure should be cut down in order that the necessity for certifying measures might be eliminated. They have been doing all this and whenever there was any taxation to be imposed, the Government always thought only of such measures which hit the poor and whenever any relief was to be given the relief was given only to such people who had hardly made any sacrifice in the matter. When they do all this, and we take objection, they say that we are repeating the old argument and there has been nothing fresh urged to induce them to change their course. When we take objection to all this, when we plead for the poor man's postcard, when we try to make the Government realise the injustice of denying to the poor man the one facility which he has got of communicating with his friends and relations, when we make these protests, we are told that we are only repeating old stories. Was it not the duty of the Government to see that before they gave back the entire salary to their high paid officials, before they restored the cuts in the salaries of the higher paid officials, they should have restored the postcard to the poor man. Was it not fair, Sir, that, whenever they found that there was a chance for giving relief, the relief should have been given in those quarters where it was most urgently needed? Was it not fair that, whenever there was a possibility of reducing taxation, only such taxation should have been reduced as would have gone to lighten the burden of those who had the least capacity to bear it. But the Government, Sir, does not wish to take our advice. It does not wish to give up its old habit of looking from the point of view only of those who have enough and to spare. It does not cease to give up following the motto "To him that hath shall be given and from him that hath not shall be taken away even that which he hath". Consequently, Sir, so long as the Government does not change its angle of vision we cannot help making a protest, we cannot help telling the Government that they are ill-advised in trying to think first of the interests of the rich man and the interests of those people that have and are not justified in ignoring the claim that the poor man has upon their consideration.

Now, Sir, just a word about the sugar industry. I do not wish to repeat the arguments which have been already advanced on the floor of this House. All that I wish to do is to ask whether the protection that this industry has been enjoying has been allowed long enough; whether the period of four or five years that it has received protection has been long enough to give it a fair chance to get stabilised and well established in the land. Do we suppose, Sir, that these four or five years are enough for a big industry like that to have done everything that was possible by way of gaining experience, by way of improving its methods of production? Do we suppose, Sir, that there is not room still for making improvements in the cultivation of the cane, for trying to do things which will go to bring some improvement in the prices which are now paid to the cultivators of cane? If the Government had only realised this, I am

[Saiyed Mohamed Padshah Sahib Bahadur.]

sure, Sir, the Government would not have been so ready to impose this fresh duty upon sugar.

Again, Sir, the bogey of over-production and unhealthy competition is after all not quite correct to trot out and in support of my argument I would quote my Honourable friend, Sir Ramunni Menon, who by the speech which he made yesterday made a very useful contribution to the debate in this House. Indeed, he was quoted with approval by the Honourable the Finance Member himself, but Sir Ramunni Menon himself clearly stated that the question whether it was in the interests of the industry to have the present competition, healthy or otherwise, at once checked was one which needed much greater and more thorough inquiry than it has received up to now. Therefore, I feel, Sir, that the Government was very ill-advised in imposing this duty before this question has been more thoroughly investigated. They would have been well advised to wait and see what the Sugar Tariff Board had to say in the matter. And as regards the constitutional aspect, Sir, I do not wish to say anything much about it. All that I say is that it was simply denying the right of the Legislature to carry their suggestions into effect by passing amendments in the House, if Bills in a certified form are brought before them. For one thing, Sir, the effect of such a step is to deprive discussions in this House of everything except an academic interest. That is the reason, Sir, why some of us thought that before the Government decided on such a step it should have tried to explore every possible avenue to find out whether any other alternative course was possible and would have afforded a chance of avoiding certification. We do not deny, Sir, the power of certification, as has been observed by my Honourable friend Mr. Sapru. We do understand that there is a power reserved but that power has got to be exercised only on extraordinary occasions. But what we find today, Sir, is that the procedure which was meant to be invoked only on extraordinary occasions, which was intended to be used only very sparingly has now become quite the normal feature of the financial policy of the Government of India. And for that reason, Sir, we have time after time repeated that the very policy of the Government of India is not well-founded, that there is something wrong somewhere, inasmuch as the pursuit of that policy has necessitated the use of methods which were meant only to be used very sparingly and on very extraordinary emergencies. Therefore, Sir, we have always suggested that the Government of India should think of ways and means by which they might be in a position to avoid such emergencies, they might be in a position to balance their budget without having resort to methods which are so much against the wishes of the elected representatives of the people. I do not wish to dilate upon this subject, Sir, nor do I want to point out again the various ways which have been suggested here. My Honourable friends who preceded me and who spoke yesterday and today have most of them shown different ways in which ways and means could be found to balance the budget.

With these few observations, Sir, I oppose the passage of this Bill.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I rise to oppose the passage of this certified Bill. As I have already observed, the forecasts of the Honourable the Finance Member have generally proved to be incorrect. For instance, last year, in regard to increased receipts from telephones and from coinage, he observed that the era of prosperity has begun, but the revised figures show that instead of prosperity, the position has been otherwise. There has been a fall in the estimated expenditure, as compared with the revised figures of 1936-37, of Rs. 197 lakhs. We find that our revenues have been constantly going down

and during the last four years, there has been a drop of Rs. 4 crores. So, the time has now come when we should appoint a committee of enquiry which should go thoroughly into the present expenditure of the Government of India and report as to what retrenchment is possible. The Inchcape Committee sat on this very subject, and they did recommend certain measures of retrenchment. All those recommendations were not accepted by Government. They accepted a few, and even these have now been turned down and the initial expenditure has been practically restored. The Finance Member has said that this year, if we accept the proposal of the other House, it means a great deficit. Last year we suggested that the capital expenditure on Quetta should not be charged to revenue but to capital. This year again, an expenditure of Rs. 60 lakhs is being incurred on Quetta and this is also being charged to revenue. That is not right. It is really capital expenditure and we see no reason why Government should charge that to revenue. Then, as my Honourable friend Mr. Hossain Imam observed, the Neimeyer Report is greatly disappointing to Indians and the contribution we will get from Burma is not what we call a reasonable one. I suggested that when Burma is separated the expenditure incurred on Burma ought to be recovered from Burma. No reply has been given to it and we cannot see why such charges should not be recovered from Burma. The British Government is contributing about Rs. 2 crores towards capitation charges. Why you recover no capitation charges from Burma we cannot understand. I would suggest that as we have to train Indian armies for Burma, Burma must pay us capitation charges.

Then, Sir, my Honourable friend Mr. Hossain Imam also observed that there is no use keeping such huge balances in the open floating account with the Reserve Bank or the Imperial Bank. Why does not Government observe to the full extent the cash credit system, which Government call the ways and means advances? Sir, Government can easily get money at a much lower rate of interest for their overdrafts, and if they put in their money in deposits, they can certainly get a higher return for their money.

Sir, the Honourable the Finance Member, speaking on the budget, said :

“The deficit of Rs. 3 crores and 42 lakhs is a matter of small consequence in a budget running into Rs. 80 crores”.

But I cannot see how he can reconcile that statement with the statement he has now made that he cannot balance the budget otherwise than by an increased duty on silver and sugar. Sir, there has been a distinct change in the tariff policy of the Government. The receipts from customs and income-tax are going down. The only thing which will increase the income of the Government of India is the increasing of the purchasing power of the masses. Unless the purchasing power is increased, you cannot possibly expect a large increase in your income. Sir, we do not want discriminating protection. We want full fledged protection. England which always boasted of being a free trader realised during the war that without protection she could not get on, and the protection they gave was quick and in time. While I was in England some years back, foreign butter was putting out the indigenous butter and the Government went through both the Houses of Parliament and increased the duty on butter within a few weeks. Here, the Government takes years to partially do that, as even now we find that dumping of foreign goods is going on. Yesterday, when the Honourable the Finance Member was addressing the House, I said, “Why not increase the import duty in artificial silks”? I find today in the papers that Government have seen their way on pressure being brought from elsewhere to increase those duties though they ignored the pressure of the Legislature. As my Honourable friend Mr. Fardish observed, there

[Rai Bahadur Lala Ram Saran Das.]

have been valuable suggestions made to the Treasury Benches for increasing the income of the Government, but all those suggestions, as is usual, have been thrown to the wall. We advocated an export duty on gold. We also advocated an increase in the duty on certain imports which can stand higher duties. That has been refused. You must reduce the army expenditure. The Inchcape Committee wanted that expenditure to be low—

THE HONOURABLE THE PRESIDENT : It is much lower now than what the Inchcape Committee recommended. It is now Rs. 5 crores less than what the Inchcape Committee recommended.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : What I say,

3-5 P.M.

Sir, is that even now the army expenditure is many times more than it used to be before the war and there is no earthly reason why that expenditure should continue swelled without there being any change in the international situation or in the situation at our borders. What we find is that the Government is increasing their expenditure, and the rumour which was afloat when the first Reforms were introduced that Government would give a start to the reformed Government rather with empty purses. And we find the same policy is being pursued now. The Lee concessions have not been withdrawn, the high salaries have not yet been reduced. Instead of cutting your coat according to your cloth you are first framing the expenditure side of your budget and then you are balancing the budget by extra taxation. Sir, I say with all the emphasis that I can command that there should be a change in Government policy and that there should be no lip sympathy only so far as the interests of India are concerned. I again, Sir, say that as I have illustrated, whatever hopes the Finance Member entertains and the arguments he has advanced in regard to the increased excise duty will in a short period prove to be wrong. Then he will realise that it is no use giving false hopes to this House and to the other House every year. The Government has met last year's deficit without any increased taxation and there is no reason why they cannot similarly meet this deficit of Rs. 1 crore and some lakhs out of the revenue this year. I am very sorry to have to make these observations and I would say that if there is no other way in which the money can be found, it will be much better to abolish the military schools and particularly the Military Academy, which, as we now find, is a real burden to India. The Government and the parents of the boys are spending about Rs. 10,000 per cadet for making that cadet into a dignified jamadar. If that is the result, no man of high family will send his son to that Academy to bear ever after an inferiority complex and suffer by racial discrimination. I consider that if Government is not going to abide by their pledge and proclamations they might as well close these institutions which I consider under the present reversal of policy are an unjustifiable burden on India's finances.

THE HONOURABLE MR. SITAKANTA MAHAPATRA (Orissa : Non-Muhammadan) : Sir, for the third year in succession the Finance Bill has been sent to this House with a certificate. It is a calamity for all concerned. The certificate means that the Bill as sent to us must be passed by this House before the close of the financial year without dotting the i's and cutting the t's. This is essential in the interests of British India or peace and tranquillity in the country will be seriously jeopardised.

Certification of the Finance Bill was necessitated by two adverse votes in the other House which made a gap of about Rs. 165 lakhs in the budget. The

Honourable the Finance Member himself warned us not to exaggerate the importance of a gap of one or two crores in a budget of Rs. 80 crores with the following words in his latest Budget Speech :

“ We must be careful not to exaggerate the importance of a gap of one or two crores in budget of over Rs. 80 crores ”.

I am not exaggerating the importance ; on the other hand I am of opinion that it is a matter of small consequence, and the Honourable Finance Member did a wrong to India as a whole and a wrong to the nation to which he belongs and, more particularly, to the Governor General who has been ill-advised by advising him to certify the very first Finance Bill of his regime. In a position such as this I believe Sir Basil Blackett or even Sir George Schuster would have acted differently. I go further and say that the Honourable Mr. Nixon would have given due weight to the opinion of almost every elected Member in the Lower House and acted differently and better, in spite of his speech yesterday. Are there not a hundred and one other ways and better ways to balance the budget and are they not well known to the Finance Member ? But the Finance Member is nothing if not pig-headed, and he must have his own way. He thinks that it is a shame for an Englishman to yield to Indian opinion. He also thinks that he is head and shoulders above every Indian economist or politician or all of them put together. He thinks that it is enough that they are not now doing in India what the Italians did in Addis Ababa when a bomb was thrown on Marshal Graziani, that it is enough that he is swallowing all the bitter pills being administered to him in both these Houses good humouredly. And why should he not have his own way in matters of finance ? I fully agree with him.

I have heard from a reliable source that he is so well convinced in this notion that when he went to the Governor General to get his Bill certified he took his resignation letter in his pocket. He placed both his Bill and his resignation letter before the Governor General.

THE HONOURABLE THE PRESIDENT : What is the source of your information ?

THE HONOURABLE SIR DAVID DEVADOSS : A dream, Sir !

THE HONOURABLE THE PRESIDENT : I do not think you are justified in drawing upon your imagination to that extent.

THE HONOURABLE MR. SITAKANTA MAHAPATRA : This is a rumour, Sir.

THE HONOURABLE THE PRESIDENT : Then surely you ought not to give currency to a rumour in this House.

THE HONOURABLE MR. SITAKANTA MAHAPATRA : The Finance Member will correct me.

THE HONOURABLE THE PRESIDENT : He is not here to correct you.

THE HONOURABLE MR. SITAKANTA MAHAPATRA : And what was his advice to the Governor General ? His advice was, as I have heard, subject to correction, that unless the excise duty on sugar was raised to Rs. 2 and the price of the Indian postcard was retained at three pice by the first day of April in the year of grace 1937, the peace and tranquillity and good government in India would be greatly disturbed, before which the Mutiny of 1857 would

[Mr. Sitakanta Mahapatra.]

pale into insignificance, that there would be unheard of red revolution and anarchy and bloodshed, that the few thousands of British troops now in India would be unable to cope with the situation, and that he may not be required to prepare the financial statement for 1938-39. Any administrative head would be unnerved at such an advice from his more experienced adviser. Sir James Grigg is a great administrator and if one-hundredth of the rumour that we hear be true, God help us! The light-hearted manner in which he advised the Governor General is unparalleled even in the history of India, if it be true.

Sir, I believe you must be anxious to know how any man, even the Honourable Mr. Nixon, left to himself, would have tried to balance the budget under the present circumstances. I must confess at the outset that I am not an economist or an expert on finance. I am not even a member of the omniscient Indian Civil Service, but I can to some extent dive into the thoughts of others. So I can say approximately what the Honourable Mr. Nixon would have done.

He would at first have thought of increasing the excise duty on steel. His reasons would have been, among others, these. The iron industry in India is much more strongly established than the sugar industry. In comparison with the former the latter is in an infant stage. Due to war scare the prices of iron have gone up. There is scarcity of iron in every war-like country in the world. Japan is hankering for iron. Many army and navy and other contracts for even the United Kingdom's war preparations have been suspended for shortage of iron. Great Britain has suspended the import duty on iron and already 400,000 tons of iron ingots are being shipped to England from India. The manufacturers of iron have increased their prices in India and it will continue for some time. So, the Honourable Mr. Nixon's calculations to balance the budget would be by increasing the excise duty on iron.

THE HONOURABLE MR. J. C. NIXON: How much would I have got ?

THE HONOURABLE MR. SITAKANTA MAHAPATRA: But the Secretary of State would have come down upon him saying: "You, confound you, etc., didn't you know that we require iron here in large quantities? Is it for this that you are there?" The Honourable Mr. Nixon would have retraced his steps.

Then the Honourable Mr. Nixon would have naturally fallen on an export duty on gold. His reasons would be these. Almost the whole of the gold that is being exported is distress gold. There was a time when we were neglecting this export of gold. But unless the little that is left is preserved, India's credit may be affected. Further, by imposing an export duty on gold the agriculturist will not be affected, because middlemen purchase or keep on mortgage gold in the rural areas at a ridiculously cheap price. They sell this gold to the exporter at a very high rate. They cannot lower the rate in the rural areas on the ground that an export duty has been imposed. They will pay the duty, that is, they will make a little less profit when selling gold to the exporters and the profit is generally so large that the duty will not affect him much. The agriculturist has nothing to fear from this duty. But then the Secretary of State would remind him, "Do you remember how India's trade was balanced during the past few years? Exports have gone down due to the Ottawa Pact and this distress gold had saved us from great distress. How dare you, etc.," The Honourable Mr. Nixon would again have retraced his steps.

Then he would have thought of surcharges on income. Even a financial expert of the class of Sir Otto Niemeyer has taken the Government of India

to task for foolishly reducing the surcharges. Such a good idea. But then the ever alert Secretary of State would say, "Do you know that you belong to a nation of traders? You are in India to safeguard the interests of British traders, and this tax will fall on them mostly"? The Honourable Mr. Nixon would be wiser.

Then he would remember the salary cuts. The last salary cuts were restored under the impression that the then new Finance Member coming directly from the British Civil Service had brought about a miracle in Indian finance, that there would never under the British rule be a deficit budget in India. He justified himself when his first two budgets surpassed his own expectation. But then darker days came. It is an irony of fate that bright days do not continue till the end. The vain British civilian had to eat humble pie. Deficit budgets in India were responsible for the pay cut scheme. It was removed due to a wrong calculation. Silver import duty was also reduced to annas two per ounce along with the restoration of cuts. When the import duty on silver has been increased in order to balance a deficit budget, why not introduce a pay cut scheme again to balance the budget, so that such good friends like Sir Yamin Khan and Sir Cowasji Jehangir may be humoured? This would have been a self-denying ordinance on behalf of the Honourable Mr. Nixon, which would have pleased the representatives of the Indian people in the Central Legislature. Besides, Indian provinces where the so-called autonomy is going to be introduced in a few hours are all in dire need of money. Till they are able to claim a share of the income-tax, this measure would be very much welcomed there. The Honourable Mr. Nixon would have stuck to this as the main item of his budget balancing scheme.

But that is not to be. The Honourable Mr. Nixon is not the master of the situation. Some other puffed up person is the real master. He does not want to admit defeat to Indian economists and politicians. Although eating India's salt, he has wronged India immensely. He has also wronged the gallant nation to which he belongs. As the result of his unsound advice the professions of sympathy, helpfulness and co-operation have turned into a myth. His action just on the eve of the great constitutional experiment has antagonised the whole of the Indian nation and is unpardonable. The stiffening in the attitude of the Congressmen after the 16th of March, which caused the failure of constitutional government in six Indian provinces, is due to his irresponsible action. A great statesman with a history behind him came out to India full of sympathy and sincerity and with the hope of doing something. His coming raised high hopes in the bosoms of many optimistic Indians. Those hopes are now blasted. I was surprised yesterday when a gentleman belonging to the English nation with a great tradition of democratic government behind it boasted of his irresponsibility to Indian public opinion, quoting chapter and verse from the Montagu-Chelmsford Report. I was surprised that he was not ashamed of himself. Perhaps he is ashamed of nothing!

THE HONOURABLE THE PRESIDENT: Order, order, this is unparliamentary language. You must not speak in that tone.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: Sir, I represent a province where there is no industry. There is not a single sugar factory there and I confess I have never seen a sugar factory or know anything about them. So I cannot say with authority how this increased excise duty will affect the industry and the cane growers. But the unparalleled unanimity of opinion in the Lower House cannot fail to impress one. Almost every elected Member

[Mr. Sitakanta Mahapatra.]

there was opposed to it. What else would convince the Honourable the Finance Member? But he is not open to conviction.

I am told that there is a little story behind his cruelty to Indian sugar. It is this. Sir James Grigg had given clear instructions to his *babarchi* that nothing manufactured in India should be used in his kitchen.

THE HONOURABLE THE PRESIDENT : Please remember, this is a Council and not a theatre.

THE HONOURABLE MR. SITAKANTA MAHAPATRA : Well, Sir, I am an elected Member of the Council and know it.

THE HONOURABLE THE PRESIDENT : The tone of your speech throughout is not at all becoming in this Council.

THE HONOURABLE MR. SITAKANTA MAHAPATRA : Sir, I will try to improve.

THE HONOURABLE THE PRESIDENT : I hope you will.

THE HONOURABLE MR. SITAKANTA MAHAPATRA : One day the *babarchi* served him with Indian sugar. Sir James could not take tea that day and on inquiry he found out that the poor *babarchi* could not find foreign sugar in the market even after a diligent search. The Finance Member came to the conclusion that it was due to the heavy import duty on sugar and the small excise duty that Indian mills are meeting all her demands. So he decided at once to take adequate steps so that orthodox Englishmen may not be tormented by Indian sugar. I hope the House will believe me when I say that I have it on the authority of one in the know of things that the Honourable Finance Member originally planned his budget proposals with a duty on cement and left out silver. But after the well-known interview of his private secretary with Seth Gulab Chand he reversed his proposal by putting a duty on silver leaving out cement.

Sir, I am a devout worshipper of the goddess Kali. I believed Mr. Shri Prakash entirely when he said that a bright but idiotic schoolboy by the blessings of the goddess Kali had become the Finance Member! But after this utter mishandling of the budget by the Finance Member my faith in Mr. Shri Prakash's authenticity has been rudely shaken. I am afraid Mr. Shri Prakash committed a terminological inexactitude. I am inclined to think that the bright schoolboy who had the good fortune of being blessed by the goddess Kali is not the bungling Finance Member, but if at all he may be the tolerable Finance Secretary.

Sir, I conclude.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadan) : Sir, my Honourable friend, Mr. Sapru, regretted yesterday the absence of the Honourable the Finance Member from the earlier part of our proceedings. I for one am inclined to congratulate ourselves on his absence today. Any one present in the House yesterday and today can discern for himself the difference in the atmosphere in which the debate was carried on yesterday and today. My Honourable friend, Mr. Nixon, presented the Government case as fully and as clearly as anyone could, indeed more fully and more clearly than his Chief's self-conceit and bad manners have ever allowed him to do.

Sir, we do not whine when we are hit back. When we hit we are prepared to receive hard knocks in return. Let official Members who are attacked by us fight in real earnest for their views. Let them draw blood, but let them observe the rules of the game. They should conduct themselves so as not to fall below a certain level of decorum and good manners. That, Sir, is not too much to expect from any Member of this House even when the most highly controversial topics are being discussed. I am sure, Sir, that this House till yesterday was an utter stranger to an outburst of petulance and racial arrogance of the kind in which the Honourable the Finance Member indulged yesterday. It was a curious mixture of boyish resentment of criticism and a superiority complex. If the Honourable the Finance Member were a private individual he would soon get the treatment he deserves. But he is today misusing his position as a Member of the Government of India. Government ought to realise that he is not merely giving just cause for resentment to Honourable Members but is also bringing down the reputation of the Government of India. I think that, if the Honourable the Finance Member is unable to outgrow his boyhood and to rise above his racial feelings, it will be the duty of Government to choose somebody else to be their spokesman here on important occasions.

Sir, my Honourable friend Mr. Nixon dealt very fully with the Government case yesterday. We for our part tried to controvert his views and I think that we did so successfully. But what was the reply that we received at the end of the debate? The Honourable the Finance Member said that so far as our criticism of Government policy was concerned, we might be certain that it was a cry in the wilderness. Our criticism related mainly to the army, and on that point he was as explicit as anybody could be. He told us to be under no delusion so far as retrenchment in the military expenditure was concerned. He could promise nothing of the kind. My Honourable friend Mr. Hossain Imam has today made some more suggestions which would either dispense with the need of imposing additional taxation or reduce greatly the amount needed by Government to fill the gap between revenue and expenditure. I have no doubt that my Honourable friend Mr. Nixon will deal with his arguments but I think I can safely anticipate his reply which will be to the effect that his suggestions, although they might be considered hereafter, cannot be accepted at the present stage. It comes then to this, Sir, that while no modification of policy asked for by us has been acceded to by Government, they insist that we should vote the money that they have asked for. Perhaps they think that while we might discuss individual questions of importance on specific occasions, our duty on an occasion like this is not to raise general questions of policy but to submit quietly to the existing state of things and to vote submissively the money needed to carry on the administration on its present basis. Their experience must have shown to them that they are entirely mistaken and that in future also there can be no hope of collaboration between them and us unless their point of view undergoes a radical alteration and they recognise that however weak politically the people of the country may be, they have reached a stage when they are determined to take every step to assert themselves.

Now, Sir, let us take the measures in favour of which my Honourable friend Mr. Nixon argued so eloquently yesterday. I shall take them one by one. Let us take the silver tax first. What my Honourable friend says about it comes to this. We want to have money and we do not think that the silver tax would in any way injure the interests of the poor man. On the other hand, if we can induce him to give up the habit of hoarding, we shall have conferred an advantage on him and on the country. I will leave

[Pandit Hriday Nath Kunzru.]

aside the point whether this accusation against the villager is true or mythical. I can point out that this matter has been examined by a series of committees. The latest of them, the Central Banking Enquiry Committee, went thoroughly into this question and came to the conclusion that in the existing circumstances there was nothing which could be called hoarding except the practice of having ornaments for women. But, as I said, I will leave aside that small point which completely knocks the bottom out of the Government contention, and then see whether there is any force in the argument used by my Honourable friend. What will the position be if we accept the Honourable Mr. Nixon's contention? Government will in effect be saying to the people of India, "You shall have full liberty to send your goods out of the country and to send your gold out also. But if you want to be paid for them, please take payment in the shape of our goods. We have no power to compel you to do so. But if you do not respect our wishes, if you do not buy as much of our goods as we would like you to, if you want to be paid in the precious metals, we shall see that you are penalised". This is the net result of the policy that Government want to follow in connection with silver. They want to promote their own interests at the expense of the people of this country.

Now let us take the sugar duty. We all dealt with it at considerable length yesterday and I have no desire to traverse the same ground. But I shall take the Government today at their word and believe that one of their objects in imposing an extra excise duty on sugar is, so to say, to rationalise the industry and to save the sugar manufacturers from themselves. If they really wish to do so, will the kind of police function that they would be discharging by imposing this duty be sufficient for this purpose? Will the negative attitude displayed by the step that they are taking serve to build up the sugar industry? If they really wish to do something for the industry, they must take more constructive steps. So far as I can gather, the two primary needs of this industry are finance and a central marketing organisation. Let Government bear these needs in mind and take active steps to fulfil them. It may be necessary for them even to go further and ask for wide powers to deal adequately with the situation, powers which have been taken in other countries—even in Great Britain—in dealing with industries to which protection has been granted. This is a matter that would require to be thought out carefully. But it does need the immediate attention of Government. It is not enough for Government when trouble occurs to come forward as the guardians of our interests and to take steps to deal with the evil which calls for immediate action without providing a permanent solution for the basic difficulties of the situation. They must have a more positive policy.

But, Sir, sugar is not the only industry which calls for such a policy. Constructive policy would need to be followed in many another sphere of our economic life. I can give many illustrations to show how an active policy would be to the benefit of the country. But I shall this afternoon ask Government only to bear one matter in mind, for it is of immediate and urgent importance. We have all read in the papers recently of the conclusion of the Indo-Japanese trade agreement. Now, I understand that the question of participation in the maritime trade between India and Japan has been raised by the British shipping interests in connection with it. It was raised some time ago also but I am given to understand that the Government of

India declined to consider the question on the ground that it was not their primary concern and that it was not directly connected with the trade agreement. But I learn that under pressure from the shipping interests concerned, the question has been re-opened. I should like to have some information on this point. If it has been re-opened it is necessary that the representative of the Government of India who will attend the Imperial Conference should be asked to advocate the Indian case there and to see that India receives representation on this occasion on the Imperial Shipping Committee which I believe will consider the matter before it receives the attention of the Imperial Conference. We have all been asking for a long time for the development of an Indian mercantile marine. Hitherto the difficulty in our way has been the monopolisation of the coastal trade by British companies. But here we shall have no vested interests to contend against. Here, if Government desire, they can help us actively without injuring any British interests to develop a marine which will not merely be economically of the greatest value to us but be the foundation of the Indian Navy of the future. I hope that Indian interests will be prominently borne in mind by Government in this matter and that no decision will be taken which will permanently injure Indian interests. India has not got many ships of her own. Development in this direction will take some time. During the period of development other interests may be allowed to take part in the trade between India and Japan, but steps should be taken to see that when Indian shipping has progressed vested interests place no obstacles in the way of its full development.

One word more, Mr. President, and I have done. We were accused by Government yesterday of having been influenced by diligent propaganda carried on by interested persons and bodies. It was hinted in no delicate manner, that we were the tools of vested interests. Sir, we made a suggestion yesterday with regard to the manner in which, even if no economy was made in administration, Government could find the extra money needed by them. The suggestion related to the reimposition of the surcharge on super-tax and on income-tax on higher incomes. My Honourable friend the Finance Member dealt with a good many other points but remained discreetly silent on this particular topic. And what does his silence on this subject show? Does it not mean that it is not we but Government who are afraid of big business? If there is any one in this House who is the tool of vested interests, I contend that it is Government and not we. I cannot understand their unwillingness to accept the suggestion made by us. It will in every way strengthen their position. Every argument that can be used is in its favour. But if they had adopted it— (*An Honourable Member*: "They could not adopt it after the Bill was recommended".) It was open to them to consider it beforehand. Was it possible that this suggestion did not occur to them? The Finance Member reduced the surcharge in two successive years. He is not suffering from a weak memory. He and his Secretary I am sure remember the sacrifice of revenue that had been made by two successive reductions. They must have considered the possibility of raising the surcharge to its previous proportion. But the thought of the opposition of vested interests, of big capitalists, particularly in the most important commercial towns of India, made them quake in their shoes. Their courage oozed out of them when they thought of the opposition they would have to face from those on whom they normally rely for support both in this House and outside. They are then the agents of vested interests and not we, and we can with a clear conscience oppose the measures which they have brought forward.

[Pandit Hirday Nath Kunzru.]

Sir, with these words I beg to offer a strong opposition to the passage of the Bill before the House.

THE HONOURABLE MR. J. C. NIXON (Finance Secretary): Sir, in the first place may I say that I do not propose to follow those Honourable Members in some of their rasher and in some of their perhaps more slanderous suggestions about the Honourable Finance Member. Certainly, the picture suggested of him as an amenable lamb led by the India Office or led by English trade interests is not one with which we on this side of this House are at all familiar; and I who work more closely in touch with him every day perhaps than anybody else, can say that never on any occasion have I seen him moved by other than what he believed was for the good of the country, India, which he has, like all of us, come to serve. I would merely remind the House that the Honourable Finance Member's remarks were mainly occasioned by an almost libellous accusation levelled against him by my Honourable friend Mr. Ramadas Pantulu.

Sir, if I confined my remarks to the Finance Bill I should have practically nothing further to say. If I confined my remarks even to other financial matters I should have to say that most Honourable Members who have spoken on the Bill have said too little and one at least perhaps too much. I will endeavour to reply to only a few of the points which have been raised by Honourable Members which have something of a financial bearing. My Honourable friend Mr. Ramadas Pantulu quoted certain statistics in regard to the sugar trade and industry; some of them I am afraid I could not hear; of others I could not recognise the relevancy; but there is one figure that I would like him and this House to bear in mind. It is this. Indian sugar is at present selling in India roughly at Rs. 6-8-0 a maund. If we take off the whole Rs. 2 of the excise duty—(An Honourable Member: "Has not the price gone down?") Within four or five annas I am correct. If I take off the Rs. 2 of excise duty, Indian sugar would be sold in the market at the moment at Rs. 4-8-0; and I can tell this Honourable House that India could purchase its sugar from Java free of all duty at something like Rs. 2-8-0 a maund. I think my Honourable friend Mr. Ramadas Pantulu would in his heart of hearts himself confess that he was on his second speed in the rest of his speech this morning when he attempted to draw some—I have forgotten what—inference from the fact that the consumption of white sugar per head in India was very low compared with its similar *per capita* consumption in other countries. Without bringing into consideration the subject of *gur* of which a very much larger quantity of course is consumed in India, I think the comparison is entirely irrelevant. Again I thought he was not keeping to his high standard when he let his democratic principles run wild and suggested that the relative truthfulness of himself and somebody else should be determined by plebiscite. One might just as well have the distance of the moon determined by a show of hands!

I come on now to my Honourable friend Mr. Hossain Imam who delivered Part II of his speech on the General Budget. I find myself this morning showing a commendable self-restraint when I did not stand up on several occasions and ask you, Sir, to declare that a very large amount of what he was saying was irrelevant to the issue before the House. I say, Sir, with due respect, that I felt that you too were showing very considerable self-restraint. I am not going to cover anything like the ground covered by Mr. Hossain Imam this morning. It would take much too long. He did not talk much about the Finance Bill. But he asked a series of questions, only a few of which I shall purport to answer. One of them was why we

did not take steps to transfer all the provident fund liabilities of the railway services to railways. I can give him an assurance that this is our intention as soon as the Railway Authority is established. He then asked why we were not going to fund various other provident fund liabilities. That is a very important question which is not easy to decide on the spur of the moment. You might as well ask why we do not fund all savings bank deposits. Provident fund depositors have frequently raised the question. They raise it when the market is rising; when the market is falling they rather forget the subject. In any case the main body of provident fund liabilities will from tomorrow become a matter for Local Governments to deal with.

He then went on to ask why we do not make, what he called, our going concerns provide for the amortization of their own debt. When he was tackling that topic he was talking of a very delicate matter about which even accounting people are by no means unanimous. The House knows that it is the habit of commercial concerns to set aside a certain part of their revenue each year as a depreciation fund the object of which is to replenish the asset when the asset is worn out. It is also possible to set aside sums of money in the form of a sinking fund in order to repay the debt incurred in acquiring such an asset. It is not the usual practice of commercial concerns and it is not the usual practice of joint stock companies to provide both for the depreciation of their plant and also for the amortization of their capital, and I do not think Government in running a commercial concern could afford to charge its consumers on a plan which would involve a burden on present users higher than that which would be put on them if the project were in the hands of a private company. However, personally I have some considerable feeling in the direction of thought of Mr. Hossain Imam. I think it might be good to the country as a whole in the case of a Government-owned public utility concern that something of a sinking fund should be created in addition to a depreciation fund, so that each generation becomes permanently better off than the generation which went before it.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: After giving effect to the recommendations of the Niemeyer Report or before giving effect?

THE HONOURABLE MR. J. C. NIXON: I do not see the relevancy of the Niemeyer Report to the particular subject of which I was speaking. Mr. Hossain Imam also spoke in a very learned way in regard to the investment of certain balances of the Government of India. He pointed out one particular balance of Rs. 10 crores which he found in one account of the Finance and Revenue Account. I know that Mr. Hossain Imam does not imagine that we keep that Rs. 10 crores in solid silver in our treasury. What he was suggesting was that, irrespective of whether we had that Rs. 10 crores in a paper account, we were rather foolish not to go to the market at once and borrow money at 1 per cent. in the form of Treasury Bills and buy 3½ per cent. paper. I am very certain that if his argument is carefully looked into that is what it comes down to. And if it is an advantage for Government to do that sort of thing, I wonder why the market is not doing it? It can raise money for a week very much more cheaply than it can long term money. There must be a catch in it somewhere and I am pretty certain that Mr. Hossain Imam knows as well as I do where the catch is.

He also spoke of the Burma debt and asked how the rate of interest had been fixed. I hope that he had read this little Report of the Amery Tribunal

[Mr. J. C. Nixon.]

because it is perfectly explicit on the point : It says that the rate of interest shall be—

“the average yield, over a period of two years preceding the date of separation, of the rupee and sterling securities of the Government of India with an unexpired currency reckoned up to the probable date of redemption, of 15 years or more. This yield could conveniently be reduced in the first instance from the recorded prices on a fixed date in each month, and the result rounded to the nearest quarter of 1 per cent.”

I might remind him, however, that the rate of interest comes also into account in capitalising some of these liabilities, so that over a large part of the field the rate of interest is not of very great importance.

He then raised a very important topic in regard to Burma and that was whether in dividing the assets and liabilities with Burma we were going to take into account those in existence on the 31st March or those in existence on the 1st of April of this year. If we took the assets and liabilities into account as on the 1st of April, I suppose we should have to take Burma's into account as well. By a curious fiction we are arranging that the liabilities transferred to the Government of India from the provinces as a consequence of the Niemeyer Report shall take place—I think the phrase is—at the closing of accounts on the 31st, which means practically on the inside side of midnight between the 31st and 1st. Also I think Mr. Hossain Imam might bear in mind what if Burma had had to take a share of those liabilities it would have expected itself to come under the purview of Sir Otto Niemeyer when he was out here making separate adjustments with the provinces.

Now I come to my Honourable friend, the Leader of the Opposition, Lala Ram Saran Das, and I have only three things down here which I want to mention. Lala Ram Saran Das complained that the Honourable the Finance Member was not a good prophet. I would like to read to you what the Honourable Lala Ram Saran Das said last year in regard to the budget of the year which is coming to an end. You will find that this is what Lala Ram Saran Das said :

“You will find that at the end of the year”—that is the current year,—“there will be a further surplus and the Finance Member will find that I am right”.

The Finance Member finds that he is right and the Honourable Member must find that he is wrong.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I might offer a personal explanation. I then suggested that the funds for reconstruction of Quetta ought to be charged to capital account and not to revenue account, and then I would have been right.

THE HONOURABLE MR. J. C. NIXON : I would advise the Honourable Member to re-read his speech. The Honourable Lala Ram Saran Das also suggested that the agreement as regard the sharing of assets and liabilities with Burma had been unfair to India inasmuch as India should have recovered all sums which in the past had been spent on Burma. I argued that matter out some months ago in another place, but I suppose Lala Ram Saran Das would agree that, if India were to recover all the moneys which India had spent in Burma, Burma would have a right to recover all the surpluses that she might

4-5 P.M. have invested in India. And he will perhaps remember that owing to the separation Indian revenues which arose in Burma to the net extent of Rs. 2½rd crores are being lost to India. That is to say, for many years Burma has been contributing something of the order of Rs. 2 or Rs. 3 crores net to the resources of India,—net after paying their own share of everything. He also brought up again, although I thought I had replied to the point before, capitation charges in respect of the army. I assured him

earlier that for the British troops that will remain in Burma, the Burma Government will naturally pay their share of capitulation charges.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: What about capitulation charges on Indian troops?

THE HONOURABLE MR. J. C. NIXON: Capitulation charges, as far as I know, are concerned with British troops.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: That is because Indian troops are only employed in this country. But if you sent Indian troops out of India and put them in the service of another country the same situation will arise between India and that other country as exists now between Britain and India.

THE HONOURABLE MR. J. C. NIXON: On the many occasions when this subject has been discussed it has been in regard to the payment made to His Majesty's Government on account of the employment of British troops.

In what my Honourable friend, Mr. Mahapatra had to say, he drew a great deal on his imagination and I do not propose to draw on mine in order to answer him. But I may say straightaway that I am not an indiscriminating believer in export duties as a manner of raising public revenue. Also when he was making out the budget "which the Honourable Mr. Nixon might have put before this House" he might have borne in mind that I might have included a poll tax on Oriyas!

We do not contend that the plan of the Budget and the plan of the Finance Bill put before this House is the only possible one. But taking the practical circumstances of the present time into account we do believe that in a very large measure it holds the balance between various possible alternatives. And in conclusion, Sir, to the argument that has been advanced by several Members that a Finance Bill in a certified form presented to this House is becoming a habit, I would suggest for their consideration that the circumstances forcing the Governor General to make use of his special powers are also becoming habitual.

THE HONOURABLE THE PRESIDENT: Motion made:

"That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the excise duty on sugar leviable under the Sugar (Excise Duty) Act, 1934, to vary certain duties leviable under the Indian Tariff Act, 1934, to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, to fix maximum rates of postage under the Indian Post Office Act, 1898, and to fix rates of income tax and super-tax, in the form recommended by the Governor General, be passed".

The Council divided:

AYES—26.

Akram Husain Bahadur, The Honourable Prince Afzar-ul-Mulk Mirza Muhammad.

Basu, The Honourable Mr. Bijay Kumar.

Bewoor, The Honourable Mr. G. V.

Charanjit Singh, The Honourable Raja.

Chinoy, The Honourable Sir Rahimtoola.

Clow, The Honourable Mr. A. G.

Commander-in-Chief, His Excellency the.

Devadoss, The Honourable Sir David.

Dow, The Honourable Mr. H.

Ghosal, The Honourable Sir Josna.

Hancy, The Honourable Sir Bertrand.

Haidar, The Honourable Khan Bahadur

Shams-ud-Din.

Hissam-ud-Din Bahadur, The Honourable

*Lieutenant-Colonel Sir Shaik.

Jagdish Prasad, The Honourable Kunwar

Sir.

Kay, The Honourable Mr. Reid.

Khurshid Ali Khan, The Honourable Mr.

Maxwell, The Honourable Mr. R. M.

Menon, The Honourable Diwan Bahadur Sir Ramunn.

Nihal Singh, The Honourable Sirdar.

Nixon, The Honourable Mr. J. C.

Ray of Dinajpur, The Honourable Maharaja Jagadish Nath.

Russell, The Honourable Sir Guthrie.

Siddiqi, The Honourable Khan Bahadur

Shaikh Muhammad Bashir.

Singh, The Honourable Raja Devaki-

nandan Prasad.

Todd, The Honourable Mr. A. H. A.

Williams, The Honourable Mr. A. deC.

NOES—15.

Abdus Sattar, The Honourable Mr. Abdur Razzak Hajee.
 Hossain Imam, The Honourable Mr. Ihtisham Hyder Chaudhury, The Honourable Khan Bahadur Syed.
 Kalikar, The Honourable Mr. V. V. Kunzru, The Honourable Pandit Hirday Nath.
 Mahapatra, The Honourable Mr. Sitakanta.
 Mahtha, The Honourable Rai Bahadur Sri Narain.
 Muhammad Husain, The Honourable Haji Syed.

Padahah Sahib Bahadur, The Honourable Saiyed Mohamed.
 Pantulu, The Honourable Mr. V. Ramadas.
 Ram Saran Das, The Honourable Rai Bahadur Lala.
 Ray Chaudhury, The Honourable Mr. Kumarsankar.
 Sapru, The Honourable Mr. P. N. Sinha, The Honourable Kumar Nripendra Narayan.
 Yuveraj Datta Singh, The Honourable Raja.

The Motion was adopted.

STATEMENT OF BUSINESS.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Leader of the House): Sir, the Motions for the consideration and passing of the Indian Army (Amendment) Bill may be taken up tomorrow. In pursuance of the ruling given by you yesterday the notice of the Motion for the adjournment of the business of the House for the purpose of discussing the Indian Medical Service will also come up tomorrow. The Motions for the consideration and passing of the Bills which have been laid on the table today may be taken on Saturday, the 3rd April. It is hoped that the three Bills remaining to be passed by the other House may be laid on the table next Monday and in that case they may be taken up by the Council on Thursday, the 8th April. The elections to the Standing Committee for Roads and the Central Advisory Council for Railways may also be held on that day.

The 5th and 6th of April are already allotted for non-official business and as already announced in the House Government are prepared to give time on the 7th April for the consideration of non-official business which remains undisposed of on the 6th April.

On this programme, the Council, it is hoped, will have finished the work of the session on the 8th April.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: May I draw your attention to the fact that by the 8th April, many of our Members will be going away, so the elections might be held earlier.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: I have no objection to the elections being held earlier.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: May I suggest that the elections be held on the 6th?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: I am entirely in the hands of Honourable Members.

THE HONOURABLE THE PRESIDENT : The 6th is a non-official day. The elections can be held on the 3rd, if you like.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : No, Sir, I request you kindly to fix the elections for the 6th April.

THE HONOURABLE THE PRESIDENT : It is a non-official day, but provided the Leader of the House agrees, it can be held on that day.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD : I have no objection.

The Council then adjourned till Eleven of the Clock on Thursday, the 1st April, 1937.