

6th March, 1933

THE  
LEGISLATIVE ASSEMBLY DEBATES  
(Official Report)

Volume II, 1933

*(23rd February to 10th March, 1933)*

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FIFTH SESSION  
OF THE  
FOURTH LEGISLATIVE ASSEMBLY,  
1933



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1933

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# Legislative Assembly

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THE HONOURABLE MR. R. K. SHANMUKHAM CHETTY. (From 14th March, 1933.)

## *Deputy President :*

MR. R. K. SHANMUKHAM CHETTY, M.L.A. (Upto 13th March, 1933.)

MR. ABDUL MATIN CHAUDHURY, M.L.A. (From 22nd March, 1933.)

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SIR ABDUR RAHIM, K.C.S.I., KT., M.L.A.

SIR LESLIE HUDSON, KT., M.L.A.

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RAI BAHADUR D. DUTT.

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CAPTAIN HAJI SARDAR NUR AHMAD KHAN, M.C., I.O.M., I.A.

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MR. ABDUL MATIN CHAUDHURY, M.L.A., *Chairman*. (From 22nd March, 1933.)

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SIR ABDULLA-AL-MAMÜN SUHRAWARDY, KT., M.L.A.

MR. B. SITARAMARAJU, M.L.A.

MR. C. S. RANGA IYER, M.L.A.

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# LEGISLATIVE ASSEMBLY.

Monday, 6th March, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. Deputy President (Mr. R. K. Shanmukham Chetty) in the Chair.

## QUESTIONS AND ANSWERS.

### TRAVELLING OF PERSONS RECEIVING THE BENEFIT OF THE LEE PASSAGE CONCESSIONS BY SHIPS FLYING A BRITISH FLAG.

640. \*Mr. K. O. Neogy: (a) Will Government be pleased to state whether they have received any suggestion to the effect that in future all civil and military servants, serving under the Government of India and receiving the benefit of the Lee passage and concessions, should go home on leave or return from home to India only on ships flying a British flag?

(b) If the answer to part (a) be in the affirmative, will Government be pleased to state, whether any instructions have been issued by them to the servants concerned in pursuance thereof or whether they propose to issue any such instructions?

(c) Is it the intention of Government to arrange with particular steamship lines for the transport of Lee concession passage holders and, if so, are they prepared to invite from British and other foreign lines the lowest rates for such transport before final arrangements are made?

**The Honourable Sir Harry Haig:** (a) Certain representations to this effect have been made.

(b) and (c). These representations are under consideration and Government regret that they cannot at present make any statement on the subject.

**Mr. K. O. Neogy:** Who were the parties who have made these representations?

**The Honourable Sir Harry Haig:** It is practically, one may say, from the shipping interests concerned.

**Mr. K. O. Neogy:** Has any suggestion come from the India Office in regard to this matter?

**The Honourable Sir Harry Haig:** The representation has been forwarded by the India Office for consideration.

**Diwan Bahadur A. Ramaswami Mudaliar:** Will the Government consider the advisability of restricting, if there is to be any restriction at all, it to ships flying under the British flag and not to any particular concern.

**The Honourable Sir Harry Haig:** I do not think there is any suggestion other than that which my Honourable friend has made.

**Mr. S. C. Mitra:** Will Government consider the advisability of helping Indian shipping, now that there are a few Indian Companies like the Scindia Steam Navigation Company engaged in this work?

**The Honourable Sir Harry Haig:** I do not think they will be capable of coping with the whole of the traffic.

**Mr. K. C. Neogy:** Has the attention of the Honourable Member been drawn to a statement which was made at a meeting of the P. and O. Shareholders in December last by the Chairman of that Company in which he claimed that the P. and O. stock holders in their capacity as tax-payers were paying the fares of those gentlemen who enjoyed the Lee concessions?

**The Honourable Sir Harry Haig:** I did notice some statement to that effect.

**Mr. K. C. Neogy:** Does the Honourable Member agree that the P. and O. stock holders pay the fares of the officers enjoying the Lee concessions?

**The Honourable Sir Harry Haig:** I should have supposed that the P. and O. stock holders, in their capacity as Indian tax-payers, would have contributed a very small amount to that sum.

**Mr. K. C. Neogy:** Has the Honourable Member any idea as to the number of P. and O. stock holders in India?

**The Honourable Sir Harry Haig:** I have no information.

**Mr. K. C. Neogy:** How does the Honourable Member then assume that they contribute even to a very small extent towards this concession?

**The Honourable Sir Harry Haig:** I think it may be assumed that there are a fair number of P. and O. stock holders who are also Indian tax-payers.

**Mr. E. S. Millar:** Will Government be pleased to state whether the same rebates are given by foreign lines as the British lines?

**The Honourable Sir Harry Haig:** I am afraid I have no information on that subject.

**Mr. K. C. Neogy:** Is any rebate granted at all to officers travelling under the Lee concessions?

**The Honourable Sir Harry Haig:** I am afraid I am not familiar with the actual terms, but my impression is that the fares of officers are debited against the credits which stand in their names in their own accounts.

**Sir Gowasji Jehangir:** Will the Honourable Member, while considering this question, also consider the advisability of laying down some condition that these P. and O. ships should go at the same speed as other foreign



ships, provide the same class of food and also the same amenities of life that other Companies now provide? I have no objection to concessions being given, but want to see, Sir, that passengers also get the same value for the money that they pay out.

**The Honourable Sir Harry Haig:** I do not think, Sir, that the Honourable Member need necessarily assume that these representations will be accepted. As I said before, the matter is merely under consideration at the present moment, and no conclusions have been formed.

**Diwan Bahadur A. Ramaswami Mudaliar:** Is it a fact that as a matter of practice, the certificates issued to officers are issued in the name of the P. and O. Company?

**The Honourable Sir Harry Haig:** No, Sir. At present it is open to officers to use the credits in their accounts for travelling by ships of any line.

**Mr. K. C. Neogy:** Is it not a fact that indirect canvassing is done by Government officials here in favour of the P. and O.?

**The Honourable Sir Harry Haig:** No, Sir.

**Mr. K. C. Neogy:** Was any such canvassing done with reference to the Round Table Conference delegates, and was any of them to see whether they could not travel by the P. and O.?

**The Honourable Sir Harry Haig:** I have no information at all about it.

**Mr. K. P. Thampan:** May I know if it is not yet time to abolish the Lee concessions altogether?

**The Honourable Sir Harry Haig:** Not in the opinion of the Government.

#### RECRUITMENT TO THE SUBORDINATE ACCOUNTS SERVICE.

**641. \*Sardar Sant Singh:** (a) How many candidates were taken by direct recruitment in the Subordinate Accounts Service on the civil side and postal side since the 1st of January, 1930? How many of them are Sikhs, Muslims and Hindus? What was the total strength of this service on the 1st of January, 1933, and the respective strength of the various communities?

(b) Is it a fact that only those apprentices are recruited directly who are young men with brilliant university records? If so, is it also a fact that the new apprentices recruited since 1930 possessed these qualifications?

(c) Is it also a fact that since the direct recruitment was opened to minority communities from the beginning of the year 1930, the percentage of passes in the departmental examination has been brought down from 30 to about 3? Is it also a fact that none of the recruits with brilliant university records has been declared successful since 1930? Is it also a fact that the successful examinees during the last three years possessed very low educational qualifications as compared with these apprentices?

(d) Are Government aware that these failures are attributed to undesirable methods and are Government prepared to appoint an impartial examiner from outside the department to revise the papers of the examinees of the year 1932?

(e) In case Government are not prepared to appoint an outsider to revise these papers, are Government prepared to give the apprentices a fourth chance to appear in the departmental examinations?

**The Honourable Sir George Schuster:** With your permission, Sir, I will deal with questions Nos. 641 to 645, and 650 to 655 together.

The information is being obtained and will be laid on the table on receipt.

**EMPLOYMENT OF SIKHS IN THE OFFICE OF THE DEPUTY ACCOUNTANT GENERAL, POSTS AND TELEGRAPHS, DELHI.**

†642. \*Sardar Sant Singh: Will Government kindly state:

- (a) the number of persons, newly employed in the office of the Deputy Accountant General, Posts and Telegraphs, Delhi, every year in A, B, and C classes separately since 1923,
- (b) the number of Sikhs so employed,
- (c) the number confirmed since 1923, and
- (d) the number of Sikhs so confirmed?

**EMPLOYMENT OF SIKHS IN THE OFFICE OF THE DEPUTY ACCOUNTANT GENERAL, POSTS AND TELEGRAPHS, DELHI.**

†643. \*Sardar Sant Singh: (a) Will Government kindly state the total number of Sikhs on roll in each class (A, B and C) in the office of the Deputy Accountant General, Posts and Telegraphs, Delhi?

(b) When were the recruitment examinations for the Upper Division held after 1923 in this office? How many were declared successful in each examination? How many were Sikhs and what position did they secure in the examination?

(c) Have all of those successful examinees been confirmed in the Upper Division? If not, how many remain unconfirmed and the reasons for not being confirmed? Is it a fact that no Sikh has been confirmed, though the position of a Sikh in the examination was comparatively higher?

**SUPERVISOR OF RECORDS OF THE OFFICE OF THE DEPUTY ACCOUNTANT GENERAL, POSTS AND TELEGRAPHS, DELHI.**

†644. \*Sardar Sant Singh: (a) Is it a fact that the present Supervisor Record of the office of the Deputy Accountant General, Posts and Telegraphs, Delhi, is a *Kayasth*. If so, how many persons belonging to this caste or sub-caste of *Kayasths* have been employed in this office? Are Government aware that this particular Supervisor's attitude in his official work is *anti-Sikh* and that he gives vent to his feelings often in office? If so, do Government propose to take suitable departmental action against him?

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†For answer to this question, see answer to question No. 641.

(b) Is it a fact that Mr. A. C. Badenoch, the *ex*-Accountant General, left an order on record to the effect that no local man should be appointed as a Supervisor Record in this office? Is it a fact that the present Supervisor Record belongs to Panipat, Karnal District? If so, does he not fall within the term "local man" and, if so, why was he appointed? Do Government propose to transfer him to some other post?

**CONFIRMATION OF ONE MR. BASHIR AHMED AKHGAR IN THE OFFICE OF THE DEPUTY ACCOUNTANT GENERAL, POSTS AND TELEGRAPHS, DELHI.**

†645. \*Sardar Sant Singh: Is it a fact that the Government of India issued orders not to confirm any person employed after the 15th July, 1931? If so, is it a fact that one Mr. Bashir Ahmed Akhgar, B.A., was employed after the 15th July, 1931, and has since been confirmed in the office of the Deputy Accountant General, Posts and Telegraphs?

**DEMOTION OF CERTAIN INSPECTORS OF CREWS ON THE EAST INDIAN RAILWAY.**

646. \*Mr. B. N. Mitra: (a) Is it a fact that the following staff were appointed as Inspectors of Crews (Ticket Checking Staff) in the grades of Rs. 150—10—200 in the Operating Department of the East Indian Railway, before the 1st June, 1931, the date of introduction of the present Moody-Ward scheme of ticket checking:

Messrs. M. Azam, K. M. Asgar, M. L. Takru, M. V. Bhavnani, G. P. Dass, J. W. Workman, M. A. H. Shirazi, Kartarsingh, A. L. Deefholts?

(b) If so, will Government please state (i) under what circumstances were they demoted to grades Rs. 110—5—140 and Rs. 70—5—95 since 1st June, 1931; (ii) whether the posts held by them were temporary, but they were confirmed in their appointments; and (iii) whether Fundamental Rule 23 is applicable to them?

(c) Is it a fact that the nature of duties assigned to these Inspectors of Crews in these demoted grades are almost the same after 1st June, 1931, as before 1st June, 1931, in the old Crew system?

(d) Is it a fact that their services have been confirmed since 1st June, 1931, in these reduced grades?

(e) Is it a fact that their services have been considered as continuous since the dates of their appointments? If so, why have they not been admitted to the benefits of Provident Fund since the dates of their appointments?

(f) Will Government state whether the Railway Board letter No. 683-E. G. of 3rd March, 1931, pertaining to the main principles of retrenchment or reduction or demotion is applicable to these Inspectors of Crews? If so, how was their case not considered along with the ticket checking staff of the permanent establishment, when these Inspectors held temporary appointments for periods exceeding 12 months' continuous service?

(g) Is it a fact that the old pays and grades of the ticket checking staff of the permanent establishment have since been restored to them? If so, under what circumstances have these privileges been denied to these Inspectors of Crews?

Mr. P. R. Rau: I have called for the information and will lay a reply on the table in due course.

†For answer to this question, see answer to question No. 641.

**CONSOLIDATED ALLOWANCE OF INSPECTORS OF CREWS ON THE EAST INDIAN RAILWAY.**

647. \*Mr. B. N. Misra: (a) Is it a fact that the old T. T. Is. of the Accounts Department of the East Indian Railway have been given consolidated allowances at the following rates as a compensation for the mileage allowances they used to draw before 1st June, 1981?

| Restored pay.                     | Consolidated allowance. |
|-----------------------------------|-------------------------|
|                                   | Rs.                     |
| Up to Rs. 100 . . . . .           | 35                      |
| From Rs. 101 to Rs. 190 . . . . . | 50                      |
| From Rs. 191 and above . . . . .  | 65                      |

(b) Is it a fact that these Inspectors of Crews used to draw travelling allowance at Rs. 2-8-0 per diem before 1st June, 1981 and that after this date those of them who have been demoted as T. T. Es. in grades Rs. 70—5—95 are given only Rs. 20 as consolidated allowance? If so, why?

Mr. P. B. Rau: (a) Yes.

(b) I have called for the information and will lay a reply on the table in due course.

**MUSLIM ACCOUNTANTS IN THE STATE RAILWAY ACCOUNTS DEPARTMENT.**

648. \*Shaikh Fasal Haq Piracha: Will Government please state the number of Muslim Accountants in the State Railway Accounts Department? Have there been any recent reversions of Muslim Accountants? If so, will Government please state whether the Muslim Accountants who have been reverted have passed any departmental examination which qualify them to work as Accountants? If so, are Government prepared to consider the question of their restoration as Accountants, with a view to improving to a certain extent the poor representation of Muslims in the cadre of Accountants on the State Railways?

Mr. P. B. Rau: The number of Muslim Accountants now on duty is 12. I am not aware of any recent reversions of Muslim Accountants, but I am informed that among five Probationary Accountants, who were originally appointed as Officiating Accountants subject to passing an examination within a fixed period and have been reverted to their substantive posts on their failure to do so, there are three Muslims. I understand that they have passed another examination which makes them eligible for appointment as Officiating Accountants. Memorials have been received from some of these Probationary Accountants who have been reverted, and I can assure my Honourable friend that they will receive my most careful consideration.

**EXEMPTION OF CERTAIN MUSLIM ACCOUNTANTS FROM THE EXAMINATION OF RAILWAY ACCOUNTS.**

649. \*Shaikh Fasal Haq Piracha: (a) Will Government please state the number of candidates by communities who were declared successful in the Appendix D examination of the Railway Accounts held in November, 1981, and November, 1982?

(b) Do Government propose to examine the cases of those Muslim candidates, who failed but otherwise did well in these examinations and whose work as Accountants has been well reported on, for exemption from examination?

**Mr. P. R. Rau:** (a) I lay a statement on the table showing the number of candidates by communities who appeared and succeeded in the examinations referred to.

(b) I am not aware whom my Honourable friend would include in the category of 'candidates who failed but otherwise did well' in these examinations. Government consider it undesirable to grant exemptions of this sort.

*Statement.*

| Community.                           | No. of candidates appeared. | No. of successful candidates. |
|--------------------------------------|-----------------------------|-------------------------------|
| <b>1931 Examination—</b>             |                             |                               |
| Hindu . . . . .                      | 148                         | 29                            |
| Muslim . . . . .                     | 8                           | Nil                           |
| Sikh . . . . .                       | 9                           | Nil                           |
| Anglo-Indian and Christian . . . . . | 9                           | Nil                           |
| <b>Total</b> . . . . .               | <b>174</b>                  | <b>29</b>                     |
| <b>1932 Examination—</b>             |                             |                               |
| Hindu . . . . .                      | 131                         | 12                            |
| Muslim . . . . .                     | 12                          | 1                             |
| Sikh . . . . .                       | 5                           | 2                             |
| Anglo-Indian and Christian . . . . . | 13                          | 2                             |
| Others . . . . .                     | 2                           | Nil                           |
| <b>Total</b> . . . . .               | <b>163</b>                  | <b>17</b>                     |

**EMPLOYMENT OF MUSLIMS IN THE SUBORDINATE ACCOUNTS SERVICE.**

†850. \***Shahk Fazal Haq Piracha:** (a) Will Government please give the total number of Muslims and Hindus in the Subordinate Accounts Service (civil side) at present?

(b) Have Government taken any steps to give Muslims their proper share in this important service? If so, what?

(c) Is it a fact that the Subordinate Accounts Service examination, with rare exceptions, is only open to the clerks in audit offices?

†For answer to this question, see answer to question No. 641.

(d) What is the total number of clerks in the Civil Audit Offices in India? Out of them how many are Muslims?

(e) Have Government considered the question of recruiting more Muslims directly in the Subordinate Accounts Service?

(f) What is the total number of candidates who sat for the Subordinate Accounts Service examination last year? How many of them were Muslims?

(g) How many Hindus have passed the Subordinate Accounts Service examination since 1930, and how many Muslims have so passed?

#### PERCENTAGE OF SUCCESSFUL CANDIDATES IN THE SUBORDINATE ACCOUNTS SERVICE EXAMINATION.

†651. \*Shaikh Fazal Haq Piracha: (a) What has been the percentage of successful candidates in the Subordinate Accounts Service examination since 1925?

(b) Will Government be pleased to state the reasons for the extremely low percentage of the successful candidates in the examination held in 1932?

#### HOLDING OF THE SUBORDINATE SERVICE EXAMINATION BY THE PUBLIC SERVICE COMMISSION.

†652. \*Shaikh Fazal Haq Piracha: Is it a fact that all the Secretariat examinations are held by the Public Services Commission? If so, are Government prepared to consider the desirability of the Commission holding the Subordinate Accounts Service examination as well?

#### NUMBER OF CLERKS IN THE AUDITOR GENERAL'S OFFICE.

†653. \*Shaikh Fazal Haq Piracha: (a) Will Government please state the total number of clerks employed in the Auditor General's office?

(b) How many of them are Muslims?

#### STRENGTH OF THE SUBORDINATE ACCOUNTS SERVICE IN THE AUDITOR GENERAL'S OFFICE.

†654. \*Shaikh Fazal Haq Piracha: (a) What is the total strength of the Subordinate Accounts Service in the Auditor General's office?

(b) How many of them are Muslims?

#### REPRESENTATION OF MUSLIMS IN THE AUDITOR GENERAL'S OFFICE.

†655. \*Shaikh Fazal Haq Piracha: What steps have Government taken or propose to take to give due representation to Muslims in the Auditor General's office?

#### RETRENCHMENT IN THE CHIEF ACCOUNTS OFFICE OF THE NORTH WESTERN RAILWAY.

656. \*Bhai Parma Nand: Will Government be pleased to state:

(a) if on separation of Railway Audit from Accounts on 1st January, 1929, it was laid down in F. C. memo. No. 5565-F., dated 31st July, 1929, to make all clerical recruitments in future to

†For answer to this question, see answer to question No. 641.

railway accounts offices through an all-India competitive examination, laid down in Appendix B, to the above memo., and that communal proportion would also be kept in view for recruitments;

- (b) if retrenchment in the accounts offices of State Railways is made on a communal basis, *i.e.*, the ratio of the respective communities as existed in each Railway Accounts Office immediately prior to the retrenchment campaign, *i.e.*, some date in 1931 should be maintained intact;
- (c) if it is a fact that in calculating the ratio of the respective communities as in 1931 so far at least as the Chief Accounts Officer, North Western Railway, is concerned, temporary clerks appointed after 1st January, 1929, otherwise than through recruitment examination have also been taken into account;
- (d) if a declaration was obtained from every clerk appointed in the Railway Accounts Offices after 1st January, 1929, otherwise than through the above-quoted examination, to the effect that he was liable to be displaced by the Appendix B passed clerks as and when the latter were posted to that office;
- (e) if it is a fact that in effecting retrenchment in the Accounts Office of the North Western Railway, Hindu Appendix B clerks have had to be or are likely to be discharged from service on account of the communal adjustment while the temporary non-Hindu clerks (appointed after 1st January, 1929, on the clear understanding that they were liable to be displaced by the Appendix B clerks) are being retained in service;
- (f) if the answers to the above be in the affirmative, why it is proposed to turn out of service Appendix B passed permanent Hindu clerks and to retain unqualified and purely temporary non-Hindu staff appointed after 1st January, 1929, and whether Government are prepared to order that in determining the ratio of the staff of the respective communities for purposes of retrenchment, only those appointed before 1st January, 1929, and/or through Appendix B examination be taken into consideration?

**Mr. P. R. Rau:** (a) to (d). Yes.

(e) and (f). I am informed that all the clerks who had passed Appendix B examination and were retrenched have since been re-employed.

**RETRENCHMENT IN THE CHIEF ACCOUNTS OFFICE OF THE NORTH WESTERN RAILWAY.**

**657. \*Bhai Parma Nand:** Will Government be pleased to state:

- (a) if in terms of para. 17 of the Railway Board communiqué dated the 6th June, 1932, the rule of simple length of service and maintenance of communal ratio apply only in cases of block retrenchment;
- (b) if it is a fact that in the Chief Accounts Office, North Western Railway, the communal ratio is being maintained in cases of ordinary reversions and withdrawal of sanction of temporary posts;

- (c) if it is a fact that the maintenance of communal ratio, and in pursuance of that turning out of service senior Hindu clerks, in cases of ordinary reversions and withdrawal of sanction of temporary posts is against the letter and spirit of Fundamental Rules; and
- (d) if the answers to parts (b) and (c) are in the affirmative, what action Government propose to take to redress the grievances of the senior Hindu clerks?

**Mr. P. B. Rau:** I have called for certain information and shall lay a reply on the table in due course.

**APPEAL FOR RELIEF OF PERSONS, DEAD AND INJURED, IN THE ALWAR DISTURBANCES.**

**658. \*Bhai Parma Nand:** Has the attention of Government been drawn to a press report, dated January 18th, 1938, from Alwar published in the *Hindustan Times* dated the 15th January, 1938, about a letter addressed to the Red Cross Ambulance Society by Ch. Yasin Khan, M.L.C. of Gurgaon appealing to the Society to send Red Cross Ambulance and relief parties for 1,505 persons dead and injured in the Alwar disturbances?

**Mr. G. S. Bajpai:** Yes, Sir.

**Bhai Parma Nand:** Will the Honourable Member state what were the contents of that letter?

**Mr. G. S. Bajpai:** I have the text of the telegram before me here. It is to this effect:

"Several hundred injured at Govindgarh fifteen gunshot injured men here several seriously injured more coming accommodation medicine not available please help immediately."

**Bhai Parma Nand:** What is the report of the Red Cross Society deputation which went over there? Were these allegations found to be correct?

**Mr. G. S. Bajpai:** So far as I am aware, those who went to Alwar, on behalf of the Red Cross Society, did not submit any report.

**Bhai Parma Nand:** Is the Honourable Member aware that the statements in the Press described the figures, that were given in that telegram, as quite incorrect and misleading?

**Mr. G. S. Bajpai:** Who gave that statement? In the report, which I have, this information does not figure.

**Bhai Parma Nand:** You have had a report then?

**Mr. G. S. Bajpai:** I have the report of the Red Cross Society on the question asked by the Honourable Member.

**Bhai Parma Nand:** What is your report? Does it say that these figures are correct?



**Mr. G. S. Bajpai:** They make no mention of these figures. All the information I have received is that they took no action on the telegram, but that they acted upon the request of the military authorities operating in Alwar.

**Bhai Parmas Nand:** What do they say about the accuracy of the figures?

**Mr. G. S. Bajpai:** It was not the function of the Red Cross Society to inquire into events in Alwar. They were merely asked to furnish medical aid and they furnished it.

**Bhai Parmas Nand:** To how many people did they furnish aid?

**Mr. G. S. Bajpai:** I have no information on that point.

**Dr. Ziauddin Ahmad:** May I ask whether Government will make inquiries about the correct figures?

**Mr. H. A. F. Metcalfe:** Government have no information as to exactly what happened there in the way of casualties. The most that I can say is that a few killed and wounded were brought into British India. There may have been other casualties, but as the House will understand, a number of these were probably removed from the spot.

**Dr. Ziauddin Ahmad:** May I ask, in view of the fact that such a wide difference of opinion exists amongst the Press, is it not desirable that Government should make more inquiries and let the public know definitely as to what actually happened?

**Mr. H. A. F. Metcalfe:** On a point of order, Sir. May I point out that this involves the discussion of the administration of a State which is in relation with the Governor General? I have given what information I have, and any further questions will merely lead to a discussion which I could hardly take part in.

**Dr. Ziauddin Ahmad:** I simply, Sir, want information; I do not want to enter on a discussion.

**Mr. H. A. F. Metcalfe:** I have already given all the information at my disposal, which is as to the number of casualties which were brought into British territory, and which were certainly very much fewer than the figures mentioned in the telegram.

**Dr. Ziauddin Ahmad:** Here the Honourable gentleman has taken for granted figures are much less than those stated here. Is the Honourable Member's information based on some inquiry, or is it only his guess-work?

**Mr. H. A. F. Metcalfe:** It is certainly not based on guess-work to this extent that that number of casualties were actually brought into British territory. As to precisely what happened in Alwar territory, I am not in a position to make any further statement.

# MESSAGE FROM HIS EXCELLENCY THE GOVERNOR GENERAL.

## EXTENSION OF THE TERM OF THE LEGISLATIVE ASSEMBLY.

**Mr. Deputy President** (Mr. R. K. Shanmukham Chetty): Order, order. I have got a Message from His Excellency the Governor General.  
(The Message was received by the Assembly standing.)

*"Gentlemen of the Assembly,*

*Your Chamber is now in the third year of its normal term of three years, and the question of the date of the next General election has been engaging my attention. As this is a matter of great interest to you and to the public generally, I take an early opportunity of informing you of my present decisions.*

*Under the operation of section 63-D of the Government of India Act, the term of this Assembly will expire next January, and, in the ordinary course, I would have dissolved it in the Autumn of this year, so that a General Election could be held towards the end of this year and the meeting of the new Assembly convened in the beginning of next year. However, as you are aware, His Majesty's Government are pressing forward with their plans for a Federal Constitution in India, and the new Assembly, which would meet for the first time next January, might have a short life, I feel that the expenditure of energy and money which a General Election entails, both on Government and on candidates, would hardly be justified in these circumstances, and particularly so at a time when public interest will be focussed on the new Constitution, and Government and public men will be busy preparing for its inauguration.*

*I have, therefore, decided not to dissolve the Assembly or to hold a General Election this year. I propose, when the time comes, to exercise my powers under section 63-D of the Government of India Act, and to extend the life of this Assembly for such period as may seem expedient in the light of the conditions then prevailing.*

(Sd.) WILLINGDON."

*New Delhi;*

*The 6th March, 1933.*

(Loud Applause.)

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## THE GENERAL BUDGET—LIST OF DEMANDS.

### SECOND STAGE.

**Mr. Deputy President** (Mr. R. K. Shanmukham Chetty): Order, order. The House will now start the discussion on the second stage of the General Budget. The Chair has had a conference with the Leaders of Parties this morning when it was understood that the various Leaders thought that it would generally meet the wishes of this House if some arrangement could be arrived at by which each Party might get allotted a definite time in which to inaugurate discussion on a particular topic under a particular Demand. Honourable Members no doubt know that this procedure, or rather this variation in normal procedure, has been accepted by the House during past years; and if it is the wish of the House that this variation in normal procedure should also be allowed this year, the Chair would have no objection. According to the arrangements which the Chair understood would meet with the general approval of the Party Leaders, they desire the Chair, if the House so agrees, to arrange for the discussion in the following order:-

On Monday, that is, today, in the forenoon, the European Group wish to initiate the discussion on a cut motion under Demand No. 16;

[Mr. Deputy President.]

In the afternoon, the Nationalist Party will initiate the discussion under a cut motion under Demand No. 17;

On Tuesday morning, the Nationalist Party will continue to take another cut under Demand No. 28, and on Tuesday, afternoon the United India Party will initiate discussion under Demand No. 39;

On Wednesday, the whole day will be given to the Independent Party, when they propose to have a discussion on Demand No. 39 in the forenoon and on Demand No. 81 in the afternoon;

Thursday morning will be given to the Centre Party. They have not yet intimated the topic for their discussion; and Thursday afternoon will be given to those gentlemen who do not belong to any Party if they are prepared to come to some understanding among themselves; and Friday will be devoted to discussion according to the normal procedure. The Chair would like to know whether this arrangement meets with the approval of the House.

**Several Honourable Members:** Yes, yes.

**The Honourable Sir George Schuster** (Finance Member): May I ask, Sir, which particular cut motion in regard to income-tax will be moved this afternoon?

**Mr. Deputy President** (Mr. R. K. Shanmukham Chetty): The Chair will let the Honourable Member know.

The Chair takes it, then, that the House agrees to follow this procedure. The Chair will also help the House in facilitating the discussions. Under the Standing Orders, there is no time-limit for speeches in regard to cut motions, but the Chair has felt very often that there is a general desire on the part of Honourable Members that opportunities should be given to as many Honourable Members as possible to take part in the discussion. Therefore, if the House so desires the Chair would like to fix a time-limit of 20 minutes for those Honourable Members who have to move the cuts and a time-limit of 15 minutes for other Honourable Members. (Voices: "Yes, yes.") The Chair proposes to enforce, then, a time-limit of 20 minutes for the Mover and of 15 minutes for other Honourable Members. (Applause.)

**Raja Bahadur G. Krishnamachariar** (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): May I know, Sir, if during the discussion of the other cuts of the other Parties, we also may speak? (Voices: "Certainly", "Certainly"). Thanks very much. I thought by agreeing to one particular day for some Party, the others lost the right . . . . .

**Mr. Deputy President** (Mr. R. K. Shanmukham Chetty): The particular Party that moves the cut motion has simply got the right of initiating the discussion thereon.

## DEMAND No. 16—CUSTOMS.

**Mr. Deputy President** (Mr. R. K. Shanmukham Chetty): Order, order. The motion before the House is:

“That a sum not exceeding Rs. 63,75,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of ‘Customs’.”

*Dumping of Goods into India by Countries with Depreciated Currencies.*

**Sir Leslie Hudson** (Bombay: European): Sir, I beg to move:

“That the demand under the head ‘Customs’ be reduced by Rs. 100.”

Sir, this is by no means the first time that efforts have been made to prevail on the Government to introduce legislation and to take prompt executive action against the dumping of large quantities of manufactured goods on this country at prices which are entirely uneconomic and which enable them to undersell struggling indigenous factories. Many of these factories have been forced to curtail production and some of them are reduced to such parlous condition that they are on the point of extinction. The House is aware no doubt of some of the interests affected. They may be interested to know that they comprise, amongst others, paints, varnishes, paper, cement, pottery, *i.e.*, porcelain and earthenware, electrical insulators, lead pencils, brushware, many varieties of cotton piece-goods and artificial silk goods, and many other articles produced by small and large factories in this country. There is legislation of the type that I press for in many countries of the world, in Canada, South Africa and Australia; whilst France and other Continental countries have imposed surtaxes on imports from countries with depreciated exchanges. Great Britain herself in November, 1931, passed an anti-dumping Bill known as the Abnormal Importation Customs Duty Bill to assist its own industries to compete with dumped goods. All over the world steps have been taken by Governments to counteract the flooding of their markets by countries whose depreciated exchanges enable them to undercut home industries. I would remind the House that some ten years ago the Fiscal Commission recommended the framing of such legislation as I am now asking Government to enact. The Tariff Board has on at least two occasions very clearly and definitely stated that the imposition of a duty by the executive without reference to the Legislature is imperative if serious damage to home manufactures is to be avoided. I would refer Honourable Members, in this regard, to paragraphs 8 and 9 of the Tariff Board report on protection for galvanised sheets and to the report on protection for the steel industry. I maintain, Sir, that if an indigenous industry is able to make out a *prima facie* case that it is being driven out of business by goods from foreign countries owing to the depreciated currency of those countries, the Government of India should be in a position to take immediate action to prevent the ruin of that industry. I am making no demand for protection against fair competition, but against crushing competition due to these depreciated currencies which are entirely fortuitous to the countries concerned.

It would be wearisome to the House to listen to a number of instances of the prices of articles with which the country is being flooded, specially from Japan. But I saw the other day lead pencils which are being sold

at one anna a dozen whereas a factory in Madras cannot produce them at much less than three or four times that price. I am taking very homely items just to bring it home to the House that it is these small industries just as much as the big ones which have been so hard hit. Japanese cups and saucers can be bought for 14 annas a dozen in Calcutta where a local factory is entirely unable to turn them out at anything like that price. There are countless other instances of similar dumped prices and I am quite sure that the Commerce Department must have a very bulky file from the representatives of those factories. In fact the Commerce Department received a deputation on this subject six or seven months ago,—last July. I think. A very clear and comprehensive letter pointing out the cause and effect of this dumping and suggesting methods of combating it was addressed in September last by one of the leading Associations in India to the Commerce Department; whilst the Honourable the Finance Member in Calcutta last month listened to a Resolution on the same lines, as my present motion, asking for the legislation. All these representations have had the backing of responsible people, people who see the nascent and growing industries of this country being driven to bankruptcy; and I beg of Government that they will not turn a deaf ear to what may easily be in several cases the dying appeal of these struggling industries. I am aware that there are several reasons which can be put forward for not acceding to these appeals. It has been argued that the opportunity of buying imported articles cheaply is a benefit to the consumer, and of course the interests of the country as a whole have to be considered. If that position were due to fair competition or due to a faulty organisation of the industries in this country or any other fault in the management of Indian factories, I should not have so much to say. But it is not so in the present case, for it is entirely due to the fall in the value of the yen that this position has arisen. An individual consumer may benefit by being able to buy an article at less than its true economic price, but the country loses the price of that article in the employment which is, or will be, lost in its manufacture and in the production of the raw materials of which it is made whilst the lakhs of rupees which would be spent and retained in this country are lost to the country by remittance abroad. Unemployment must increase in the closing of the factories themselves;—there will be more unemployed thrown on an already very full market,—and in the cessation of the demands for raw materials in the country and in the manufacture of machinery. Surely it would be more correct to place the internal prosperity of this country before the more tangible and immediate revenue to be derived from import customs duties.

There has been an argument that the internal prices of Japan have been rising rapidly, but there is no sign as yet of this having had any effect on the flood of articles coming into India from that country. It has also been stated that as the stocks of cotton bought before the yen slid off gold became exhausted, the prices of goods made from that cotton in Japan would rise also. There, again, there is no sign of this having occurred and reports are being received that Japan still has a very large stock of cheap cotton bought over a year ago. There has also been the argument that foreign countries, against whose dumped goods India may impose extra duties, may retaliate. It is not easy to see how they can do so. India exports raw materials with the almost the sole exceptions of pig iron and jute cloth. I see no fear of any retaliation in such countries refusing to buy our raw materials. If our prices are world prices, they will buy from India, for manufacturers will buy in whatever market they can obtain

[Sir Leslie Hudson.]

their requirements cheapest. Sir, this dumping question has become increasingly serious during the last six months and it has been increasing ever since last July, and, in the interests of the small manufacturer, in the interests of the labour employed in those manufactories in this country, I beg that Government will take such steps as may be possible to relieve them from the burden of over-dumped goods in India. Sir, I move.

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): May I ask the Honourable Member whether he can tell precisely what he wanted the Government of India should actually do in this matter?

**Sir Leslie Hudson**: I am asking the Government of India to take action against the dumping of goods in this country at an uneconomic price.

**Sir Abdur Rahim** (Calcutta and Suburbs: Muhammadan Urban): Without reference to the Legislature?

**Sir Leslie Hudson**: I am proposing, Sir, that they should take similar powers as the British Government have taken in England.

**Mr. Gaya Prasad Singh** (Muzaffarpur cum Champaran: Non-Muhammadan): At the expense of the tax-payer or the consumer.

**Sir Leslie Hudson**: No, Sir. I have tried to explain that the consumers would not suffer. They would still be able to buy at a fair price the goods they want to buy.

**Mr. Deputy President** (Mr. R. K. Shanmukham Chetty): Cut motion moved:

"That the demand under the head 'Customs' be reduced by Rs. 100."

**Dr. Ziauddin Ahmad**: Sir, I had no idea to intervene in this debate, but I would like to ask Sir Leslie Hudson to explain precisely what should the Government of India actually do in this matter. I quite understand that there are cheap Japanese goods imported, and for two reasons. In the first place, they have got a system of economic production by which they can produce things cheaper than we can do in this country, and the second thing is that they have got the value of their yen depreciated. The value of 100 yens used to be 170, and it has now fallen to 78 rupees only: so that the price of the yen has gone down to less than half of its true value. Now, the thing is that exchange varies from month to month. What should the Government of India do for this variation? It is difficult for the Assembly to sit every month and alter the Tariff Act. That is impossible and I say it is equally impossible even for the Executive Council to meet every month and to regulate the tariff of each and every article imported from countries with depreciated currency; and collect materials, and by the time they get information from temporary Tariff Board probably most of the articles would have been dumped before the Government could think of any solution, and the second difficulty is that the Government of India would be able to take action only on such articles about which they have received representations by the manufacturers, and we know that some of the manufacturers are in the favoured class of the Government of India and probably their voices would be heard. But there are some manufacturers who are not in the favoured class whose voices would not be

heard. We have such examples before us. Therefore, I would like to have some automatic method by which this dumping should be avoided—the method that I would advocate is the method that Germany adopted when the value of their marks was going down day after day. I was myself present in Germany at that time and I noticed that the prices of all articles varied with the fall of marks even in the course of the day. Even the prices of railway tickets varied three times a day with the fall in the value of marks. They had to regulate the prices of articles including railway fares and freight in terms of dollars, and they calculated the mark according to the current exchange by means of a machine which was provided at all the booking offices of German Railways. Here we can take sterling or rupee as a unit of standard currency and calculate the customs duty on commodities coming from countries with depreciated currency according to fixed formula. For example, take the case of Japan; suppose the customs duty on a particular article is fixed *ad valorem*. For purposes of calculation of duties on customs, yens should be converted into rupees not according to the current rate of exchange, but according to the scheduled rate, say, 160 rupees for 100 yens. If the tariff is fixed on weight, then the weight on which custom should be calculated should be true weight multiplied by standard rate of exchange divided by depreciated rate. One ton of commodity from Japan should be supposed to be 160/78 tons and duty should be charged on it. If the yen falls down to a certain value, then automatically the customs duty would be increased in yens and remain constant in rupees, and, by this, they can regulate the whole thing in the custom-houses. The Government can easily work out one or two formula on the line I suggested and apply it to all the countries. This is the only method which is practicable.

As regards the economic production, the interests of the consumers and of the Indian manufacturers differ. Of course the Indian manufacturers have got no right to demand production if they are just starting an industry. We can give them protection only for a certain number of years, but we cannot go on taxing the consumers in order to benefit a certain number of mill-owners and the manufacturers as if they are orphans. This is the thing which we cannot do. I would like to press, that the manufacturers here have got every right to be protected against the depreciated currency, but not for their uneconomic administration. I think it is possible to find a formula by which duties can be automatically regulated at the custom-houses, without each case being referred to the Tariff Board and ultimately decided by the Executive Council or the Legislature. As regards the cheap or economic production, it is entirely a different proposition. I do not know if they could have a right to demand protection for indefinite period without setting their own house in order. We can protect them against depreciation of exchange, but not against cheap and economic production.

**Raja Bahadur G. Krishnamachariar:** Sir, I wish to congratulate Dr. Ziauddin for he had up his sleeves a very beneficial process by which he is able to indicate the process by which the Government could protect this sort of dumping of goods in consequence of depreciation in prices. But, before I go into the details on this point, there is one point that I should like to make clear, and that is, in answer to the interjection of my Honourable friend, Mr. Gaya Prasad, "At the expense of the tax-payer or the consumer". I suppose what he meant to say was that when they

[Raja Bahadur G. Krishnamachariar.]

get cheap goods in the market, it is undesirable economically and otherwise that you should stop those goods and make the people buy the same goods at a higher prices simply to protect the Indian manufacturer, which means, simply to put more money into his pocket.

Now, Sir, as regards the Japanese products, there is one little matter to which I wish to draw the attention of the House. You go to any village shop which sells cloth. The man goes and says: "I want a pair of *dhoties*". The shopkeeper takes out a pair of *dhoties*. The first question that the man asks—in spite of the fact that his geographical knowledge is very limited—is: "Is this Japanese?" The implication of that question is very obvious, if my Honourable friends would consider. You buy a pair of Japanese *dhoties*, no doubt very cheap, comparatively. The Japanese *dhoties* do not stand for more than three months, while the local article stands for six, eight or even twelve months. Therefore, although the present price is cheap for the time being, it is certainly very dear in the long run. Similarly, take the case of matches. In the case of Japanese matches, you have to strike at least a dozen sticks before you can get one to light; and in a village, on a dark night, when a storm is blowing, you cannot get a light. In the olden days when there were phosphorus matches, which you could strike against a stone or the ground, the case was different. But with these safety matches they will only light on the particular preparation which is affixed to the box; and, as I say, it will not light. I am not exaggerating. I want Honourable Members to go into any village and stay there for the night and take the trouble of finding out the truth of what I say—the trouble there is want of a light, and so on. The same is the case with other Japanese articles with which the villager is supplied at the so-called cheap prices. There is no doubt that the prices are cheap, sometimes 60 to 70 per cent. cheaper; but look at the sacrifice which the villager makes, if you insist that he buys these cheap articles, in the long run. He does not know anything about it; he has got eight annas and he says sufficient unto the day is the evil thereof and buys the cheapest things he can get. I cannot support this process and I, therefore, respectfully ask that the Government of India should devise means by which this dumping of goods from Japan into India can be absolutely and thoroughly prohibited, so that even at the cost of a pie or two extra the Indian may have his money's value. They have got an Anti-Dumping Act in England and so we have got something to go upon, and all that you have got to do is to readjust the position with reference to Indian conditions. With regard to the procedure recommended by my friend, Dr. Ziauddin Ahmad, I am not sure that what he said at the end was not a little bit contradictory of what he said in the beginning. He said that every day, morning or evening, you cannot be watching the exchange and watch the dumping of goods, but in the end he concluded by saying that you can do so by fixing a standard and judge of the every day exchange with reference to that. I may be perfectly wrong in my appreciation of what he said, but whether that is an economic process, whether that is the correct and the statesmanlike process, I cannot say. Just as they say in Urdu "*Am khane se gharaz*". "I want to eat the mango: I do not care to count the seeds and waste my time over it",—I understand my friend Sir Leslie Hudson's meaning is that he wants the mango and that the Government should try to give him the mango; if they sit down and bring to bear all their statesmanlike



qualities, surely it is not a very difficult thing to do and, therefore, I most heartily support the motion made by my friend, Sir Leslie Hudson.

**Mr. S. C. Mitra** (Chittagong and Rajshahi Divisions: Non Muhamadan Rural): Sir, I am glad that this motion has been moved by the Leader of the European Group. We shall be able to understand how the minds of the Europeans are working in this question about protection, and further you will also be able to see that there will not be unanimity amongst the Opposition Benches. In this matter I must make it clear that I am representing my constituency and not speaking on behalf of my Party in any way. These are my personal views. By dumping, ordinarily we mean when it is done by a country selling its goods at a cost which is less than the cost of production in that country and the purpose is to continue it for a time in any other foreign country for the purpose of crushing competition and then ultimately to raise its price. I would like to discuss this motion from that narrow stand point and not in the popular sense of the word "dumping": thus the real purpose of dumping will not be clouded. We must judge, in case it is the Japanese or any other people who are dumping, whether they are selling their goods here at a considerable loss that is, at a price less than their cost of production; and, further, whether there is any danger of the indigenous industries being crushed, so that ultimately the foreigners might raise their prices and get more than their due. The mere fact that certain articles are sold cheap does not prove that it is due to dumping. I am glad that the Leader of the European Group subscribes to the view that when there is any crushing competition from outside, even if it is from England, for the protection of indigenous industries they will help us in putting on protective duty for the preservation of our own industries.

**An Honourable Member:** Did he say so?

**Mr. S. C. Mitra:** We must not forget the case of the consumers as well. I do not say that I fully disagree with the Mover of this motion; but if it is really not dumping in its scientific sense, then the case of the poor consumers must also be taken into consideration. If any industry is not really competing with an indigenous industry, in that case, from my point of view of dumping, no question arises. If there is no case for discriminating protection to any industry in India, we can get cheap goods from foreign countries, particularly in this financial crisis,—for the people of India it is a boon. I know the condition of the poor agriculturists when there has been such a tremendous fall in prices of all agricultural produce and we must see that on no account we should lend our support to anything that will compel the poor people to buy their necessaries of life at a higher rate, however small it may be.

Only the other day, a responsible officer of the Government of Bengal, speaking before a Committee, was saying that paddy was selling now at fourteen annas, when it used to sell at four rupees a maund before. I am speaking particularly for Bengal. It is well known that the price of paddy has fallen, not by 50 or 60 per cent., but from four rupees to fourteen annas a maund, and rice is the primary produce of Bengal. It must be admitted that as regards the bare necessities of life—cloth, salt and such like things—the House should carefully consider whether by lending support to any such measure they will be helping an increase in the price of any of these things. I think it is a general law that as

[Mr. S. C. Mitra.]

regards the bare necessities of life or the things that are raw materials for other industries, ordinarily there should not be any high duty. In the motion nothing has been said definitely about this dumping: it has been said in general terms "dumping of goods into India by countries with depreciated currencies". They mention here depreciated currencies. Most of the countries have gone off the gold standard and that cannot be said to be a special cause of complaint. I do not say in abstract that there should not be any duty to counterbalance this depreciation. That is not my standpoint, but I would like to warn the House that we must see that the price of these necessities of life should not be raised without due consideration. So I do not say that I am wholly against this motion, but I would like to warn the House about the risk that may face the consumers. Nobody doubts the argument about nascent industries. Even free trade countries accept the argument about nascent industries, and I am glad that Sir Leslie Hudson has taken up the case of the hosiery industry and has impressed upon the Government the necessity of helping it to get out of the present tangle. But, on general grounds, before the House commits itself to an anti-dumping legislation, they must understand what is meant by dumping scientifically. It is not that another country can produce goods economically, because they have better organization or better machinery, and that, therefore, we must put a protective duty and raise the price for consumers. The first consideration we should look to is whether it is competing with our indigenous industries, I mean any of our Indian industries and, if that is once settled, then I think even the gentlemen in Manchester and other places will also consider and see that they do not ask for any favours to kill our big industries which are also more or less in a nascent stage. That is all I have to say, Sir, on this motion.

**Mr. Gaya Prasad Singh:** Sir, I am afraid that my friend, the Leader of the European Group, under the garb of trying to prevent the dumping of goods into India by countries with a depreciated currency, seeks to continue the policy which was inaugurated at Ottawa, and which was sanctioned by this House. My Honourable friend's anxiety to save the nascent industries of this country from threatened extinction at the hands of foreign competitors is a very laudable one, and we should all support my friend in his endeavour to do so; but, I am afraid, there is something more than that in his attempt. My suspicion is that by trying to inaugurate legislation on the lines indicated by my friend in his speech, he tries in effect to discourage the import of foreign goods into India which ultimately may not be quite beneficial to the consumers, or to the nascent industries of the country, because that policy will stimulate the trade of England with India. As my friend, Mr. S. C. Mitra, has pointed out, the word "dumping" has an express meaning attached to it. A country which produces articles at a cheap rate and sends out her goods to another country, because of its cheaper methods of production, cannot in itself be said to be dumping its goods into this country, because the goods of that country are cheaper than the goods of some other countries which may be more expensive in their production and manufacture. My friend has, so far as I could recollect, given no specific instance in his speech except mentioning some cases of hosiery and other things in which it can be said that the cost of production of these goods has been so low as to be even below the cost at which they are produced

in this country. I should like to take the House back to a time when India was flourishing in her textile and other industries, and how legislation was actually resorted to in England, not on the ground that India was in a position to dump her goods in England, but simply because English manufacturers could not produce their things at as cheap a rate as we were able to do in times past. I will not use my own language, but I will just quote one paragraph from the history of India of Mr. Taylor:

“The arrival in the port of London of Indian produce in Indian built ships created a sensation among the monopolists which could not be exceeded if a hostile fleet had appeared on the Thames. The ship-builders of the port of London took the lead in raising the cry of alarm. They declared that their business was in danger and that the families of all the ship-wrights in England were certain to be reduced to starvation.”

Here there is no question of dumping. Nobody took the trouble to ascertain whether the cost of production in India was cheaper than the cost of production in England. It was simply because we sent our goods obviously at a cheap rate that alarmed the manufacturers of England and they raised the cry of danger, and, in fact, succeeded in getting an Act passed by the Parliament altogether prohibiting the import of our goods into their country. I will read out on this point a paragraph from Mr. Lecky,—another historian of great repute. This is what he says:

“The woollen and silk manufacturers of England were seriously alarmed. This led to the passing of the Acts of Parliament in 1700 and 1721 absolutely prohibiting with a very few specified exceptions, the employment of printed or dyed calicoes in England either in dress or in furniture and the use of printed or dyed goods of which cotton formed any part.”

Here the House will see that although there was no question of dumping of goods manufactured in India into England, still the mere fact that our goods competed on favourable terms with the goods of England alarmed them to such an extent that they induced Parliament to pass an Act prohibiting altogether the import of our textile goods into their country. I am afraid, that this move on the part of the Leader of the European Group is an act somewhat in conformity with the traditions which have been handed down from their forefathers up to the present time. I have a shrewd suspicion that the Leader of the European Group will find a warm supporter in my friend, Mr. Mody. My friend, Mr. Mody, with his begging bowl has been going about the country, and whenever it suits his purpose he comes to this House asking for protection for his own industry. At other times he kicks at us. Whenever it suits him, he has never hesitated to cajole us, but at other times he has had no compunction in throwing us overboard for the purpose of serving his own interests.

Sir, there is one danger in the proposal of my friend, Sir Leslie Hudson, and it is this, that it might affect adversely the interest of the consumers. I am definitely of opinion, and I think the House will endorse it, that we must try to give, by protection or otherwise, an impetus and whatever encouragement we can to our own Indian industry. But, if a particular commodity is not produced in our country, our consumers should be at liberty to purchase that commodity from any country irrespective of the fact that it is a foreign country or England. What I mean is, that our consumers should have the liberty to purchase their requirements in the cheapest market. But my apprehension is this,

[Mr. Gaya Prasad Singh.]

the capitalists will try to have an Act passed by this House prohibiting or discouraging the import of Japanese or other cheap goods coming into this country. When that is done, they will create a favourable market in this country for the sake of English goods. That is a contingency which I cannot view with equanimity, because it is not to the interest of the consumers of this country, who want to buy their goods in the cheapest market. Only when goods are produced in this country, we can agree to paying somewhat higher prices for our articles, because it is a method of protecting our national industries; but when that object is not secured, I do not think the legislation or other action, that is suggested, is necessary at all. I quite sympathise with the object of my friend, but, I am afraid, this is only the crocodile tear which my friend has been shedding,—it might be a very strong expression to use.

12 Noon. But, none the less, I feel constrained to use that expression, considering what part their forefathers, I mean of the European Group, have played in the past in killing the industry of our country. I will ask the House seriously to consider whether they should subscribe to a proposition which will commit them to a position the full implications of which we cannot envisage at the present moment. In a House like this, which is dominated by capitalist interests, the interests of the poor consumers, the man behind the plough, are liable to be lost sight of. My Honourable friend, Mr. Joshi, is not here to reinforce my arguments with his own excellent speech, but I think that the House should very well see whether the proposition of my Honourable friend will achieve the object which is professed by Sir Leslie Hudson, and we should not take any precipitate action which might result in not only not benefitting the nascent industries of our country, but, on the other hand, thwarting their progress, and, at the same time, increasing the prices of commodities, and thereby increasing the burden upon the poor consumers of this country.

Mr. H. P. Mody (Bombay Millowners Association: Indian Commerce): I greatly appreciate the very temperate criticisms of my Honourable friend, Mr. S. C. Mitra, and I shall try to remove some of the misapprehensions to which he has given expression. But I am afraid I could not understand my Honourable friend, Mr. Gaya Prasad Singh, when he referred very vaguely and darkly to my wooing him at one time and kicking him at another. My Honourable friend, as is well known to this House, is the Chief Whip of the Nationalist Party . . . . .

Mr. Gaya Prasad Singh: No, Sir. I am not the Whip.

Mr. H. P. Mody: . . . . at any rate, he has assumed for himself the functions of the Whip of his Party and I do not know how many times he has decoyed me into the lobby with him and how many times I have actually done violence to my conscience in order to try and meet the point of view of my Honourable friend

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): It is not yet too late to learn.

Mr. H. P. Mody: Therefore, when he talks of kicking and wooing, I say that the boot is on the other leg entirely.

In order to answer the criticisms of my Honourable friends, I would like very briefly to dip into the recent history of this question. The problem of dumping and the measures which are necessary to counteract it were brought to the notice of the Government of India some time during the middle of last year. It was found early in the year that enormous quantities of Japanese textiles were coming into this country and were being marketed at prices which absolutely defied competition and were calculated to ruin the indigenous industry. Thereupon, a cry went up from the various centres of the textile industry, and I led a deputation to the Government of India,—a deputation which was joined not only by the representatives of the industry outside Bombay, but also by the representatives of the various trades and industries throughout India,—Bengal, Madras, Upper India, the Central Provinces, and others. As a result of that deputation and the case we put up, the Government of India made a special reference to the Tariff Board. The Tariff Board put up a recommendation on which the Government of India acted to a certain extent, and, so far as the industry which I represent is concerned, and that is a point which I want to drill into the minds of some of my Honourable friends over there—so far as the industry which I represent is concerned, nothing more need be said at the moment.

**Mr. B. Das** (Orissa Division: Non-Muhammadan): Did you act up to the recommendations of Sir Frank Noyce?

**Mr. H. P. Mody**: I have a very few minutes, or I should have very gladly answered my Honourable friend. The textile industry got relief, because the Government of India, under section 8, sub-section (5) of the Indian Tariff Act, have the power to come to the relief of a certain limited number of industries, and they took the necessary action in the case of the textile industry. Something, however, was required to be done in the case of the various other industries which were crying out for relief, and whose case was probably equally strong, but which, on account of a lacuna in the law, were not able to derive any assistance by emergent executive action. A representation was accordingly put up by my Association asking for what is now the substance of my Honourable friend's cut motion. This representation of my Association was supported by practically every leading organisation in the country, Indian as well as European. I can understand their support, because, if you take into consideration the industries which are affected, you will find that it is largely the cottage industries or small factories which have been most hit by Japanese competition, and whose voice is not heard, because, as my Honourable friends would say, they are not as clamant or as favourably situated as the textile industry is supposed to be. My Honourable friend, Sir Leslie Hudson, gave several instances and I would add a few more. Sugar candy entirely Indian, cotton braid, also Indian, hosiery entirely Indian, woollen goods, etc. I am only adding to the list which my Honourable friend, Sir Leslie Hudson, has given. I could go on giving instances in which small industries have been affected, and whose case requires to be looked into immediately, but I must pass on to another subject.

A great deal has been said on numerous occasions, and of course also on this occasion, about the interests of the consumer. I would like my Honourable friends to know that, while the manufacturer may sometimes be oblivious of the interests of the consumer, he is not so utterly callous or indifferent as my Honourable friends would imagine, because, after all,

[Mr. H. P. Mody.]

if the manufacturer were to exploit the consumer, he could not exploit him for very long, and a stage must come when the consumer would begin to kick, and you would have what is called a consumers' strike. In this connection what I would like to emphasise is that the consumer, while he requires to be protected against paying more than the economic price for the product that he is buying, he has no right to expect to obtain his purchases at uneconomic prices, and my contention is, and it is borne out by facts, that what has been coming from Japan is being dumped at absolutely uneconomic prices, and in some cases at prices at which you cannot get even the raw material for the manufactured article. Let me give a few instances to show what an enormous drop has taken place within the last two or three years. Take cotton braid, about which there was, a couple of years ago, an instructive article in the *Amrita Bazar Patrika* for which, I take it, my Honourable friends have considerable respect. The *Patrika* denounced the Government for its apathy towards this cotton braid industry. In 1980, the price was Rs. 1-6-0 per lb.; in 1983, it has come down to 11 annas per lb., namely, a drop of 11 annas, whereas the raw material for this industry, namely, cotton yarn, has only come down by 2½ annas. That shows the nature of the competition which indigenous industries are meeting with. Take the case of woollen goods. The imports in 1981 were under one lakh; in 1982, they were over six lakhs. Cement has been quoted for January delivery of this year at Rs. 27-8-0 per ton c. i. f., inclusive of duty which is Rs. 18-4-0. In other words, the Japanese manufacturer or middle-man sells cement at Rs. 9-4-0, including the cost of manufacture, the transport from the works to the port, the freight, packing and other charges, and the manufacturer's profit, if any. Then, take the case of hosiery. In 1982, underwear cost Rs. 4-4-0 per dozen. I do not know whether my Honourable friend, Mr. Gaya Prasad Singh, spoke with such an amount of feeling, because he uses Japanese underwear, in which case I could understand it and exonerate him from all evil intentions in this matter. (Laughter.) This underwear, which was selling at Rs. 4-4-0 in February last, is now selling at Rs. 3 per dozen. The quantity imported in 1981 was one million dozen, in 1982, it went up to two million dozen. If I had the time, I could go on multiplying instances not only of the number of industries which are affected, and the quantities which are coming from Japan, but also the methods by which these products are being marketed.

There is just another important point which I want to explain. My Honourable friends asked at an earlier stage of the debate by what method were Government going to give effect to this sort of recommendation. The method is simple. As a matter of fact, even today it is part of the law of the land in the case of a very few industries. The method is this. Where a representation is made to Government or Government themselves take cognisance of a matter and find that an important trade or industry or commodity is adversely affected by abnormal imports marketed at abnormally low prices, then Government, after such inquiry as they may decide to make into the case of that particular trade, industry or commodity, impose, by executive action, a countervailing duty. This sort of legislation exists in a very stringent form in most countries of the world today. In South Africa, Canada, France, Germany, Australia, even in Free Trade Great Britain they have introduced legislation of this sort within the last five or six years, legislation which is calculated to prevent dumping.

whether or not it is dumping in the technical sense of the word. Effective action is being taken practically in the whole of the civilised world today, and it is now sought to be recommended to this House and I trust, that none of my Honourable friends will really oppose it. The essence of such action is speed. You cannot wait until you have set up the elaborate machinery of the law and asked the Legislature to pass a certain measure. In the meantime, lasting and incalculable injury, such as the Tariff Board have pointed out in one of the recent reports, might be inflicted on an indigenous industry; therefore the essence of such action is speedy executive action, to be followed, if it is necessary, by a reference to the Legislature. In most countries that provision does not exist.

**Mr. Gaya Prasad Singh:** You want the Legislature to be ignored?

**Mr. H. P. Mody:** I do not want to ignore my Honourable friend or the Legislature. Whether under certain given circumstances, the Government of India should refer such emergent action to the Legislature when it is in Session for confirmation is a matter which requires consideration. I for one would not have the least objection. My whole point is that immediately the interests of an industry are threatened, prompt action must be taken by the Government of India. The interests of the consumer and the interests of the manufacturer are not always conflicting as my Honourable friends would imagine. As I have said, the consumer cannot for any length of time expect to buy his commodities at absolutely uneconomic levels. All that he can expect, whether there is a high tariff or low tariff, is a price which is no more than a fair selling price. By all means if you find that a particular industry is inefficient or corrupt, refuse to give it any protection—such an industry deserves no protection—but when it comes to a question of an industry against which it cannot be charged that it is either inefficient or corrupt, then essential national interests demand that effective and immediate protection should be given.

**Sir Hari Singh Gour** (Central Provinces Hindi Divisions: Non-Muhamadan): I think there is a point up to which everybody in this House would be in general agreement, but then there comes a point after which the two sections of the House must be in sharp conflict. We are all agreed that the indigenous industries of this country must be protected and every effective measure that the Executive Government can take must be taken for the protection of the existing industries and the development of new industries in this country. Up to that point we are all agreed, but then comes the next point—Is this House going to give the Executive Government power to prevent dumping, because it is dumping or it gives the qualified power of taking action against dumping, not because it is dumping, but because it interferes with the indigenous industry? Let me give you a concrete illustration. As regards the textile industry, India is able to produce smaller counts and, in doing so, it does not compete with Lancashire though it competes with Japan. If Japan were to dump goods of these smaller counts to India and thus crush the indigenous textile industry in this country, I do not think there is one man sitting upon the Opposition Benches who would not raise his voice of protest against this engine of dumping which is being used for the purpose of throttling the indigenous textile industry; but then comes a stage when India ceases to compete with Japan as, in the finer counts, the main competitor is, let us say, Lancashire. Now, Lancashire complains that

[Sir Hari Singh Gour.]

in these finer counts the dumping of Japan restricts her market overseas. India is not interested in the present or in the immediate future. The development of her industry to that extent is yet in the limbo of the future. Now, what should be the attitude of the Government? Sir Leslie Hudson's motion, if accepted, would come to this that even in the finer counts, where Lancashire competes with Japan, the Indian Government must take action to prevent the dumping of Japanese goods into India and it is there that there is a conflict between the two sections of the House. The Indians, so far as India is concerned, are anxious to protect, by every means within their power, their own indigenous industry. But they have not the same tender feeling for the protection of other countries' industries for the same reason that those other countries have not the same feeling and never had the same tender feeling for the protection of the Indian industry. Now, then, the position is, therefore, very simple. We have to clarify the issue in order to understand what we really want and where we differ from the protagonist of the motion on the other side. We are all agreed that dumping or no dumping, the indigenous industries must be protected. Dumping is only an aggravated form of foreign competition and, even if there is no dumping but fair foreign competition, this House stands committed to the view that the indigenous industries must be protected. To that extent, Sir, we are all agreed and, I am quite sure, when Mr. Mody reflects upon the words he has spoken, he will realise that he is not prepared to go any further than we are on the question of dumping. Dumping, after all, is only one method of competition. It may be by cheapening goods or by mass production, it may be by selling them below the cost price, or it may be by giving a bounty to shipping companies and by other means affording State subsidies for the purpose of driving out competition in the market on which the goods are dumped. Therefore, I do not think there need be any difficulty on the part of Members of this House in making up their minds as to what view they should take; and, I am quite sure, that even my friend, the Honourable Mr. Mody, would not require the seduction of my friend, Babu Gaya Prasad Singh, to go into the Lobby if it came to the vote, upon this clear-cut issue, upon which there cannot be any difference of opinion on the part of the elected Members of this House.

There has been, as my Honourable friend, Mr. Mody, points out, in all countries at the present moment anti-dumping legislation. I have not examined the nature of the anti-dumping legislation in other countries, but I venture to think that the situation of India in respect of this matter is somewhat unique. The Government of India are not responsible to this House. They have a dual obligation: their obligation to this House is moral, while their obligation to the Home Government is legal and real. If pressure is brought to bear upon them to legislate or to take executive action for the purpose of preventing dumping as such with a view to narrowing the road of competition between England and Japan in the matter of the finer counts of cotton goods sold in this country, the Executive Government, taking advantage of the vote of this House, would either legislate or take executive action, and then it would be too late for this House to complain that they had taken action for purposes for which it was not the intention of this House to arm them with the necessary powers. Therefore, the motion of the Honourable Sir Leslie Hudson is deserving of our support but within the qualifications I have pointed out. If my Honourable friend is prepared to concede that dumping



should only be protected against on the ground that it competes with the growth and development of Indian indigenous industries, we would be at one with him; but if, on the other hand, he widens his issue and wants the Government by legislative action or otherwise to take action against dumping, whether that dumping interests the people of India or not (Mr. S. C. Mitra: "Or because it interests Lancashire), and interests only Lancashire or other countries in which India is not interested, then we should demur to that.

One more word, Sir, and I have done. Dumping is an evil, I admit, so far as Japan is concerned. The production in Japan of textile goods and other goods is on a much cheaper basis than it is in England (*Raja Bahadur G. Krishnamachariar*: "And on a nastier basis"); and, as I said elsewhere, Japanese industry is so thoroughly nationalised, organized and so efficient that it is almost impossible for any country to compete with Japan upon fair and equal terms. (*Sir Cowasji Jehangir*: "Scientific slave-labour.") But, so far as India is concerned, that need not deter us in the least from protecting our industry and hoping that Mr. Mody and others will take the earliest opportunity of rationalizing their industry and increasing its efficiency to the same extent and in the same manner as has made Japan one of the pioneer industrial countries of the world. (Hear, hear.) Sir, let not this policy of protection, which we stand committed to, operate as a premium upon indolence or inefficiency. (Hear, hear.) The managing agency system of the mills is conducive to inefficiency and uneconomic working of the textile mills. These and other considerations should not blind us to the fact that even as regards the protection of the indigenous industry, our support is conditional and dependent upon the response that we receive from those who are responsible for the development and growth of those industries.

**Mr. F. E. James** (Madras: European): Mr. Deputy President, I desire to make one matter perfectly plain, at the outset of my remarks, as I think there has been a misunderstanding of the purpose of my Honourable friend, the Mover of this cut, on the part of certain Honourable Members on the Opposition Benches. It will perhaps have been noticed by Members of the House that there is down on the Admitted List of Resolutions a Resolution in the name of Sir Leslie Hudson, myself and other Members of the House in regard to the very same subject now under discussion; and Honourable Members, if they will turn to that Resolution, will discover that it makes specific reference only to cases of those indigenous industries which are being seriously prejudiced by reason of competition in goods imported by countries with the assistance of depreciated currencies or other artificial circumstances. I thought Sir Leslie Hudson had made that very clear in his opening remarks, but if that has not been made sufficiently clear to my Honourable friends, I have his authority now to make it as clear as we possibly can.

Sir, we are not here to advocate the interests of Lancashire. We, in this particular instance, are advocating the interests of the indigenous industries of this country; and, if my friends, Mr. Mitra and Mr. Gava Prasad Singh, could see some of the representations which we have received from persons within their own constituencies, perhaps their attitude would have been slightly different to what it has been today. At the same time I do appreciate, and I think we all appreciate, the position that has been made, namely, that in taking any action of this description, the interests of the consumers should be very carefully watched. (Hear, hear.) Sir,

[Mr. F. E. James.]

I come of a free trade family which for years has fought for free trade, and I find myself very often in this country having to advocate a position which is entirely contrary to my traditional point of view. Therefore—perhaps more than other people—I should be disposed to regard the interests of consumers more jealously than perhaps other members of my Party or even than Mr. Mody, who, if you will remember, Sir, on the Ottawa Agreement, was all out for the consumer. Therefore, Sir, I think we may say that we are not out for Government to take action precipitately. It is true that, in a matter of this description, it is necessary that Government should be in a position to take immediate action if the circumstances warrant immediate action to be taken. But in such cases my own feeling is that within a specified limit of time the sanction of this Legislature should be secured in support of that action, and I hope that, with the removal of these misapprehensions which have been in the minds of Honourable Members, they will now feel that they will be able to support the motion of Sir Leslie Hudson.

There is one other aspect of the situation to which I would like to draw the attention of Honourable Members. I said earlier that we were anxious to protect the interests of the indigenous industries from what we believe to be unfair and artificial competition; and we went so far as to circulate our various Chambers of Commerce for that purpose only. And only this morning I received from the Madras Chamber of Commerce two or three interesting pieces of information,—the question for example of red lead. Japanese red lead is sold in the market for Rs. 12 a hundred-weight *c. i. f.* compared with the market price of Rs. 21/8/- for red lead made in India. One other example has been given to me and that is in connection with an article which is made in the Mysore Government factory at Bangalore, porcelain cleats, etc., and I find here that they have to encounter Japanese competition in the Madras Presidency at prices which are approximately a little less than half of those at which the indigenous industry is able to sell. And the Mysore Chamber of Commerce, which is a purely Indian Chamber of Commerce, is very strongly advocating protection against this kind of underselling.

Now, Sir, it has been argued in the past, and I believe it is still argued in some quarters, that this is merely a passing phase; that it is a temporary phenomenon which will pass, because Japan's internal economic and financial position is not such as to support a continuance of her present export policy. Sir, that suggestion was made as long ago, I think, as last September, and now we are in the month of March. The question naturally arises as to when a temporary phenomenon becomes a permanent phenomenon, and the evidence from Japan itself is very striking. It must be remembered that just as Japan has for years made careful plans for a policy of Imperial expansion in the East, so Japan has laid just as careful plans for a policy of economic expansion. Honourable Members may be perfectly well aware and may be perfectly well assured that this tremendous increase of Japan's export trade in the East is not merely a fortuitous circumstance. It is part of a deliberately, carefully planned policy; and the position in Japan itself does not warrant any assumption that, economically and financially she will not be able to maintain her present rate of progress. I have here from the *Investors' Chronicle and Money Market Review* of the month of February a very striking article upon the

situation in Japan, and we find the following extracts which I would venture to read to the House, on this one point:

"There is no lack of confidence among the Japanese about Japan's financial position. There is no indication of financial panic. After a poor opening to 1932, exports began to go ahead in the spring under the stimulus of the falling yen, and since July, the monthly figures have been far ahead of those for 1931. This advance has been reflected by greater activity in the country itself where clearings of cheques and Bills are well ahead of 1931. . . . while new issues of capital seem to be showing some signs of rising after being well behind 1931 and comparatively stationary in 1932. Even the desperately depressed farmers"—

—now referring to the year 1932—

"are finding some relief in the better yen prices which they are receiving for their silk and their agricultural produce. It is admittedly by inflationary finance that those better hopes have been produced. But so far there is nothing in the price movements or other indicators to suggest uncontrolled inflation."

Later on, the following occurs in regard to the present situation:

"Japanese business shows great vitality; the budget shows serious weakness. To these considerations must be added a third: that, of the total indebtedness (at the end of 1931), of 6,333,000,000 yen, the external indebtedness was only 1,477,000,000 yen,—so that even in considerable straits Japan should be able to meet her external debt service."

That, Sir, is an impartial review of the financial and economic position in Japan towards the end of 1932, and it does not justify any assumption that this period of export activity on the part of the great Japanese Empire is going to be a temporary phenomenon. It is part of a deliberate plan in which Government, business, and labour are working hand in hand; and it is against this deliberate attempt to undercut our industries by dumping at less than the economic costs of production in this country, specially and solely in regard to indigenous industries, that we claim the help of the Government of India.

Sir, I have made my explanation of the position taken up by Sir Leslie Hudson in the first instance. I have further pointed out that, as far as we can see, there is no prospect of this phenomenon ending in the near future. On those grounds, therefore, I do claim on behalf of the indigenous industries of this country that all sections of the House should support this motion on the understanding which I have given today.

**Sir Cowasji Jehangir** (Bombay City: Non-Muhammadan Urban): Sir, after my Honourable friend, Sir Leslie Hudson, had finished his speech, there seemed to have been some chance of a little confusion of thought, but the speech of my Honourable friend, Mr. Mitra,—a most reasonable speech indeed,—was, I consider, the proper attitude for this House to adopt. He raised the question of the interests of the consumer. Now, Sir, I should like to be clear in my mind and to see that we are not side-tracked on to an issue with which we are not dealing in this motion. The motion merely deals with the question of the advantage gained by other countries due to the depreciation of their currency. That is the main issue that underlies this motion. We are not by this motion concerned with protection that may have been given to any industry or is likely to be given to any industry for any other reason than that of depreciated currency. What my Honourable friend complained and what most of us have complained is that our industries should not be handicapped—I go further, ruined—due to the depreciated currency of another country,

[Sir Cowasji Jehangir.]

especially Japan; that is the point that we desired so often to bring to the attention of Government within the last few months. It is not only the textile industry that is being ruined, for I make bold to say that all industries in this country, including cottage industries, stand to be ruined if Government refuse to take further action. I would pointedly bring to the attention of my Honourable friends the handloom industry in this country. Silk is woven in this country on handlooms and is being consumed in this country and also exported from this country. I can show you samples of pure silk sold by Japan at fourteen annas, thirteen annas and twelve annas a yard: silk, which, two years ago, or 1½ years ago, was sold at Rs. 1/8/0 a yard. All qualities of silk have gone down in value, not to half, but to less than half in some cases. What is going to become of your handloom industry that is weaving silk and which is being wiped out just now? Do Honourable Members realise that? I am not going to worry you, Mr. Deputy President, or this House by giving other instances of what this motion is supposed to bring pointedly to the attention of Government from the floor of this House.

Now, I come to the question of the consumer which, as I have already stated, is not involved in the terms of this motion. Nobody desires that the consumer should pay one penny more for what he consumes than what he should justly pay. Sir, going again outside the terms of this motion, if a country, due to its system of labour, or scientific slave labour, can produce an article at a rate at which no other country can produce it and if, by such means, it can export its goods to crush the industries of other countries, surely those other countries have a right to protect themselves. That is a difficult question. Over and above the advantages that Japan had over India by way of its labour legislation, its rules and regulations governing its labour, its system of labour, it has now brought against the world another factor, the depreciated currency, one Government have partially dealt with; the other is still left to be dealt with and no waste of time should be allowed to take place. It is not a question of one industry, it is a question of all industries. I quite agree that as regards articles that are not manufactured in this country, any country should be allowed to import at the lowest price. My Honourable friend, Mr. James, has just explained that this motion does not extend to any article which is not manufactured in this country. It is meant merely to draw the attention of Government to industries in this country which will be ruined if Government do not take action. There is a wider issue. Suppose you say "This is a small industry, a cottage industry. It does not much matter if it ceases to exist—why should we legislate?" But the result is most serious. There will then be no competition at all from this country and the price of that article may be raised against the consumer to the extent decided and desired by the importer. It is only internal competition that makes the importer keep his price within reasonable limits. I beg of this House not to forget that all important factor.

Now, Sir, we have had a most interesting debate and it appears to me that we are all practically united in placing this issue before Government and we are all united that Government should take action with the consent and approval of this House. I think we have all got to thank my friend, Sir Leslie Hudson, for having brought this question so pointedly to the attention of Government and, now that his purpose has been served, I feel

that nothing is left to be done but to hear Government's point of view,—and I hope that it will be most satisfactory—and then to allow him to withdraw his motion.

**Mr. B. Sitaramaraju** (Ganjam *cum* Vizagapatam: Non-Muhammadan Rural): Sir, ordinarily every question has got two sides, the right side and the wrong side, but this question, Sir, has three sides,—the right side, the wrong side and the capitalist side. Let me assure the House at the very outset that the depreciation of currency, particularly of the yen of Japan, has undoubtedly added considerably to the disadvantage of the indigenous trade. While I am prepared to admit that, to attribute all the present troubles which the Indian industries are suffering the depression from to the depreciation of the yen is neither wholly correct nor just. There are several other factors which have to be taken into consideration before we can judge how far, and to what extent, the depreciation of currency has affected the prices of this country.

Sir, in my own humble way, I have tried to study what could be the causes for all this depression. I find, Sir, that the Government of India themselves are responsible, to a considerable extent, for the misery of the Indian industries. The Government of India, unlike the Government of Japan, are not a national Government to stand behind the indigenous industries of this country. Honourable Members are perfectly aware that we have taxed the machinery in spite of the majority of opinion in this House that machinery, which are necessary for our industries, should not be taxed. In spite of the recommendations of the Fiscal Commission that it should not be taxed but should be admitted free of duties, Sir, it was taxed. It was not our fault. We moved that it should not be,—we carried that cut against the Government proposals, but the powers, reserved under the constitution, were resorted to, and the tax was restored by certification. That is one great difficulty. At a time when we in this country need up to date machinery from foreign countries and that at a time when the complete overhauling of machinery is necessary to fight foreign competition, to put a tax on the machinery itself and that, at the instance of the Government of India, is to place the indigenous industry at a great disadvantage with its powerful competitors. At the time when the millowners in this country were making large profits, it did not occur to them then that up to date methods were absolutely necessary to withstand foreign competition; but when the time came for them to improve their machinery in order to keep pace with the rest of the nations, we find that one of the greatest stumbling blocks is the disadvantage which the Government of India have imposed on this country by imposing taxes, not only on machinery, but on the raw materials as well. When we compare the condition of this country with the condition of Japan, we should not lose sight of the fact that Japan not only stands behind the national industries of that country, but she has made it a policy to admit every raw material, that is necessary for her principal industries free and stand behind that policy with all the resources of the State.

It has been said very often that other countries are selling their goods in this country at uneconomic prices. But did the Government of India ever attempt to fix the economic price of articles in this country? What is the economic price of articles in this country? What is the fair selling price? Is it fixed? So long as you cannot fix the economic price in this country, it is not just that you should say that everything is sold at uneconomic prices. Further, there are the labour conditions.

[Mr. B. Sitaramaraju.]

Of course we are trying partly to alleviate the conditions of labour to a certain extent. I am one of those people who entirely sympathise with any attempt to better the conditions of labour; but today, in pursuance of the Geneva Convention or some other international recommendations, if we reduce the hours of labour, why do not the Government provide for correspondingly increasing the efficiency of labour in this country? No attempts have been made to improve the efficiency. Therefore, we are again placed at a disadvantage, because when we compel our workmen to work shorter hours without providing for increased efficiency, we compel them to work less for the same cost and, that, again, is a disadvantage compared with Japan and other countries.

Under these circumstances, how can I or any Honourable Member of this House, who feels for his country, have confidence in the Government of India that they will protect the interests of indigenous industries? All is not well with our industrialists either. Up to date machinery and up to date methods are wanting. At a time when they were earning large incomes, it did not strike them as I have said, to put by something for a rainy day. Today they find that it is difficult for them to stand on their own legs and that they have to fight a desperate fight against other countries. There has been no attempt on their part to study the conditions of Japan and other countries which are competing with us. I am given to understand that the waste in this country for want of utilisation is being properly utilised in other countries in the manufacture of cheap material and that is one of the causes for dumping goods from Japan at low price because its manufacture is cheap. With regard to Japan, I may be pardoned if I misunderstood Mr. James; but from his speech I understood that Japan is held responsible for all our troubles and thereby implying that we have got a legitimate cause for nursing a grudge against Japan. Let me assure the House that we have no grudge against Japan. She is fighting for herself and it is not desirable that we should alienate the sympathies of Japan over a matter in which Japan has been doing what she considers best for her own country just as we should for our own country. It cannot, however, be forgotten that Japan has gone full length in the matter of protection; and when we come to the steel industries and other industrial production of ours, we find that Japan has really imposed cent. per cent. duties against our articles. (*An Honourable Member*: "250 per cent!") Therefore, while we concede to Japan the right to protect her own industries, we cannot forget that we have got an equal right to protect our own industries if that can be properly achieved in this country, constituted as it is. My Honourable friend, Dr. Ziauddin Ahmad, has suggested one course. I submit that the suggestion he has made requires very careful consideration, namely, the standardisation of the rate of exchange. The depreciation of the yen alone is not responsible, but the exchange policy of the Government is responsible for many of our troubles. But that is a different story. I would close with one remark. If by this motion we are said to commit ourselves that the Government of India should have the power to take steps in this matter, I for one say that I strongly object to it,—to the Government of India having any power to do anything, and . . .

**Sir Gomasht Jehangir:** They have no power: they can only take action with our approval.

**Mr. B. Sitaramaraju:** . . unless the Legislature has been given proper opportunities and sufficient time to study that question and come to a decision on their proposals, no action, which the Government of India may take in this matter, will be acceptable to us if it is done without our considered approval.

**Mr. N. M. Joshi** (Nominated Non-Official): Sir, I am very sorry that I was not present here when the discussion was opened by the Leader of the European Group. But I think that I have heard now sufficient to enable me to take part in this debate. The motion is moved in order that the Government should take action to prevent dumping. The Honourable the Leader of the Nationalist Party has stated very clearly that dumping is only a form of competition. If you want to deal with the evil effects of dumping, you will have also to take into consideration measures for dealing with the evil effects of the system of competition itself, because dumping is inherent in this competition. Dumping has been going on all over the world at all times; and it is this method by which several countries have destroyed and ruined the industries and trades of other countries. Therefore, when we are considering the question of taking measures for preventing dumping, it will not be enough to take only such measures as will seem to give relief only for a short time. Moreover it is necessary to see whether that relief will at all come.

It is said that the measures which are required to be taken by Government are only to be taken against dumping, which is facilitated by means of a depreciated currency. I do not know why measures should be taken only against dumping which is caused by depreciated currency. Dumping is bad and is against the interests of an indigenous industry. It is not only dumping by depreciated currencies which is bad: dumping is bad by whatever means the dumping is made. I, therefore, think that it is not enough that we should consider the question of dumping when it is only caused by means of depreciated currency. What is the cause of all this dumping? The cause of all this dumping is the bad system of competition on which the whole system of trade and industry of the world is based. Dumping is nothing but war; and if you take measures like those suggested by my friend, Mr. Mody, namely, countervailing duties, you cannot be sure of success in your measures. After all nobody can be sure about success in war, and this method suggested by Mr. Mody is a war. You may levy increased duty against Japanese goods, but what will prevent the Japanese merchants from selling their goods cheaper even then? Therefore, you must regard this action as an action of war against Japan, and you cannot be sure whether you will succeed, because it will all depend upon the resources of the Japanese people to sell goods cheaper in spite of this duty and the resources of our industries to continue to sell their goods also at these rates. Therefore, the method which we are following is not the right method and one which is likely to meet with success. It is a very speculative method, and, in my judgment, a very dangerous method too. I have absolutely no doubt in my mind that dumping is resorted to by several countries to ruin the trade of other countries. But my own feeling is that the. . . .

**Mr. F. E. James:** Suggest a better method.

**Mr. N. M. Joshi:** Moreover, even if we accept that the countervailing duties will produce some good, I have not yet heard whether these duties should be imposed by Government without any kind of inquiry.

**Mr. F. E. James:** I should like to point out that Mr. Mody definitely suggested that an inquiry should be made in regard to articles in which this evil was anticipated.

**Mr. N. M. Joshi:** Where legislation is passed to prevent dumping, there must be also provision made for a thorough inquiry as to whether there is need for countervailing duties of the kind which have been suggested, and, secondly, I have not yet heard it suggested by anybody whether Government should also be given power to control prices, because if you impose countervailing duties, it is quite possible that these duties may remain longer in existence than is necessary, and, in that case, they will affect adversely the interests of the consumers. It is, therefore, necessary that Government should have power to control prices when they find that the prices are going up higher than they should. If any action is to be taken on the lines suggested by the supporters of this motion at least two things are absolutely necessary, firstly there should be a thorough inquiry before Government take action, secondly, if Government take action to increase the duties, they must also simultaneously take action when prices go up.

As I have said at the very beginning, the real remedy does not lie in imposing countervailing duties, because these duties are only a part of the war which the world is waging amongst the various nations to capture each other's trade. The real remedy lies in the co-operative action of all countries. We must change our attitude towards each other; we must cease to consider each other as our mutual enemies; we must regard ourselves as friends. That can be done by only one method, and that method is international co-operation. If you look at this question from a proper angle of vision, I would like to know what our friends, who are supporting this motion, are doing in the matter of international co-operation. I have often heard in this House that we should cease to become members of the League of Nations. I have also heard several people accusing the International Labour Conference of having brought ruin on India. These international organizations have not only not brought ruin on India, but they are the only organizations by which international co-operation can be brought about . . . .

**Sir Cowasji Jehangir:** Brotherhood of nations?

**Mr. N. M. Joshi:** If any action is to be taken in the matter, this is the only action . . . .

**Mr. F. E. James:** Japanese representatives are leaving the League of Nations.

**Mr. N. M. Joshi:** I am thinking of the whole world. India is not now dealing only with Japan, and so we have to consider what our attitude should be. If our attitude is not of co-operation. . . . .

**Sir Cowasji Jehangir:** That is not the point before us.

**Mr. N. M. Joshi:** I listened to my Honourable friend very carefully and patiently, and I hope he will also listen to me patiently. I don't mind his interruptions, but I would ask him to hear me only for a few minutes.



Secondly, I suggest, the only way of dealing with this is that the control over the whole export and import business of the country should be taken over by Government. So long as the exports and imports are left in private hands, you cannot effectively protect the interests of the country. Therefore, if the interests of the industries of this country are to be protected and if the interests of the consumers are to be protected, the Government should take the responsibility for the whole of the export and import business into their own hands. It can be done. It has not yet been done, except by Russia. Nobody has yet stated here that Russia has suffered on account of Government having taken control of its exports and imports. Let us try that method. There is nothing wrong in it. You have tried the capitalistic method for a long time. Now, England, it is said, has gone off from free trade to protection. Has England shown that, by adopting that policy, unemployment has decreased? Nobody can say that. England is today not better on account of protection. Therefore, my own suggestion is that we have tried this method of countervailing duties for a very long time, and so we must now give a trial to a new method of Government control over the exports and imports of the country, and, secondly, let us also try the new method of international co-operation instead of international war.

**The Honourable Sir Joseph Bhowe** (Member for Commerce and Railways): Sir, . . .

**Mr. B. Das**: Is the debate closing now, Sir? Some of us wanted to speak.

**Mr. Deputy President** (Mr. H. K. Shanmukham Chetty): I do not know if the Honourable Member was in his seat this morning when the arrangement was arrived at unanimously by the consent of the House that this debate would close before lunch time.

**The Honourable Sir Joseph Bhowe**: Sir, in view of the arrangement which has been come to in regard to the course of business, it behoves me to make my remarks as short as I possibly can, and, in view of the assurance which I find myself in a position to give, I think the House will agree that it is perhaps unnecessary for me to burden my speech with unnecessary detail. The question which has been raised in the motion before this House is one of the greatest importance and of undoubted complexity. During the course of the discussion this morning, it has, I think, become evident that there is a fairly general consensus of opinion that immediate action is called for and should be taken to prevent dumping which is the result of a depreciated currency,—but that the dominating consideration should be the interests of indigenous industries and the interests of the consumer. I think, Sir, I have, in saying this, stated the correct interpretation of the speeches which have been made this morning.

Now, Sir, the effects of the present invasion which has resulted from dumping, due to a depreciated foreign currency, are admitted, and in the case of some commodities that invasion has resulted in extremely severe competition so far as certain indigenous products are concerned. I have, however, undoubtedly seen in certain quarters the suggestion that the consequential reduction in the prices of certain imported articles is conferring a great boon on such sections of the community as are specially

[Sir Joseph Bhoré.]

suffering from debilitated purchasing power. But there can be no doubt that the strain on certain industries has become severe. Now, it has been suggested, I think in the course of some speeches, that Government have been long in making up their minds as to what action they will take. It is, of course, true that Japan went off the gold standard a considerable time ago. She had adhered to that standard for some months longer than we did, and during that interval we naturally were in a favourable position so far as Japanese competition was concerned. But I would like to bring to the notice of the House what the Tariff Board has said in this connection. It has pointed out that the danger is rather from a *depreciating* currency than from a *depreciated* currency. Once the position has been reached of a more or less stable exchange, then, compensating factors, as for instance, a rise in the internal cost of living, begin to operate, and indeed we find that, so far as Japan is concerned, there has been a steady, a continued and an appreciable rise in the cost of living index in Japan. But, Sir, despite the fact that I have information in my possession which goes to show that forward contracts for Japanese piecegoods for March and April delivery have been placed at appreciably higher prices than prevailed, say, in January, the fact remains that the increase in the cost of living in Japan has not been reflected to any general or any appreciable extent in import prices. The failure of these prices to respond readily to that factor undoubtedly has created a position which now calls for careful examination.

Then, Sir, there is another, and an important consideration which has greatly enhanced the difficulty in dealing with the situation, and that is the complication caused by the existence of commercial treaties ensuring most favoured nation treatment. The House will, I am sure, agree with me that there is necessity for the greatest care and circumspection when the adoption of a course of action may perhaps lead to the denunciation of these treaties. We have got to examine carefully the effect of such a contingency upon our own trade. I merely mention these facts, however, with the idea of trying to impress upon the House the difficulties and complexities of the issues involved.

**Mr. B. Das:** But what about Japan kicking the League of Nations?

**The Honourable Sir Joseph Bhoré:** But I would like to give the House the assurance to which I have referred. The whole of this question is at the moment engaging our active and our serious consideration. I hope it will be possible for us to come to conclusions very shortly and I shall take an opportunity at the earliest moment thereafter of making public those conclusions. The House will realise that in these circumstances it is neither possible nor is it advisable for me to go in any detail into the matter at this stage. I hope, therefore, that my Honourable friend will accept the assurance that I have given, and withdraw his motion.

**Sir Leslie Hudson:** Sir, in view of the very clear and lucid statement of the Honourable the Commerce Member and the assurance that he has given the House that the Government would give the most active consideration to the matter under discussion, I hope that the House will give me leave to withdraw my motion.

The motion was, by leave of the Assembly, withdrawn.

**Mr. Deputy President** (Mr. R. K. Shanmukham Chetty): The question

“That a sum not exceeding Rs. 63,75,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of ‘Customs’.”

The motion was adopted.

**Mr. Deputy President** (Mr. R. K. Shanmukham Chetty): For the guidance of Honourable Members the Chair would like to inform them that in the afternoon Demand No. 17 will be taken up and the Nationalist Party would have the right to initiate discussion on the motion that stands in the name of Mr. T. N. Ramakrishna Reddi in Late List No. 2. The House will now adjourn and meet again at half past two.

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

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. Deputy President (Mr. R. K. Shanmukham Chetty) in the Chair.

#### DEMAND No. 17.—TAXES ON INCOME.

**Mr. Deputy President** (Mr. R. K. Shanmukham Chetty): The motion before the House is:

“That a sum not exceeding Rs. 81,24,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of ‘Taxes on Income’.”

#### *Removal of Surcharge and Restoration of Old Exemption of Taxable Minimum.*

**Mr. T. N. Ramakrishna Reddi** (Madras ceded Districts and Chittoor: Non-Muhammadian Rural): I beg to move the cut motion which stands in my name on behalf of the Nationalist Party:

“That the demand under the head ‘Taxes on Income’ be reduced by Rs. 100 ”

to discuss the removal of the surcharge on income-tax and the restoration of the old exemption of taxable minimum.

I wish within the brief time at my disposal, to take up the first of these two aspects, the removal of the surcharges. This surcharge was levied by the Emergency Finance Bill in the year 1931. This Assembly agreed to it to meet the emergency that had arisen at that time. We find from the Budget speech of the Finance Member that India alone, of all the countries in the world, or with the exception of one or two, has been able to balance its Budget and its budgetary position has been satisfactory and, as a token of that satisfaction, the Honourable the Finance Member has restored the five per cent. cut to the public services, and I am glad to say that my Presidency of Madras has restored the whole of the ten per cent. cut in all the provincial services.

**Mr. K. P. Thampan** (West Coast and Nilgiris: Non-Muhammedan Rural): That is a scandal.

**Mr. T. N. Ramakrishna Reddi**: That shows that the financial position of the Madras Government is satisfactory. Now, on account of the emergency, that then existed, the salaries of civil servants and others had to be cut and we agreed to the imposition of the surcharge.

**Mr. Gaya Prasad Singh**: Did you agree or was it imposed on you?

**Mr. T. N. Ramakrishna Reddi**: Once it has been passed by the Assembly, it means that we agreed though personally I opposed it then. I may say at the outset that this is a very heavy burden upon the taxpayer of India. There is no denying that this surcharge has come over and above the heavy burden of taxation to which India was subjected for the last three or four years. I will take the year 1930-31 which is the beginning of the era of additional taxation. In 1930-31, we levied an additional taxation to the extent of five crores. In 1931-32, we had to sanction additional taxation of nearly 15 crores and, in the emergency Budget of the very same year, we had to sanction additional taxation of 7½ crores for six months of the same year and, also, for 1932-33, we had to sanction additional taxation of 14 crores, 83 lakhs. Altogether we have imposed taxation to the tune of 42 crores 81 lakhs and, hence it is no exaggeration to say that the country has been overburdened with very heavy taxation and it is impossible to get on with this heavy burden any longer. Any relief that is to be given should first be given in the case of surcharges. The Honourable the Finance Member, in making a statement in the Simla Session in 1931, regarding the financial position of the country, promised that he would give relief first in the way of removing this surcharge. He said:

"It is perhaps forecasting too much to say in what order these reductions should be made (referring to the future reduction that he was going to make), but there are certain principles which we consider must be observed. Relief must come first in restoring the emergency cuts in pay and, secondly, in taking off the surcharge in income-tax now to be imposed. I think we may predict with as much certainty as is possible for any such forecast that these special impositions will not in any case be extended beyond 31st March, 1933."

I only request the Honourable the Finance Member to stand by the promise which he had extended in the year 1931 about this additional taxation. What is the income that the Honourable Member has derived and expects to derive in the coming year? He expects about Rs. three crores 50 lakhs by way of surcharges on income-tax and about Rs. 70 lakhs from the income-tax on incomes below Rs. 2,000. Now, the Honourable the Finance Member might ask us that if we remove this surcharge, then we have to make good these three crores and 50 lakhs, because, according to his Budget proposals, there will be only a surplus of 52 lakhs for the year ending 1933-34. Well, Sir, I may say that the Honourable the Finance Member himself has given us the answer to this question and I need only refer to his speech which he delivered at that time at Simla. Calculating the revenue for the two years, he came to the conclusion that there would be a deficit of four crores 34 lakhs. In that connection he said that he

was prepared to meet this deficit by making short provision for the reduction or avoidance of debt. This is what he stated:

"We consider that we are justified in regarding this deficit (that is, 4 crores and 34 lakhs), as covered by making during this period of exceptional stress a reduction of about 247 lakhs in each year from the provision for reduction or avoidance of debt. Even after making this deduction, this provision will amount to four crores 45 lakhs in the current year and about four crores 68 lakhs in 1932-33. When it is remembered that the portion of our debt, which is not covered by productive assets or cash balances, is no more than 194 crores, this may fairly be claimed as an adequate sinking fund allocation in a period of exceptional depression."

Sir, he has himself answered the question as to how to find this money if we are prepared to remove this surcharge. Of course, he made that out for another purpose. But since we have a surplus Budget, that surplus can still be maintained although the surcharge is removed, by making short provision of Rs. 3,50 lakhs in the provision that has been made for reduction or avoidance of debt. Sir, he said he was prepared to reduce the provision which he makes every year under this head to the extent of 247 lakhs for two years and then he said he would be able to balance the Budget. Now, I request the attention of this Honourable House for a moment to the point as to whether any reduction has been made in the provision for the reduction or avoidance of debt as adumbrated by the Finance Member. On page 82 of the Explanatory Memorandum, we find the provision made for this reduction or avoidance of debt:

|                                | Rs.         |
|--------------------------------|-------------|
| For the year 1932-33 . . . . . | 6,84 lakhs. |
| For the year 1933-34 . . . . . | 6,88 ..     |

Now, this is more than what the Honourable Member provided for in previous years. In the year 1933-34, over Rs. six crores and 80 lakhs are provided. Here I should ask the Honourable Member to keep up his promise and to reduce the provision under this head and thus give some measure of relief to the over-burdened tax-payers of India. This provision is usually made when there is a surplus Budget, but, in this year of exceptional economic depression, no one will find fault with the Finance Member if he has not made the full provision for this reduction or avoidance of debt. Then the surcharge is paid by income-tax assesses who are only about 800,000 persons in all India and it is these very people that have got to invest capital in the trade and commerce of this country. Now, it is well-known that the trade and commerce of this country has been suffering enormously due to various causes on which I need not dilate; and, if this surcharge is to be continued, then the sources of this trade and commerce of the country will be dried up and the country will be in a worse position than what it is in today. This surcharge can easily, as I have shown on the basis of the Honourable Member's own statement which I have quoted, be removed by reducing the provision for the reduction or avoidance of debt. Now I do not want to anticipate my Honourable friend, Diwan Bahadur Ramaswami Mudaliar, by saying that even this deficit could be met by the reduction of the heavy military expenditure. I am not going to anticipate my Honourable friend and, I am sure, the Honourable Member, with his vast study of the army question, will prove to us how we can reduce the military expenditure so that we may even take resort to another method of meeting this deficit.

[Mr. T. N. Ramakrishna Reddi.]

Then there is another aspect. That is the restoration of the taxable minimum as it existed a couple of years ago. From the year 1919, the taxable minimum for income-tax was Rs. 2,000 and incomes below Rs. 2,000 were exempt from taxation and it continued till the year 1931 when the Honourable the Finance Member, in his search for more revenue to meet his deficit, thought it necessary to lower the minimum taxable income-tax limit and this he brought down to Rs. 1,000. I may at once point out that at that time the whole question was discussed and threshed out and the Assembly threw out the proposal by a large majority; but, in spite of that, it was restored by an order of the Governor General. So the House has already expressed its opinion that it would be very hard on the people of this country, who are already suffering from a heavy burden of taxation, to make them pay to the Government further from their slender resources. After this minimum was lowered to Rs. 1,000, the medical expenses of the lower middle classes have gone up, their standard of living has increased and they have to pay more and more for the education of their children. And not only that: they have to meet so many other taxes, for instance, the increased railway fares and postal rates. All these tell heavily upon these lower middle classes who have got very slender means of livelihood and whose incomes range between Rs. 1,000 and Rs. 2,000. Hence it is necessary to retain Rs. 2,000 as the minimum and, therefore, the proposal for a lower limit was thrown out by the Assembly. Now that the emergency has passed, we request the Finance Member to reconsider it and make Rs. 2,000 the minimum limit of taxable income. In this connection we have got the authority of the Indian Taxation Inquiry Committee who also endorsed the view in their report in 1926, that it is necessary to keep the taxable minimum at Rs. 2,000. They say:

"One of the principal reasons for this last increase was the very large number of assesses falling within the lower range of income and the small sum realised by including them within the scope of the tax in relation to the trouble and expense involved in the assessment and collection of the duty. This is a reason which has gained added force since the transfer of the work of assessment from the ordinary district staff to a special Imperial one."

Then they say:

"On the whole it seems to the Committee that it would be best under Indian conditions to set off the higher exemption limit against the absence of allowances in respect of dependents, in other words, to maintain the *status quo* in both matters."

With these words, I beg to move the cut that stands in my name.

**Mr. Deputy President** (Mr. R. K. Shanmukham Chetty): Cut motion moved:

"That the demand under the head 'Taxes on Income' be reduced by Rs. 100."

**Mr. Lalchand Navalrai** (Sind: Non-Muhammadan Rural): Sir, I rise to raise my voice first of all in the interests of the poor man on this question of income-tax. It is often said that to cry here is to cry in the wilderness. But, Sir, I should like to try and touch the sense of humanity of the Finance Member on this point. The first factor to be considered is to compare and contrast the minimum of India's income-tax with that of England. Sir, this point is not a new one. It was placed before this

House on the 17th November, 1931, when the Finance Bill was under consideration. Then, too, an attempt was made to touch the humanity sense of the Honourable the Finance Member, but, I am sorry, the Honourable Member who so pleaded was not able to make the Honourable the Finance Member to yield. But, Sir, I am not one who despairs, so I will try it again today; but I will do it by quoting the same weighty words of that Honourable Member who addressed the House on that occasion. He said:

"In England the lowest taxable minimum for a bachelor is £135; if he is a married man the minimum is about £200. He is allowed £60 for the first child, and £50 for the second child, so that the minimum in England is something like £350 or £360. When we think of that and pit against it Rs. 84, what is the idea that strikes one? In England you have something of the human touch. You think of a man, you think of his wife, you think of his child, and you say that this modicum is necessary for them to live. Am I not then right in saying that when you turn round to tax a man getting Rs. 84 per month in this country and make no allowance for wife or child, you are wanting in the human touch? Let us be human in our dealings when we deal with the masses."

Now, Sir, since this additional tax has been imposed, we know it for a fact, and that is not only our opinion, but, the people at large have endorsed the view, that this tax is a great oppression on the poor and middle class people. This lower tax means assessment on the minimum income of only Rs. 84 per month. Sir, every one knows that the standard of living of even these lower middle class people and the subordinates, who draw Rs. 84, has increased. We also know that these people are hardly able to make their two ends meet. In India, the circumstances are very peculiar. These people have got their families and they have to maintain their children and other relatives; and to charge these people with income-tax like this is simply cruel.

The history of this tax is that long ago this minimum limit was tried and found to be not only unfair, but unworkable and was, therefore, reversed. In 1931, when it was restored, I was present in the House and I know how that tax came to be imposed. Sir, it was represented to be only an emergency measure; it was said that this tax would last only for 18 months and it was, on these representations and, what I call them, solemn promises, that this House was compelled to give sanction to this tax and made these people bear this burden for 18 months. Now, the time has come when that promise requires to be redeemed, specially from such an amiable and kindhearted man as the Finance Member. Sir, it may be said many a time that there is deficit, but that is no ground for not doing justice to these poor people who are groaning under this burden. In their case the hand of mercy must be extended. Sir, in this connection I find that the subordinates in the services are hit harder. It may be asked, how? I say their case has to be considered in respect of this income-tax in connection with and relative to the cuts in their salaries that have been restored to them. At present it is claimed that five per cent. of the cut has been restored to them, but that is not correct at all. If they have to pay this minimum income-tax which they did not pay before, and if this tax is continued simultaneously with the restoration of the five per cent. cut, then their cut has not been restored by five per cent., but by three per cent only. They, therefore, suffer to the extent of two per cent.

[Mr. Lalchand Navalrai.]

Sir, this is not at all equitable and, in this respect, I appeal to the House that Government must reconsider the question of giving relief to these subordinates. The opinion of the country on this lower tax is well reflected in a press contribution a cutting of which I hold in my hands, wherein it is amply shown that even the rich merchant class has considered the position of these poor men pitiable. They say:

"The lower middle classes for whom really any burden is oppressive because of the curious combination of their circumstances and mode of living. It was with this knowledge that the President of the Indian Merchants Chamber, himself a merchant of great wealth, said in his address to the Chamber on 27th January, 1933, that the lower middle class people would naturally expect the income-tax limit to be again put up to its limit of Rs. 2,000."

Naturally they want to see the income-tax limit to be restored to its original limit of Rs. 2,000. Considering all these circumstances, I do not think I should waste the time of the House over this question which has repeatedly been condemned now and before. It is now quite clear to the House that this tax was sanctioned only as an urgent measure and, it is now time that it should be removed. What is the amount that the Government will lose thereby is the next question. I submit, the utmost it is only Rs. 70 lakhs. This amount should not be difficult for Government to give up. Next we find that the procedure by which this income-tax is being assessed is absolutely fundamental. The Income-tax law requires that the assesses in the beginning will be required to state what their income is and then to be assessed; but now a summary procedure has been introduced for these poor men and, according to that summary procedure, the income-tax officer forthwith assesses this lower income-tax of a man *ex parte* and then throws the burden on him to come and prove it to be incorrect. Is this just, I ask. Again, when a poor man brings some evidence, it is generally not accepted. Consequently, there is no other go for this poor man but to pay up and thus feel its pang. The Income-tax Officer never cares to reduce the assessment even after evidence is adduced, and his word is law. Once he has made it he does not like to change it. The poor man goes to the Assistant Commissioner with an appeal, but who is the Assistant Commissioner? He is an official belonging to the Income-tax Department, eating the salt of that Department. Sir, with him too the poor man has the same fate. Therefore, for these poor men there is no guarantee of being treated justly and equitably. There is no investigation by any judicial officer in this respect. Sir, we also further know that the Government, having appointed additional Income-tax Officers and additional establishment in order to realise this lower tax, spend on its recovery. It is, therefore, much better that this tax is removed than to be involved into so many difficulties.

**Mr. Deputy President** (Mr. R. K. Shanmukham Chetty): The Honourable Member has one minute more.

**Mr. Lalchand Navalrai**: I am just finishing, Sir. I want to say a word or two with regard to the surcharge. The incidence of the income-tax has been so much raised, that it presses very hard on the people. There is no justification for continuing the surcharge of 25 per cent. It only adds an insult to injury. Sir, this was also a temporary measure and the



promise of the Honourable the Finance Member should now be fulfilled. There is a surplus of two crores and 17 lakhs in the Budget. At least this will cover the loss of the lower taxes on income. With all these remarks, I say that it is now time that the Honourable the Finance Member should feel the human touch and remove these additional taxes.

**Mr. S. G. Jog** (Berar Representative): I really wanted to ventilate a particular grievance under this Income-tax head, for the very same reason as my Honourable friend, Mr. Lalchand Navalrai, has said that it is a surprise that we have never failed in our duty, for when we always cry louder and louder and still louder, we at least have the satisfaction that we have done our duty, and then it rests with the Honourable the Finance Member entirely to hear of this public demand. The whole difficulty arises, as we have often pointed out, that the occupants of the Treasury Benches, including the Finance Member, take all the monopoly of wisdom and that it is only the other side that can take into account the grievances of the people and all that this side of the House does is to pass irresponsible criticism and comments to which the Honourable the Finance Member is not in any way responsible and is not bound to give any heed.

Last time when this incidence of taxation was lowered down from Rs. 2,000 to 1,000, this side of the House most reluctantly gave support to it although with vehement protest that it will be only a temporary measure and that it will not come before the House at any time after that. But this year we find that there is the same predicament—the difficulties which we had last year—and also the same proposal of income-tax has been laid before the House. Mr. Navalrai has explained, and expressed in a very careful way, as to what are the difficulties of the people. Our income-tax law, as it stands at present, has not got those concessions which the English people enjoy by the British law. We are already suffering under the different provisions of the income-tax and, over and above, whatever concessions we are enjoining on the incidence of taxation of Rs. 2,000, that also has been taken away from us. In my observation at the time of the general discussion, I explained to the House as to what was the state of things as regards the small traders. I know in my province even small shops of *biddi wallas* and *pan wallas* and other small shops have also been taxed. A similar procedure has been observed: the notice comes to them and these poor people find it difficult—they have got no account books—to show that their incomes come below Rs. 1,000. I know, as a matter of fact, in many cases even people with an income of Rs. 500 or 600 are taxed, because they have not got any account books to show that that is the case. Except giving a promise in his speech, the Honourable the Finance Member has done nothing to accommodate these middle class people. What he has said in his speech is this:

“As regards Taxes on Income, we deplore as much as anybody the necessity for continuance of the present rates, but all that we can promise, and this we do most sincerely, is that they will not be continued longer than is necessary and that all our efforts will be directed to keeping down expenditure, and to preparing in other ways for a lightening of this particular burden.”

Excepting these tears—and I make bold to say that they are crocodile tears—there is nothing reassuring that the middle classes' burden will be lightened in the future. We cannot depend on that promise. The Finance Member says: “You give us the taxes this year and we will try our best to reduce and relax our expenditure also.” But when he finds

[Mr. S. G. Jog.]

that this money is coming into the Treasury, I do not think he will care much for reducing the expenditure. But if he finds that these taxes are reduced and thereby the income also is reduced, then he will wake up and find it impossible to carry on without reducing expenditure. But if he finds that money is coming to him by hook or by crook, his eyes will not be opened and no attempt will be made to further reduce the expenditure. The continuance of this tax is not only cruel, but unjust and inequitable.

There are a number of motions under this head which I have given and one is that the demand be reduced by one rupee for not exempting income-tax on incomes below Rs. 2,000; another is to draw attention to the unsatisfactory working of the Department in not giving proper information to the assessee as regards the basis on which tax is assessed. The income-tax people sometimes get very wild rumours and vague information and they charge the assessee accordingly; if the assessee goes and asks the Department people as to what is the total on which they have come to this conclusion, he finds it difficult to get any information or any basis on which the officer comes to the conclusion that his income is so much: in that way also the assessee is handicapped: he gets no information as to the basis on which the assessment is made.

The Finance Member generally charges this side of the House with not giving the officials any constructive suggestion. It has already been pointed out that the Finance Member has shown partiality or has got a somewhat soft corner for the services, for which I for one do not grudge; but at the same time, he has not shown that sympathy and that spirit of accommodation towards the trading and middle class people. Just as he has reduced the cut in salaries by five per cent, could he not have done the same thing by reducing the taxable limit from Rs. 2,000 to Rs. 1,500? Will he not kindly consider it and, instead of ignoring the criticisms on this side, will he not seriously pay attention to this important suggestion and reduce the amount to Rs. 1,500 at least? In that case, as we have just shown, a certain amount of relief would be given. He has given relief partially to the services. Will he not be able to give some relief by lowering down the limit from Rs. 2,000 to Rs. 1,500 and thus afford relief to this class of people who are clamouring and who are crying in this House? It would at least give some equitable and justifiable relief to these suffering people. We have said enough on this question, but there is no doubt that this side of the House is very keen on this point and I would earnestly request the occupants of Treasury Benches as well as the other groups and parties to support this cut. Sir, I support.

**Mr. C. S. Ranga Iyer** (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): Sir, I want to rouse the Honourable the Finance Member from the very close attention that he has been giving to the previous speaker into a mood of sympathy with what this token cut aims at. I am not surprised that the Finance Member should have been sleeping over the trouble . . . . .

**The Honourable Sir George Schuster:** Does my Honourable friend suggest that I was asleep?

**Mr. C. S. Ranga Iyer:** I said the Honourable the Finance Member was sleeping over the troubles that he has brought upon the people whom he had taxed. I had already said that he was closely listening to the

observations of the previous speaker and pondering over the emergency, with which he has been faced. I do not believe that it is the intention of the Mover of this motion to press it to a division and then to inflict something in the nature of a censure on the Finance Member for the very simple reason that the arguments that were presented by us to the Honourable the Finance Member last year or a little over last year are the same arguments that we have to place before him this year. Unfortunately for us the emergency has not been tided over, but I do hope that the Honourable the Finance Member will realise, especially in regard to the taxable minimum, that there is a great deal of feeling in the country. These are very hard times, and I personally feel that the Finance Member feels that these are very hard times, though, unfortunately, owing to circumstances, over which he has no control, he is not able to give unto the tax-payer what is certainly the poor tax-payer's due, namely, release from taxation for those who are getting less than 2,000 rupees a year. I hope that the Finance Member will bear in mind that at the earliest possible moment he will release the poorer tax-payer, the man who draws less than Rs. 2,000, from this bondage. He deserves the same attention that the Finance Member has given to the members of the services by reducing the misery of a salary cut against which they had protested so vehemently in a previous year.

I do not want to take more of the time of this House, for I have closely read the voluminous speech, packed with facts and figures, of the Honourable the Finance Member; and though unfortunately I could not have an opportunity of taking part in the second day's debate, for no fault of yours, Sir, as I had to attend certain ceremonies, I thought that I would take my opportunity on a future occasion, when the Finance Bill comes up at the third stage—to make my own general observations on the subject. I recognise that the taxes are heavy, but I read in the speech that the Finance Member recognises that the taxes are really unbearable. He admits to a certain extent that the taxable capacity of the people has been reached, though he believes and that is an arguable point, that India has had the capacity to bear so much burden and she has borne it well. That, as I say, is an arguable point, but I want the Honourable the Finance Member to realise when he replies that there is a tremendous feeling among the poor classes, men who are getting below Rs. 2,000, a year that they should be made to pay a tax, because these poor people have also children to educate; they have also large families. It is a tragedy in this country that the poorer the man the larger his family. Poverty and large families seem to go together all the world over, but that is more so in this country. Owing to the joint family system and other special circumstances which exist in this country, one bread winner of a family has innumerable dependants. Therefore the tax, he has to pay, weighs heavily upon him. I hope the Honourable the Finance Member will give his earliest attention to this aspect of the question and give real relief to the lower middle classes. (Applause.)

**Mr. B. Das:** Sir, I do invite my Honourable friend, the Finance Member, to reply to the points I raised in the general debate. I particularly drew his attention that he ought to redeem a part of the pledges he gave. As far as I understood the speech, when he introduced the Emergency Bill, while he has given a certain amount of relief to salary earners, he has not done anything to give relief to the income-tax payers. So I do appeal to him to remove the surcharge on the income-tax and

[Mr. B. Das.]

also remove the income-tax from Rs. 1,000 to Rs. 1,999. If my friend cannot see his way to abolish the surcharges on all income-taxes, I would appeal to him to go up to the extent of Rs. 5,000 even. I do not mind even if my friend doubles the surcharge on the Bombay millowners, who this morning found strange bedfellows in my friends, the European Group combining together to appeal to the Commerce Member to do away with the Japanese dumping. Of course, Japan has become a menace to the whole world, and I do not mind giving my support to the Government to do anything against Japan which, as I said, has become a real menace to the world . . . . .

**Mr. C. C. Biswas** (Calcutta: Non-Muhammadan Urban): You are now a friend of China?

**Mr. B. Das:** I am a friend of humanity, and if Japan has violated all ideas of humanity and has become a menace to the world, to Asia and India in particular, by becoming an aggressive imperialist power, I certainly think that we must all do whatever is possible to help the Government in putting down Japan. Japan has kicked the League of Nations and all canons of humanity in launching war against China. Belonging as I do to a subject nation, I have no armed force, nor can I show the power of India to Japan, but there is the moral force, and, in the present aggressive campaign which Japan has launched against China, I am sure, every Indian will lend his moral support to China, by boycotting Japan and Japanese goods and by starting a war relief fund for China.

In my speech I also alluded to the fact that my friend, the Finance Member, had provided for redemption of debts. When we are passing through hard times, I consider that provision for redemption of debts in these hard days is a luxury in the Budget. Let my friend give relief to the masses, and the proper relief he can give is to abolish the income-tax and the surcharges, and, for that purpose my Honourable friend can summon a committee and take some of us into his confidence. If he is not sufficiently armed with figures, there is my friend, Mr. Vachha sitting behind him, and, if the figures will go the wrong way, some of us will even agree that a double surcharge should be levied on certain people of Bombay, and, I am sure, in that the House will entirely agree. I know that every one of us will welcome the idea that our Honourable friend will be amidst us for the next two years, and, during that time, I think my friend will give us Budget speeches in a different tone, because we have reached the bottom of our depression, we are going to have better days. When the Finance Member himself acknowledges that we have come to better days, let him give a little relief to those who are suffering the most. And, Sir, what do I find? Today the Government of India and the capitalists are all combined. Like the late Hugo Stinnes in Germany who became the super capitalist in Germany and ran all parliamentary elections and swamped the Reichstag and wanted the Reichstag to obey the dictates of capitalism—but fortunately the crash came and German Parliament got out of the capitalist control—the Indian capitalists are also combined, and they come to the Government for assistance, and Government think that India consists of about 200 capitalists who come with their begging bowls to my friend, Sir George Schuster, or to my friend, Sir Joseph Bhowe. But what happens to the millions and millions of people? What are the Government doing to

relieve these poor classes? Nothing. Government, on account of their sympathy for the capitalist classes, are practically exploiting these poorer people who are exploited again by the rich capitalists by the high prices through the protected system of tariff by which the Honourable the Finance Member is pleasing those 200 beggars from Bombay, I mean the capitalists. So, Sir, I do hope that my friend will, in his reply, give me a proper explanation to all the points I raised in the general discussion. The poverty of the masses, and especially the poverty of the lower middle classes who are going through dire distress, is really very extreme. If my friend will justify his case, then the House should know how he and his colleagues will justify the other case when he brings forward high tariff measures only to satisfy a few Front Benchers.

**Mr. C. C. Biswas:** Sir, I desire to associate myself with the previous speakers in the appeal which they have made to the Honourable the Finance Member for a little relief in the matter of the income-tax impositions. The House is fully aware of the emergency in which it had to lend its support to the taxation proposals which were brought before it by Sir George Schuster in September, 1931, but if I have followed the speech of the Finance Member delivered on the present occasion aright, I believe he is of the opinion that we have turned the corner, and, although, according to him, we must not relax our efforts at economy and retrenchment, still the worst days are over and we may look forward to better times. If that be so, I do not see why relief should be afforded only to those who are in the service of Government. I was reading the speech of the Honourable the Finance Member of September, 1931, and I find this is what he said, referring to the new impositions which he was then putting on:

"It is perhaps forecasting events too much to say in what order these reductions should be made. But there are certain principles which we consider must be observed. Relief must come first in restoring the emergency cuts in pay, and secondly in taking off the surcharge on the income-tax now to be imposed. I think we may predict with as much certainty as is possible for any such forecasts that these special impositions will not in any case be extended beyond 31st March, 1933."

He was trying to look forward to the time when it might be possible to take off the income-tax surcharges and other burdens. Sir George Schuster, in his Budget speech this year, relied on the first part of his statement, but I should prefer to rely more on the concluding sentence in that paragraph, where he said that in no case should this special imposition extend beyond the 31st March, 1933.

As a matter of fact, by reducing the salary cut from ten per cent. to five per cent., he has shown that it is possible, in the present financial condition of the country, to grant some relief. Income-tax no doubt occupies a second place in the category of exemptions he referred to. At the same time, there is the other statement of his, that he was hoping that under no circumstances would either of these impositions remain in force beyond the 31st March, 1933. I do not wish to suggest ways and means as to how the Honourable the Finance Member should afford the relief we are asking for. If he is so minded, I know very well he can do it. As a matter of fact, during the last two years, as has been already pointed out, he had not made full provision for avoidance and reduction of debt. Why could he not follow the same procedure for this year also? We find, on the other hand, that the provision made this year is for the full amount. Then, there is the other fact which you find from his speech, and it is this,—the question of the payment of War debt liability.

[Mr. C. C. Biswas.]

He has admitted that although the Hoover Moratorium is no longer in operation, still His Majesty's Government have not demanded payment of the charges from India this year. All the same, he has thought it fit to make full provision for that. I ask, why could he not put that off till the following year? If he could not put off the whole amount, at any rate he could have reduced the provision for this year, and, in that way, he might have, without disturbing the budgetary equilibrium, given some relief to those who surely deserve relief. I am sure, the Honourable the Finance Member will not dispute for one moment that this taxation of incomes between Rs. 1,000 and Rs. 2,000 is perfectly iniquitous. Direct taxation is always a very odious thing, but when we come to tax incomes so low as Rs. 1,000, especially in these days of economic depression, the measure becomes, I repeat, utterly iniquitous. I am quite at one with my Honourable friend, Mr. B. Das. If you must have higher income-tax, realise that higher income-tax from those who are better able to bear that burden, but, for heaven's sake, do not lay on more burdens on the poorer sections of the people than they can possibly bear. You are getting about Rs. 70 lakhs from incomes below Rs. 2,000. You can forego the amount, or you can increase the rate of supertax and realise that amount, if you must have it. But do not tax those who were not taxed so long and whom you did not intend to tax for more than 1½ years.

**Mr. M. Maswood Ahmad** (Patna and Chota Nagpur cum Orissa: Muhammadan): Sir, I whole-heartedly support the idea for a reduction of the tax, but I must tell Members on this side that this is not the time for it. We can do it when the time comes, by means of our vote. The best course for us is to unite, and to ask all Honourable Members to attend the meetings of this Assembly. In such a thin House as this it is very difficult to defeat the Government. If you count the votes, you will find that we are sufficiently strong to defeat the Government if we can but unite. When the Finance Bill comes before us, we can bring in an amendment and have it passed and there is absolutely no need to appeal to the Finance Member to reduce this taxation and that taxation. Government no doubt will do their best to feed those who are already getting fat salaries, but, if the Members of the House, who have been elected by the people, unite they can have their own way and there will be no need for appeals to any one. (Hear, hear.)

**Mr. S. C. Mitra:** I am glad that my Honourable friend, Mr. Maswood Ahmad, has taken part in this discussion; otherwise the impression might go round that the other Parties in this House are not taking any interest in this motion. We on this side are generally in agreement with the motion under discussion. We fully agree that all attempts should be made to have a balanced Budget, and if there is no other way, the richer classes are certainly the people who should bear the burden, but on one point I do not agree with my Honourable friend, Mr. B. Das. He thinks that capital is a useless thing. It is an elementary principle of economics that just as land and labour are necessary for the production of wealth, capital forms an equally indispensable factor. People who have the interests of the poor people at heart should not lose sight of the fact that in a poor country like India the little capital there is should not be over-taxed unnecessarily. As regards the assessable limit, I would like to urge for the consideration of the Finance Member that though he has reduced it from Rs. 2,000 to Rs. 1,000, he has not realised much income. In

1933-34, he expects to realise Rs. 18,23 lakhs, that is, 70 lakhs more than for 1931-32. But he is spending for that purpose more than 11 lakhs, because the expenditure in 1931-32 was Rs. 73·84 lakhs, while in 1933-34 it is expected to be 84·88. Out of these Rs. 11 lakhs, I understand that about two lakhs will be spent on strengthening the Bombay Income-tax Office, and the balance of nine lakhs will be spent on realising the income-tax from people whose income is between Rs. 1,000 and Rs. 2,000. The expenditure comes to 12½ per cent., whereas, for the realisation of the bulk of the income-tax, the expenditure figure is only 4½ per cent. Comparing the figures for the two years 1931-32 and 1932-33, I find that an additional expenditure of Rs. four lakhs was incurred to have an excess income of Rs. 21 lakhs and it works out to about 20 per cent. What I wish to show is when the Government go down to realise tax from people whose income is Rs. 1,000 a year, which means Rs. 83-5-4 a month, that is, people who can hardly meet even their bare necessities of life—is it worth while for Government to waste 12½ per cent. for the mere realisation of this little income, and would it not be wiser to remit the income-tax in the case of those people who can hardly be called even the lower middle class? The condition of those people whose income is less than Rs. 100 per month has been described by more than one Member and it is desirable that incomes below Rs. 2,000 per annum should be exempted from the operation of income-tax. I fully agree with Mr. Maswood Ahmad that the proper time for us will be when we come to the Finance Bill. Then we ought to vote it down and I hope the Honourable the Finance Member will keep his mind open and will not put the official block against such suggestion. With these words, I support the motion.

**Raja Bahadur G. Krishnamachariar:** I too support this motion. There is not much to say as speakers have already dealt with every side of this question, but there is only one point on which I would invite the special attention of the House, and that is that, in addition to the cost that is incurred in realising this money, the trouble to the smaller income earning man to give the return and get it passed through the income-tax officers' hands is so great that the amount that they realise is not worth the trouble. It is perfectly true that the agriculturist is not affected by this, but it is the man who earns the small income, whose case deserves consideration. It is he who is put into trouble, because, generally, he does not keep accounts, and it is only a matter of guess, on the part of the income-tax officer, as to what his income might be, and, as has been pointed out in a Bill which is now before the Select Committee, there is no way of getting over the verdict of the income-tax officer with the result, whether you like it or not, he has got to pay this tax in addition to the numerous other demands that he has got to meet. It is perfectly true, as my friend, Mr. Maswood Ahmad, pointed out, we can defeat this motion if we all join. I do not think there is much safety in that, because once the Government make up their minds, they will restore it the next day and, therefore, you will be having only a Pyrrhic victory with absolutely nothing behind it, whereas, if the Honourable the Finance Member wants, I do not say he did not want it now, if he takes a little more care, if he brings to bear his great experience and intelligence upon this very small matter, the finding of a sum of about 75 lakhs is not too much for him in such a huge Budget. There are so many demands and so many items. Something from here and something from there would make up this amount and there will be no trouble at all. I appeal to him, on

[Raja Bahadur G. Krishnamachariar.]

behalf of this long suffering class of people, to bring his statesmanlike mind to bear upon this matter and to see that this relief is granted. Don't run away with the idea that the people of India have got on very nicely over this depression. They do not easily turn. Proverbially even the worm will turn, but the people of India are worse even than this worm. They do not turn easily. At the same time, don't be under the impression that they do not feel it. If you go to a village and study the conditions, you will know what it is like. I lend my whole hearted support to this motion and invite the Government to consider this seriously. You will become more popular with these poor people and I do not want you to act on the principle "To him that hath more shall be given and to him that hath not even the little that he hath shall be taken away from him".

**Mr. K. P. Thampan:** I had no idea of intervening in this debate but for certain remarks that fell from my Honourable friends, Mr. Mitra and Mr. Maswood Ahmad. They said categorically that they agreed with the principle of this cut. At the same time, they asked my friend, Mr. Reddi, to withdraw his motion or, in essence, not to press it.

**Mr. M. Maswood Ahmad:** I did not say that.

**Mr. K. P. Thampan:** The proper thing for the House to do is to press this motion, so that the country outside may know that we Members are trying to do our duty by them. My objection is not so much against the surcharge as against the minimum taxable limit. The extracts, read yesterday by my friend, Mr. Mudaliar, and by Mr. Biswas, today, more than show that the Honourable the Finance Member gave us a hope, if he did not promise, that the new taxation would be withdrawn as soon as conditions permitted. The announcement that the cut would be partially restored made us believe that the surcharge would be removed and the taxable limit restored to Rs. 2,000. We were very much disappointed to find that neither was done in the new proposal. The salaries were fixed and revised at a time when prices were high and conditions were prosperous. Since then the index prices of commodities have gone down by 55 per cent. and, therefore, by restoring the cut, you are giving an additional 45 per cent. to the purchasing power of this community. That is, indeed, an invidious distinction to my mind and is quite unwarranted. The interests of the tax-payer ought to be the primary consideration of the Government and not those of their own servants. The service is intended for the people and not the people for the service. In this country, unfortunately, the state of affairs seems to be different and the servants are the masters. Inasmuch as Government are restoring half the salary cuts and there is a balance of 41 lakhs in the Budget for the next year, it is up to Government to see their way to redeem their promise and accept this motion. If, however, that is not possible, they ought to give relief to the same extent as they are giving to the service. In other words, reduce this surcharge by 12½ per cent. and the income-tax on incomes up to Rs. 2,000 by two pies. That is an aspect which I would commend to the acceptance of the Government. Sir, I support this amendment.



**Sir Cowasji Jehangir:** Sir, I had not the slightest intention to take part in this debate. I thought we had discussed this question sufficiently during the general discussion. This motion is really a continuation of the general discussion and I came to the conclusion that it was not necessary to take part in the debate. Our opinion, Sir, is well-known to the Honourable the Finance Member. It is not paying a compliment to the Finance Member, I think, to remind him as to what we think of the surcharge or of the high rate of income-tax. He has been made aware of our opinion, not only during the general discussion, but last year and the year before. The position this year is a continuation of the position that existed last year and even of the position that existed when he suggested to this House to accept the surcharge. Sir, the very fact that the Finance Member has not been able to propose a reduction of the tax is an admission on his part that the emergency conditions continue. I do not know whether there is anybody in this Honourable House who is in a position to prove to the contrary. Emergency conditions do continue, but it is also unfortunately true that trade and industry and commerce . . . . .

**Mr. M. Maswood Ahmad:** And agriculture as well.

**Sir Cowasji Jehangir:** . . . . . are in a worse condition just now. Well, income-tax does not affect agriculture. Sir, trade, industry and commerce are in a worse condition than they were when he suggested the surcharge, and the best argument that we can put forward to the Finance Member is that this surcharge at present works to greater disadvantage of industry, trade and commerce than it did when he first suggested it; and, therefore, if there is a case for its reduction, it is stronger today than it was when he suggested it. I do not think that the Finance Member is in a position to show that our trade, our industry, our commerce, our exports are better than what they were in September, 1931, nor is he in a position to show that the prices of our commodities were lower than they are today, and, therefore, I am sure, he must admit that the surcharge operates as a severer tax on us today than it did a year and a half ago. All that being granted, what are we going to suggest in substitution for the reduction of income-tax? Either we have got to suggest another source of revenue, or we have got to ask him to reduce his expenditure. Now, the one head under which suggestion after suggestion has been made in the Army. My Honourable friend has told us that he is satisfied with the reduction in the expenditure on the Army. We shall have an opportunity of discussing that the day after tomorrow, when we hope to show that the reduction, although it may be substantial, does not meet with our demands. We shall be able to show that it should be greater. Well, if we can prove to our own satisfaction and to his that the expenditure on the Army can be decreased this very year, we have a right to expect that he should reduce the income-tax and, therefore, the reduction of income-tax is tied up to a great extent with the discussion of the Army Budget.

**Mr. Gaya Prasad Singh:** Why Army? Why not retrenchment in civil expenditure also?

**Sir Cowasji Jehangir:** I pointed out the Army as the biggest head of expenditure in respect of which we are all unanimous in thinking that a bigger reduction can be obtained than under any other head of expenditure.

[Sir Cowasji Jehangir.]

(Hear, hear.) The civil heads have been examined, and my Honourable friend, Sir Abdur Rahim, has taken the greatest trouble, as Chairman of the General Purposes Sub-Committee, to look into this matter; and we shall also have an opportunity of discussing the second biggest item of expenditure—the Political Department. Now, if we can satisfy ourselves first and then the Finance Member, that a further reduction is possible, he can safely take the risk of reducing the income-tax, in the hope of getting a reduction under these two major heads.

Now, I would point out to the Finance Member a suggestion which I have already brought to his attention and that is that, if any relief can be given immediately, it should be in the lowest grade, that of those who earn between Rs. 1,000 and Rs. 2,000. (Hear, hear.) Sir, these are men earning from only Rs. 83½ per month; and, if my Honourable friend has had his hands forced or has had to return to that class of men in Government service five per cent. out of the cut of ten per cent. that he made a year ago, surely the employce in private firms deserves some sympathy at his hands. Is that man any better off today than he was last year? Why should the lowest-paid Government servant only get relief and why should not the lowest-paid private servant also get some sort of relief? And my Honourable friend can give that relief by raising the limit to Rs. 2,000. It is one way of doing it and, therefore, if we can show that it is possible to have a reduction of expenditure either under the head of the "Army" or under the head of the "Political Department", it will be our duty from this side of the House first to urge upon him, or even to force his hands, to reduce the income-tax on the very lowest grade.

I do not think, Mr. Deputy President, that any further purpose will be served by this discussion. It merely is, as I have said, an extension of the general discussion. We shall consider the matter again, all of us combined. After all, we are all of one mind, whatever parties we belong to. (Hear, hear.) We are all of one-mind, Sir, that firstly, the income-tax shall be reduced, and secondly, we are all of one mind that relief should first be given to the lowest grade. (Hear, hear.) Those are the two principles on which we are all agreed; and, thirdly, we are agreed that the Finance Member has a right to see that his Budget is balanced. All these three principles must be satisfied; and, I am certain, that we are all going to help him to satisfy those three principles. But we expect from him assistance also, so that he may meet our point of view, which does not, after all, affect any of us here. I do not think there is anybody here amongst us whose earnings or salaries are Rs. 83 per month. We are really and honestly fighting for the poorest wage-earner in the country who is taxed. Nothing else. We are going to press his claims  
4 P.M. upon the Finance Member at every opportunity from today onwards till he has done away with the limit of Rs. 1,000.

**Sir Hari Singh Gour:** Sir, it has been very refreshing to hear the two speeches that came from my colleagues, Sir Cowasji Jehangir and Mr. Maswood Ahmad. They are both enthusiastic supporters of the motion, but one of them would postpone its consideration till the Finance Bill came up before the Assembly, and the other would make up his mind day after tomorrow after his Party cut on the reduction of military expenditure has been voted upon. Sir, I should have expected that Honourable Members had already made up their minds on the feasibility of reduction in the

military expenditure when they gave their notices of cuts. But, I suppose, my Honourable friends to my left are still awaiting some inspiration from high, the advent of the angel Gabriel with a golden pen or with his golden voice to whisper into their ears between now and day after tomorrow that the military expenditure does require substantial reduction so as to justify their support of the motion of today. Sir, I have listened to many speeches from this side of the House, but we have wondered what to make of the speech in which the support for a motion which comes up for discussion today is to be decided upon after my Honourable friends on that side have convinced themselves and the House of the necessity of reducing military expenditure. Sir, I should have expected . . . . .

**Sir Cowasji Jehangir:** Sir, may I interrupt my Honourable friend for a minute? That is entirely due to their not being able to suggest a more logical cut.

**Sir Hari Singh Gour:** We are all very clever logicians when we wish to evade the issue. In the normal course of affairs the income-tax came up today, because we shouldered the responsibility which my Honourable friend and his colleagues shirked from shouldering today, because they said they were not ready to take up the first day for their cuts.

**Sir Cowasji Jehangir:** Sir, my Honourable friend is, as usual, indulging in incorrect statements. It has become very usual with him, but I wish he would now give up the habit.

**Sir Hari Singh Gour:** Sir, I am a pupil in the school in which my Honourable friend, Sir Cowasji Jehangir, is the preceptor, and, if occasionally I take a leaf out of his book, I certainly should not be sorry to do so.

**Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muhammadan Urban):** The pupil has outstripped the master.

**Sir Hari Singh Gour:** The position with which we are confronted at the present moment is a simple one. The motion of Mr. Reddi was for the reduction of the taxable limit to what it was before the emergency surcharge was made in September, 1931; and he wants further that the surcharge of 25 per cent. be remitted. And, I submit, his reasons are irrefutable. He says that you have yourselves assured the House when the emergency Budget was on the tapis in September, 1931, that these emergency measures would terminate with the end of the present financial year. But they have not terminated. We could have understood the position of the Honourable the Finance Member if the Budget as a whole had been once more revived for the next year. But changes have been made in the Budget; the ten per cent. cuts on the services have been reduced to five per cent.; and what justification have you for not making a proportionate reduction in the income-tax upon the poorer class of people who make an income of as low as Rs. 83½? That, Sir, is the gravamen of our complaint. Some Honourable Members say that we should wait till the Finance Bill comes. Honourable Members must be aware that the little finger of the official is thicker than the non-official loin, and that whatever we had done last year with the vote of the united Opposition was set aside by one fiat of His Excellency by restoring the cuts which we had unanimously made. Consequently, if anybody thinks of waiting till the Finance Bill, I will say that we will be confronted with the same difficulty with which we are confronted today. And there will

[Sir Hari Singh Gour.]

be an additional argument against making alterations to the Finance Bill when we allow this votable item on income to go unchallenged. The Finance Member would stand on stronger ground, and say that if the Honourable Members on this side of the House objected to the income-tax upon any grounds, their time was when they were voting the demands. No doubt they can take the belated course of amending the Finance Bill, but does that take away from the fact that during all these days, when we have to vote supplies to Government, we should sit with folded hands and wait for inspiration? Sir, it is our duty to give the earliest notice as to what cuts we wish to make and to give reasons therefor; and Mr. Reddi has done a public service in taking time by the forelock and rising in his place to draw attention to the fact that this is the crying need of the hour. The poor man is being saddled with additional taxation and, if Honourable Members will only recall what the Finance Member said in his Budget speech, they will see the additional reason that we have for pressing for this cut. Honourable Members will remember that it was a part of the scheme of the Finance Member adumbrated in September, 1931, that while he had made all-round ten per cent. cuts in the pay of the services, he had exempted the services from the additional surcharge on income and super-tax. And, in his speech, the other day he pointed out that the removal of that exemption means that they will have to pay an additional 2½ to five or six per cent. Now, let us examine the question from the reverse point of view. During the 18 months, because they were exempted on the one hand and all alike in the higher and lower scale was subject to the ten per cent. cut, the cut fell more heavily upon the lower salaried official than it did upon the higher salaried official. Therefore, justice demands that he who has been more penalised than the higher official should also get the earliest relief. That, I submit, is a point which cannot escape notice and that is a point upon which there can be no answer, so far as we are able to see. Therefore, we say that the question is a pressing one, the question upon which we on this side of the House, regardless of the doubts and vacillations of others, feel strongly and desire that the Government must not count our heads, but see to the reasonableness of our arguments and, if the Government are convinced that our case is a just and righteous one, we not only expect the Government to accept our motion, but to give effect to it at the earliest possible moment.

Sir, we have been told by apologists of Government: "If you make this cut, where is the money to come from?" I have from my place for the last 12 years heard this hackneyed argument and the reply has been: "If you give us the Budget, we will then be able to go item by item and show you how the Budget can be balanced and justice done to the poor tax-payer. It is not for us to revise your whole Budget". We have not the means and so you should not complain. Our function is that of mere critics and advisers, and as critics and advisers, it will be presumptuous on our part to go out of our way and tell you how this deficit could be reduced by the remission of those taxes and be made good. But let us, as strangers and outsiders standing outside the window of your Cabinet watching and waiting for the revelation of some arcana that pass within, say a word or two to your Council,—and have we not said and have we not repeated that there are various heads from which retrenchment is possible and retrenchment should be made? Honourable Members

on this side of the House have pointed out that while payment of war debts is mere a contingency, you have made provision for it, the contingency of receiving reparation has been ignored, but I let go that contingency. We have set apart 6.88 crores of rupees for reduction and avoidance of debt. This is a large amount and if you are to make in this year of distress and depreciation that is pervading the land a similar cut, as you did last year, you will get the necessary money for the purpose of balancing the Budget. That is, after all, not a compulsory charge, but a charge incurred on account of the vote of this House a few years back.

Then, Sir, I feel that we have other sources of possible income. I do not know the secrets of the Government of India, and, therefore, I can only indicate in a very rough and general way the possibilities of our receiving windfalls within the next financial year. Let me categorise them. The question of imperial contribution to the Army expenditure of India has been looked into and has been the subject of decision by the Tribunal that have submitted their report. The question about the capitation charges has also been decided one way or the other by the Tribunal, and then we have for a very long time urged for the reduction of the composition of the Army and the Honourable the Finance Member knows the views of Members on this side of the House. In all these heads we stand to gain a large sum of money, if the case which the Government of India submitted for the arbitration of the Tribunal and of the Home Government is successful. If it is not successful, we have in the last resort the amount of 6.88 crores of rupees to fall back upon for the purpose of balancing the Budget. Sir, we are not financiers, we are not experts, we are laymen, and we are only asking the Honourable the Finance Member to do the best he can in the circumstances pressing upon him the growing necessity of making good his promise upon which he secured the certification and constitutional passage of the Finance Bill, and what we are now asking this House is to reiterate the view that it has expressed during the last Budget discussion that, so far as the income-tax is concerned, it is a charge which has become unbearable on account of the added distressed condition of the country this year. My friend, Sir Cowasji Jehangir, has voiced what was bad last year. It is worse this year, and, I submit, it would be worse still if you saddle this heavy charge upon the trade and industry of the country. These, Sir, are the cumulative reasons for supporting the motion of my Honourable friend.

**Mr. K. C. Neogy** (Dacca Division: Non-Muhammadan Rural): Sir, I had no desire to participate in the debate but for the energetic sallies of my Honourable friend which still continue to be a great source of inspiration to me. I am afraid, my Honourable friend was a little too enthusiastic over this discussion, for while he was charging the sister party with lukewarmness, I do not find even half-a-dozen Members sitting in those Benches behind him to support him in the present motion. Mr. Clow temporarily reinforced his ranks and very properly so, being in charge of the Labour Department which should justly be in sympathy with the small wage-earner.

Now, Sir, my Honourable friend, Sir Hari Singh Gour, entirely misunderstood the attitude of my Honourable friend, Mr. Maswood Ahmad, and my friend, Sir Cowasji Jehangir, because what Mr. Maswood Ahmad

[Mr. K. C. Neogy.]

complained, I take it, was that here while we are under a limitation as to time while discussing the Demands for Grants, we are unnecessarily occupying the attention of this House in discussing a matter which could more appropriately and more effectively be raised by way of amendment of the Finance Bill, itself, and I can tell my Honourable friend that any reasonable man would sympathise with this point of view. My Honourable friend said that even if we succeeded in cutting down the income-tax rates, remember what had happened in the past. The Governor General came down with his extraordinary powers of certification and restored the amounts which we disallowed to the Finance Member. Now, Sir, are we in a better position today? If we carry this out, what will be the effect of it? We carry a mere token cut of Rs. 100 to be deducted from this Budget. The Honourable Member in charge could very easily do without Rs. 100 out of this Budget. He need not even give an explanation to this House as to why he ignored this vote of the House . . . .

**Mr. Gaya Prasad Singh:** Is it not a censure motion?

**Mr. K. C. Neogy:** My Honourable friend, Mr. Gaya Prasad Singh, knows the value the Government attach to these so-called censure motions. My Honourable friend, while making his speech, was labouring under a misapprehension that if we allowed this head of expenditure to go unchallenged, we would be precluded from raising a debate when the Finance Bill came on with reference to the Schedule of income-tax.

**Sir Hari Singh Gour:** I said nothing of the kind.

**Mr. K. C. Neogy:** At least it would be improper on that occasion to raise this issue, for we would be met with the argument that "You allowed this head to go unchallenged": those are his exact words as far as I remember: "When you allowed the head under the 'Income-tax' to go unchallenged, you should not bring forward a specific proposal for reducing the taxation rates". That is more or less what he conveyed. Here we are voting the expenditure that is wanted for the keeping up of this particular Department. I could have well understood my Honourable friend if, instead of bringing forward a token cut, he could have taken the trouble of calculating as to what exact amount the Government could save if they were to give effect to these ideas, namely, what extra establishment could be cut down which would be necessary if the present rates of income-tax were to be maintained: that is to say, the additional establishment for which money was obtained on the last occasion in connection with the lowering of the minimum taxable income . . . .

**An Honourable Member:** Several lakhs.

**Mr. K. C. Neogy:** . . . . and, if moreover, the surtax were to be removed, what economies Government could effect in their own establishment. I could have well understood my Honourable friend if he were to bring up a motion like that asking for a specific reduction of an amount without which the Government would not be able either to maintain their surtax or a reduction of the taxable limit. (Interruption.) Why did my Honourable friend not seek a reduction of that specific amount?

**Bhai Parma Nand** (Ambala Division: Non-Muhammadan): Are you opposing the motion?

**Mr. K. C. Neogy**: Not at all. I am afraid, my Honourable friend, Bhai Parma Nand, who is so very clear in these matters, is getting as confused as his Leader, because, no one, who has spoken from these Benches, has ever said that they are opposed to this motion. It is a question merely as to whether this procedure should be followed in order to get what you want, or whether there was a better procedure available for this House when this particular matter could be debated with greater effect. I do not want to go into the merits of this question. My sole desire was to point out that the Honourable the Leader of the other Party did a good deal of injustice to Sir Cowasji Jehangir and my Honourable friend, Mr. Maswood Ahmad, by misinterpreting their intention. They never said that they were opposed to this motion. As a matter of fact, when the division comes, if it does come at all, perhaps my Honourable friend will find a larger number of Members of the Independent Party going into the lobby with him than Members of his own Party.

**Mr. Goswami M. E. Puri** (Central Provinces: Landholders): Sir, I have not got much to say. I rise to support the amendment. Much has already been said on this subject and I need hardly say anything more; but, on behalf of the Party to which I have the honour to belong, the Centre Party, I wish to make it clear that we are of the same opinion as the Nationalist Party. The pinch which the poor tax-payer feels is practically well-known to each and every Member of this Honourable House. The present financial crisis, through which the whole of India is passing, is such that to tax a poor man who gets Rs. 83 or Rs. 84 a month is nothing but a most unjust thing during the present depression. If the purse of the Government is so bad, they had no reason to restore five per cent. of the cut at the cost of the poor tax-payer. I do not want to go still deeper into the case as it has been sufficiently discussed; but on one point, I would like to make a few remarks,—regarding the pressing of this motion to a vote. The Leader of the Nationalist Party has urged that the motion should be put to the vote, while some Members from the Independent Party do not agree with him. According to my humble suggestion, I would tell my Honourable friends that during the financial discussion we will get ample opportunity to discuss the income-tax policy of the Government and he can similarly attack the policy of the Government. So it does not mean that by placing our views this time, he will be deprived of the opportunity that time. I think it will be fair and just for each and every elected Member to support the cause of the poor tax-payer who has been burdened with heavy taxation. With these remarks, I support the cut.

**Mr. Gaya Prasad Singh**: Sir, it is customary in this House for some Members to preface their speeches by saying that they had no intention of participating in the debate: at least my Honourable friend, Mr. Neogy, started by making that statement. But he went out of his way, and instead of speaking on the merits of this motion, indulged in a fling at some Members of my Party and its Leader. I am holding no brief for my Party or its Leader—they are quite capable of taking care of themselves; but I must remind the House that it was unnecessary on his part to refer to Party matters, or to say that he has gone away from one Party to another. We know of course the proverb which says that the zeal of a convert is proverbial (Laughter), but I do not know why he was so disgruntled with this Party . . . .

**Mr. K. C. Neogy:** On a point of personal explanation. As the Honourable Member has mentioned this question of my resignation from the other Party, I want to tell the House that I did it at the instance of my Honourable friend who himself suggested it long before the suggestion emanated from others. (Laughter.)

**Mr. Gaya Prasad Singh:** Assuming that, I am glad that I have been able to give a follower to my Honourable friend, Sir Abdur Rahim, and I think I deserve the thanks of the Independent Party for having made this present. My Honourable friend loses his temper very soon, and his tongue is often poisoned with abusive epithets. He took exception to this censure motion, because it seeks to reduce the demand only by Rs. 100. My Honourable friend has been in the House since 1921 and he ought to be in a position to understand that a censure motion, even of a hundred rupees, is a censure motion on the Government which they are not in a position to justify. With regard to that, my Honourable friend probably does not see the papers which are sent to him. If he had done so, he would have noticed that there was a motion standing in the name of his own Leader, Sir Abdur Rahim, and it runs like this:

*"That the demand under the head 'Foreign and Political Department' (pages 141-142), be reduced by Rs. 100 (To discuss the questions of retrenchment of expenditure controlled by the Department, and of Indianisation)."*

Is this not a censure motion?

(Interruption.) I have been listening to my friend, Mr. Neogy, with patience, and I hope he will do me the courtesy of not interrupting me when I am making a few remarks.

**Mr. K. C. Neogy:** But do not make silly remarks.

**Mr. Gaya Prasad Singh:** My Honourable friend says: "Do not make silly remarks". He cannot cease to hurl abusive epithets. But if my Honourable friend had the gift of seeing himself as others see him, he would have commanded greater respect. In this case the motion was intended merely to be a motion asking the Government to put off the surcharge and to restore the old exemption of taxable income, and my Honourable friend, Mr. Reddi, sought to do it by means of the censure motion which is quite in order as a Parliamentary practice. It was not the duty of my Honourable friend, Mr. Neogy, to have bestowed his thought or wasted his powder and shot over this little matter of procedure. He should have gone into the merits of the case, and shown whether this motion was justified in itself or not. I think that this removal of surcharge and restoration of the old exemption of taxable minimum is a very great necessity at the present time of dire distress, and Government should have first considered this question before restoring half of the cut to their own services. My Honourable friend, Sir Cowasji Jehangir, for whom I have very high respect, suggested that this motion should have stood over till the question of military expenditure and other items had been looked into carefully. If I am mistaken in interpreting his speech in that light, I am quite open to correction. But if that was his intention, I must say that I was very much amazed at this attitude on his part. We have been pressing upon the Government, year in and year out, the necessity of making substantial reduction in the army expenditure. Speaking at random, I believe they have reduced the army expenditure by two or three crores which is a very paltry sum, it is a mere flash in the pan, and it is not at all enough to meet the necessities of the situation.



Then, again, Sir, there is the question of retrenchment in civil expenditure. My friend, Sir Abdur Rahim, who presided so ably and so worthily over the General Purposes Retrenchment Committee, and for whose work I have high admiration, made certain suggestions, all of which have not been carried into effect, and I shall wait to see if my Honourable friend, Sir Abdur Rahim, or his Committee is satisfied with the treatment which Government have given to the recommendations. Then, again, there is the question of *Lee loot*, and we have been pressing, year in and year out, that this *Lee loot* should be abolished. Then, there is the top-heavy administration in this country which is a crying scandal and which ought to have been remedied. All these are questions which we have been bringing forward in this House for years, and I am amazed and amused that my friend, Sir Cowasji Jehangir, should have said that we should wait till the fate of the motions, of which he and some other Members have given notice, has been known. I think, Sir, that the restoration of the taxable minimum is a crying necessity as it greatly affects the poorer classes, and it should be done as soon as possible. My friend, the Finance Member, can get money from all these and other sources. We are not taken into the confidence of the Budget secrets, and so we are not in a position to offer any very effective or constructive criticisms on those points till we are given all the facilities which are open to my friend, the Finance Member. With these few observations, Sir, I support this motion.

(At this stage several Honourable Members rose to speak.)

**Mr. Deputy President** (Mr. R. K. Shanmukham Chetty): The Chair does not want to deprive any Honourable Member of taking part in this debate, especially the Leaders of Parties, but the Chair would request them just to remember the arrangement that the House came to this morning. According to that arrangement, this debate ought to conclude at 5, and the Chair would, therefore, like to suggest to Front Benchers to intervene a little bit earlier in the debate if they want to have their say.

**Sir Abdur Rahim**: Sir, I shall be as brief as possible. I simply want to define the position of my Party regarding this motion. I do not wish to take part in any of the discussions that have taken place of a Party character, but what I wish to say is this, there has been never any occasion when we said that we do not want that the rate of taxation should be reduced. We made this absolutely clear during the discussion on the General Budget. All that was suggested on this occasion was that we should be in a much better position to carry out our purpose if we had discussed the military budget and the other motions before the House for reducing expenditure in other Departments as well like the Foreign and Political Department and the other Civil Departments. All that was suggested by Sir Cowasji Jehangir,—and I think that was a perfectly reasonable suggestion,—perhaps it was misunderstood because of the way it was put.—all that was said was that if we had a proper picture of the extent of the justifiable expenditure under the military head and the political and other ordinary civil heads, then we would be in a better position to drive home our case to the Government. So far as our Party is concerned, we are absolutely at one with the Nationalist Party that the surcharge and the lower limit of taxation should be removed as soon as possible. (Applause from the Nationalist Benches.) There is no doubt about that. I merely wanted to intervene to make our position clear.

**The Honourable Sir George Schuster:** Sir, I am afraid that I cannot class myself with the majority of the Members of this House who, when they rose, said that they had no intention to take part in the debate; but there have had been moments in its course when I had begun to cherish some feeling of hope that my intervention might be unnecessary or at least that I might be crowded out. But, Sir, you have given me sufficient time, I hope, to deal with the matter. I do not think that it will be appropriate for me to say much on the point that has arisen as to whether this motion can be appropriately taken at this early stage, but I would like to make just one point on that matter. Speaking as one who is always very anxious that the time available for the discussion of the Budget should be used in such a way that we on this side may really get at the feelings of the representatives of the public on the various issues that arise, I do feel that it is a matter of some regret that the time available for the discussion of grants should be taken up with an issue which really can only be appropriately discussed in connection with the Finance Bill. Sir, there is some logic in the procedure which this House follows in that the Finance Bill is taken at the last stage after the various stages of the budgetary discussion. It surely is reasonable to say that it is only after the House has had an opportunity of reviewing all the proposals for expenditure that it can properly express an opinion as to what provision should be made for supply, and I take it, Sir, that that is the reason why it is the custom that the Finance Bill should be taken last in the proceedings. I, therefore, would venture to put it to Honourable Members that until they have had that discussion, unless at least they enter into these proceedings with minds already made up, it must be difficult for them to pronounce a verdict and feel sure that they have pronounced it on the basis of a knowledge of all the relevant factors,—it must be difficult for them to pronounce a verdict as to whether, in asking the House to continue the provisions for levying income-tax on low incomes, we are asking for more than is right to ask. That, Sir, is my own feeling in the matter, and I commend the ideas which underlie that to the attention of Honourable Members opposite.

Now, on the merits of this case, I think the arguments may be classified under three heads, or rather the points that I have to deal with may be classified under three heads. In the first place, the proposal has been attacked on grounds of abstract justice;—secondly, it has been attacked on the ground that it is a bad tax, that is another point, and in the third place, I have been told that we can well afford to do without it, and that, that being the case, I ought to redeem what has been described as my promise to abolish it as from the 31st of March this year. The last point is perhaps the most important one from my point of view, and I would like to deal with it first.

Sir, the speakers, who have argued that we can afford to do without this tax, have most of them argued on the assumption that the emergency, for dealing with which it was originally imposed, has passed. Now, I do not want to take a pessimistic view of the situation or to spread feelings of despondency, but I would like to emphasise, with all the force that I can command, the fact that the emergency has not yet passed. I would remind the House of an event which has just taken place over the week end, which illustrates the fundamental uncertainty of the present position.

**Mr. S. C. Mitra:** Has this emergency passed for the Services?

**The Honourable Sir George Schuster:** I will deal with that later. I would remind the House of an event which has taken place over the week-end, as I have just said, which illustrates the fundamental uncertainty of the present position. We are as yet without any accurate knowledge of exactly what has happened in the United States, but it is quite clear that a first class crisis has developed there and that may have very great effects on the world economy, and perhaps indirectly in some ways on our Indian position. At least it is a sign that we are by no means in calm water yet, that the "cataclysmic instability", as I described it last year, still remains, and, in such circumstances, we must be very careful not to weaken our position. In that connection also I want to make this point. The real issue, I think, before the world today in all matters concerning public finance, the real question which those, who hold positions of responsibility as Finance Member or Finance Minister in any country, have to put to themselves is, is it right, is it in the best interests of the country to pursue a policy of sound finance, or is it better to yield to sentimental appeals, to relax measures, to do without balanced Budget, to meet expenditure by borrowing, to make grants to people who are in necessitous circumstances, to intervene to help particular industries to carry surplus stocks, to take measures of that kind—there are many measures which are always being pressed upon Governments in these times—is it better to take those measures, or to set one's teeth and say, we will be old-fashioned and we will follow the principles of sound finance, which mean that a country shall meet its expenditure each year by revenue and not by borrowing? It is very dangerous to prophesy, but I venture to think, as we look round the world today, it is becoming more and more clear that those countries which have observed, in spite of all difficulties, the principles of sound finance are coming to the top. They have very great difficulties of their own, they have to submit to much hardship and suffering in order to follow that course, but countries like England and, I think, we may class with England India, who have deliberately tried to observe sound finance, are in these unstable times a source of security to the world, almost an anchor to the rest of the world. I would invite Honourable Members, who are likely to take a contrary view, to study very carefully what has been happening in a great country like the United States and what is likely to happen there in the future. I venture to think that if any Honourable Member were to travel in the United States today and see the amount of misery and actual starvation which even in that rich country is now in evidence in practically every important industrial centre, he would say: "Let us continue on the path that we have chosen, let us not relax our efforts before the time, when it is justifiable to do so, has come. And, in the long run, in spite of our having to go short a bit we shall benefit from it." Sir, I have, as one, who carries responsibility, often had moments of doubt in my own mind as to which is the better course, but the longer we go on through the present difficult times, the stronger grows my conviction that the only thing which those, who carry responsibility, in a country like this can do is to stick out for the principles of sound finance, and I am absolutely certain that in the long run every one will say that that was the right course to take. Well, Sir, perhaps it may be thought that I have rather over-stressed the importance of this particular measure, but this is an essential part.—perhaps a minor part, but still an essential part—of the whole framework which we set up at the end of 1931, and, if we were to say that we can now afford to dispense with this particular measure, it would undoubtedly start a process of

[Sir George Schuster.]

weakening in our whole structure. I trust the House, when they come to consider the Finance Bill, will weigh very carefully what I have said on this matter. It has been suggested that we can easily make good the gap that will be created by reducing the provision for reduction and avoidance of debt. It is quite true that when we were in the midst of the emergency in 1931 having allowed six months to go of that year with inadequate taxation so that we could not entirely recover the lost position, we, therefore, thought it justifiable to face a situation in which we should be unable to make full provision according to the existing convention for the reduction and avoidance of debt. But because we were forced into that course in the past, there is really all the greater reason for not being forced into it again, because in fact we ought to make up the deficiency that was then created. I would remind the House that in the year preceding that we were quite unable to set aside anything for the reduction and avoidance of debt and had a heavy deficit. We have got to make that good, and if we start out at the beginning of the year and say we are not going to have this provision of safety, we should be getting into a very weak position. In uncertain times like the present when, as I have myself stated dealing with the Budget, all our estimates must be regarded as uncertain and unreliable, it is absolutely necessary to have a marginal provision of this kind, and, if the House thinks that we are really doing too much in this matter, I would ask them to consider one particular factor in our position and that is this. I do not want to over-emphasise the factors of weakness, but there is one point in our position which must be taken into account and one which does not actually appear in our Budget, and that is as regards the Railways. We are in fact crediting to ourselves in the Budget the full interest due on the whole of the advances which the Government have made to the Railways. But yet Honourable Members know quite well that, if they make full provision for depreciation allowance, the Railways cannot pay that full interest, and, in fact, in the past year we shall have taken from the Railways more actually than they have earned, supplemented by the unexpended portion of the provision for depreciation.

**Sir Cowasji Jehangir:** I would like my Honourable friend to give the figures of the amount which he credited to general revenues.

**The Honourable Sir George Schuster:** I am not quite sure of the exact question which my Honourable friend is asking me, but if he will put the point to me afterwards, I will give him the information. That, Sir, is a point which must be borne in mind. Then, the point was also made that we have made provision for our full war debt liability next year and that that is unnecessary. I thought,—least I hoped—that I was able to convince the House when that matter came up before, that that was not an optional liability, but an actual liability for which we must make provision. If of course we were to have a windfall under that head, and we find that we can get out of that war debt liability, then we may feel that we have a margin available; but I would put this to the House that we shall not be in a position to feel that we have any margin available until we have seen how the year progresses. As I have already pointed out, the uncertainty of the whole position seems to us to make necessary to start the year with as wide a margin as possible. Then, Sir, on the point of the abstract

justice, I wish to make it clear to the House that I fully sympathise with the views that have been expressed on the other side and I can assure my Honourable friend, the Deputy Leader of the Nationalist Party, that I have listened to all these arguments and in fact I have considered most of them myself in connection with this matter; but I would ask the House to consider whether the case against this tax has not really been somewhat overstated. After all, it is a very small levy which represents only two per cent. Looking back to the past history of 1919, when prices were very high, that was the time when the limit of taxation was raised from Rs. 1,000 to Rs. 2,000, but now prices have declined to something very much lower than pre-war levels and we have only brought the low limit down to what it was prior to 1919. At one time, I would remind Honourable Members, the low limit was actually Rs. 500. I do not want to suggest that I am defending the tax as one which is in itself absolutely desirable. No tax is really desirable and this particular tax is probably less desirable than many others. But when we are faced with a necessity, we have to consider what is possible without creating an intolerable burden. I would put that point to the House. We are back again in the sort of conditions which existed when the low limit was the same as it is now and there is some justification for saying that it is the people with incomes at about that level who have really benefited most from the general fall in the prices of foodstuffs. I would also remind the House that in the case of the agriculturist it does not matter how low his income is. He has to meet the direct burden of land revenue. In this case many speakers have spoken as though they were speaking on behalf of the millions of India. My Honourable friend, the Raja Bahadur, invited me to go down into the villages of India and see the discontent which is caused by taxation of this kind.

**Raja Bahadur G. Krishnamachariar:** I was referring to the small trader in the villages.

**The Honourable Sir George Schuster:** As a matter of fact, I do find occasion to go about the country a good deal when business does not keep me. I do go a good deal in the villages in a radius of about 40 miles from here, and I do not find in those villages very many people who, I think, can be liable to income-tax on incomes of a thousand rupees. One has only to consider the figures to realise what the position is. On the very highest estimate, there are about 350 thousand assesseees who pay income-tax on income between Rs. 1,000 and Rs. 2,000. 350 thousand assesseees out of a total population of 350 millions—one in every thousand of the population. I wish, again, to say that I am not defending this tax as in all respects desirable. I am only asking Honourable Members to consider this subject fairly, impartially and dispassionately on its merits. A good deal was said about the promises which I had made and a certain passage from my speech in Simla in September, 1931, was quoted, speaking for myself anyhow, *ad nauseam*. I am perfectly ready to admit that in the last sentence of that particular paragraph I was rash enough to venture to prophesy and, having gained a further two years experience as Finance Member in this country, I may say that I am never going to prophesy again. I shall never go further than expressing hopes and one may express hopes without being made liable to charges of misrepresentation.

**Mr. Lalchand Navakrai:** I hope you don't retract your promise.

**The Honourable Sir George Schuster:** I never went anywhere near making a promise in this matter. I said and I qualified it by saying that it was rash to prophesy, but I said it seemed safe, as safe as one could be in making forecasts of that kind, to say that there would be no necessity to continue these surcharges after March 31, 1933. We have all been mistaken in our appreciation of the present crisis and it is quite clear on what basis I expressed that hope. The basis was that we should end up the current year with a surplus of about 5½ crores and Honourable Members know that we are only ending up with a surplus of just over two crores and that that includes a crore and a half representing the exceptional receipts from the abolition of the salt credit system. Therefore, I think the House will realise what our position is. I think I have kept the House long enough on this matter. I trust that the House may think it is premature to vote upon it at this stage and in the interval between now and the time when we have to deal with the Finance Bill, I trust we shall have much illuminating discussion on the general position and that Honourable Members will give due weight to the points which I have made in my speech today.

**Mr. T. N. Ramakrishna Reddi:** I shall not detain the House for more than five minutes. In the first place, I thank all the Members of the House from all sides, except my Honourable friend, the Finance Member, for supporting my cut. They have expressed in unequivocal terms the necessity for restoring that taxable minimum and they have also very strongly felt the necessity for removing this surcharge. Having done that, I have only to answer two or three criticisms that were levelled against this motion from the Members of the Independent Party.

Sir, my Honourable friend, Mr. Maswood Ahmad, said that this was not the time to press this cut to a division as the House was somewhat depleted of its numbers and that it was better to press it at the time of the Finance Bill. Sir, here I must make one observation. It is incumbent on Members representing their constituencies to do all in their power to alleviate their grievances. That is, Sir, why they send us here, and that is why they expect us to do our duty. If, therefore, we fail in the discharge of our duties, it is we and we alone who are to be blamed, and so I have got every right to press my cut for the consideration of the House even though there are few Members present; and, I think, in fact I shall be doing service to the country by exposing the conduct of those Members who do not attend and fight for the redress of the grievances of their constituencies, especially when such an important cut is being debated. Sir, this cut affects so many poor people and if Honourable Members are there, who do not take any interest in this, I really wonder what they are more interested in! So, Sir, with the full knowledge that the Members are expected to do their duty, I am pressing this cut.

Now, Sir, coming to the criticism of my Honourable friend, Sir Cowasji Jehangir, he said that this was not a logical cut. I was surprised that he should have said so, taking into account the interest that he takes for restoring the old taxable minimum and, at the same time, in the question of the removal of the surcharge; and I do not understand why he should

say that this is not a logical cut. Sir, the Honourable the Finance Member himself felt the necessity of removing the surcharges and he has singled out that particular piece of tax for removal at the earliest possible date, and because he has not done so, I have brought this cut. I do not see, therefore, any reason why it should not be considered a logical cut.

Now, coming to the criticism of my learned friend, Mr. Neogy, for whom I have got great regard, I am at a loss to understand why he went against the view of the Honourable the Leader of the Nationalist Party and said that this was not the proper time to move this cut. Sir, I am the more surprised that he should do it, because he has always espoused the cause of the people and he always fought the Government wherever and whenever he found that Government were wrong. It is really surprising to me that he should oppose this cut. He said that we could move it when the Finance Bill came. Sir, we have to fight the Government on all sides. I am a believer in fighting on all fronts (Hear, hear), and it is no good to fight on only one front. When you have got a constitutional weapon to fight with, you must take advantage of it and then fight steadily. When the constitution permits the moving of a cut by way of a vote of censure against the Government, we have got every right to take advantage of that and I am within my rights to move this cut. I shall now say only one word with regard to the reply of the Honourable the Finance Member. Sir, my Honourable friend said that he promised to remove this surcharge as soon as possible and at the same time he promised that he would, if necessary, reduce the provision for the reduction or avoidance of debt, but he says that he finds the situation easy and so he does not find any necessity to reduce the provision for the reduction or avoidance of debt; and he also said in so many words that he said so when there was an emergency existing, that his words should not be taken very seriously. Sir, it is surprising that the Honourable Member does not want us to take him by his word. He has clearly said before, that if the necessity arises, it is probable that a certain thing will be done. I am not asking him to disturb his Budget equilibrium now at this moment and cut down the expenses of the Civil and Military Departments. I am only asking him to redeem his promise which he made when he introduced this Budget and said that he would be prepared to reduce Rs. 2.47 lakhs from the provision for the reduction or avoidance of debt, if necessity arose. Now, it is a most important necessity and it is a necessity which he himself admits, namely, giving relief to the taxpayer by way of removing these surcharges. Now, if an emergency does exist, how is it that he can restore the cuts in part? That shows that there is some ease in the situation; and when that is so, we are entitled to ask him to make a reduction in the provision for the reduction or avoidance of debt and give this much-needed relief to the income-tax payers. Sir, with these words, I press my cut motion to a division.

**Mr. Deputy President (Mr. R. K. Shanmukham Chetty):** The original question was:

“That a sum not exceeding Rs. 81,24,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of ‘Taxes on Income.’”

Since which the following cut motion has been moved:

“That the demand under the head ‘Taxes on Income’ be reduced by Rs. 100.”

[Mr. Deputy President.]

The question that I have now to put is that that cut motion be adopted.

The Assembly divided:

AYES—33.

Abdur Rahim, Sir.  
Biswas, Mr. C. C.  
Chunoy, Mr. Rahimtoola M.  
Das, Mr. B.  
Dutt, Mr. Amar Nath.  
Gour, Sir Hari Singh.  
Ismail Ali Khan, Kunwar Hajee.  
Jadhav, Mr. B. V.  
Jehangir, Sir Cowasji.  
Jog, Mr. S. G.  
Krishnamachariar, Raja Bahadur G.  
Lalchand Navairai, Mr.  
Maswood Ahmad, Mr. M.  
Misra, Mr. B. N.  
Mitra, Mr. S. C.  
Mody, Mr. H. P.  
Mudaliar, Diwan Bahadur A. Ramaswami.

Murtuza Saheb Bahadur, Maulvi Sayyid.  
Neogy, Mr. K. C.  
Parma Nand, Bhai.  
Puri, Mr. Goswami M. R.  
Rajah, Rao Bahadur M. C.  
Ranga Iyer, Mr. C. S.  
Reddi, Mr. T. N. Ramakrishna.  
Roy, Rai Bahadur Sukhraj.  
Sarda, Diwan Bahadur Harbilas.  
Sen, Pandit Satyendra Nath.  
Singh, Mr. Gaya Prasad.  
Sitaramaraju, Mr. B.  
Thampan, Mr. K. P.  
Uppi Saheb Bahadur, Mr.  
Wajihuddin, Khan Bahadur Haji.  
Yamin Khan, Mr. Muhammad.

NOES—41.

Abdul Hye, Khan Bahadur Abul Hasnat Muhammad.  
Acott, Mr. A. S. V.  
Allah Baksh Khan Tiwana, Khan Bahadur Malik.  
Amir Hussain, Khan Bahadur Saiyid.  
Bajpai, Mr. G. S.  
Chow, Mr. A. G.  
Dalal, Dr. R. D.  
Dutt, Mr. G. S.  
Dutt, Mr. P. C.  
Fox, Mr. H. B.  
Ghuznavi, Mr. A. H.  
Grant, Mr. C. F.  
Gwynne, Mr. C. W.  
Haig, The Honourable Sir Harry.  
Hezlett, Mr. J.  
Hudson, Sir Leslie.  
James, Mr. F. E.  
Jawahar Singh, Sardar Bahadur Sardar.  
Joshi, Mr. N. M.  
Lal Chand, Hony. Captain Rao Bahadur Chandhri.

Leach, Mr. A. G.  
Mackenzie, Mr. R. T. H.  
Metcalf, Mr. H. A. F.  
Miller, Mr. E. S.  
Mitchell, Mr. D. G.  
Mitter, The Honourable Sir Brojendra.  
Morgan, Mr. G.  
Mukherjee, Rai Bahadur S. C.  
Noyce, The Honourable Sir Frank.  
Rafiquddin Ahmad, Khan Bahadur Maulvi.  
Rau, Mr. P. R.  
Ryan, Sir Thomas.  
Schnater, The Honourable Sir George.  
Scott, Mr. J. Ramsay.  
Seaman, Mr. C. K.  
Sher Muhammad Khan Gakhar, Captain.  
Singh, Mr. Pradyumna Prashad.  
Smart, Mr. W. W.  
Smith, Mr. R.  
Tottenham, Mr. G. R. F.  
Vachha, Khan Bahadur J. B.

The motion was negatived.

Mr. Deputy President (Mr. R. K. Shanmukham Chetty): The question is:

"That a sum not exceeding Rs. 81,24,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Taxes on Income'."

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Tuesday, the 7th March, 1933.