

17th March 1939

**THE
LEGISLATIVE ASSEMBLY DEBATES**

(Official Report)

Volume III, 1939

(14th March to 28th March, 1939)

**NINTH SESSION
OF THE
FIFTH LEGISLATIVE ASSEMBLY,
1939**



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LEGISLATIVE ASSEMBLY.

Friday, 17th March, 1939.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

STARRED QUESTIONS AND ANSWERS.

(a) ORAL ANSWERS.

CONCLUSION OF A TRADE AGREEMENT WITH AFGHANISTAN.

1120. *Mr. S. Satyamurti: Will the Honourable the Commerce Member please state:

- (a) whether Government have received a letter from the Honorary Secretary of the Indian Chamber of Commerce, Lahore, in respect of the trade agreement between India and Afghanistan;
- (b) what is the exact position of the Commerce Department in negotiating this treaty with Afghanistan *vis-a-vis* the External Affairs Department;
- (c) whether it is a fact that representatives of the Frontier Chamber of Commerce were asked by the Government of the Frontier Province to discuss the matter with the Secretary for the External Affairs Department;
- (d) whether the Commerce Department are in full possession of the facts;
- (e) whether the Commerce Department are pursuing this matter further; and
- (f) whether the Commerce Department propose to do everything in their power to conclude early a trade agreement between India and Afghanistan in the interests of both?

The Honourable Sir Muhammad Zafrullah Khan: (a), (c) and (d). Yes.

(b) There is no proposal to negotiate any treaty, but if any such question should arise, it would be a matter for the Government of India, and not for any particular department of the Government of India.

(e) and (f). The Honourable Member is referred to the reply given by Sir Aubrey Metcalfe to Mr. Abdul Qaiyum's starred question No. 292 on the 10th February, 1939.

Mr. S. Satyamurti: With reference to the answer to clause (b) of the question, may I know whether the position of the Commerce Department in respect of this trade agreement with Afghanistan is the same, as for example with regard to the Indo-British, or Indo-Ceylon or Indo-Burma trade agreements, or is there any difference?

The Honourable Sir Muhammad Zafrullah Khan: It is very difficult to give an answer to an academic question like that. All Departments that are concerned in any conversations or negotiations have to come into it.

Mr. S. Satyamurti: May I know whether the External Affairs Department comes in in the case of the Indo-Afghan trade treaty alone, or whether it has the same position with regard to the Indo-British trade agreement or the Indo-Burma trade agreement or Indo-Ceylon trade agreement?

The Honourable Sir Muhammad Zafrullah Khan: I really do not know whether the Honourable Member is entitled to know to what extent any particular Department of Government takes part in these conversations.

Mr. S. Satyamurti: I am anxious to know whether the Commerce Department's hands are or are not tied, in respect of negotiations for an Indo-Afghan trade treaty, and that it has got the same status and the same initiative there as in respect of any other trade agreement.

The Honourable Sir Muhammad Zafrullah Khan: The Commerce Department's hands are not at all tied in any manner whatsoever with regard to commercial negotiations.

Mr. S. Satyamurti: May I know at what stage this matter just now stands, and is there a possibility of an agreement being reached so far as an Indo-Afghan trade agreement is concerned as early as possible?

The Honourable Sir Muhammad Zafrullah Khan: At the same stage as was described by Sir Aubrey Metcalfe in reply to the question to which I have referred in my answer.

Mr. Manu Subedar: Is it a fact that in all negotiations with foreign countries, that is, countries outside the British Empire, negotiations have to be done through His Majesty's Government?

The Honourable Sir Muhammad Zafrullah Khan: That does not arise out of this question.

Mr. Abdul Qaiyum: Has a memorandum from the Peshawar Chamber of Commerce been received by Government and have they considered it?

The Honourable Sir Muhammad Zafrullah Khan: That question is obviously one which I could not answer without notice.

Mr. T. S. Avinashilingam Chettiar: May I know if it is not the case that the reason for this matter being gone through through the Foreign Department is that the matters involved in Afghanistan are more political than commercial?

The Honourable Sir Muhammad Zafrullah Khan: Which matters?

Mr. T. S. Avinashilingam Chettiar: Matters of negotiation with Afghanistan.

The Honourable Sir Muhammad Zafrullah Khan: I really am unable to follow the Honourable Member. This question is confined to any commercial matters that may have to be discussed.

Mr. T. S. Avinashilingam Chettiar: May I know if it is not the case that the negotiations going on with Afghanistan on matters commercial and otherwise are being conducted by the Foreign Department because the matters in negotiation are more political than commercial?

The Honourable Sir Muhammad Zafrullah Khan: There are no negotiations going on between Afghanistan and this country.

REPORT OF MR. J. D. TYSON ON THE ECONOMIC CONDITION OF INDIANS IN THE BRITISH WEST INDIES.

1121. *Mr. S. Satyamurti: Will the Secretary for Education, Health and Lands please state :

- (a) whether the Government of India have now received reports from Mr. Tyson;
- (b) whether Mr. Tyson received an address from the East Indian National Union, asking for free homeward passages for all destitute and disabled Indians, grant of lands to immigrants who fulfilled indenture obligations and who continued residence without claiming a proportion of their return to India and money grant in lieu of land;
- (c) whether these demands will be pressed on the Government of the West Indies by the Government of India;
- (d) whether the address also requested the appointment of an officer with powers of the defunct office of the Protector of Immigrants;
- (e) whether Government propose to agree to that; if so, when; and
- (f) what is the policy of Government with regard to the repatriation of Indians from Jamaica?

Sir Girja Shankar Bajpai: (a) Some communications have been received from Mr. Tyson.

(b) and (d). Yes, on the assumption that the Honourable Member is referring to Jamaica.

(c) and (e). Mr. Tyson will give evidence before the Royal Commission on the condition of Indians in Jamaica also. Further action must await receipt and consideration of the Commission's Report.

(f) I would invite the attention of the Honourable Member to the reply given by me on the 7th of this month to part (e) of starred question No. 828 by Shrimati K. Radha Bai Subbarayan.

Mr. S. Satyamurti: With reference to the answer to clause (b) of the question, may I know whether the Government of India have now addressed the Government of Jamaica with regard to their obligation to grant lands to immigrants who have fulfilled the indenture obligations and who continued residence without claiming a proportion of their return to India and money grant in lieu of land?

Sir Girja Shankar Bajpai: The position with regard to that is this—I am speaking from memory—that actually the great majority of these people have already forfeited their right to come back to this country at the expense of the Government of Jamaica, but that does not dispose of the

equity of the question that these people should be given facilities for settling down on land, and that is the point which Mr. Tyson has been asked to press.

Mr. S. Satyamurti: With reference to the answer to clause (d) of the question, may I know whether the question of the appointment of an officer, as suggested in the question, is also to await the receipt of Mr. Tyson's report by the Government and the consideration by the Government of that report?

Sir Girja Shankar Bajpai: No, Sir, I think myself that the first step will be for Mr. Tyson to press this upon the colonial authorities themselves.

Mr. S. Satyamurti: So far as the Government of India are concerned, do they realise the necessity and desirability of having an officer of this type?

Sir Girja Shankar Bajpai: Yes.

Mr. S. Satyamurti: With reference to the answer to part (b) of the question, may I know if Government have any information or any machinery for collecting information as to the economic status and prospects of Indians repatriated from Jamaica and other countries to this country?

Sir Girja Shankar Bajpai: Well, Sir, it is not necessary to get any information from the other side; we have sufficient experience in this country of the lot of these men, to know that on the whole it is not desirable that unless they have resources to support themselves or friends in this country who will support them, these people should come back.

Shrimati K. Radha Bai Subbarayan: May I know if Government have seen the report of the proceedings of a meeting held in Calcutta recently at which the Mayor of Calcutta presided, and noted the remarks of the Lord Bishop of Calcutta and others with regard to repatriation, and may I know what Government are going to do about it?

Sir Girja Shankar Bajpai: I may inform the Honourable lady that that particular report has not escaped my notice; and, in so far as this particular question of repatriates that have collected in Calcutta is concerned, I would invite her attention to the full statement that I made on that question some time ago in this House.

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

OWNERSHIP OF LAND BY INDIANS IN TRANSVAAL.

1122. ***Mr. S. Satyamurti:** Will the Secretary for Education, Health and Lands please state:

(a) whether his attention has been drawn to the memorandum presented by the Agent General for India in South Africa to the Enquiry Commission on the ownership of land by Indians in Transvaal;

(b) at what stage the matters stand; and

- (c) whether Government have taken any steps to secure greater rights for Indians for securing landed property in Transvaal; if so, with what results?

Sir Girja Shankar Bajpai: (a) Yes.

(b) Government understand that the Commission has completed its report.

(c) The present position in regard to the rights of Indians to acquire immovable property in the Transvaal is summarised in the statement laid on the table of the House on 8th August, 1938, in reply to Mr. Deshmukh's unstarred question No. 50 asked on the 7th September, 1937. Further representations in regard to the ownership of land by Indians in the Transvaal, as the Honourable Member will appreciate, must await the report of the Transvaal Land Commission.

Mr. S. Satyamurti: May I know whether Government have received a copy of this report of this Commission which has been sent to the Transvaal Government?

Sir Girja Shankar Bajpai: Not yet, Sir.

Mr. S. Satyamurti: May I know if Government have made arrangements for securing the report and making their representations thereon to the Government concerned before that Government takes any step by way of implementing the recommendations of this Commission?

Sir Girja Shankar Bajpai: Our Agent-General in South Africa is alive to the desirability and necessity of having this report before any action is taken thereon.

Mr. S. Satyamurti: Have the Government of South Africa been told this, and have they agreed to stay their hands till this Government has had a reasonable opportunity of making their own remarks and their own representations with regard to the right of Indians to secure and own land?

Sir Girja Shankar Bajpai: I cannot remember any specific instruction to this effect to the Agent-General, but from past precedent I have no doubt whatsoever that he has already requested the Government of the Union to let us have this report and not to take any action thereon until we have had an opportunity of examining it.

Mr. S. Satyamurti: Will the Honourable Member be good enough to press on the Agent-General to approach the Government of Transvaal and get a guarantee that they will not implement the recommendations until this Government, which is vitally interested, has had an opportunity of making its representations?

Sir Girja Shankar Bajpai: I certainly shall have the Honourable Member's suggestion examined.

OWNERSHIP OF LAND BY INDIANS IN TRANSVAAL.

1123. *Mr. S. Satyamurti: Will the Secretary for Education, Health and Lands please state:

- (a) whether his attention has been drawn to the leading article in the *Johannesberg Star*, reproduced in the columns of the *Hindustan Times*;
- (b) what is the latest position as regards Indians' right to hold land in Transvaal; and
- (c) whether Government are pursuing the matter; if so, with what results?

Sir Girja Shankar Bajpai: (a) Yes.

(b) and (c). The attention of the Honourable Member is invited to the reply given by me just now to part (c) of his preceding question.

UTILISATION OF MOLASSES FOR MANUFACTURE OF POWER ALCOHOL.

1124. *Mr. C. N. Muthuranga Mudaliar: Will the Education Secretary please state:

- (a) the figures for the export of molasses from India during the years 1936, 1937 and 1938; and
- (b) whether Government propose to consider the advisability of taking steps for the utilisation of molasses in the manufacture of power alcohol?

Sir Girja Shankar Bajpai: (a) and (b). The attention of the Honourable Member is invited to the replies given to parts (c) and (d) of Seth Haji Sir Abdoola Haroon's starred question No. 582 on the 21st February, 1939.

Mr. Manu Subedar: Have Government had any communications on the subject of molasses between themselves and the companies producing oil in India or in Burma?

Sir Girja Shankar Bajpai: I could not answer that question without notice.

Mr. T. S. Avinashilingam Chettiar: May I know whether they have considered the reports from the United Provinces and Bihar regarding the use of molasses in this matter?

Sir Girja Shankar Bajpai: Sir, as my Honourable friend is aware, the report was submitted to the Governments of the United Provinces and of Bihar and in the first instance those two Governments have to consider the report.

Mr. S. Satyamurti: In view of the fact that the question of import duty on sugar is a matter for the Government of India and the use of molasses is a matter of vital concern to the future of the sugar industry in this country, may I know whether the Government of India are taking any steps by themselves with regard to the increasing use of molasses in this direction?

Sir Girja Shankar Bajpai: Inasmuch as the question of the utilisation of molasses was comprehensively reviewed, I understand, by the Committee appointed by the Governments of the United Provinces and Bihar, the question of independent action by the Government of India has not arisen.

Prof. N. G. Ranga: May I ask whether the Government of Mysore have embarked on a scheme for the manufacture of molasses?

Sir Girja Shankar Bajpai: I will require notice of that.

Prof. N. G. Ranga: Are we to understand that it is the policy of the Government of India not to do anything and leave it to the Provincial Governments to see whether they can do anything or not?

Sir Girja Shankar Bajpai: I did not say that.

Mr. S. Satyamurti: May I ask whether the Government of India will take steps by way of co-ordinating the knowledge available with regard to the use of molasses, in view of the fact that it is a matter of vital importance to a protected industry, the protection being given by this House, and by the Government of India?

Sir Girja Shankar Bajpai: On previous occasions I have informed the House what action the Government of India have taken through the Imperial Council of Agricultural Research to investigate the possibilities of the utilisation of molasses in this country. I am merely pointing out that this particular form of utilisation has been the subject of a separate inquiry by the two provinces which between them, I presume, produce something like 80 per cent. of sugar in this country.

RECONSTITUTION OF THE INDIAN ACCOUNTANCY BOARD.

1125. ***Mr. C. N. Muthuranga Mudaliar:** Will the Honourable the Commerce Member state:

- (a) if the reconstitution or reconstruction of the Indian Accountancy Board promised by the Honourable the Law Member during the discussions on the Insurance Act Amendment Bill in 1937 is now complete, and if not, when it is expected to be complete;
- (b) whether chartered accountants and incorporated accountants from abroad are given the right to practise in India as registered accountants as a matter of course, and if not, what restrictions are imposed upon them in the matter of practising in this country;
- (c) whether registered accountants in India, who have become registered accountants under the new rules are allowed similar liberty, if they wish to practise in England, Scotland or other parts of the Empire; and
- (d) if the answer to part (c) be in the negative, whether Government propose to take steps to enforce reciprocity of treatment?

The Honourable Sir Muhammad Zafrullah Khan: (a) No such promise was given by the Honourable the Law Member, in fact there was no Insurance Act Amendment Bill in 1937. The reconstitution of the Indian Accountancy Board, however, by the introduction of elective principle is expected to be complete by July, 1939.

(b) Chartered and Incorporated Accountants have to enrol themselves on the Register of Accountants maintained by the Central Government and obtain an Auditor's Certificate before they can practise in British India as Auditors of companies other than private companies.

(c) No.

(d) No.

Mr. S. Satyamurti: What does the answer "No" mean to part (c)? Does it mean that the registered accountants of India are not allowed to practise in England or other parts of the Empire?

The Honourable Sir Muhammad Zafrullah Khan: Not as such.

Mr. S. Satyamurti: Why do the Government of India not take some steps to restrict them in this matter and see that the accountants from other countries are not allowed except under restrictions which are placed on our accountants to practise in this country?

The Honourable Sir Muhammad Zafrullah Khan: The question is really not an easy one. I am afraid there would be at least two sorts of difficulties. First, reciprocity *vis-a-vis* certain countries may involve us in difficulties with regard to other countries where standards may not be the same as ours. Secondly, even with regard to countries mentioned in part (c), unless we had the same examination which they have, it would be difficult to try for reciprocity at the present moment.

Mr. S. Satyamurti: May I ask whether the Government of India will examine the question with regard to the second point mentioned by the Honourable Member and, if it can be done, enforce some of the restrictions, because it is a matter of self-respect of this country?

The Honourable Sir Muhammad Zafrullah Khan: I am prepared to examine the question of the qualifications and examinations.

Mr. Manu Subedar: Have Government considered and found that the standards of examination imposed on by the Accountancy Board in India are lower than those which are in the United Kingdom?

The Honourable Sir Muhammad Zafrullah Khan: That is a matter of opinion.

Mr. K. Santhanam: May I ask whether the chartered accountants coming from other countries have to register themselves under the Accountancy Board or not?

The Honourable Sir Muhammad Zafrullah Khan: I have said so in answer to part (b) of the question.

OVER-PRODUCTION OF SUGAR.

1126. *Mr. C. N. Muthuranga Mudaliar: Will the Honourable Member for Commerce please state:

- (a) whether any over-production has resulted in the matter of production of sugar during 1937 and 1938; and
- (b) if the answer to part (a) be in the affirmative, whether Government propose to consider the advisability of establishing sugar markets in Afghanistan, Kashmir, Nepal, etc.?

Sir Girja Shankar Bajpai: (a) and (b). The Honourable Member's attention is invited to the reply given to parts (e) and (a) of Seth Haji Sir Abdoola Haroon's starred question No. 582 on the 21st February, 1939.

Mr. S. Satyamurti: May I ask if any sugar is exported from India to Kashmir, Afghanistan and Nepal?

Sir Girja Shankar Bajpai: I could not say off-hand. I do not think there is much of an export.

Mr. S. Satyamurti: May I ask if the Government of India will examine the possibility of such an export, in view of the alleged over-production of sugar in this country with a view to establishing markets in these neighbouring countries?

Sir Girja Shankar Bajpai: If my Honourable friend will read the answer to which I have referred he will find that the phenomenon of over-production was limited to one year.

Mr. Abdul Qaiyum: If it is a fact that Afghanistan purchases Java sugar, could not the Indian sugar be substituted for it if suitable steps are taken?

Sir Girja Shankar Bajpai: I should hardly expect that, considering the disparities of prices.

ELECTION OF A NON-OFFICIAL CHAIRMAN TO THE BEAWAR MUNICIPAL COMMITTEE.

1127. *Mr. Sri Prakasa: Will the Secretary for Education, Health and Lands state:

- (a) if it is a fact that by a notification of the Chief Commissioner of Ajmer-Merwara, the Beawar Municipality was deprived of its right to elect a non-official Chairman;
- (b) the reasons for and the circumstances in which this notification was made;
- (c) if an official was nominated to be the Chairman of the Municipal Committee; and if so, who and why;
- (d) if the Beawar Municipal Committee and other bodies and individuals have made a representation to the Government desiring that the right to elect their non-official chairman should be given back to the Beawar Municipal Committee; and
- (e) if Government have considered these representations; and if so, what decisions they have taken in this behalf?

Sir Girja Shankar Bajpai: (a), (c) and (e). The attention of the Honourable Member is invited to the reply given by me on the 13th February, 1989, to question No. 348 asked by Prof. N. G. Ranga.

(b) The Chief Commissioner took action on a representation from the majority of the members of the Beawar Municipal Committee that, in view of the unsatisfactory state of Municipal finances and the mishandling of Municipal affairs, an experienced official should be appointed Chairman of the Committee.

(d) The reply is in the affirmative so far as the Beawar Municipal Committee is concerned. Public opinion is not unanimous in this matter; one section has asked that the notification should be cancelled while others demand continuance of the official Chairman.

Prof. N. G. Ranga: How long is this notification to be continued?

Sir Girja Shankar Bajpai: It depends on how long these divisions of opinion continue.

Mr. Abdul Qaiyum: May I ask if the demand for an official Chairman was made by the majority of nominated or the elected members?

Sir Girja Shankar Bajpai: I think that on the occasion when the representation was made, the demand was made by a majority which included elected members.

Mr. Abdul Qaiyum: May I ask what is the proportion of elected to nominated members in this Municipality?

Sir Girja Shankar Bajpai: I could not say that without notice.

Prof. N. G. Ranga: Do Government propose to hold an election on this particular issue and have a referendum?

Sir Girja Shankar Bajpai: I do not think that the elaborate machinery of a referendum is necessary to ascertain the views of the community in such a small Municipality.

Mr. S. Satyamurti: May I ask whether Government have any information as to the extent and the representative character of public opinion which wants the continuation of an official Chairman?

Sir Girja Shankar Bajpai: The position, as far as I can make out, is that there is a very strong cleavage of opinion on communal lines on this matter.

Prof. N. G. Ranga: Is it not a fact that the only elected member who had at that time disagreed with the other elected members had later on recanted his opinion and has expressed his willingness to have an elected Chairman in preference to the official Chairman?

Sir Girja Shankar Bajpai: I have no definite information about the recantation or re-affirmation of his views by an individual member. I have referred to the main factor of the situation which has influenced the Local Administration in maintaining the existing order.

Prof. N. G. Ranga: What is the term of office for this appointment of Chairman?

Sir Girja Shankar Bajpai: There is no question of a term of office. He continues in his appointment until he is replaced by another Chairman.

SCHOOL FOR THE CHILDREN OF THE GOVERNMENT OF INDIA PRESS
EMPLOYEES, NEW DELHI.

1128. ***Mr. Sham Lal:** Will the Honourable the Labour Member please state:

- (a) whether there is any school for girls and boys in the vicinity of Press area for the children of the employees of the Government of India Press, New Delhi; if not, why not;
- (b) whether the Honourable Member is aware that according to the recommendations of the Royal Commission on Labour each and every factory should be supplied with schools in the vicinity of the factory; and
- (c) whether the Honourable Member proposes to take necessary steps in the matter?

The Honourable Sir Muhammad Zafrullah Khan: (a) Municipal and private Primary Schools for boys and girls already exist within a radius of half a mile from the Government of India Press, New Delhi.

(b) I would invite the attention of the Honourable Member to recommendations Nos. 6 and 7 of the Royal Commission on Labour and their discussion on the "Assignment of Responsibility" on page 28 of their Report.

(c) Does not arise.

DISPENSARY FOR THE GOVERNMENT OF INDIA PRESS EMPLOYEES, NEW DELHI.

1129. ***Mr. Sham Lal:** Will the Honourable the Labour Member please state:

- (a) whether it is a fact that the working hours of the Government of India Press, New Delhi are 8 A.M. to 4-30 P.M. and in busy season up to 8 P.M.;
- (b) whether it is a fact that the working hours of the Irwin Hospital, New Delhi, are from 8 A.M. to 12 in the morning and 4 P.M. to 5 P.M. in the evening;
- (c) how it is possible for the Press employees to enjoy the medical facilities of the Irwin Hospital in view of the working hours being the same;
- (d) whether it is a fact that a dispensary and a medical officer, with staff is attached to the Government of India Press, Calcutta; and

- (e) if the answer to part (d) be in the affirmative, whether Government propose to take similar steps in respect of the Delhi Press; if not, why not?

The Honourable Sir Muhammad Zafrullah Khan: (a) Yes so far as the industrial staff is concerned. The office hours of the clerical staff are from 10 A.M. to 5 P.M.

(b) These are the hours of attendance for out-door patients.

(c) Permission is granted freely to employees requiring medical attention at the Irwin Hospital to leave the Press during working hours.

(d) Yes.

(e) A doctor visits the New Delhi Press every alternate day to attend to the medical needs of the employees and his prescriptions are dispensed at the Irwin Hospital. A labourer is employed at Government expense to obtain medicines from the hospital. Government consider these arrangements adequate.

PENSION AND LEAVE, ETC., OF PIECE-WORKERS IN THE GOVERNMENT OF INDIA PRESSES.

1130. ***Mr. Sham Lal:** Will the Honourable the Labour Member please state :

- (a) whether the piece-workers in the Government of India Presses are permanent employees of the Government;
- (b) whether piece-workers are entitled to pension, gratuity, leave on average pay and medical leave, like the salaried employees; and
- (c) why the piece-workers of the Government of India Presses are not allowed Sunday and other holidays with payment at their class rates?

The Honourable Sir Muhammad Zafrullah Khan: (a) Mostly yes.

(b) Yes, but the leave rules applicable to salaried employees and piece-workers are different.

(c) The general principle underlying the piece system is that remuneration depends on outturn. Piece-workers in the Government of India Presses are, however, allowed to set off the leave on average pay admissible to them against gazetted holidays actually enjoyed and the days so set off are paid for.

Mr. K. Santhanam: May I ask whether a minimum amount of work is given to the piece-workers every week.

The Honourable Sir Muhammad Zafrullah Khan: I am afraid I could not say that without notice.

PAY OF LABOURERS IN THE GOVERNMENT OF INDIA PRESSES.

1131. ***Mr. Sham Lal:** Will the Honourable the Labour Member please state :

- (a) what is the minimum pay of the labourers employed in the Government of India Presses; whether it is not a fact that the labourers who are paid from the Contingent Grant are engaged on Rs. 12 a month;

- (b) whether it is also a fact that they are not entitled to any single day's leave and if they fall sick or remain away on domestic affairs even for a day their pay is deducted; and
- (c) whether Government propose to increase their pay and bring them on the same footing as the inferior servants of other offices?

The Honourable Sir Muhammad Zafrullah Khan: (a) Rs. 12 per mensem. Yes.

(b) Yes.

(c) Government will consider the question so far as it concerns leave.

Mr. S. Satyamurti: In fixing Rs. 12 a month, have Government considered the question whether it is a living wage for these people?

The Honourable Sir Muhammad Zafrullah Khan: It is very difficult to express an opinion.

Mr. S. Satyamurti: May I know whether Government have considered the point raised in clause (b) of the question that they are not entitled to any single day's leave, and if they fall sick or remain away on domestic affairs even for a day their pay is deducted?

The Honourable Sir Muhammad Zafrullah Khan: I have said Government will consider this question so far as it concerns leave.

Mr. S. Satyamurti: With reference to part (c), may I know whether Government will consider the question of increasing their pay and bringing them on the same footing as that of the inferior servants of other offices of the Government of India?

The Honourable Sir Muhammad Zafrullah Khan: I shall look into that also.

Mr. K. Santhanam: May I know whether the wages of piece-workers are calculated on Rs. 12 monthly basis?

The Honourable Sir Muhammad Zafrullah Khan: This question relates to labourers.

Mr. K. Santhanam: The wages for one class of labourers depends on that of the other classes of labourers. I want to know whether the rate fixed for piece-workers is governed by the rate of these labourers?

The Honourable Sir Muhammad Zafrullah Khan: This question has nothing to do with piece-workers.

Mr. S. Satyamurti: It includes all labourers. Piece-workers are employed in the Government of India Press also. We want to know what is the minimum pay per day or per hour whichever is the unit of calculation for piece-workers as compared with labourers?

The Honourable Sir Muhammad Zafrullah Khan: I would require notice.

PROPAGANDA WORK FOR INDIAN COFFEE.

1132. *Mr. Lalchand Navalrai (on behalf of Dr. F. X. DeSouza): (a) Will the Honourable the Commerce Member place on the table of the House a statement showing the income of the Coffee Cess Committee during the last three years and the expenditure on propaganda work in (i) the United Kingdom and (ii) India?

(b) Will the Honourable Member please state what are the results of the propaganda in the shape of increased consumption in (i) the United Kingdom, (ii) foreign countries and (iii) India?

(c) Is it a fact that the Committee has recently decided, at the instance of manufacturers of Coffee powder, to withdraw the subsidy hitherto granted to the United Coffee Planters Association, Critmagalur, for propaganda purposes? If so, why?

(d) When is it proposed to start propaganda for popularising the use of coffee in Northern India?

The Honourable Sir Muhammad Zafrullah Khan: (a) I place on the table of the House a statement giving the information required.

(b) I would invite the attention of the Honourable Member to the annual report of the Indian Coffee Cess Committee for 1937-38, a copy of which is available in the Library of the House.

(c) Yes, as contrary to the policy laid down by the Committee the Association's own proprietary brand was being pushed to the exclusion of others.

(d) Certain propaganda work has already been or is being done in Northern India and the question of more permanent arrangements is under the consideration of the Committee.

Statement showing the total income and expenditure of the Indian Coffee Cess Committee and the money spent on propaganda work in the United Kingdom and in India during 1935-36 to 1937-38.

	Income.	Total. Expenditure.	Expenditure on propa- ganda.	
			U. K.	India.
	Rs.	Rs.	Rs.	Rs.
1935-36 (1st December, 1935 to 31st March, 1936)	37,900	9,263	..	2,461
1936-37	*1,53,607	71,195	17,908	35,044
1937-38	*1,47,093	90,424	25,890	45,452

*Including carryover of balance.

INDUSTRIAL RESEARCH FOR THE UTILISATION OF ECONOMIC RESOURCES OF INDIA.

†1133. *Mr. Akhil Chandra Datta: Will the Honourable the Commerce Member please state:

(a) whether Government's attention has been drawn to the following resolution passed by the Federation of Indian Chambers of Commerce and Industry at their annual meeting held in April 1938:

†Answer to this question laid on the table, the questioner being absent.

"This Federation draws the attention of Government to the need of proper industrial research for the utilisation of the economic resources of the country and suggests that such research should be directed to practical objects and should be related to the industrial needs of the country and that its results should be given as wide publicity as possible.

This Federation also recommends that the Industrial Research Bureau should have a larger element of non-official representation of commercial and industrial interests so as to make it a more useful body and that its activities should be mainly directed towards the achievement of the object"; and

- (b) whether Government have applied their mind to the recommendation contained in the said resolution; if so, what action Government have taken, or propose to take, to give effect to the recommendations in the two parts of the resolution?

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

(b) Yes. In view of the constitution and functions of the Industrial Research Bureau and the Industrial Research Council, Government came to the conclusion that no action was called for. I would, in this connection, invite the attention of the Honourable Member to the answers given to starred question No. 615, part (c) of starred question No. 444, and parts (c) and (d) of starred question No. 1769 by Mr. Mohan Lal Saksena on the 3rd March, 1938, 24th August, 1938, and the 5th December, 1938, respectively. The question of widening the publicity arrangements of the Bureau was discussed at the Fourth Session of the Industrial Research Council, copies of the proceedings of which are available in the Library of the House. Steps have already been taken to carry out the recommendations of the Council arising out of this discussion.

DEVELOPMENT OF INDIGENOUS INDUSTRIES.

†1134. ***Mr. Akhil Chandra Datta:** Will the Honourable the Commerce Member please state:

- (a) whether Government's attention has been drawn to the following resolution passed by the Federation of Indian Chamber of Commerce and Industry at their annual meeting held in April 1938:

"This Federation is of opinion that with a view to conserve and utilise to best advantage the meagre financial resources of the country and having regard to haphazard development of some of the indigenous industries, such as, jute, flour and sugar, the Government of India should, in the greater interest of the country, take the initiative, in collaboration with the Provincial administrations, to devise suitable machinery for reviewing the development of indigenous industries and for evolving a well laid-out plan for their systematic expansion";

- (b) whether the recommendation made in the aforementioned resolution has been examined by Government;

†Answer to this question laid on the table, the questioner being absent.

- (c) whether Government propose to implement the said recommendation; if not, why not; and
- (d) whether Government have taken, or propose to take, any action to achieve the object which the Federation has in view?

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

(c) and (d). No. The Honourable Member's attention is invited in this connection to the replies given to parts (a) and (b) of his starred question No. 51 on the 4th February, 1939.

ENQUIRY INTO THE CONDITION OF MINOR INDUSTRIES.

†1135. ***Mr. Akhil Chandra Datta:** Will the Honourable the Commerce Member please state:

- (a) whether his attention has been drawn to the resolution passed by the Federation of Indian Chambers of Commerce and Industry in April 1938 protesting against suspension by Government of the Departmental enquiry instituted by them with regard to the condition of small industries as affected by Japanese competition;
- (b) whether Government are aware that the said competition still persists in certain industries;
- (c) whether Government are prepared to consider the desirability of taking steps for the resumption and completion of the enquiry at an early date; and
- (d) whether Government are prepared to consider the advisability of setting up a Permanent Board to carry on a regular enquiry into the condition of small and middle size industries with a view to finding out ways and means of stabilising them and affording protection to them from foreign competition?

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

(b) and (c). I would refer the Honourable Member to the answers given during the current Session to Mr. Manu Subedar's question No. 472 and its supplementaries, and also to the supplementaries arising from Mr. Satyamurti's question No. 1025.

(d) No, Sir.

1136. ***Mr. Abdul Qaiyum:** This question (No. 1136) has been answered already and I, therefore, do not propose to ask it again.

SUBJECTION OF INTERESTS ON STERLING LOANS TO INCOME-TAX.

1137. ***Mr. C. N. Muthuranga Mudaliar:** Will the Honourable the Leader of the House please state:

- (a) whether sterling loans of the Government of India earn interest in this country;

†Answer to this question laid on the table, the questioner being absent.

- (b) whether they are not charged income-tax in India; and
 (c) whether the Government of India propose to recommend to His Majesty's Government to so amend the Government of India Act as to enable the Government of India to subject the interests on sterling loans to Indian Income-tax?

The Honourable Sir Nripendra Sircar: The question should have been addressed to the Honourable the Finance Member.

PROPOSAL TO ACQUIRE LAND NEAR OKHLA IN DELHI.

1138. *Mr. Badri Dutt Pande: (a) Will the Honourable Member for Labour be pleased to state if he has seen a report under the caption "Acquisition of land" published in the *Hindustan Times* of the 21st February, 1939, stating that some land near about Okhla is being acquired by Government for road purposes against the will of the people?

(b) How much land is being acquired and for what purposes?

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

(b) I would invite the attention of the Honourable Member to my reply to Mr. Brojendra Narayan Chaudhury's starred question No. 972, dated the 10th March, 1939.

Mr. Badri Dutt Pande: Is it a fact that Government propose to acquire 600 feet broad piece of land along both sides of the metalled road at Okhla?

The Honourable Sir Muhammad Zafrullah Khan: I have no information.

Mr. Badri Dutt Pande: How much land is being acquired?

The Honourable Sir Muhammad Zafrullah Khan: I have answered that. I am not aware that any land is being acquired.

Mr. Brojendra Narayan Chaudhury: Is it a fact that as stated in a later statement Government have some intention of acquiring lands on the road sides in the vicinity of Delhi for the future expansion of New Delhi?

The Honourable Sir Muhammad Zafrullah Khan: I cannot answer for anybody's intentions. There has been no decision.

EXPORT OF INDIAN TOBACCO TO THE UNITED KINGDOM.

1139. *Mr. Manu Subedar: (a) Will the Honourable the Commerce Member please state how much Indian tobacco has been exported to the United Kingdom during the last three years for which figures are available, and how much to other parts of the world during the same period?

(b) What is the mode of sale? Is it the same as in the case of rubber and tea, *viz.*, by consignment to London and a sale in the open market or through brokers?

(c) Have any complaints been heard with regard to the quality of Indian tobacco reaching the United Kingdom?

(d) Have any recommendations been made on this subject by the Agricultural Marketing Adviser to the Government of India, and what steps are being taken by Government to enforce such recommendations with regard to tobacco shipments leaving this country?

Sir Girja Shankar Bajpai: (a) A statement is laid on the table.

(b) A considerable quantity of tobacco is purchased in India by manufacturers for shipment on their own account. But some tobacco for sale in the United Kingdom is usually exported on consignment basis, to be sold through London or Liverpool brokers and leaf merchants. All sales are privately made and not through auctions or such other means.

(c) Until recently the bulk of Indian tobaccos shipped to the United Kingdom was considered unsuitable in flavour for the manufacture of cigarettes but there is now a growing volume of evidence that Indian light flue-cured virginia tobacco, being neutral in flavour, is definitely suitable for blending with other grades. Another factor which affected the prices fetched by Indian tobaccos in the United Kingdom was its uncertain quality due to lack of standard grades.

(d) The Honourable Member's attention is invited to the relevant portion of the reply given to Mr. C. N. Muthuranga Mudaliar's starred question No. 569 on the 21st February, 1939.

Statement showing the quantity of unmanufactured Indian tobacco exported to the United Kingdom and other parts of the world during the years 1934-35, 1935-36, 1936-37 and 1937-38 (provisional).

Place of Export.	Year.			
	1934-35.	1935-36.	1936-37.	1937-38. (Provisional)
	lbs.	lbs.	lbs.	lbs.
United Kingdom	9,260,053	11,702,386	13,298,043	21,127,700
Other parts of the world	15,089,234	17,040,242	15,227,761	21,332,100

Mr. Manu Subedar: With reference to part (d) of the question "what steps are being taken by Government to enforce such recommendations with regard to tobacco shipments leaving this country", may I ask what powers do the Government of India possess in order to enforce this recommendation on the shippers?

Sir Girja Shankar Bajpai: It depends upon what recommendation my Honourable friend has in mind. The only legislation that I am aware of was the one which this House passed two years ago with regard to grading. The Government have set up certain grading extensions, but grading is not obligatory.

Prof. N. G. Ranga: What steps do Government propose to take in regard to the grading of tobacco and thus eliminate the most unsuitable kinds of tobacco from being exported?

Sir Girja Shankar Bajpai: As my Honourable friend will find if he refers to the answer which I gave to Mr. Muthuranga Mudaliar last month, two grading stations have been established by Government.

Prof. N. G. Ranga: Is the Honourable Member aware of the fact that this Agricultural Marketing Adviser when he visited Guntur did not announce the meeting that he was holding with the merchants there with the result that the tobacco-growers who are really interested in the matter did not have proper notice and therefore could not meet him.

Sir Girja Shankar Bajpai: I am not aware of that particular fact.

USE OF REFRIGERATING VANS.

1140. *Mr. Brojendra Narayan Chaudhury: Will the Secretary for Education, Health and Lands please state:

- (a) what efforts have been made by the Imperial Council of Agricultural Research to develop refrigerated rail transport, and for how long and with what results;
- (b) where the refrigerating vans are in use and for what articles; and
- (c) where and to what extent refrigerating vans are in use in (i) East Bengal, (ii) North Bengal and (iii) Assam, for (1) fish, (2) oranges and (3) pine-apples; if not, why not?

Sir Girja Shankar Bajpai: (a) A statement is laid on the table.

(b) and (c). These questions should have been addressed to the Honourable Member for Railways and Communications.

Statement.

In co-operation with Defence Department and the Railway Board a refrigerated van working on the eutectic tank principle was designed and constructed during 1937-38. Tests of the insulation and temperature range inside the van were carried out during the summer of 1938 with the controls set for low temperature such as are required for meat and fish. The van was then modified for fruit and vegetable transport. Running tests were carried out with vegetables viz., cabbages, peas, beans, and tomatoes between Rawalpindi and Landikotal. A van load of fruit mainly peaches but including some packages of grapes was then sent from Peshawar to Bombay and the fruit sold in Bombay. A return load of potatoes was sent to Peshawar. A further stationery trial was carried out at Rawalpindi on tomatoes. The experiments were all technically successful so far as the condition of the commodities transported was concerned and the fruit sold at good prices. The commercial results were not so satisfactory and there is some doubt whether this type of van is suitable except when running between a chain of refrigerated stores with pre-cooling equipment at the point of loading. A further commercial experiment is under consideration. A different type of van to use 'dry ice' was to be constructed but completion was held up owing to difficulties in making arrangement for dry ice supplies. The Imperial Council of Agricultural Research experiments are designed to secure the basic data which any commercial undertaking would require. To the same end cold storage and gas storage experiments are in progress at Poona and Lyallpur as described in the Annual Reports of the Council. The first set of experiments at Poona has been completed and a bulletin is now in press.

Mr. Brojendra Narayan Chaudhury: Are Government satisfied that in these areas there are plenty of these articles, oranges and pine apples seeking refrigerated transport which besides giving increased price to the grower would at the same time cheapen the price in Calcutta and other outside markets?

Sir Girja Shankar Bajpai: I dare say in the producing areas when there are sufficient supplies of oranges, pine apples, etc., for transport, these vans will be supplied.

Dr. Sir Ziauddin Ahmad: Do Government make any attempt to see that copras are transported from Malabar to Delhi because there is a large demand for copra in Delhi?

Sir Girja Shankar Bajpai: I cannot answer the question with regard to copra.

Dr. Sir Ziauddin Ahmad: Whether Government have made any attempt, yes or no?

Sir Girja Shankar Bajpai: If my Honourable friend is referring to the provision of transport facilities for moving copra, I suggest that he should address the question to the Honourable Member for Communications.

Dr. Sir Ziauddin Ahmad: Did the Agricultural Marketing Board move in the matter?

Sir Girja Shankar Bajpai: I want notice.

Prof. N. G. Ranga: Is it the policy of Government to see that increased numbers of refrigerated carriages are placed at the disposal of people in different parts of the country so that they may transport perishable food-stuffs, like fish, etc.?

Sir Girja Shankar Bajpai: I should like my Honourable friend to appreciate the distinction between the policy of the Railway Department and the policy of the Department for which I speak. We are merely concerned with experiments of a certain kind and I have given the information with regard to these experiments. To what extent the Department of Communications can assist and to what extent the Provincial Governments responsibility is involved, these are questions which I cannot answer.

Mr. Brojendra Narayan Chaudhury: Is the Honourable Member's Department responsible for marketing?

Sir Girja Shankar Bajpai: My Honourable friend is quite wrong in thinking that the Government of India are responsible for marketing; within the provinces, the provinces are.

Mr. S. Satyamurti: May I know whether the experiments are purely academic experiments to satisfy scientific curiosity, or whether they are experiments intended to be carried into effect and proper results of these experiments are to be made available for marketing these produce by means of refrigerated vans and so forth?

Sir Girja Shankar Bajpai: If my Honourable friend will do me the honour of reading the statement which I have laid on the table, he will find that the experiment which was financed by the Imperial Council of Agricultural Research was designed definitely to ascertain the possibilities of commercial transport by refrigerated vans. It was not an academic investigation.

Mr. S. Satyamurti: If that is so, what are the steps taken by his Department in co-operation with other Departments for translating the results of these experiments in terms of commercial transport actually?

Sir Girja Shankar Bajpai: It so happens that this particular experiment did not prove commercially successful.

GOVERNMENT SERVANTS LENT TO INDIAN STATES.

1140A. *Mr. Manu Subedar: (a) Will the Honourable the Leader of the House please state in how many Indian States the services of Government servants on active list have been lent?

(b) From which Departments of Government are these services given?

(c) Is it necessary for an Indian State employing a retired Government servant on pension to ask for permission of the Paramount Power to give him employment?

(d) How many of these Government servants lent to Indian States are working as Dewans?

The Honourable Sir Nripendra Sircar: (a), (b) and (d). The information is being collected and will be supplied in due course.

(c) The consent of the Crown Representative is necessary for the employment in Indian States of—

- (i) European British subjects on a salary exceeding Rs. 700 per mensem;
- (ii) Retired members of the Indian Civil Service;
- (iii) Retired officers of the Indian Political Service; and
- (iv) Retired military officers, whether European British subjects or Indians, who have held the King's Commission in the regular forces, whose services are required in a military capacity;

Provided that in the last three cases enumerated above the officer to be employed is not a subject of the employing State.

Mr. Manu Subedar: Is it a fact that during the last five years a very much larger number of Government servants have been requisitioned than during the previous five years?

The Honourable Sir Nripendra Sircar: Without notice I cannot say whether it is a fact or fiction.

Mr. S. Satyamurti: Are there any conventions or conditions under which persons on the active list of Government service in the Government of India are lent to Indian States, or are they lent whenever the Indian States ask for such services?

The Honourable Sir Nripendra Sircar: I am not aware of any conventions.

Mr. S. Satyamurti: Are there any conditions or rules by which Indian States are entitled to the services of persons in the active list of Government service here, whenever they ask for them?

The Honourable Sir Nripendra Sircar: Of course, they are not entitled as a matter of right to get anybody from anywhere.

Mr. S. Satyamurti: Do the Government of India automatically lend the services of these people whenever they are asked for it, or do they consider the requirements of these services and the requirements of the State and then decide?

The Honourable Sir Nripendra Sircar: No. The Government of India does not act as an automaton; but it applies its mind to the particular question which arises.

Mr. K. Santhanam: May I know whether, when a retired Government servant takes service under a State, he is entitled to the full pension from the Government of India?

The Honourable Sir Nripendra Sircar: That my friend will give me notice of.

POSTPONED QUESTION AND ANSWER.

SENDING OF TROOPS TO INDIAN STATES.

[Postponed
from 7th
March 1939.]

316. *Mr. T. S. Avinashilingam Chettiar: Will the Honourable the Law Member state:

- (a) under what treaties or conventions the Government of India are obliged to send troops to Indian States; and
- (b) in cases in which troops are sent, how the expenses are met, *i.e.*, by the Government of India or by the States?

The Honourable Sir Nripendra Sircar: (a) The treaties and conventions are between the States and the Crown as the Paramount Power. So far as the Government of India is concerned, under section 286 (1) of the Government of India Act, 1935, the supply of armed assistance by them to the States becomes a duty when the Crown Representative requests the assistance of such forces for the due discharge of the functions of the Crown in its relations with Indian States.

(b) On this point, I invite the Honourable Member's attention to the reply given to question No. 974 by Mr. Mohan Lal Saksena on 10th March, 1939.

Mr. T. S. Avinashilingam Chettiar: If I remember aright, the answer to that question was that the allocation of expenditure was under consideration by the Government of India.

The Honourable Sir Nripendra Sircar: There was no such general answer. As regards the particular matter about which I was asked, the answer is perfectly correct: it was under consideration.

Mr. T. S. Avinashilingam Chettiar: On the general question, I want to know whenever troops are sent to Indian States, how are the expenses met?

The Honourable Sir Nripendra Sircar: I have answered that question fully.

Prof. N. G. Ranga: Generally speaking, under what circumstances are these troops to be supplied by the Paramount Power to the Indian States? Does it entirely depend on the recommendation made by the Crown Representative or are there any conditions stipulated which must be satisfied before these troops can be supplied?

The Honourable Sir Nripendra Sircar: If my Honourable friend had listened to my answer to part (a), he would have seen that it is a matter for the Crown Representative to consider.

Mr. S. Satyamurti: With reference to the answer to clause (a), apart from the Crown Representative's requiring the Government of India to send troops, may I know if the Government can throw any light as to the existence of treaties or treaty obligations, under which the Crown Representative or the Government of India is obliged to send troops to Indian States?

The Honourable Sir Nripendra Sircar: So far as I recollect, there are treaty obligations only with reference to some States and not with all; but I am sorry I cannot tell you the names because I do not remember them as to which are the States with which there are such obligations.

Mr. S. Satyamurti: Are there any States in respect of which there are treaties which cast on the Paramount Power or the Crown Representative an unconditional obligation to send Indian troops for the protection of the Indian States?

The Honourable Sir Nripendra Sircar: There cannot be any unconditional obligation. The word "unconditional" is not right. The treaties provide on what conditions, that is to say, whether for preventing outside attack and so on, the troops have got to be sent. So far as I recollect, speaking from memory, there is no treaty where unconditionally troops have got to be sent simply because the Rulers ask for them.

Mr. S. Satyamurti: Apart from treaties, may I know whether the Government of India have any information and can share the information with this House, as to any other obligations which are cast on the Crown Representative or the Government of India with respect to which troops have to be sent?

The Honourable Sir Nripendra Sircar: I have nothing to add to the answer I have given. Our obligations are under section 286 (1).

Mr. T. S. Avinashilingam Chettiar: With reference to the answer to part (b), the answer was given on the 10th March when we were not here: may I request you to read that answer again?

The Honourable Sir Nripendra Sircar: I have not got it here.

Mr. Abdul Qayum: May I know if there is any instance where troops have been sent to a State with which the Government of India were not under any treaty obligation to do so?

The Honourable Sir Nripendra Sircar: I want notice of that question.

UNSTARRED QUESTION AND ANSWER.

INCONVENIENCES OF PENSIONERS IN THE GOVERNMENT OF INDIA PRESS, NEW DELHI.

35. Maulvi Muhammad Abdul Ghani: (a) Will the Honourable the Labour Member please state whether he is aware that pension cases of the Delhi Press employees who retire from service are kept in abeyance and delayed with the result that the pensioners have to experience a good deal of troubles on account of money?

(b) If the reply to part (a) be in the affirmative, what remedy do Government propose in respect of early disposal of such cases?

The Honourable Sir Muhammad Zafrullah Khan: (a) and (b). Instructions were issued last year for the expeditious disposal of pension cases which are now disposed of with the least possible delay.

ELECTION OF MEMBERS TO THE STANDING COMMITTEE FOR THE DEPARTMENT OF COMMERCE.

Mr. President (The Honourable Sir Abdur Rahim): I have to inform the Assembly that up to 12 noon on Wednesday, the 15th March, 1939, the time fixed for receiving nominations for the Standing Committee for the Department of Commerce, four nominations were received. Subsequently one member has withdrawn his candidature. As the number of candidates is now equal to the number of vacancies I declare the following non-official Members to be duly elected, namely:

- (1) Mr. J. D. Boyle,
- (2) Mr. T. S. Avinashilingam Chettiar, and
- (3) Mr. H. A. Sathar H. Essak Sait.

ELECTION OF MEMBERS TO SERVE ON THE STANDING COMMITTEE FOR ROADS.

The Honourable Sir Thomas Stewart (Member for Railways and Communications): Sir, I beg to move:

"That this Assembly do proceed to the election, in such manner as the Honourable the President may direct, of six members to serve on the Standing Committee for Roads which will be constituted to advise the Governor General in Council in the administration of the Road Fund during the financial year 1939-40."

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

"That this Assembly do proceed to the election, in such manner as the Honourable the President may direct, of six members to serve on the Standing Committee for Roads which will be constituted to advise the Governor General in Council in the administration of the Road Fund during the financial year 1939-40."

The motion was adopted.

ELECTION OF THE STANDING FINANCE COMMITTEE FOR RAILWAYS.

The Honourable Sir Thomas Stewart (Member for Railways and Communications): Sir, I beg to move:

"That this Assembly do proceed to elect in such manner as may be approved by the Honourable the President, 11 members from the Assembly who shall be required to serve on the Standing Finance Committee for Railways, as provided for in clause 6 of the Resolution adopted by the Legislative Assembly on the 20th September, 1924, on the subject of the separation of Railway Finance."

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

"That this Assembly do proceed to elect in such manner as may be approved by the Honourable the President, 11 members from the Assembly who shall be required to serve on the Standing Finance Committee for Railways, as provided for in clause 6 of the Resolution adopted by the Legislative Assembly on the 20th September, 1924, on the subject of the separation of Railway Finance."

The motion was adopted.

ELECTION OF THE CENTRAL ADVISORY COUNCIL FOR RAILWAYS.

The Honourable Sir Thomas Stewart (Member for Railways and Communications): Sir, I beg to move:

"That this Assembly do proceed to elect in such manner as may be approved by the Honourable the President, six non-official members from the Assembly who shall be required to serve on the Central Advisory Council for Railways."

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

"That this Assembly do proceed to elect in such manner as may be approved by the Honourable the President, six non-official members from the Assembly who shall be required to serve on the Central Advisory Council for Railways."

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim): I may inform Honourable Members that for the purpose of election of Members to the Standing Committee for Roads, the Standing Finance Committee for Railways and the Central Advisory Council for Railways the following dates have been fixed for receiving nominations and holding elections, if necessary, namely:

	Date for nominations.	Date for election.
(1) Standing Committee for Roads.	20th March, 1939	22nd March, 1939.
(2) Standing Finance Committee for Railways.	20th March, 1939	22nd March, 1939.
(3) Central Advisory Council for Railways.	24th March, 1939	27th March, 1939.

The nominations will be received in the Notice Office up to 12 Noon on each day appointed for the purpose. The elections which will be held between the hours of 10-30 A.M. and 1 P.M. in the Assistant Secretary's Room in the Council House, New Delhi, on the above-mentioned dates will be conducted in accordance with the principle of proportionate representation by means of the single transferable vote.

THE INDIAN FINANCE BILL.

The Honourable Sir James Grigg (Finance Member): Sir, I move:

"That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the incidence and rate of excise duty on *khandsari* sugar leviable under the Sugar (Excise Duty) Act, 1934, to vary certain duties leviable under the Indian Tariff Act, 1934, to fix maximum rates of postage under the Indian Post Office Act, 1898, and to fix rates of income-tax and super-tax be taken into consideration."

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

"That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the incidence and rate of excise duty on *khandsari* sugar leviable under the Sugar (Excise Duty) Act, 1934, to vary certain duties leviable under the Indian Tariff Act, 1934, to fix maximum rates of postage under the Indian Post Office Act, 1898, and to fix rates of income-tax and super-tax be taken into consideration."

Mr. Bhulabhai J. Desai (Bombay Northern Division: Non-Muham-
madan Rural): Sir, I rise to commence the debate on the consideration of the Bill which has been formally moved by my Honourable friend, the Finance Member, more or less on an invitation which he extended *in absentia*, to take his own description, when the souls of many of us were away and the bodies of others were in fact away. I only hope and trust that, during the time when our souls were away, they did not hover over his own soul, such as there exists or can exist in a Finance Member of this type, and did not create a nightmare of a worse character. But, in any case, I am glad that my Honourable friend recognised that it is possible sometimes to love the presence of those whom you otherwise hate. I can only understand one reason that a vital person rather likes a good fight than the kind of fight that he thinks he has had during the course of the smooth debate, when he gave his budget estimates and presented them before the House. Anyway, I hope and trust that when he replies to this debate as he has promised in his last part to do, he would be a little nearer to what he calls the factual realities than he allowed himself to do by masquerading as a supporter of many interests which would cease to be his care and protection in a very few days from now on.

The Finance Bill which has now been brought in with a view to give effect to the replenishing of the treasury, which my Honourable friend is going to leave to his successor in a few days, is one which I think, if he himself examined it, he would find it difficult to support. And I say that not merely as a matter of what my friend would probably attempt to get off with by saying that we were talking with our tongue in our cheek, but really if he applied his mind to the considerations which I hope to place before the House this morning, he cannot excuse himself by saying that these are considerations which a particular body of men otherwise called "Masters" have put forward before. I can tell him that he certainly has much more inexorable and involuntary masters whose results he has produced before this House, and that he cannot merely content himself by saying that if a body of merchants have considered certain points of view arising out of this budget, in as much as this body of merchants have put forward the proposals, if we find that some or many of them are right, therefore, the answer is adequate that

they come from, what he thinks is, a contaminated source. Let me assure him that whatever contamination his socialistic tendency may see in them they have gone through the filter of patriotic men's minds; and, therefore, so far as we present them it would be no answer on his part to say that they originally originated from a turbid source.

So far as the main points in the budget are concerned, I propose to take them, not as a trained financier which I am not but at least as one trained in presenting the results of other financiers before many tribunals times without number. For the first time my Honourable friend has presented, what he calls a necessitous but a deficit budget; and it behoves this House to examine whether in doing so he has done justice to this country and done justice to the interests involved in the manner in which he proposes to pilot the taxation at one end and create what he calls conservative, imaginative estimates of income for the following year. And I shall take them under three principal heads, so that I may be able to present them, at all events to the House, and for an answer to him before this debate concludes. It will also serve as an indication, so far as we are concerned, of what we expect him to do by way of such amendments as might be carried in the Bill that he has now presented.

I am aware of his inexorable denial in the matter of accepting anything that we do in this House, but nonetheless we do our duty still not without hope, if that expression may be permitted. He first talked about the anticipated receipts from the biggest source of income, namely, the Customs duties. In that hope it is right to point out that he may easily be excused for considering that the general trend of trade in the following year might be such that he should be careful, that he should even be cautious. It is rather curious to observe that a man can combine not merely a dual but a triple personality, not only Dr. Jekyal and Mr. Hyde, but Mr. Hyde No. 2 in the consideration and presentation of the two aspects of the budget. He is conservative when he comes to estimating income, he is socialistic when it comes to putting his hands into other peoples' pockets, and he becomes worse than a prodigal's son when it comes to expenditure. It really astounds me how a person can, withstanding the flexibility of mind, let alone the heart which does not exist in this issue,—that with that flexibility of mind he can combine such three strange personalities. Look at the first one, namely, his estimates of income. He says, "Oh, the trade is in a bad way and I am not expecting very much out of it. Therefore, so far as the actuals of the last year are concerned, I will try and abate a little but very little, and hope that events will turn out right." But in one particular matter where I will presently read the answer which he purported to give, I submit to the House that it does not require the necessity of being a prophet in order to show that he is wrong, for I believe I can easily return the compliment inasmuch as every man who looks into the future, for the purposes of estimating either expenditure or income, is to that extent a prophet, and if I may return the compliment to him, it is no use arguing with a prophet except that he should be disbelieved, and that is what I ask the House to do. He says, for example, to take only one instance, namely, his estimates of sugar duty. He has presented to the House an estimate which, I think, on his own showing, cannot possibly be right. It falls short of the reasonable expectation by at least 150 lakhs, for it is not controverted as an item in the argument, namely, that this year by reason of shortage of cane crop in the country the estimates of the outturn are not expected to exceed 7½ lakhs to talk in commoner language, rather

[Mr. Bhulabhai J. Desai.]

than seven hundred and fifty thousand. He has not controverted the fact that the consumption in this country of sugar has exceeded ten lakhs, and taking again a conservative estimate, I will only take it as nine, possibly on the ground that there is a certain amount of increase in the price and the trend that we see today. But taking it even at that, I am quite certain that he must be aware what $7\frac{1}{2}$ lakhs can produce in the shape of excise duties and what $1\frac{1}{2}$ lakhs can produce at 145 per ton. It is arithmetic in which he is a great adept, but it does not require much knowledge, much mathematical knowledge in order to understand the total. In the attempted answer that he made, he says, "Oh, I am not quite sure as to whether there will be any foreign imports at all." And when he was told on good authority, and since then I have seen a better authority, that already there have been contracts entered into for the import of Java sugar, nearly exceeding the amount of one lakh of tons, he said "Oh, but the contracts can be cancelled." I dare say that answer can be given under any conditions, under any circumstances. But he has not shown, could not possibly show that those contracts were purely speculative with a view to gamble in futures, for the very simple reason that the deficit in the outturn here necessitates those contracts and necessitates the implementing of those contracts. If that is true, as each one of these premises is almost beyond dispute, it is obvious that instead of showing a deficit of 50 lakhs as he estimates, if he had more correctly estimated the income under this head, he would have had not merely not a deficit but a surplus to the extent of a 100 lakhs or so. But he would listen to no argument, prophet that he is. All that we can do is to disbelieve his figures, not merely on the ground that in this case there is nothing that requires either a prophecy or a judgment that is likely to be faulty or a ground that can be controverted. We have the figures of ten years' consumption. We have a yield for this year which is not in dispute, and it can only be made good by import of sugar, and if that is so, what excuse is there in order that he may be able to present this budget and saddle us with a form of duty in order to make it good, to which I shall come later. Confining myself, therefore, merely to this one item, it is obvious that the budget figures which have been presented and the items included in the Finance Bill, cannot possibly acquire the support of this House.

For example, though it is a very small item indeed, I must remind the House of the fact that he hopes to get a paltry sum of what he calls $5\frac{1}{2}$ lakhs of taxation of *khandsari* sugar. I quite agree that if there was a deficit budget, a genuinely deficit one,—I can understand his licking probably the last drop out of the plate. But when that is not the fact I cannot understand why there was any occasion now to hit all the small factories, some of them in urban areas no doubt, but many of them in rural areas indeed. It is a type of sugar which is consumed by the poorer man and there is no reason for my Honourable friend to impose this burden. But in order only—I do not say that he is arguing backwards, I do not impute any dishonesty of mind, namely, I do not suggest that he first said, "Let me have a deficit budget, and to meet it, I will lay a burden that would not be right"; I would not suggest it. But in what mood or manner he approached the issue in order to produce something for which he had to find a remedy is a point and a process, which I submit respectfully, I cannot understand. I hope and trust that he will answer

all the three premises which alone can lead him to the conclusion that his estimate of income from sugar duty cannot possibly stand the strain of a genuine examination by what he would call dry reason, dry, that is to say, without any sympathy, and reason, which in this case, I am afraid, he would not be able to persuade. But the fact remains that under this head alone we are in a position to point out that there is, at all events, a hundred lakhs more in it and not a deficit of 50 lakhs which he makes out. It also makes it necessary for me to emphasise this fact, because when we come to other aspects of the Finance Bill, in particular the salt, and the postcard, my Honourable friend will naturally ask me, where am I to find the money from? This time fortunately his estimates, being in question, he has not spent all that he would otherwise have got. We are at least fortunate in this year, having caught him, if he will allow me to say so, on the hip, because if we can show him the sources which he has genuinely and actually under-estimated, then he cannot get away with the fact, "I cannot balance my budget and, therefore, I cannot accept your amendments". I think, therefore, that he must be aware, unless he can satisfactorily answer this, he would have to accept many of the amendments which in previous years he said he was unable to accept because in those years we had no occasion and could not rightly question his estimates of income. This year we are on that extremely strong ground that we are in a position to question the income that he expects, and, therefore, I am in a position to point to those sources of income in order that he may be able to implement the amendments which may be and I trust would be carried by this House. So far about the biggest source of income namely, the customs duty. I come now to income-tax.

My Honourable friend cannot possibly deny that we have not grudged him any assistance in reviving if you like, rejuvenating if you like, or revitalising if you like, this particular source of income over which he was very solicitous when he was serving in England and he became more solicitous after coming here, and before he has departed he has the satisfaction that he has placed or assisted in placing on the Statute-book an Act to his own liking. But when he has got it he does not seem to think that he is going to produce what he promised the House he was going to produce and what, I, at all events, honestly believed he was going to produce.

Now, as regards income-tax, there are three items. I think I can easily understand the sketchy speech which he delivered, seeing that he had to skate over thin ice and he could not put his foot firmly on any spot whatsoever. When it comes to income-tax he estimates the income as if nothing had occurred except what he calls a possible depression in the trade and, therefore, he says: "I cannot do very much better than last year, perhaps a little better." Now, let us examine very closely what has happened as the result of this Income-tax Act. First, as to the new sources of income. He taxes Trusts in a manner in which, as the House is now aware, it has become practically impossible to escape tax for most persons who used to divide their properties in order that either a lesser scale might be employed or that they might escape taxation altogether. I am betraying no confidence when I say that he has stated in this House that taxing those Trusts which are largely intended for the purpose of a device in order to escape income-tax would be a very substantial source of income. I will not tell you how much he estimated because that might be regarded as a matter of . . .

12 Noon.

The Honourable Sir James Grigg: That provision was massacred.

Mr. Bhulabhai J. Desai: My Honourable friend is entirely wrong in saying so. I know he has got many excuses and can find many excuses and he would be driven to it. What is the massacre? The clause which my friend wanted was that every Trust, revocable or irrevocable, genuine or otherwise, should be taxed as though it was the income of the settlor. The House has certainly the right to say that a Trust is a Trust and that it is a device to escape income-tax is a proposition which even my friend would not be able to assert before this House. The only qualification that this House made was merely this

The Honourable Sir James Grigg: That was quite a lot.

Mr. Bhulabhai J. Desai: If my friend is always displeased, I cannot help him, and after the speeches that we have made, there will be no opportunities to displease him. In so far as the qualifications are concerned, they still leave out the Trusts which can be reasonably regarded as Trusts and not intended to be a device for escaping. But that is not all. My Honourable friend nearly cried and went out of this House. He wanted us to tax all foreign income, irrespective of the question whether they are brought into the country or not. He had his way and the picture of the spoilt child has still, I believe, not disappeared from the appearance of this House. Anyway, he got all the foreign incomes taxed. In addition to all that, he got what he called a tightening of the machinery. He got other advantages which he cannot forget—the right to treat unregistered firms as registered and *vice versa*, as it suited him for the purpose of taking more money out of trade profits. Having got all that and having promised that: 'if you pass this measure it is going to produce a lot more money' he comes to this House as if nothing had occurred. And not only that. He went further and said: 'Oh, the specimen rates in the report of the inquiry committee are not merely specimens. They are actuals.' If they are actuals, I do not mind so far as he is concerned but let us examine these results. Before I go on to examine these results, I wish to point out that there is one matter at least in which he would admit his error. He bases his estimates of income-tax on a conservative calculation as he calls it, for the reason that he imagines that trade might be or would be in a bad way and that there is a tendency to that effect. My Honourable friend is aware, even better than myself, that so far as the income of this year from income-tax is concerned, it would be based on the probabilities of last year and last year was a good year, as he himself has admitted in his speech.

The Honourable Sir James Grigg: I did nothing of the sort.

Mr. Bhulabhai J. Desai: He might re-read his speech and, after all is said and done, I need not rely on his admission each time. I am here to stand before this House and say that his complaint that a descending scale cannot produce the results he wants would have no meaning or substance, unless it implied and necessarily implied an admission that the previous year was certainly better than this year and so long as the previous year was better, he had no right to say that the estimates that he has given before this House are the estimates which can be regarded as correct. My friend certainly knows what are the reasonable expecta-

tions from this source of income-tax. Most of the companies and most of the tradesmen would have run the previous year out by the 31st March and there again lies concealed an error. It is an error. If it is done with knowledge it is worse. There lies concealed an under-estimate which he cannot possibly defend. Therefore, the first point is that there is a clear under-estimate on a proved ground so far as income-tax is concerned. It is equally an under-estimate on the further three grounds, namely, additional sources of income which have been created as the result of the Income-tax Act. If my friend is satisfied with nothing, as I said, being a prophet, we can only disbelieve him. We have put our faith in him involuntarily and I hope he would not betray it. There is still time for him to retrace his steps, because, as and when amendments are carried, he would not be able to say and need not say: 'I have not got the money in order to provide for the needs'. Further, during the course of the income-tax debate—it may or may not have amounted to an engagement—he often said: "I have now presented to this country a great present, a parting gift—the slab system. I am going to provide that the poorer people pay less and the richer people pay more". He always appeals, whenever an appeal is needed, in a tone not merely of great bravery but of great commiseration and he said: "Here are 93 lakhs who are going to be saved by the lowering of the tax for the poor and by taxing the richer more. He has filled his pocket further by berries which I believe he has not counted. I am quite sure he knows that he has taken a much larger percentage by way of income-tax by following the schedules and I believe that adding what should be added and deducting what should be deducted, the amount is something like 56 lakhs of rupees. So that, to summarise the income-tax position, it stands this way. First his basis of estimate is wrong, in that the basis of taxation of the previous year is certainly a better year than the new one is expected to be. It is, secondly, wrong in that it has not taken into account the foreign income, the Trusts, the right to treat black as white and white as black, according as it suits the authorities in the case of firms' profits, and he has tightened up the machinery in order that more money may come in, and on the top of all that, he has not merely made up the lost income by being the protector of the poor and taxing the rich but he has taxed the rich to an extent for which the only plea he can put forward is—'all of it I am not going to get, a part of it is going to the provinces'

The Honourable Sir James Grigg. All of it.

Mr. Bhulabhai J. Desai: Except the Corporation-tax, and I shall come to it presently,—but I quite agree that, except the corporation-tax all of it will go to the provinces, but whether he did it as a friend of the provinces or whether he did it in order that the industries of the country might well bear the strain a little more, he had a choice of two arguments. I do not deny that the provinces want money, but you must also remember that while on the one hand the provinces want money, you may not so tax a source of income as that while in one year you may get money you might begin to put pressure on those industries which are just on the margin of success in order that they may strangle. Again here I wish to say this that that may not have been the intended result, but it is one thing to say you are malicious in a particular point, while it is a different thing to say that if you have missed the point of the results,

[Mr. Bhulabhai J. Desai.]

they require to be reconsidered as well. You cannot put a tax and get away with the argument that while on the one hand I recognise the consequence I do not cry the provinces are getting. That is hardly an argument which will satisfy the House, but the fact remains that my friend has taken 56 lakhs more than the 98 lakhs that was required for the purpose of providing the deficit which would arise as the result of lighter taxation on smaller incomes.

This brings me, Sir, to the replenishment of his own source, of his own pocket, in the shape of exemption from super-tax on corporations which he has taken away. Look at the way in which he puts it in his speech in a single sentence—"It is also proposed to abolish the Rs. 50,000 exemption limit for the companies super-tax". That single sentence requires a good deal of consideration and contains in it a great deal more than what the few words composed of it. Imagine a Finance Minister coming before this House and saying 'for the purposes of gaining 21 lakhs as income, I wish to run wild in this particular matter, for this very good reason that the companies which had an income of Rs. 50,000 and less were exempt from this one anna super-tax'. The better industries can bear it, but it is just smaller industries whose income is less than Rs. 50,000 which are in fact hit, so far as this particular removal of exemption is concerned. Has my friend considered that apart from the 3, 4 or 5 major industries of this country, all the other industries are struggling in order to grow and rise, and is he really solicitous of the progress of this country in the matter of numerous smaller industries, or is it just enough for him to say: "My word is law, and if this House won't pass it, there will be somebody else who will endorse my views"? That, I say, is not the spirit in which he should consider the whole matter. This method of taxing by way of super-tax the smaller industries with an income of less than Rs. 50,000 is a very disastrous step to take, which is going to produce Rs. 21 lakhs for him. All that, according to him, would be necessary in view of the deficit Budget . . .

The Honourable Sir James Grigg: May I correct a misapprehension? The Rs. 50,000 exemption applies to the big companies as well. I cannot give him the figures, but the greater part of 21 lakhs comes from the removal of the exemption, and, therefore, his argument that I am taking 21 lakhs extra from small companies is quite wrong.

Mr. Bhulabhai J. Desai: My friend can easily misunderstand me if he wants to. I suggested 21 lakhs to come from the source. The point is I quite agree that the Rs. 50,000, which actually escaped, will be taxed. I do not deny that the larger industries will be taxed, not merely the excess, but the whole including the Rs. 50,000. I am sufficiently intelligent to understand it even though a single sentence was used, and that sentence was: 'It is also proposed to abolish the Rs. 50,000 exemption limit for companies super-tax'. I think those words are quite plain, and, therefore, I am under no misapprehension as to the true meaning and effect of the removal of this exemption. But the point is not to be measured, as my friend would have it measured, by the fact that 21 lakhs are going away. That is not the point. My friend is entirely mistaken in that. The point of the argument is that, while the larger companies may pay,—that is to say, supposing the income is 20 lakhs, they

will pay on all the 20 lakhs, and not on 19½ lakhs, I quite appreciate it—the point of the argument is that while the larger companies may pay, companies whose income is Rs. 50,000 or less, have got to pay an anna as income-tax, which means six per cent. of the profit. Now, how many industries are there in this country whose profits, if they are reduced by six per cent. can continue to flourish or to grow? My friend, therefore, must remember that an anna in the rupee is six per cent., and very few industries in the world can exist on a six per cent margin of profit. My friend, therefore, cannot get away with a supposed confusion, which at all events did not exist in my mind, and which, I believe, the House fully appreciates. In fact, I rather welcome this in order that I may be able to explain to the House much better the fullest implication of the additional one anna which you find in the Schedule of the companies—under exemptions, “rate of tax one anna in the rupee of the whole income”—that is the short laconic way in which it is expressed, but it involves this,—and, here also, I appeal to his sense of dry reason again, whether he can possibly be right in taking away a margin of six per cent. profit from smaller industries which cannot possibly bear that strain? I think the House will agree with me that in so far as the second source of income is concerned, my friend is as much in error as to the people and the classes from whom he gets it as the one to which I referred. Taking the rest of the expected income of my friend, he can deal with the larger capitalists as well as he likes, but I should like to point out to him, for his satisfaction, that on the scale which he has now adopted and which is a part of the Finance Bill, the balance of the income over Rs. 15,000 is going to be taxed at Rs. 0-2-6 in the rupee, but the balance of the income beyond four lakhs is going to be taxed at seven annas in the rupee. So he has the satisfaction of knowing, before he leaves the shores of this country, that the richer people, people like my friend, Sir Cowasji Jehangir, for example, will fortunately pay him at the rate of Rs. 0-9-6 out of 16 annas in the rupee. There is your schedule, and it is this

The Honourable Sir James Grigg: I am afraid the Honourable Member has not really studied the slab system sufficiently carefully.

Mr. Bhulabhai J. Desai: My friend gets away with the fact that with each of those items there is a separate I am not unmindful of that, but the income above your last slab will bear the tax of Rs. 0-9-6

The Honourable Sir James Grigg: I agree.

Mr. Bhulabhai J. Desai: Every time my friend misunderstands me what can I do? In the hope that once at all events he will be able to get up and say: ‘I am the Finance Minister, I alone understand these matters, these amateurs don’t understand anything.’ This time at all events I hope he will not get away with it. I have understood the slab system I am not one of those unintelligent persons who are prepared to support a measure without understanding its fullest implications, but the fact remains that the last slab, if I may call it the last straw.

An Honourable Member: The last slap.

Mr. Bhulabhai J. Desai: I quite agree that the last slap is a good one and a strong one,—that, so far as the last slab is concerned, the two annas six pies and the seven annas would mean an average of nine annas six pies out of sixteen annas—a rate of taxation which he cannot possibly call light. I leave it at that. So far as I am concerned, I have made the points which I wish to make. I am not grudging him the income from these rates; the criticism is only this that at all events I understood, when the Income-tax Act was passed, that he would take from them just enough to make up the loss to the extent to which he would relieve the poor, but he has taken more, and to that extent I have made the point and it is for the House to consider whether the rich man ought to continue to pay that more. In so far as the smaller companies are concerned, the complaint I make is serious and intended for the purpose of enabling this House to appreciate the disastrous consequences of that loss of margin of profit and which those smaller companies would probably be entirely unable to bear. Therefore, it appears to me—and I hope and trust that the House is now in possession of the facts—that if you take these two sources of income alone, my Honourable friend would have had, at all events, three to four hundred lakhs in his hand but he would and he must necessarily under-estimate, either as I said in a conservative spirit for fear lest his successor might say, “I have got a legacy of—I won’t give a description of that—from this man who preceded me”,—but that is not the way in which to treat this House and this country.

There is another matter to which I wish to come in so far as the estimates are concerned. This House carried the Resolution a short time ago for a cut in the salaries of those beyond Rs. 200 and my Honourable friend at that time, I think, made a speech which I recollect very well and to which I attempted to reply that even from the point of view of his Indian colleagues who are remunerated just as highly as himself, this was so, but the fact remains that if this country has got to get on, there is an immediate source of income in the sense that it is really a depletion from the expenditure side. You may say that it is almost paradoxical to call it a source of income but still it would be on the plus side as and when it can be done and the ten per cent. cut which we then brought before this House would have produced at all events another two hundred lakhs or so. My Honourable friend says next that it may require a voluntary sacrifice on the part of some of them who may plead a contract. I do not deny that for a moment but the issue is not today as to whether they will do it or not. The issue is whether you are or you are not going to allow this circumvention of your sacred contracts or you are going to yield to the needs of the country whom you pretend to have served and which would then not be your land of regrets. If you continue to sponge on it and go out as rich and as fat as you are, you cannot very well say that you have served the country well. Sir, this is an appeal which I can certainly honestly make to all my Honourable friends on the other side to make a self-denying ordinance, and it is not so self-denying. If you are going to take away a six per cent. profit from companies by way of taxation from small, growing and struggling companies, then you can take this away from those whose salaries are in the neighbourhood of £6,000, talking in English money,—and I may remind my Honourable friend that when he goes back home to his new job, I believe his salary would be about one-third of his present one. I am informed his salary is about £2,200.

An Honourable Member: More, £3,000.

Mr. Bhulabhai J. Desai: If he gets more, I wish him joy, and if he is going to get £8,000.

The Honourable Sir James Grigg: And a higher income-tax.

Mr. Bhulabhai J. Desai: may I appeal to these friends of ours that in the land of their birth which is one hundred times as rich as this country they can afford to serve on one-half the salaries here, and if we only now ask them to serve on 9/10ths of their salary, is it really too much of a demand on their generosity? Therefore, it is perfectly obvious, that here is a Resolution which they might well have carried. To my Indian friends I appeal that it is no emulation for them to say that "unless our salaries are equal to those of our European colleagues, our prestige would suffer". Let me tell them that their prestige will go up one hundred per cent. if by way of a spirit of sacrifice they showed the example and I have not the smallest doubt that this country would not then be a land of regrets to them. Of course, they have sponged on it enough and will continue to do so even in their dim happy retirement in their own motherland, but I have not the smallest doubt that if this particular Resolution had been given effect to, a sum of two hundred lakhs would have been saved out of the expenditure of the Government of India. Therefore, all we do in this House is to make this appeal and I hope and trust it will not merely not fall on deaf ears but it will not fall on minds entirely impervious to all sense of generosity, sense of propriety and sense of service and sacrifice.

When we come to the expenditure side, I have no desire to go over the ground of the army expenditure. A cut was moved and other discussions took place, but I am one of those who do not feel that he is called upon to give any explanation as to why I refer to a subject, debated though it might have been numerous times in this House before. Some of my friends on the other side, whenever a cut is moved or an argument is advanced, say, "oh, it is our old friend of twenty years". They hardly realize, when they say that, that they are really accusing themselves, that for twenty years they have recurringly committed the same grievous error and that throws a heavy responsibility upon us. You cannot get away with the idea and have our friend the Commerce Member or anybody else sitting here complacently and saying, "here is our old friend of the previous year". I would then turn to him and say, if he were present here, "you are trying to get as much as you can out of the poor people of this country. If there is a recurring sin, there must be a recurring protest, and a recurring atonement." My friend will probably say that "I am merely saying that it is a repetition of the previous year". By that, as I said, he is not improving his position but actually excusing himself. Let my friends search their own hearts and reconsider what they say so complacently when we say and complain of the same things year after year, which means that they have remained un-reformed over a period of twenty years, as, otherwise, matters would not have to be repeated. We, therefore, do plead that notwithstanding the percentages given by my Honourable friend in his reply that whereas India pays four per cent. of her national income for the purpose of army expenditure, England pays 12½ per cent. But does he know that

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four per cent to a man on Rs. 6 a month represents something which is much more vital than 12½ per cent. to a man whose income is 12 times the income of the poor of this land? 12½ per cent. on Rs. 75 a month represents a very different thing in human life and in human necessities than four per cent. of Rs. 6 a month. Therefore, my Honourable friend cannot get away with all these figures of percentages. It has been the sin of the statistician, ever since he was born, that he thinks that he can get away with ideas of this kind. It is said that a statistician can prove anything, but he cannot prove anything he likes to those whose minds are weary and whose hearts are lacerated by the poverty of this land. Therefore, four per cent. on Rs. 75 a year is not the same thing as 12½ per cent. on Rs. 900 a year and that is our grievous complaint, in so far as this head is concerned. In so far, therefore, as the services are concerned, I have appealed to them to the extent to which it is possible for a man to do. I am appealing not merely to their emotion but to their sense of justice, to their sense of propriety and to the sense of the widest possible gulf between the lives which they now lead and the lives of the poorest of their land. Here are two sources from which we can cut down our expenditure according to the needs and also according to our capacity. Do not merely plead a need but also consider the capacity that we possess before you plead this matter any further.

That brings me to the manner in which the supposed deficit, which I have pointed out to the House does not exist, is tried to be made up by my Honourable friend. My Honourable friend has imposed an additional cotton duty and hopes to produce 50 lakhs out of it. I am one of those who certainly believe that if by a gradual process we can reduce and even eliminate foreign cotton being spun and woven into cloth in this country in order that we may to that extent reduce our foreign obligations, I should be very glad. If we are seeking also to encourage an immediate change of the growth of the staple, I should like my Honourable friend to tell me the chemistry or whatever else the science may be which is peculiar to this business by which the 50 lakhs that he proposes to take away will lengthen the staple of the cotton either in the south or in the north or in the centre. I do not know of any such chemistry. I know that it is a gradual process and I have myself pleaded for it. I am one of those who believe that in course of time it is the one means that must be adopted. But I must also ask my Honourable friend whether it is wise to bring it up on the 17th of March when the Indo-British agreement is going to expire on the 31st of March? Is it wise for him to have anticipated that agreement and actually load the dice against this expenditure? Undoubtedly, it is a very unwise thing to have done. He cannot possibly deny that the estimates vary. People whom he calls the masters estimate it at eight per cent. I do not. He estimates it at three per cent.

The Honourable Sir James Grigg: Their estimate is eight per cent on cotton, and I agree with that.

Mr. Bhulabhai J. Desai: I am going to deal with it in a moment. There is no misunderstanding about it. I estimate it at four per cent. as against three of my Honourable friend. There is not time enough

to weary the House with figures but it is undoubtedly four per cent. on finished cloth and seven per cent. on yarn. My Honourable friend can, in his study, take the figures and verify if I am not nearer right. Probably when he replies at the end of four days he will tell me if I was right. Whether it is a wise measure for him to have given a benefit or advantage of four per cent. not merely to Lancashire but to Japan as well, is a matter for the House to consider when the clauses of the Finance Bill are considered and amendments moved as to what extent and in what manner this matter is to be dealt with. I am not denying that there was a plausibility about this particular source of taxation, but my plea before the House is that there being no deficit, no taxation of this sort or the creation of a new tax was needed. The argument is two-fold. If I am right in saying that you could have had six crores by the proper handling of sugar, a better estimate of the income-tax and by foregoing a little of your emoluments, where was the need for you to produce 50 lakhs by this source of taxation? I want to emphasise it over and over again, and I shall have to say more about it when the amendments come to be considered by the House, that there is more than enough money in this budget to provide for all the amendments that were carried in previous years. This year the money has only been concealed in order to frighten us and we do not propose to be frightened.

There is one other consideration of a financial and economic character which I wish this House to bear in mind. Every year our balance of trade is declining against us and is it a wise thing, so far as we are concerned, that he should heap on burdens at a time when he ought to be more careful about it. After all, the credit of a Government is one thing because they can squeeze the last ounce of the tax in order to meet their obligations. But, very often, in this country, though not in England, the credit of the Government is not the same as the credit of the people themselves, and in order to raise or maintain one, you cannot trifle with the other. It is a consideration of grave importance. It is only because the Government happens to be a Government alien in spirit that such a thing becomes possible at all, that, while the credit of the Government rises the credit of the country begins to become lower and lower. That can happen by a false taxation to the limit of the last endurance and that is what I want as the last consideration for my Honourable friend to bear in mind when he answers if he, at all events, cares to answer. I dare say he will probably get up and say as he said just now 'I move the consideration of this Bill'. At the end of the debate he will say 'I take away the Bill because you will not give me all that I want'. If he does that, I dare say it would be an easy way of doing his job. But I think he owes it to us that in so far as we have helped him this time and in so far as we have been as concrete as any man can be, he will see the justice of being able to say: "Yes, I was wrong in calling it a deficit budget. There is lot of money in it and the amendments might be allowed." That is the hope that I have.

Before I conclude, Sir, there is one other matter that I wish to allude to. I cannot possibly conclude in a debate on the Finance Bill without referring or reviewing what I may call the achievements of my friends opposite in the year under review, for, after all, it is by what they have done or pretended to do in the right direction that they would be measured. Thinking of that, it is a sorry tale of a lamentable failure. It is not

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merely a phrase but it is a feeling that we strongly and honestly entertain. And it is out of the mouths of my own friends that I propose to show how the last year has been a lamentable failure. I do not propose to call attention to the foreign policies in which we are tacked on as a pawn. That is a matter much too serious which will require a long debate in order to be able to appreciate it. The last two days events have altered conditions in the world and I do not know in what form and in what manner they are going to affect us as a pawn in the game of the British Imperialism. But I will leave that aside though we are unwilling sharers in all these burdens and obligations and miseries which may arise out of that situation. My Honourable friends last year congratulated themselves on the Munich pact and asked me to applaud it. I was a disbeliever, not merely an unbeliever in the utility of that measure. Now, we have had Mr. Chamberlain himself saying that the Munich pact is a dead thing. I wish he had realised it six months earlier. Coming nearer home, at all events, Sir Aubrey Metcalfe told the House that in so far as the situation on the Frontier is concerned, notwithstanding the recurring additional expenditure of nearly two crores, things have not gone on happily at all. In other words he stated there are no results. If that is all what the Foreign Secretary has been able to achieve with the aid of the strong arm of the military for which we pay, my Honourable friends cannot congratulate themselves on the achievements under this head. Neither can my Honourable friend, the Member for Communications, in the light of the disasters which are the subject matter of investigations—with the one more which is going to be investigated in a short time—nor my Honourable friend, the Finance Member, with the last kick of the last slab or the last sorry tale with which he is going to depart, can congratulate himself.

So far as my Honourable friend, the Home Member, is concerned, with the Provincial Governments functioning, he can have the sleep of the just. There is one other matter which I should like to refer and that is the matter which the House has debated often. My Honourable friend, the Secretary for the Department of Education, Health and Lands, will say that he is tired of the subject being brought often and often. I am afraid they are paid to be tired, at least that is the least part of it. As regards Indians overseas, the situation is deteriorating every day, and I submit I can justly join, even as a matter of amusement or diversion, on an issue of this character. I feel deeply that the Government of India have not done the least bit. I do not say and I do not charge that they have not made any effort. I take every word of my Honourable friends opposite that they have made every effort, but, after all is said and done, it is but a poor consolation to those who pay crores of rupees a year to maintain this structure of Government to be able merely to account: while the thing is coming, you are told, 'well I am sure it is coming, I will investigate and I will enquire into this'. One fine morning it has come. When it has come, we say, how did it come. The Government say "we made an effort and it came and now what can we do?" That is the sorry tale of the deteriorating position of Indians abroad. It is to the credit of the patriotism of our countrymen that in one place while the Government will not do anything, our countrymen there achieved all that was necessary or possible to achieve. It is the Zanzibar issue on which the Government of India stood almost on the fence, at least so

far as one can judge from outside declarations and steps taken. Ultimately, the merchants of Zanzibar who made Zanzibar what it is, before even the Britisher put his foot there, but when the Britisher went there as their protector and has remained there as their destroyer, it is only the patriotic sacrifice of the Indians, both in Zanzibar and in the City of Bombay and in other important centres of India, that enabled the merchants in Zanzibar to achieve any measure of relief which I cannot say is enough or full. But you go further south into that country which has been parcelled out into red, green, blue and many other colours including Tunis about which I read an incursion of forces according to the statement of the Foreign Minister in England which is by no means very friendly—undoubtedly, these things are very forbidding. Therefore, it appears to me that in so far as the situation overseas is concerned, Indians have not only been treated worse and worse every year, but Government, at all events, notwithstanding their repeated efforts, have achieved next to nothing so far as I am concerned.

Lastly, I come to the League of Nations and our withdrawal from which, at all events, would have saved the *khandsari* his expenditure. We are contributing to the League of Nations in the neighbourhood of ten to eleven lakhs of rupees and the poor *khandsari* would not have had to be taxed to the tune of 5½ lakhs if only we had retired from this joke which is really tragic. I, therefore, tell my Honourable friend that the Government of last year, however complacent they may be in their achievements, have, in the eyes of India, been a thorough and lamentable failure, and I ask them in conclusion to beware and conclude with the words "The Ides of March have come and not passed."

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

The Assembly re-assembled after Lunch at a Quarter Past Two of the Clock, Mr. S. Satyamurti (one of the Panel of Chairmen) in the Chair.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): Sir, there are some features of the Finance Bill and the Budget for which I think our thanks are due to the Finance Member, and there are other features about which he will hear a considerable amount of criticism and condemnation. The five features which I desire to speak about today are, the defence budget, retrenchment of 118 lakhs in the civil budget, the big drop in the Customs duty, the phenomenal rise in the income-tax and the duty on raw material to make up the so-called deficit.

First, coming to defence, you will all remember, Sir, that there is a rise of 100 lakhs in the present year. The real rise is 216 lakhs but there is so-called retrenchment of 116 lakhs. We are thankful for small mercies but we realise that it is due in part to abandonment and in part to postponement of mechanisation of the army. In the coming year the Finance Member budgets for the same figure as the original budget of the present year. But he gets £2,650,000 from the Imperial Government. A certain number of troops are transferred to the Imperial establishment and he draws on the military sinking fund to the extent of 49 lakhs. Now, Sir, with regard to the £2,650,000, £500,000 is the recurring grant. for

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the rest he expects to get a similar amount next year. The transfer of some part of the troops is a permanent retrenchment, but I am rather surprised that the Finance Member should have gone in for such unorthodox finance as drawing upon sinking funds for ordinary expenditure. The sinking fund is never meant for ordinary expenditure and I think the Finance Member would have held up his hands in horror if any non-official Member had suggested such a measure to fill up the gap. I well remember his strong opposition to financing the construction of a whole city, which generations are going to use, out of loans. He insisted upon doing it out of revenue. And now I find him laying hands on the sinking fund for ordinary expenditure. Sir, it is difficult to understand the working of the Finance Member's mind. When he is in difficulties he will lay his hands upon anything; but if the Opposition, in order to spend money on some nation-building department, desires him to spend a little more and points out to him that he ought to spend out of capital when he is spending out of revenue, he will not give in. He will then put up a strong fight and he will go as far as certification. Now, I can point out to him that orthodox financier as he is he draws upon sinking funds. But the real point about this defence budget is that unless there is some disarmament programme in Europe or we sail into smoother waters, it appears to be quite clear that our defence budget will go up in a year or two, and unfortunately for us the Finance Member will not be here then but will be thousands of miles away and we shall have to face the extra expenditure. This is the moral I draw from the defence budget, although I will again repeat that we have to thank him for having kept the figure this year to that of last year.

Then coming to the retrenchment of 118 lakhs in the civil budget I am quite prepared to give the Finance Member his due. He foresaw what was coming with the customs duty. He took the matter in hand in time and he forced a retrenchment for two years,—the past year and the present year,—to the extent of 118 lakhs. That retrenchment again is not real retrenchment but to a great extent it is a postponement of civil works. But if such civil works can be postponed for two years there is nothing to prevent the next Finance Member from insisting upon a further postponement until better times come.

Now, with regard to the big drop in Customs of 367 lakhs in the present year, we have got to condole with the Finance Member and condole with ourselves. We have got to meet it; but my complaint is that although that downward grade began in January of 1938 and continued up to three months ago, for the coming year, the Finance Member takes the figures of the revised estimate for the present year *minus* 35 lakhs; that is to say, he expects an improvement of only 35 lakhs in the coming year as compared with the present year. I think he has got something up his sleeve there. Rupees 35 lakhs is not sufficient and, I believe, he can well look forward to getting a crore back out of the 367 lakhs that he lost in the present year. He did not foresee this loss. It was a very sudden and unforeseen decline. But the tide has turned,—he admits it; anybody can see that from the figures that are presented to us, if he chooses to study them. And if the tide continues to go in our favour, surely he can make an allowance for 100 lakhs instead of this 35 lakhs that he has done.

The Honourable Sir James Grigg: After what is happening in Europe?

Sir Cowasji Jehangir: Yes

Mr. Chairman (Mr. S. Satyamurti): Order, order, the Chair does not like these conversations. The Honourable Member should address the Chair and the House, through the Chair.

Sir Cowasji Jehangir: Yes, I am trying my best to address the Chair but my Honourable friend

Mr. Chairman (Mr. S. Satyamurti): The Honourable Member should not listen to all that. Unless anything is uttered on the floor of the House, the Honourable Member should address the Chair.

Sir Cowasji Jehangir: We are accustomed not to take any notice of what the Finance Member says but, sometimes, when he says something which is parliamentary I do notice it, and if it is not parliamentary, I take no notice of it. This time he said something which was quite parliamentary and, therefore, I took notice of it.

Considering all the circumstances I will say that he ought to have made an allowance for about a crore. Now, I am afraid, my congratulations and compliments must end and I must come to parts of the budget which I have strongly to criticise and which I am glad to find my Honourable friend, the Leader of the Opposition, spoke about in very clear and explicit terms.

Let us now come to the phenomenal rise in income-tax. Few Members of this House could have forgotten by now the Income-tax Amendment Act. It provided for an increase of income through the accrual principle. It provided for income-tax on leave salaries. It tightened up the whole machinery to the satisfaction, I repeat, of the Finance Member, and it did grant a concession with regard to carry forward of losses. Now, all the work we did during those months are to yield, according to his estimate, Rs. 50 lakhs. Rs. 16 lakhs out of that will come from leave salaries alone, leaving Rs. 34 lakhs from the amendment of the Act proper. Levying of income-tax on leave salaries is really an executive action, and, therefore, the yield is going to be Rs. 34 lakhs. I am not going to quarrel with the Finance Member on that figure. I have maintained throughout that all the work we were doing then will yield comparatively very little, and I am glad to see that the Finance Member now agrees that it is as low as Rs. 34 lakhs. But to cover up that very low estimate he holds out hopes that in the future this amount will rise. You will remember, Mr. Chairman, that during the discussions on the Income-tax Amendment Bill, one of the reasons that the Finance Member gave to this House, for the accrual principle, was that he was more patriotic than most Indians; that he desired that Indian money should not be invested in foreign countries and he hoped that the Amendment Act would see to it that no further investments were made in foreign countries with Indian money and that Indian money would flow homewards. Now he holds out hopes that this very amendment is going to bring in further revenues. How is that consistent? One argument cancels out the other, in his own language. I cannot see how both arguments can be correct. I believe that he relies upon the tightening up of the Act. If there is going to be increased revenues in the future, it can only be by the tightening up of the Act; it cannot be from the accrual principle because he himself has said

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that he hopes that the revenues he will receive by that amendment will go down as the years go by and not go up. As to the results of the tightening up of the Act that is on the laps of the Gods . . .

Mr. Bhulabhai J. Desai: You tighten up your belt!

Sir Cowasji Jehangir: . . . and I am not so confident as to believe that we are going to have very greatly increased revenues due to all the measures he has taken in that amending Bill. Then again, the amending Bill made possible the slab system, which my Honourable friend, the Leader of the Opposition, has already criticised. I, along with him, was under the impression throughout—if I may allude to the discussions in the Select Committee and in this House—that the slab system was intended for the purpose of making the income-tax more equitable, of lifting the burden from the shoulders of the poor to the broad backs of the rich, but that in the end Government was not going to get any further revenues out of it. All the extra revenues that he wanted to get were embodied in the other clauses of the Bill. We can agree with him that the old scale of income-tax was inequitable in certain respects, and, therefore, we all agreed that the slab system should be introduced and we were also ready to shift the burden from the lower assesses, if I may so use the word, to the higher assesses and make the whole Act more equitable. But the results are very different to what we were given to understand . . .

The Honourable Sir James Grigg: I shall be obliged if the Honourable Member will quote any single remark of mine which gave him to understand anything of the sort.

Sir Cowasji Jehangir: I can only call upon the memories of my Honourable friends round about here . . .

The Honourable Sir James Grigg: Let the Honourable Member show me a single quotation and then I will listen to his argument.

Sir Cowasji Jehangir: I will place the whole matter before the House. The Honourable Member explained the whole increase in five and a half lines in his budget speech, and he said that the slab system need not be explained by him because it was present to the minds of Honourable Members throughout the discussions on the Amendment Bill. Sample slab scales were given in the Enquiry Committee's Report of 1936, and see, what the Enquiry Committee say themselves, when dealing with this slab system. They say exactly what I have said, and they explain the reasons for moving from the step system to the slab system, exactly as I have explained—to make it more equitable, to shift the burden from the poor to the rich; and it was never intended by the Enquiry Committee to make it a source of extra revenue to Government; and where was it said in this Honourable House that the slab system was for any other purpose than that explained in the Enquiry Committee's Report? I have a very clear recollection that on more than one occasion we have been told that this was the only object . . .

The Honourable Sir James Grigg: If the Honourable Member is purporting to quote me, I absolutely deny that his recollection is accurate.

Sir H. P. Mody (Bombay Millowners' Association: Indian Commerce): If you did not say it, you meant it anyway.

Sir Cowasji Jehangir: At any rate we stand upon the Enquiry Committee's report in which these slab scales are given. The fact remains that it was explained in five and a half lines in the Finance Member's speech. I will give you another argument. When a very big increase is made in the income-tax for the purpose of meeting deficits or for any other good purpose, it is explained by the Finance Member in his speech, not in five and a half lines, but by giving substantial arguments why the tax should be raised. He shows where the tax is coming from and he makes it a feature of his budget speech. Did the Finance Member make this a feature of his budget speech? He said it was the slab system and here is the result. I am going to give you the result. The result is this in a very few words. For shifting the burden from the poor to the rich in income-tax paid by individuals, the Finance Member or the Treasury loses Rs. 93 lakhs. It was 93 lakhs that we agreed to make up by a rise in other directions and, so far as my recollection goes, it was going to be a rise in the income-tax itself. The facts are these. These 93 lakhs is made up as follows: He gets 31 lakhs from a rise in the income-tax on companies, 21 lakhs rise in the super-tax on companies and 117 lakhs from the super-tax from individuals. If you total up these figures and deduct 93 lakhs from it, which is the loss on individuals paying income-tax, you will find that he puts into his pocket an extra 76 lakhs. Now, I ask, in this poor country whether any Finance Member who has raised the income-tax rates to yield 76 lakhs extra expenditure has explained this away in five and half lines?

Mr. N. V. Gadgil (Bombay Central Division: Non-Muhammadian Rural): Read between the lines.

Sir Cowasji Jehangir: Therefore, I say that under the guise of introducing the slab system, my Honourable friend has put up the income-tax revenues by 76 lakhs. I do not deny he has a right to suggest a rise in the income-tax, but let it not be done under the guise of a system, which is going to make income-tax more equitable. Tell us frankly that we have got to pay 76 lakhs over and above the 93 lakhs which we have undertaken to pay to make the income-tax more equitable, and then we could have understood the position.

Now, Sir, I have told you that the super-tax has been increased by 117 lakhs. There is no table in the report to show the effects of this increase. He has first reduced the exemption limit to Rs. 25,000 from Rs. 30,000 which was the original limit. Therefore, people with incomes of Rs. 30,000 a year—who paid nothing by way of super-tax in the past, will have to pay a small amount of Rs. 312. I do not grumble. Now, people with incomes of Rs. 50,000 a year by the old rates paid 2.03 per cent. of their income, and they will now pay 4.99 per cent., more than a hundred per cent., that is to say, in figures they pay Rs. 1,015 by the old rates, and now they will pay Rs. 2,499—practically a rise from say Rs. 1,000 to Rs. 2,500,—that is a fairly steep rise. Take a lakh of rupees income, the rise is from 5.24 per cent. to 11.56 per cent.,—a fairly steepish rise to be explained in five and half lines of the Finance Member's speech. For a lakh of rupees a person used to pay Rs. 5,247, but he will now pay Rs. 11,562. Therefore, the rise in some cases is well over a hundred per cent. or 150 per cent. In other cases it is 80 per cent., and the lowest rise upto seven lakhs that I have been

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able to detect is 40 per cent. Therefore, the total rise in different incomes comes to 40 to 120 per cent. Now, Sir, I believe this rise to be unprecedented in the history of income-tax in India. I cannot remember any year in which the rise of super-tax has been to this extent throughout the history of income-tax in India, and this was done in five and a half lines of the budget speech of the Honourable the Finance Member, and he still says that he never undertook to do anything else in the slab system than what he did. My own view is that the Finance Member is entitled to raise the super-tax by only 41 lakhs total instead of 117 lakhs. That is to say, if we keep the increase of super-tax and income-tax on companies, we get 52 lakhs. To make up his loss of 93 lakhs, he wants another 41 lakhs. He is entitled to find it somewhere, and we are bound to give it to him, and I would suggest that instead of increasing the super-tax to the extent of 117 lakhs, he should so change the rate as to yield him 41 lakhs thereby getting his 93 lakhs which he has lost on incomes from individuals. Now, Sir, for the past year the Honourable the Finance Member got 83 lakhs more than he expected in income-tax. For the present year he gets 79 lakhs more than he expected on the old rates. Perhaps companies did better or individuals paid more, or there was more vigilance on the part of the department, but the fact remains that he got 79 lakhs more in the present year than he expected; but when it comes to the coming year, he says—these are bad times, there is depression, the sea is very rough in Europe, and he adds that it is not safe to count on the revised figures of the present year, and he cuts it down by 81 lakhs straightaway and takes the figure that he had taken two years before the rise of 83 lakhs or 79 lakhs. Now, Sir, I admit that we are going through depression in business today, that the incomes from companies, when the balance sheets come out next year, will show a considerable decrease in profits. That also means that next year when, all of us, who are in business see what we have got in our pockets, we will find practically nothing

The Honourable Sir James Grigg: In the current year?

Sir Cowasji Jehangir: Just now.

The Honourable Sir James Grigg: That is the year

Mr. Chairman (Mr. S. Satyamurti): Order, order, the Chair would protest against this sort of conversation carried on across the floor of the House. Honourable Members addressing the House should not take any notice of remarks made by any Honourable Member sitting in his place.

Sir Cowasji Jehangir: I shall thank you to put a gag on my Honourable friend's mouth. I cannot help taking notice of his remarks. If you were in my place, Mr. Chairman, you would take as much notice of such remarks as I do. I cannot help taking notice of his remarks, because I must answer him

Mr. Chairman (Mr. S. Satyamurti): The Honourable Member must not.

Sir Cowasji Jehangir: All right, put a gag on his mouth.

Mr. N. V. Gadgil: Ever widening mouth.

Sir Cowasji Jehangir: At the present moment I say we are undoubtedly passing through very bad times, but the income-tax that will be paid in 1939-40, that is, in the coming year, will be based on profits or gains of individuals and companies of the calendar year 1938 or the year 1938-39, April to March;—there may be few companies or a few individuals, who keep their accounts on different dates, but they are the exception. Now, I contend, according to the Finance Member himself, the calendar year 1938 was a good one and in the year 1938-39, three or four months have been bad ones. If that is not so, what did he tell this House on the 8th of this month about the mill industry? He said that the mill industry just now was making very big profits. It is an absolutely incorrect statement of facts as I am going to show in a minute. I contend that at this present moment industries are not flourishing in India except one or two. I contend that next year, when income-tax will have to be paid, the Finance Member will be justified in putting down a lower figure. I contend that in this year he is not justified in estimating 83 lakhs less as he has done. I finally contend that the super-tax ought to be reduced to an increase of 41 lakhs instead of 117 lakhs, and this estimate of 83 lakhs loss is an exaggerated one. My Honourable friend, throughout the years that he has been in this House, has had one slogan, "tax the rich", and he is very proud of that slogan.

Mr. N. M. Joshi (Nominated Non-Official): When did he do it?

Sir Cowasji Jehangir: I noticed from reading his speech that he was very offended when my Honourable friend, Mr. Joshi, believed that he was a friend of the rich. Therefore, I contend that it was the Finance Member who started this slogan, "tax the rich."

Mr. N. M. Joshi: When did he do it?

Sir Cowasji Jehangir: What is he doing now?

Mr. N. M. Joshi (sitting): He removed the surcharges on income-tax.

Mr. Chairman (Mr. S. Satyamurti): Order, order. The Honourable Member cannot interrupt sitting. The Chair does not mind an interruption of one or two words, but the interruption of a long sentence or sentences is wholly unparliamentary. Sir Cowasji Jehangir will go on.

Sir Cowasji Jehangir: I am much obliged to you because his interruption is so absurd and incorrect. Well, Sir, I contend that that slogan is overdone, specially in India. Just to take a few figures from the report from the Finance Member's own department, Central Board of Revenue's All-India Income-tax Report and Returns for the year 1936-37, that was the latest I was able to find, I believe it is the latest one in existence so far as I know. I find a table with incomes above Rs. 25,000 a year, that is, people who will pay this extra super-tax of 117 lakhs number 6,396 in the whole of British India out of a population of something like 270 millions. I find from this same report that persons with incomes of a lakh and over are the astounding figure of 356 persons. Now, Sir, I ask the Finance Member whether he can point to any country in the world which has such few well-to-do people compared to its population as India? When these figures are repeated, I believe, that they are not believed. These are the figures given by his own department. The

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people of British India having an income of 10,000 and more number 38,847, or say, roughly, 34,000. These are most astounding figures to contemplate and show the great paucity of the better classes in India. (Laughter.) You may laugh, but it is a fact. I will ask my Honourable friend to repeat these figures in England to anybody and I guarantee, I undertake to say that it will not be believed. Nobody will believe him in England, if these figures are given by anybody. You will go to England and repeat these figures before any audience.

Mr. Chairman (Mr. S. Satyamurti): The Honourable Member had better address the Chair.

Sir Cowasji Jehangir: Let the Finance Member go to England and address a socialist meeting with a red flag in his hand and tell them that there are 356 people in India with an income of £7,000 a year out of a population of 280 millions. They will tell him, "Well done, Sir James Grigg. You have done your duty by India. Tax them out of existence. Don't let them remain at all." Now, Sir, let me tell you what will then happen. Foreign countries will send their manufactured goods to this country having nobody here to compete with them. There will be nobody left to encourage trade and industries. Industries will go to the dogs, while there will be nobody here to encourage them and the foreigner, the Japanese in particular, will bless the name of the Finance Member of the Government of India, when there is nobody here to run mills or other factories. These are some of the facts with regard to this enormously wide range of people who can afford to pay income-tax and super-tax. I would suggest to the Honourable Member that, when he goes back to his own country, with hundreds of millionaires, with 2½ millions of people out of a population of 45 millions paying income-tax, he might use his great ability, his admittedly great ability and ingenuity to tax them a little more to see that they pay a little more than they are paying now. He has done it before, he will do it again if he gets a chance. But as long as he is in the War Office he won't get a chance. It is all very well to say that income-tax and super-tax is not as great in India as in England. You compare the richest country in Europe, perhaps in the world, with the poorest country in the world, and you say that the super-tax and income-tax is not as high as in England and your ambition is to put it as high as in England. Income-tax and super-tax is on broad shoulders there, 2½ millions having to pay, and, therefore, there are large numbers left to encourage trade and industry. I need not place any more emphasis on this aspect of the case.

Now, I will come to a very important part of his speech, that is, his proposal to tax the import of a raw material. He has explained to us that he chose this raw material for three main reasons. Firstly, he found that it was the only item in the customs tariff which showed an expanding yield. Secondly, he hoped to encourage the growth of long staple cotton, and thirdly, he had got to meet a deficit of 50 lakhs and that this was the easiest method of balancing the budget, but, Mr. Chairman, he was in such a hurry to tax raw material coming into this country that he did not stop to inquire what the condition of the industry that uses this raw material is at the present moment. He found it easiest to take the item that was giving larger yields and he placed the tax upon

it. Now, Sir, for the many years that I have been a Member of this Honourable House I have heard from all sections of the House that the mill industry should so expand and improve its machinery and order out new plant so as to be able to manufacture textile goods that are being imported into this country. This has been the opinion of all sections of the House, in short, that India is well placed to be self-sufficient with regard to the textile industry and that there is no reason why we should import into this country any cotton goods of any quality required by any class of people. Let me give you just a few lines from the Tariff Board's Report of 1927 on the Cotton Textile industry. The Committee say this: "that the Committee were of opinion that the mill industry should follow the example of Japan by making more extensive use of African and American cotton in order to enable it to place on the market qualities of cloth superior to those that it is at present manufacturing". That is the textile committee's report of 1927. It ought to be gratifying to all Members of this House, especially to the non-official Members, to find that the industry has taken that advice right seriously, that there are many mills in India with brand new machinery, capable of turning out cloth of a higher quality required by our people, cloth which was being imported into this country before this textile committee report was drafted and brought before the public. It is a fact that more cotton is being imported into this country. I will just give you a few figures. In 1928-29, when this report came out, India imported 161 thousand bales of cotton. In 1937-38 we imported 752 thousand bales of cotton—about 4½ times more and that shows that the industry did take the advice of the Textile Committee's report. Nobody denies that fact, that India cannot grow all the cotton that is required to make goods in order to stop those imports. Many of our friends were absent on the 8th March. I happened to be away for other reasons but on the 8th March of this year, the Finance Member made a very striking speech before this House in answer to certain criticisms about this duty and these are the statements which he made. I shall read them out for the benefit of Honourable Members who were not present on that occasion. This is what he said: "As far as I can see, it is not in the least true that all of the cotton which is now imported is such that it cannot be grown in India". That is one statement. Another statement is: "I am credibly informed that in some parts of the Punjab, American cotton is getting lower prices than ordinary *deshi* cotton because the mill owners are so busy importing American cotton that they have got no time to buy it in India". The third statement is: "Between 21's and 40's the mills can perfectly well use Indian cotton if they want to". Then the fourth statement is:

"Incidentally, the cost of cotton cloth has, I understand, suffered only a very small reduction if any, since the peak of prices which occurred in the early months of 1937, whereas the price of raw cotton has gone down by 30 per cent. so that there is a further uncovenanted or unexpected benefit to the mill industry."

Now, Sir, our friend, the Honourable the Finance Member, is very fond of characterising some of the statements made by non-official Members as rubbish. It is a very favourite expression of his. Now, believe me when I say that I have never heard more rubbish said in this House either by official or non-official Members and I am out to prove it. He has made another very interesting statement in his budget speech in the very beginning. He said that he knew a very famous Chancellor of the Exchequer in England who always drafted his budget speech so cleverly that whenever he was challenged he would say "look

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at my budget speech', and there would be some safeguard or other which would meet any criticism likely to be raised. Well, he has used his ingenuity in the first of these statements, because he says that cotton can be grown in India—no, it is grown. Well, Mr. Chairman, strawberries can be grown in any part of India at any time of the year. Our science is such today that if you wish to spend the money and in small quantities you can get straw berries at any time of the year in any part of the country. One would really believe from this statement that cotton was so widely available throughout India, that we did not require any imports at all. How can one make a statement like that? Of course, cotton can be grown in India.

The Honourable Sir James Grigg: Like millionaires?

Sir Cowasji Jehangir: They are much fewer than in your country, because we get socialist Finance Members who will not allow India to have millionaires, even if there is a chance.

Now, Sir, let us see what is the cotton grown in India which can be used for manufacturing cloth to displace the imported cloth. I have got a report before me of the Central Cotton Committee, dated September, 1938. It is a fairly late report. It divided cotton into three classes—short staple, medium staple and long staple. Now, we are only concerned with the long staple. There is Punjab American cotton 289 F, 20 thousand bales were grown in 1935-36. There is another cotton in the same category Sind American Cotton, also 289 F, 65 thousand bales were grown of this variety, total 85 thousand bales in 1935-36. In 1936-37, the American cotton rose to 47 thousand bales from 20 thousand and in that column there is nothing said about Sind American.

The Honourable Sir James Grigg: What about 4F.

Sir Cowasji Jehangir: It is a very small quantity.

The Honourable Sir James Grigg: It is a million bales.

Mr. Chairman (Mr. S. Satyamurti): The Chair would remind the Honourable Member that conversations between Honourable Members are wholly out of order. The Chair can only deal with Honourable Members in possession of the House, and the Chair would ask the Honourable Member, Sir Cowasji Jehangir, not to take note of these *sub rosa* talks in the House.

Sir Cowasji Jehangir: Well, Sir, the extraordinary thing is that in the year 1936-37 the Sind American crop was moved from the column of "long staple" to "medium staple",—and, therefore, all the crop which might be used for a certain proportion of high counts was forty-seven thousand bales. Now, let me tell you, Sir, that you must divide the production of cloth into two grades—the 30's, 40's and above. The contention is that the 30's and 40's can be manufactured out of Indian cotton. There are only forty-seven thousand bales of it. I have got here another report which is also from the Indian Central Cotton Committee of May,

1938, which gives a test of these cottons. Punjab-American, 289 F—the same cotton, forty-seven thousand bales, that was mentioned—can spin 30's warp and 40's weft. I think another cotton was mentioned which is grown. It is on a very small scale and it can spin only 35's warp and 40's weft. But, Mr. Chairman, these facts turned out to be wrong. This test was contested long before the Honourable Member moved this increase in the duty, and it turns out that the cotton tested by the Technological Laboratory was Government farm cotton and not commercial cotton. When this was found out, protests were made and it was admitted that the tests reported were practically, in every instance, those carried out on samples received from Government farms and that the same were quite misleading inasmuch as the Government farm cotton could not be taken as representative of the cotton grown in the districts concerned. But, when the matter was referred to the Technological Laboratory to ascertain the exact position, it was admitted that the tests reported in the technological reports, on the standard Indian cotton, were made from samples grown in Government farms. The quantities of standard cotton grown in Government farms are small—microscopic I might say. When the laboratory carried out the tests on commercial samples it was found that there were wide variations in the results of the tests conducted on standard cotton and trade samples. When the matter was referred further to the Technological Laboratory a statement of the comparative results of standard and tried varieties was prepared which definitely indicated that none of the samples, as used by the trade, could produce the 40's count. Will the Honourable the Finance Member just listen to this? The results have revealed that farm cotton and commercial cotton with laboratory tests cannot produce the same results, especially in regard to strength. Now, out of these forty-seven thousand bales grown, which the laboratory first contended could spin 30's and 40's, we find that they have on other tests found that it was not possible, that they had been testing farm cotton, which is a superior kind of sample cotton, and when they turned to commercial cotton they could not even spin 40's, and they have admitted it and this is authoritative. Now, Sir, I have got here another authoritative opinion that out of these forty-seven thousand bales not more than seven thousand bales can spin 30's and 40's count. I have got this very authoritatively from a large number of experts. In their opinion, out of the forty-seven thousand bales of Punjab-American—289 F. grown in India in the year 1936-37—not more than seven thousand bales were put on the market in a condition in which it might be possible to spin 30's warp or 40's weft. The remainder was inferior or mixed or both. Therefore, with regard to the Finance Member's statements, on the very best authority we find that there were only seven thousand bales of cotton in India which could spin the lowest of the higher counts, the 30's and 40's and it is a standard line which is now being made in India and supplied all over India for *dhotis*. Even that cotton the Industry cannot get.

Now, Sir, a large number of complaints were lodged by millowners using cotton. It is not as if they did not want to use Indian cotton. The Indian mills are extraordinarily anxious to use Indian cotton, because it is cheaper, and a large number of complaints were lodged, and I have got here copies of these complaints. They were lodged in December last.

Now, Sir, we come to the present trade depression and the assertions that the Honourable the Finance Member made before this House that

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the mill industry was making great profits, that the price of cloth had not been reduced from the peak time, and that cotton had gone down thirty per cent. Well, I characterize that as rubbish and I am sure, my Honourable friend, who I know, if he is anything, is certainly honest, will himself admit that he has not got the proper facts. I am certain of it. Knowing him as I do, I have not the slightest doubt about his being convinced on the points I am making to him. Here is a statement I have got of present day prices. I am taking these 30's warp and the 40's weft standard lines which are the *dhotis* that go all over India and which are the so-called lowest of the higher count *dhotis*. In June of last year, 1938, the price of this cloth was fifteen and three-quarter annas. In September the price of the cloth dropped to fourteen and three-quarter annas. And business has been put through in December at 12½ annas.

The Honourable Sir James Grigg: I am to address the Chair in my interruption this time, and I would be grateful if you could allow me to ask the Honourable Member to give me the peak prices at the beginning of 1937 with which my comparison was made?

Sir Cowasji Jehangir: May I tell the Honourable Member that this is the peak price that this cloth has ever reached in this country in 1938?

The Honourable Sir James Grigg: Do I understand the Honourable Member to say that at the beginning of 1937, when the prices of raw cotton began to fall, up till the middle of 1938, the price of this particular kind of cloth rose? May I ask if that is the position? If it is so, my case is amply established and more than established.

Sir Cowasji Jehangir: It is correct to say that the prices of this cloth began to rise and the prices of cotton began to drop two years ago, and the result of that was that the profits were made in the calendar year 1938 which my Honourable friend contests and some of those profits were carried into the year 1938-39, April to April. It is quite correct and that is why I am claiming that the 83 lakhs should not have been knocked off. But we are now talking of the present times and the Honourable the Finance Member said that the Industry is still making a profit. Now, let me read out the prices of cotton during those three periods of 1938.

The Honourable Sir James Grigg: I again repeat that the comparison that I was making was with the beginning of 1937 and the end of 1938 and I do not accept any responsibility for arguments based on something I did not say.

Mr. Chairman (Mr. S. Satyamurti): The Chair wants the Honourable Member to remember that he has taken more than one hour. Of course, there is no time-limit, and the Chair has no control, but the Chair would like to point out to the Honourable Member that there are several other Honourable Members who wish to take part in the debate. The Chair suggests for his consideration that he may now conclude his speech.

Sir Cowasji Jehangir: Sir, I will take it into my serious consideration.

Now, Sir, I am finishing my statement. I have shown that the price of this cloth from June, 1938, to December, 1938, dropped from 15½ annas to 12½ annas. The prices of cotton during these three months of June, September and December of the same year were Rs. 161, Rs. 152 and Rs. 163.

so that there was an enormous drop in the selling price of cloth and there was practically no drop in the value of cotton. And I can say with confidence and it will be corroborated by the representative of the Millowners' Association that the mills all over India are making a very small profit if at all. In fact, they are making a loss. I can also say that on this last sale of *dhotis*, there can be no profit. In fact, in some cases there is a loss to keep the looms going and it is at this time that the Honourable Member comes and puts a duty of half an anna on the raw material.

Now, Sir, I have explained the effects that this duty will have on the industry at the present moment. If this duty had come during the time my Honourable friend is talking about, when cotton prices were dropping and cloth prices were stationary, perhaps there would have been some justification for it. But what is the use of quoting figures which existed two years ago and putting on the duty just now? The results of the working of today will be shown in next year's balance sheets and I venture to suggest that the balance sheets of the majority of the mills, throughout India, will be extremely poor as compared to the balance sheets of the calendar year 1938-39. Now, the result is that the imported stuff immediately gets a benefit of half an anna in a lb. But let me point out one other factor which is of great importance. For this class of stuff, the cotton imported was from East Africa. East Africa produces about 300,000 bales of this cotton. India took 250,000 bales of that production to spin mostly these counts. The result of the announcement of this duty has been that the price of this cotton has gone up in India, and has gone down in East Africa because one of its best customers had a duty put upon this cotton, and the further result has been, I am told, that Japan has stepped in and bought a hundred thousand bales of this cotton. What is the result? Japan buys this cotton at a cheaper rate than it would otherwise have bought it. It imports its manufactured stuff into India, where Indian factories and millowners will have to compete with it with half an anna more duty, while the Japanese have bought it cheaper than even Indians could have bought it due to this duty. To say that Japan will not compete with India due to this duty is merely to show ignorance. And, what about yarn? There is no quota for yarn although it may be said that there is a quota for cloth. If Japan finds it worth its while to import this class of cloth, it will have to import less of some other cloth. Today we are coming to the stage, at least in Bombay, where it may pay to shut down spindles, buy Japanese yarn and weave it into cloth because Japan buys its cotton much cheaper and supplies it here with no duty at a ridiculously low price. It comes to this that we are coming to a time, within a month, when it will pay the mills to buy the yarn and spin it into cloth and large quantities of it will go all over India. Is this what we are coming to? And what is more important is this. Japan will be in a position to buy this cotton cheaper than she has ever been able to do and compete with other countries all over the world. She will be able to compete better even with Lancashire than she has done before. That is the present, the Honourable Member is giving to Lancashire. Sir, these are facts that have been placed before us and I believe them to be correct.

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

Now, Sir, my Honourable friend, Mr. Desai, spoke about this duty in conjunction with what we are going to discuss in a few days, the Indo-

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British Trade Agreement. I verily believe that my Honourable friend has put one more nail into the coffin of that agreement. It has already got several nails and he has put one more nail into it and I feel convinced about it. If that was his intention, he has fulfilled it. But I am certain it was not his intention. Whatever advice he may have received, the fact remains that he has given preference to both Japan and Lancashire, days before the Indo-British Trade Agreement is going to be discussed by us, and if that is not handicapping that agreement, I would like to know what is. The position was bad or will be as bad as it can be and he has made it considerably worse.

Since you have reminded me, Sir, that I have taken a considerable time, I shall conclude. There is only one way out of it. If the House decides that this duty shall remain, then I trust that the House will insist on having a countervailing duty on imported cloth and yarn to the same extent. That is the only way out. Either take away the duty or insist upon what I suggest. I will now conclude with one final statement and that is that the most popular man today among the Japanese trading with India is Sir James Grigg. He has been a great benefactor to them, and, of all the people in India, Sir James Grigg is their greatest hero.

Dr. Sir Ziauddin Ahmad (United Provinces, Southern Divisions: Muhammadan Rural): Sir, I am glad that I am speaking under circumstances when there is no time-limit either by convention or by Standing Orders. First of all I will take up a few items in the Finance Bill. I begin with postcards first. I am told that by reducing the price of postcards from nine pies to six pies there will be a definite loss to the exchequer amounting to 60 lakhs. I am not quite convinced with the figure, because I believe that there is one item which has been omitted in the calculation of the loss and that is increase in quantum, that if the price of the postcard is reduced from nine pies to six pies the sale will also increase and I should like to see the figures for the last ten years. My Honourable friend, the Finance Member, will also probably verify that the figures had gone down by several millions when the price of postcards went up. I should rather like to reserve my judgment on this particular point till I have the opportunity to scrutinise and examine the figures about the number of postcards used, because, I believe, when you raise the price of card, the number of postcards purchased by people will go down. That is the law of diminishing returns operates in this case.

I have received a number of letters in respect of *khandsari* sugar protesting against the duty. I find the duty is not raised, it is rather lowered in this particular case, but, probably, the change in the definition of factory may affect some of these persons. This is a point which we cannot take up just at present. We can only consider this when the amendments to the Factory Bill comes up for consideration. But in this case, I consider that for the present there is a kind of false alarm.

The next thing which I wish to refer is about the cotton duty. We were given certain figures by my Honourable friend, Sir Cowasji Jehangir. There is one thing which he probably did not mention explicitly, namely, that the price level of cotton has gone down comparatively much lower than the price index of the manufactured articles. This is a fact and,

therefore, we have to take into consideration some methods by means of which we can raise the price level of our cotton. My Honourable friend said that cotton can be grown.

The Honourable Sir James Grigg: Again I want to make the position clear. I do not believe it to be true to say that none of the cotton which is now imported can be grown in India.

Dr. Sir Ziauddin Ahmad: Cotton is not like date trees which take 40 years to grow and bear fruit. Whenever any person grows a date tree, it is not his son, but his grandson that can reap the benefit of that. But in the case of cotton, if you grow cotton this year, you can reap the benefit within a few months,— not even a year is necessary. This particular kind of cotton if it is required, there is market value for it. I am told by my Honourable friend, Sir Abdoola Haroon, and also by my friends in the Punjab that they can easily grow cotton to an extent so as to satisfy the market if the desire to purchase Indian cotton is there. At present, unfortunately, there is no desire to purchase Indian cotton in this particular case. I would go further and say this. If they give very high protection to textile mills as they do at present which is without any parallel in any country and which is without any parallel in the past history of India, it is very reasonable and just that we should demand from them an undertaking that they should use Indian cotton and Indian cotton alone. My Honourable friend may say that Sir James Grigg will be very popular in Manchester, but I say he would be much more popular among the agriculturists in the Punjab and in Sind, and possibly in some other places too. There are two special difficulties, which I pointed out on a previous occasion and which I repeat now, in the theory of protection. That is, we do not consider the needs and the conditions of cottage industries and we forget the consumer altogether. These are the two interests, cottage industry and consumer, which we cannot ignore in any theory that we may establish for protection.

The next theory which I should like to criticise is this. Sir Joseph Bhore expounded this theory on the floor of the House and he actually put it into practice. He says, when you give to these industries over-protection, then cut-throat competition will follow and this will also lower prices. This theory is extremely unscientific and unjustifiable, and it is not supported by any economist. Whenever protection is given to an industry, it is really a loan given to the industry by the consumers and they expect that, afterwards, this loan will be paid up. Another thing which I wish to say is that whenever they give protection, they never take care to see whether it is properly utilised. They do not take steps to see by constantly supervising the effect of protection year after year and I submit that an annual report should also be published and laid on the table of the House, each year, so that the House may judge how far protection has actually worked. We should particularly see the following points. We should realise that protection is not for any single class of persons, but it is for the community as a whole. We should see that only one particular class of persons is not benefited by it. We should do this. The second thing is that they ought not to declare fat dividends. The dividend should be normal and any excess profit which may accrue ought to be divided between the workmen who really produce it and those who supply capital. And a part should also go to Government by whose agency this profit has accrued.

An Honourable Member: What percentage to capitalist?

Dr. Sir Ziauddin Ahmad: A little over the bank rate of interest. The next thing is that the prices should be regulated and we should see that they do not charge more than the prices fixed by the Tariff Board; and if they charge more than that price the excess profit must also go to the exchequer and should not be the property of the capitalists alone.

Then, Sir, I shall point out to Mr. Satyamurti and other Members of the Public Accounts Committee about the depreciation fund of railways as it affects our general revenues. They should see that some money is kept for the renewals which should be fixed from our experience of last fifteen years, and the amount so released should be divided equally between the reserve fund of the railways and the general revenues.

Then, Sir, I should like to have a passing review of some of the cut motions that we have carried in the budget demands. The first was the service question and the paucity of Muslims in services. On that I will emphasise two points. One is that there should be an officer in the Home Department to watch the situation and see that the provisions of the resolution of 1934 are properly carried out and specially to see that the posts are not sold. If these posts are sold to the highest bidder the Muslims lose as they have neither the money to pay nor a knowledge of the methods to be employed.

Mr. N. M. Joshi: How are they sold and who sells them?

Dr. Sir Ziauddin Ahmad: I will draw the attention of the Home Member later on to this question and request him to make an inquiry.

Then, Sir, the other point is that when we press the claims of our community we are charged as communalists and they say the post should go to the best man. I think this theory of the best man is not believed by the English people because they never employ a German or Italian or American who may be the best man but they employ the best Englishman. The demand is repeated by the nationalists Congressmen that it should go to the best Indian and not to Englishman. I go one step further and say that if the Englishmen employ the best Englishman and, our nationalists Congressmen want the best Indian even if best Englishman is available, why should we suffer and not demand the same share on the same principle as is adopted by others, and say that some of these posts should go to the best Muslims.

The next question discussed here was that of defence. I said often in this House that there should be a distinction between the army required for internal security and that required for defence. The army required for internal security must be always there and maintained by the Indian exchequer with contribution from Provinces if required. As for the army for defence, there are two ways of looking at it. Either you consider India as an independent unit and provide for the requirements of the Indian Army from the Indian point of view alone, in which case we will require a much greater army and navy and air force. The second thing is, that we can pool together the resources of defence with Britain and other countries forming part of the British Empire. If we pool together it will be more economical than if we provide for ourselves alone. So I strongly believe that as regards internal security we have to depend entirely on

our own resources and as regards the army required for the defence of the country we should pool our resources together with the British Empire and then give our quota for the general defence, and this particular army should be under the general command in which India should also be represented.

Before I come to the question of Federation, I will first take up the Kainaran dues. Government have reduced these dues from Rs. 10 to Rs. 8 but even that is more than enough and Rs. 2 should be sufficient. Then the second point is that the money collected from the Haj pilgrims and lying with the Government of India should be spent for the benefit of the pilgrims alone. Savings in this fund should be utilised in building a special house at Karachi where the Hajis are handicapped greatly for want of sufficient accommodation. My next point is one which was raised by many Muslim Associations and newspapers and that is that the portfolio of Haj should be under Muslim Member of the Executive Council. I first opposed this suggestion as shifting of portfolios would be impracticable but I changed my mind when I found that this principle is followed in Ecclesiastical Department. Therefore, on the analogy of the Ecclesiastical Department which is always under a European Member, I press that this portfolio to be always under a Muslim Member of the Executive Council.

Sir Muhammad Yamin Khan (Agra Division: Muhannadan Rural): Sir, on a point of order, I will bring to your notice that on the Finance Bill Members are entitled to make observations on all subjects and they do not relate to the Finance Department alone. Is it not the duty of Honourable Members of the Executive Council or their Secretaries to be present here and take notes in order that they may reply to the various points raised?

Mr. President (The Honourable Sir Abdur Rahim): As regards all the Members of the Executive Council being present here, the Chair does not think that is practicable, and it has never been the practice. As regards any arrangements being made by Government for proper notes being taken of the debate, so that the different Members may know what has been said with reference to the working of their Departments, the Chair has no doubt that some arrangements are made.

Dr. Sir Ziauddin Ahmad: May I know what arrangements are made just now?

The Honourable Sir James Grigg: I think my Honourable friend, Sir Muhammad Yamin Khan, has left out of account that the speeches made in this House have a wider circulation than this House and that Members of the Executive Council can supply the gaps in their knowledge by reading the newspapers the next day or the official report.

Dr. Sir Ziauddin Ahmad: If newspapers are the only sources, may God save them. . . .

The Honourable Sir James Grigg: I said they could supplement and make up any gaps in their knowledge by the official reports.

Mr. President (The Honourable Sir Abdur Rahim): The Chair takes it, the entire proceedings are taken down by shorthand writers.

Lieut.-Colonel Sir Henry Gidney (Nominated: Non-Official): On the point of order, Sir, which was raised just now: after listening to the Honourable Member's reply, which savoured more of the sarcastic than of anything else, may I suggest for your consideration that when there is general discussion of the budget and Members could talk from measles to murder, it concerns every Member of the Cabinet, and I think it is quite right that most of the Members should be present in this House to listen. What is the use of us talking like children before one Member who will not answer any questions. I do not think it is right, and I ask for your ruling.

Mr. N. M. Joshi: May I also say, Sir, that I remember a time when Members of the Government or belonging to the several Departments replied to the matters which were placed before the Legislature during the course of either the general discussion on the budget or on the Finance Bill. We are entitled to make remarks. . . .

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member means all the Members of the Government?

Mr. N. M. Joshi: Yes. They should remain here to hear the debate. Otherwise, there is no meaning in our making remarks on the various departments.

Mr. President (The Honourable Sir Abdur Rahim): The Chair is reminded that there is only one ruling on this subject, and that is of Mr. President, Sir Shanmukham Chetty,—not that all the Members of the Government should be present, but that some arrangements should be made, and that there should be somebody here on behalf of the Government to take notes and watch the proceedings. Barring that, the Chair is not aware of any other ruling and the practice, so far as it is aware, has never been that every Member of the Government is present during these discussions. But, as the Chair has said already, arrangements should be made that some responsible Member or person on behalf of the Government should watch the proceedings and take notes of what is going on.

Sir Cowasji Jehangir: May I point out that all Members of the Government are present here: they are all rolled into one in Sir James Grigg:

Dr. Sir Ziauddin Ahmad: I would only like to add on this that if Members of the Government depend on newspapers, we have to define what that newspaper should be, because the points of view of different newspapers are entirely different and I do not know from what particular newspaper the Members of the Government get their inspirations.

Coming to the Ecclesiastical Department, I was saying that since that department is always under a European Member, and since there is a great demand that the Haj portfolio should always be under a Muslim Member as he alone could understand all the requirements and difficulties of the pilgrims, this demand should be conceded. When this demand was first made, I opposed it but when I noticed about the Ecclesiastical Department I do not see why there should be any difficulty about arranging that the Haj portfolio should be under the Muhammadan Member of the Council.

I gave notice of a cut motion about the Associated Press but could not move it. The object of the Associated Press should be to supply news and not views. . . .

Dr. P. N. Banerjee (Calcutta Suburbs: Non-Muhammadan Urban): Whose views do they supply?

Dr. Sir Ziauddin Ahmad: It is not their business to supply views; and if they go on giving distorted versions, time after time, the Associated Press will soon become discredited and people will assume that it carries on one-sided propaganda. I think they should take note that when the public exchequer gives them money—and I pay as a taxpayer of India for their existence—they should remain neutral and publish only news. .

Mr. M. S. Aney (Berar: Non-Muhammadan): And correct news also!

Dr. Sir Ziauddin Ahmad: . . . and, as far as possible, correct news and not one-sided versions and should appoint only persons who supply correct news. . . .

Mr. K. Santhanam (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): What about speeches? Are they news or views?

Dr. Sir Ziauddin Ahmad: Speeches delivered are really news and statements of facts. I now wish to mention a minor point—the wasteful economy in the department of my friend, Sir Zafrullah Khan: they do not supply good slip books on which you can write and the papers do not fly off. I drew the attention of his department to this instance of wasteful economy and I was promised that good slip books would be supplied but no action has been taken and I hope that the Honourable the Finance Member will write to the Honourable the Commerce Member or draw his attention to the matter. . . .

Mr. President (The Honourable Sir Abdur Rahim): The Chair quite realises that the Honourable Member is not hampered by any time limit for his speech. At the same time, he should perhaps realise that there are other Honourable Members who desire to speak on the Finance Bill.

Dr. Sir Ziauddin Ahmad: I admit, Sir, it is a minor point. Coming to the League of Nations to which reference was made, I have always called it a pleasant club; you go in whenever you like and you go out whenever you like and no obligations of any kind on any one. My view is that we should remain a member of this pleasant club: and as we pay for being members of other clubs in private life, so we should pay for being a member of this League of Nations. But, at the same time, I should emphasise that we should get value for the money we pay: there should be a sufficient number of Indians in the Secretariat and India should be well represented on all its Committees and get some benefit from it. I do not think we should pay in order that other nations may get the benefit of our money.

Next, Sir, whenever we have some change in the Government of India Act, we should have some kind of revision in the provinces. And I hope that when that change is made Sir James Grigg, in another capacity, might take note of this fact that we ought to create two more provinces. .

The Honourable Sir James Grigg: If the Honourable Member regards that as a function of the War Office, perhaps he is right.

Dr. Sir Ziauddin Ahmad: From my experience of him in this country I know that his activities will not be confined to the War Office: they will be everywhere in the cabinet. There ought to be two more provinces created: one is the province of Delhi and the other is the province of Baluchistan. I do not think it is correct that the Government of India should administer directly the province of Delhi: it should be separated and become another unit; and we must give some kind of reforms to Baluchistan and make it a separate province, as we have given to other Provinces.

Then, Sir, the next thing that I should like to refer to is about tribal areas. In the case of the tribal areas, we are now trying to bring in Waziris and other tribesmen into British India. I do not know for whose benefit that is being done, as my friend, Sir Muhammad Yamin Khan, asked the other day, we are bringing them to Indian nationality. Sir, the Indian National Congress has definitely opposed such a move, as was repeatedly pointed on the floor of the House. The Provincial Government of the North-West Frontier Province does not want it. Then, for whose benefit, may I know, is this being done? Why are we adding to our territory when we do not want to undertake the responsibilities and the burden? I think it is desirable that we should keep this territory intact without increasing our territorial jurisdiction and, thereby, adding to our responsibilities.

Coming then to the question of Federation, Sir, which will soon be taken up, I really do not understand what really the opinion of the Congress is, and I would very much like that some Member of the Congress Party got up and explained what the idea is with regard to Federation, because, Sir, reading the Resolutions which were passed at the last session of the Indian National Congress, I find that, they expressly said that they are against dictatorship, while in the very next breath they appoint a dictator....

Mr. President (The Honourable Sir Abdur Rahim): The Chair cannot see that this has any relevancy to the Finance Bill. The Congress is not in the picture.

Dr. Sir Ziauddin Ahmad: I refer to the question of Federation, because I don't exactly know what the opinion of my friends over here is. On the floor of the House they express one opinion, while when they go to the Viceregal Lodge they express quite a different opinion, and I really do not know what their real view is.....

Mr. M. S. Aney: On a point of order, Sir. Is there any authority for the Honourable Member to say that the Congress Members express one view here and another view in the Viceregal Lodge?

Mr. President (The Honourable Sir Abdur Rahim): It is not a point of order.

Mr. M. S. Aney: On a point of information, Sir.

Dr. Sir Ziauddin Ahmad: My Honourable friend should address it to the Honourable the Leader of the Opposition.

Then, Sir, speaking on the question of Federation, it is very desirable that they should satisfy the minorities because without the active co-operation of the minorities it will be impossible to work any kind of Federation. Now, Sir, the Egyptian Delegation is now in India; they have been invited by the representatives of the Congress, and I would request my Congress friends that they should consult the Egyptian delegation as to what steps they have taken to satisfy their minorities.

Mr. President (The Honourable Sir Abdur Rahim): The question of Egyptian Delegation is really out of order here. The remarks of the Honourable Member must really have some direct bearing on the Finance Bill.

Mr. Badri Dutt Pande (Rohilkund and Kumaon Divisions: Non-Muhammadian Rural): Egyptian cotton can come in.

Dr. Sir Ziauddin Ahmad: Sir, in order to usher in Federation, it is 4 P.M. very necessary to adopt some effective methods so as to satisfy the minorities as the Egyptians have done to satisfy their minorities, and unless Government do this, it is absolutely certain that the minorities will revolt against Federation and demand something else. They may even demand a separate Federation for the Muslims where the Muslims are in a majority; they may also suggest a change of population and there may be various other demands.

The next thing I should like to touch upon is education. For some considerable time now they have been pressing for the introduction of free and compulsory education, and this demand has been repeated from the Congress platform repeatedly and so long as some other Government was in power, they always demanded free and compulsory education, but as soon as the Congress got into power, that demand has ceased.....

An Honourable Member: It has never ceased.

Mr. S. Satyamurti (Madras City: Non-Muhammadian Urban): Sir, I rise on a point of order. Education is a provincial subject. The provincial Governments are not represented here, and my friend cannot talk of them in their absence.

Mr. President (The Honourable Sir Abdur Rahim): The point of order is perfectly in order. The Honourable Member ought not to discuss any provincial subject.

Dr. Sir Ziauddin Ahmad: We are paying for education from the Central Revenues.....

Mr. President (The Honourable Sir Abdur Rahim): But not for the education in the provinces, for which the Provincial Governments alone are responsible.

Dr. Sir Ziauddin Ahmad: I am discussing the question with reference to education in Delhi and Ajmer-Merwara.....

Mr. S. Satyamurti: But there is no Congress Government there.

Mr. President (The Honourable Sir Abdur Rahim): The Congress Government, as pointed out, is not responsible for them.

Dr. Sir Ziauddin Ahmad: Ever since the Congress came into power in provinces, there has been no demand for free and compulsory education in Delhi, though they have been making repeated demands for it before they came into power. Another peculiarity is this, that the whole question has been converted into futile discussions on the Wardha scheme of education. Whatever may be the method of instruction, it is highly desirable that early steps should be taken to introduce free and compulsory education and financial assistance should be given.....

Mr. S. Satyamurti: Including Honourable Members of this House.

Dr. Sir Ziauddin Ahmad: Sir, I suggested in the Central Advisory Board of Education and I pressed it some time ago that the Government of India ought to contribute something like 20 crores to the various provinces to introduce compulsory and free primary education, and they should levy a special tax for this purpose. I suggest it should be a special duty on all textiles, an excise duty earmarked for introducing compulsory education.

Then, Sir, I will say a few words with regard to sugar. Last year I was told on the floor of the House that our estimate of income under the head sugar was less than we would get, and it was under-estimated, but the facts proved otherwise. The same prophecy is made this year, we have under-estimated our income from sugar. We discussed this question on the occasion of the general discussion of the Budget, and I pointed out then that there was one factor which they always omitted to take into consideration, and that factor is the diminution in the consumption of sugar. If you take this factor into consideration, you cannot foretell with any degree of accuracy what the income will be, and, therefore, it is always safe to put down in the Budget the income of last year. No doubt, there are certain items in which there will be greater income, but there are also certain items from which the income would be less, and that is the customs, because there are certain items in the customs on which we do not know what the income is going to be, particularly under the heads of wines and spirits. It is quite possible that the income under these heads may be substantially diminished, and, therefore, the income may be over-estimated under one head, and under-estimated under another head. Therefore, we cannot say that the whole Budget is over-estimated as regards the income.

Mr. Sham Lal (Ambala Division: Non-Muhammadan): Sir, the discussion on the Finance Bill has become a routine matter. Some Honourable Members took objection the other day that the Government Members were not present on the floor of the House to take notes of speeches. What I say is this, that even the Members who are present here do not take notes of our speeches, because they don't take our speeches seriously, and they can make their speeches without even listening to what we have to say. Of course, the Finance Member might take notes, I don't

deny that, but there is one interesting feature of this debate. After hearing my friend, Sir Cowasji Jehangir, I am led to the conclusion that certainly the Honourable the Finance Member deserves to be made the Under Secretary of State for War. He should be made a Peer, because he has succeeded in fooling the whole of India by his Income-tax Act. When the motion for circulation of the Income-Tax Bill was passed, he got angry, but my own belief is that he wanted to do at least one good turn to India, by agreeing to circulation in a special Session in November. All Parties gave their support to the Income-tax Act.

Mr. M. S. Aney: Not all.

Mr. Sham Lal: Of course, excluding the Leader of the Congress Nationalist Party, but now I find that the expectations are not fulfilled and they are disillusioned as Mr. Chamberlain is on the Munich Pact, and the only happy person is Sir James Grigg, who, in order to find Rs. 50 lakhs, wants to impose a duty on the import of staple cotton. While imposing that duty, he says, "Yes, I would be accused of injuring the textile industry. But it might be that the growth of cotton may be developed". That is like a thief who is caught stealing your articles in broad daylight and he says, "You, of course, accuse me of stealing, but, after all, I am taking away the old ones and they will be replaced by new ones, and, therefore, I am not actually stealing." My Honourable friend says, I would be accused of injuring the textile industry, therefore, you must say I am not actually doing it. I say this is a direct blow to the textile industry in India. Really Lancashire is jealous of the textile industry in India and by imposing this duty you would be ruining the textile industry of India, and you are actually doing it, by saying that you want to encourage the growth of staple cotton here. You are imposing a revenue duty. You know that raw cotton would still be imported and you would get revenue from it. Your idea is not that there should be growth of the staple cotton in India. If it is a revenue duty, no question of developing the growth of staple cotton can rise. Why not you plainly say this? This textile industry is an eyesore to Lancashire and Manchester and you want to please those people. In that respect Sir Cowasji Jehangir might say that he is an honest man. In that sense you are an honest man. You are honest to your own country and you want to impose this burden on India. Therefore, I submit that this is a great oppression. While passing the Income-tax Act we thought that there would be relief in some directions, but here we find that the textile industry, the *khandsari* sugar and all those things have been ruined. My submission is that this Finance Bill, so far as the textile industry is concerned, is a great blow.

With regard to postage what is the position? If Members go to their constituencies, the first question that the poor people ask, "Are you a Member of the Central Assembly? What about the postcard?" Every year poor people expect relief in that direction, but nothing happens. The Government are said to have the interests of the poor people at heart, but so far as these latter are concerned, they suffer most at the hands of this Government. In other countries, where the individual income is great you have a penny postage, but in India you must have a three pice postcard which is practically half the average income of a person here! I say, not to grant relief in that direction is a great oppression and this Government do deserve censure for that.

[Mr. Sham Lal.]

Now, Dr. Sir Ziauddin has spoken and there are some points which have got to be noticed. He has spoken in a manner as if the Congress ministry is sitting on the Treasury Benches. He has asked, what about Federation, and whether the minorities would be protected or not. If he reads the Congress resolution, he will find that the Congress does want Federation but not Federation of the type such as is laid down in the Government of India Act.

An Honourable Member: What changes do you want?

Mr. Sham Lal: We want the elected representatives of the State. We want full control over the army; we want full control over our Finances. This is what we want. So far as the minorities are concerned, there is going to be a constituent assembly. (Interruption.) Of course, I do think—you may not have that confidence.....

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member need not go into those hypothetical matters.

Mr. Sham Lal: What I say is this. So far as the Government is concerned, the life of this Central Assembly is prolonged and the Government have not got the courage to introduce the Federation. So far as the princes are concerned, certainly the Viceroy made a speech reminding the princes of their duty, but at the same time what did he say? "After all the constitution is to be decided by you. You are to be the sole judge. . . ."

Dr. Sir Ziauddin Ahmad: On a point of order. Is the Honourable Member in order? I was not allowed to speak on the same.

Mr. President (The Honourable Sir Abdur Rahim): The Chair feels that all this is not really relevant to the Finance Bill. Mr. Sham Lal has really taken advantage of what was said by Dr. Ziauddin about Federation. The Chair does hope that he has said quite enough and that he will not pursue it further.

Mr. Sham Lal: I am not touching on that subject. Questions are being asked in this House about Federation, what about Federation, what about the life of the Assembly, what is the conduct of the Executive Councillors here, what light do they throw? Is it not an important thing for the Assembly? How long is this irresponsible Assembly to continue? Are not Members entitled to know how long this Assembly would last, and if we find that this Government is not able to give a definite reply or to dissolve this Assembly, I think this Government ought to be censured. They are waiting for the replies of the princes, but the princes would never reply and you cannot go on indefinitely. (Interruption.) Sir Abdoolla Haroon wants that we should be life members of the Assembly. I think it would be a fraud upon the people of India if Members, once elected, continue for their lives to be so.

Now, Sir, there is one more point to which I wish to draw attention. Perhaps the Central Government is setting a very good example in this very Capital. When this new Capital was created, it was thought that

it would be under the direct supervision of the Governor General, that there would be purity and the administration would be an ideal one. I would ask the Honourable Member to go from one side to another where the houses are being constructed, and if you ask the owners of the houses, they would reply—I am glad the Honourable Secretary for Education is sitting here—they would say, "We have paid Rs. 1,000, 2,000, for getting permission for constructing houses". There is corruption in New Delhi in the Municipality which is unparalleled in India. Thousands of rupees are taken, and I would ask the Honourable Member to hold an inquiry—whether high officers are taking bribes or not, and whether payments are being made for getting permission for the construction of these houses. There is favouritism going on with regard to contracts in New Delhi, and people are being robbed of their money. That is a point to which I wish to draw the attention.

Then, Sir, when there was a fall in the customs revenue, it was expected by the people that there would be a ten per cent cut in salaries. No cut has been made. This sugar industry might be ruined and the cotton industry may be ruined but so far as the salaries are concerned there is sanctity of contract. Sometimes it is sanctity of treaties. I would ask the Government where is the sanctity of treaty which you made with the Mughul Emperors, where is the treaty of Lord Clive, where is the treaty of Munich and the treaty of Versailles?

Sir Muhammad Yamin Khan: Was there any treaty with the Mughul Emperors?

Mr. Sham Lal: If Sir Muhammad Yamin Khan has not cared to read history, I cannot help him.

Sir Muhammad Yamin Khan: My Honourable friend does not know history at all when he says this.

Mr. Sham Lal: Was there a treaty with Clive or not? These treaties and contracts are observed only when it suits their interests. When the anti-recruiting Bill was discussed, the Defence Secretary said that British prestige stood very high and that Lord Runciman's services were asked for settling the dispute. A week after there was a complete surrender at Munich. Two days ago Mr. James said that British prestige stood very high and what do we find this morning? A complete surrender. Mr. Chamberlain has himself admitted that. In this connection, I am reminded of a story of a Jat who was being beaten by his wife within closed doors and people outside could not make out whether the husband was beating the wife or the wife was beating the husband. After the husband had got the beating he was clever enough to say to his wife; 'you have been served right. I have punished you sufficiently and I would ask you not to commit the mistake again, and he came out smiling. This is the position about the British prestige. In the war days, there was the following comment in certain papers:

"Qadam German ka barhta hai fateh sarkar ki hoti hai."

The reverse is the case nowadays. They are beaten every day, still every six months some country or other is being taken, and so far as Hitler is concerned, they cannot do anything. You want to pass the Finance Bill and levy more taxes, but a poor and discontented India

[Mr. Sham Lal.]

cannot support you in the measures you are taking. Congress and everybody stand against Hitlerism but what are you doing? You follow a policy of appeasement so far as your enemies are concerned, but so far as your friends are concerned you follow a policy of oppression and suppression. Just imagine the high salaries you are getting. You are getting 6,000 rupees a month, while the educated youth of this country are unemployed. In the face of this, do you think you can go on drawing these high salaries? In a rich country like England you are getting only Rs. 3,000, but in a poor country you are getting Rs. 7,000.

Mr. President (The Honourable Sir Abdur Rahim): It is getting rather personal.

Mr. Sham Lal: What we find is that so far as the present Government is concerned, it is quite irresponsible. It has introduced Provincial Autonomy but its potentialities would go very soon. It has ceased to be attractive because no money is forthcoming and the revenues of India are being exhausted by the Military Department. They are being used to bomb people on the Frontier. You prop up the States and don't take them to task and if you go on talking of treaties, then, certainly, the people of India would become impatient. The crisis has been averted on account of the presence of Mahatma Gandhi. You cannot avert that crisis for a long time. I say that the forces have been released and you cannot suppress them further for any length of time. If you want to serve the people, it is in the interests of England as well as India that you should come to an amicable settlement and agree to a constituent assembly framing a constitution for an independent India, with a treaty just as you have made with other friendly countries.

Dr. P. N. Banerjee: "Finance is not arithmetic, it is a great policy". This was an observation rightly made by an eminent financial expert many years ago. It is up to us to examine the manner in which this great policy has been formulated and carried out.

Sir, a good financial system has two chief characteristics. In the first place, taxation is adjusted to the capacity of the people, and the incidence of taxation is fair and equitable. In the second place, expenditure is so adjusted as to yield the greatest amount of good to the society as a whole. As for the first point, it has often been asked—Has the limit of capacity of the people to pay taxes been passed in India? It has been urged very often by politicians that the limit of taxation has been reached. Personally speaking, I am not quite sure about this fact, but it cannot be denied that already there is a very heavy burden of taxation on the people of the country. As regards incidence, it can be asserted that the tax system is far from equitable. Sir James Grigg admitted, the other day, that the Indian taxation system was "regressive", but he did not proceed further. He took comfort in the observation that in the present condition of the country it must remain so. I do not know what he meant when he observed that in the present condition of India the scope of direct taxation must be limited. Perhaps he meant that India is not yet developed, and that unless the trade and industry of the country is fully developed, the scope of direct taxation in a country must remain extremely limited. Indeed that is the real position in India. Now, what have the Government done to develop

the trade, commerce and industry of the country? In the past, as we all know, the Government placed various impediments in the way of the industrialization of the country. Thanks to the adoption of the policy of discriminating protection however, the industrial situation in the country has, to a considerable extent, improved in recent times. But Sir James Grigg is a free trader, and if he could have had things entirely in his own hands, he would have done his best to set back the hands of the clock so that India might once more become a producer of raw materials and an importer of manufactured goods. Even in this Budget we find indications of his desire to do this.

As for expenditure, what should be the ideal in India? Every advanced country adopts the maximum good of the people as the ideal in the matter of expenditure. But has that ideal been ever accepted in India by the Government? I say, no. It is only sectional interests that have prevailed in this country. If we analyse the items of expenditure in India, what do we find? We find that a considerable proportion of the revenues of the country goes out of the country without any direct return. As for what remains in the country, a great part of this is devoted to the maintenance of a very costly administration; and what remains after that is devoted to the nation-building services. Now, it is known to everybody, and it is known even to foreign observers including British observers, that while India spends very large sums of money on matters like defence and the police, she spends very small sums on the nation-building activities, such as education, sanitation, industrial development, agricultural improvement and other social service programmes. Now, in a Budget which is presented before us, we should expect to find how the present Finance Member deals with these matters. If we consider his Budget from this point of view, does it not appear to us to be a very disappointing Budget? The Finance Member says that he does not believe in imaginative finance. I, personally, do not believe in imaginative finance; but to follow the old rut is not always the correct policy. Foresight and imagination are essential in budget-making and in properly steering the financial ship of the country. These things have been lamentably lacking in the Budget of the present year.

The Finance Member made a boastful claim to the effect that he had retrenched expenditure to a very large extent. I admit, and I always give credit where credit is due, that some retrenchment has been effected. I feel thankful for what has been done. But I must confess that the policy of economy has not gone far enough. We do not see in the Budget any indication of the Finance Member's desire to abolish posts which are superfluous. We do not see any attempt on his part to accept the motion for the reduction of salaries which was passed by the House some time ago. If he had given any indication of his desire to meet the wishes of the people, we would have welcomed that move as a move in the right direction. As it is, the retrenchment which he has carried out has been carried out with the object of financing the military expenditure of the country.

Our Finance Member told us the other day that India is very fortunate in having been able to escape any addition to her military expenditure. Now, this statement is not wholly correct. What we find is that there is an addition of Rs. 49 lakhs, that is to say, nearly half a crore, to the amount which was budgeted last year. I find in his own speech that forty-nine lakhs of rupees have been proposed to be taken from the military

[Dr. P. N. Banerjee.]

sinking funds, but this is not mentioned in the total amount of net expenditure. Now, is not this an addition? I wait for an answer. The Finance Member further said that some of the other countries were spending very large sums of money; while India was spending three to four per cent. only of her annual national income, some of the other countries were spending as much as twelve and a half to twenty-five per cent. Now all these figures I have to take with a grain of salt.

The Honourable Sir James Grigg: With a little arithmetic—not a grain of salt.

Dr. P. N. Banerjee: Will the Honourable the Finance Member tell me how he has arrived at the figure of Rs. 1,600 crores to Rs. 2,000 crores as the annual national income of India?

The Honourable Sir James Grigg: It is based on the estimates made by previous writers who have attempted to compute the national income, reviewed in the light of modern conditions by the Economic Adviser.

Dr. P. N. Banerjee: Different computations have been made by different persons and these computations do not agree with one another and none of these estimates has been based on actual figures. So, none of these estimates can be regarded as accurate.

The Honourable Sir James Grigg: You should know, being an economist.

Dr. P. N. Banerjee: I know these estimates are not accurate. Then, the statement of the Honourable the Finance Member in referring to the smallness of the military expenditure of India is not convincing. When he referred to the proportion of the income he forgot the fact that as the income of a people rises, its capacity to contribute increases more than proportionately. That is a very important fact which he has ignored.

The Honourable Sir James Grigg: I have mentioned it in connection with military expenditure.

Dr. P. N. Banerjee: I do not know: I will have to look it up later on.

Then, we should also consider the purposes for which the military expenditure is incurred. Different nations have different objects in view in incurring military expenditure. Some people indulge in military expenditure in order to get a direct return. Italy did so; Germany is doing so at the present moment; and so is Britain. But India has no such object in view. Her expenditure, therefore, can be regarded as purely defence expenditure, while the military expenditures of other countries are not really defence expenditures. The Finance Member will not deny that Sir Walter Layton is an eminent financial authority, and what did he say? He said ten years ago that India's military expenditure in proportion to her revenues was greater than that of any other country. I admit that those were normal times, and the times have now changed. But why should in normal times have the proportion of Indian military expenditure to her revenues been greater than the proportion of the expenditure of any other country?

The Honourable Sir James Grigg: Military expenditure has come down by 10 crores

Dr. P. N. Banerjea: Coming to the Finance Bill, we find that there are three measures of taxation proposed in it. Firstly, the export duty on cotton, secondly, the additional amount to be derived from *khandasari* sugar and, thirdly, the additional taxation relating to the taxes on income. Now, as regards the export duty on cotton, I find that the Finance Member hopes to kill two birds with one stone. He hopes to get his revenue and he sets different classes of people to fight amongst themselves. In fact, the other day when there was a general discussion of the budget, some Members of this House expressed divergent opinions on this subject, and the Finance Member was good enough to remark that he was glad that people were knocking their heads. This policy of making people knock their heads one against the other is not a new policy. It is a very old policy. It is as old as the beginning of the British rule in this country. In fact, it was this policy which enabled the British people to obtain a hold on this country. But, the Finance Member has carried out this policy in the cleverest manner possible. To that extent it is a very creditable performance on his part. He said that this new duty would help the growth of long staple cotton in the country. I do not know whether this will happen immediately. Eminent authorities have already expressed their views on this subject. The Leader of the Opposition said that this would not be possible and Sir Cowasji Jehangir, himself an expert on the subject, has also expressed the same view. It seems to me that long staple cotton can be grown, but it cannot be grown in the immediate future. It may take a considerable time and a great deal of experiment before long staple cotton is not only grown in this country but sold at the same price as long staple cotton imported from abroad. That is the most important point. And what will happen in the meantime? Indian cotton mills will be at a disadvantage in competition with the cotton mills in Lancashire and in Japan. The Honourable the Finance Member denied any intention to benefit Lancashire, but he cannot deny that he is a patriot, and as a patriot it is only natural that the interests of his own country should be nearest to his heart. I quote the observations of a predecessor in office of Sir James Grigg, namely, Sir John Strachey, who observed in 1877:

"We are often told that it is the duty of the Government of India to think of Indian interests alone and that if the interests of Manchester suffer, it is no affair of ours. For my part, I utterly repudiate such doctrines."

I believe Sir James Grigg also repudiates such doctrines. He further observed:

"The interests of Manchester at which some foolish people sneer, are the interests not only of the great and intelligent population engaged directly in the trade in cotton but of millions of Englishmen."

I am absolutely certain that the attitude of Sir James Grigg is the same as the attitude of Sir John Strachey; only he is not as frank as his predecessor was.

The Honourable Sir James Grigg: You have no right to say that at all.

Dr. P. N. Banerjea: If the Honourable Member denies that, then I will withdraw. If my Honourable friend says that he is not as good a patriot as Sir John Strachey, I will accept his disclaimer. But I thought he was a good patriot.

[Dr. P. N. Banerjea.]

Now, Sir, the question is,—will Lancashire benefit? The benefit will go not merely to Lancashire, although it is intended to benefit Lancashire in the first instance, it will also go to Japan. But the question is will Lancashire gain more or Japan? It is possible that in the long run Japan will get the better of Lancashire, and the Honourable the Finance Member will then have to regret his action. But in any case the Indian mills will suffer. Some of the Indian mills have, in recent times, not been working on adequate rates of profit. The Bengal mills, I am sure, are not getting that rate of profit which would be desirable and necessary; and being on the margin some of the Bengal mills will have to go out of existence if this duty on raw cotton is insisted upon. It is known to most people present here that Bengal did not take to this cotton industry until long after Bombay and Ahmedabad had entered the field. Bengal did not have enough experience of the business and, naturally, the rate of profit which is earned by Bengal mills is lower than the rates of profit in other provinces. So, I submit that this doubling of the duty on raw cotton will prove a great hardship to Bengal mills.

Coming now to *khandsari* sugar, I find again the same policy of making the people knocking their heads one against another is being followed.

The Honourable Sir James Grigg: But that does not do any good to Lancashire.

Dr. P. N. Banerjea: In this case, it does not. He has made the sugar mill owner, the large producer of *khandsari* sugar and the small producer of *khandsari* sugar all knock their heads one against another. He has shown extraordinary cleverness in amending the present definition of the word "factory". I am not connected with this industry at all, but I am deeply interested in the welfare of cottage industries in the country. I am afraid that the *khandsari* sugar industry will be hard hit by the new definition which is sought to be given to the word "factory".

Coming to the third item of taxation, namely, the income-tax, it cannot be denied that a large amount of revenue is now sought to be derived under this head. So far as the big people are concerned, I am not sorry that a greater burden has been sought to be placed upon them. But when a greater burden is placed on any section of the community it ought to be made clear to them that this is being done. That has not been done in the budget speech of the Finance Member. But I leave the rich people to fight the matter out with the Finance Member. What I am interested in is the removal of the exemption limit regarding super-tax on companies. Now, Sir, companies are small, middle-sized and big. It is not true to say that all companies are big and that all companies are in a position to pay super-tax. Therefore, when this exemption limit of Rs. 50,000 was first placed, it was based on reason and justice. Now, this exemption is being taken away and the result is that even very small companies will have to pay the tax at the same rate as very big companies, namely, at the rate of one anna. Is this the right form of taxation? I hope the Honourable Member believes in graduated taxation. This is not surely a graduated system of taxation. Everybody knows that when the same rate of taxation is levied on small companies, as on big companies, the rate

affects the small companies to a much greater extent than the big companies. Therefore, in the interests of the industrial development of the country, I suggest that the exemption limit should be kept up. If he so wishes, he may lower the exemption limit to Rs. 30,000 or Rs. 25,000, but the exemption limit should not be done away with altogether.

With regard to large incomes Sir Cowasji Jehangir gave certain figures. He showed that in India the number of persons who had fairly large incomes was something like 329. Now, what is the position in England? From the latest report of the Commissioners of Inland Revenue in Great Britain, I find that the number of people liable to surtax, which is the same as super-tax in this country, rose from 91,000 to 95,000 during the year. Those who could be classed as millionaires, that is those with incomes above £40,000, or approximately 5½ lakhs of rupees rose from 529 to 539. In England the number of persons who have an income of over five lakhs is so large, and there has also been increase in this category of persons during the present year. What is the number of such persons in India? I believe there is not a single person who will answer this description. I hope the Finance Member will tell me whether there is a single individual in India who has an annual income of 5½ lakhs of rupees.

Mr. N. M. Joshi: Several.

Dr. P. N. Banerjea: There may be one or two or three, but look at the number in England, where it is 539. And no wonder the total net surtax revenue rose from 53 million pounds to 57 million pounds in the current year. Thus we find that there is a much greater scope for the imposition of income-tax and super-tax in England than in India. Even the number of persons who pay ordinary income-tax in India is very small. I do not want that there should be millionaires; I do not want a single millionaire in this country. But what I do want is that people, as a whole, should be prosperous and there should be millions of people who would be in a position to pay income-tax. But that is not the position now and it is because of that fact that indirect taxation has to be resorted to in this country.

Sir, I now come to the question whether the deficit which has been disclosed is a real one or not. The other day some Honourable Members observed that the revenue had been underestimated. To that the reply of the Finance Member was that they were echoing their "Master's Voice". I ask the House whether it was good taste on the part of the Finance Member to use this language.

The Honourable Sir James Grigg: I am going to repeat it.

Dr. P. N. Banerjea: That shows the bravery and good taste of the Honourable Member. Sir, I really feel that Sir James Grigg thinks that he can insult Members of this House with impunity.

The Honourable Sir James Grigg: Truth can never be insulting.

Dr. P. N. Banerjea: And he does so because he is a Member of the Government of India which is a subordinate branch of the British Government. Otherwise he would not have had the discourtesy to do so.

[Dr. P. N. Banerjee.]

Now, I myself am of the opinion that there has been some underestimating, and the Finance Member himself said, in the course of his budget speech, that for the current year the income-tax was cautiously estimated. The word is not "underestimating" but "cautious estimating".

The Honourable Sir James Grigg: "Over-cautious" is the word I used.

Dr. P. N. Banerjee: I stand corrected. Over-cautious estimating and underestimating appear to me to be one and the same thing. Therefore, I say that in the coming year's budget also he has adopted the same policy. If that be so, I hope and trust that after the views which have been expressed in this House he will withdraw his taxation proposals. But supposing there is a real deficit there are certain alternatives which may be suggested.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member may continue his speech tomorrow.

The Assembly then adjourned till Eleven of the Clock on Saturday, the 18th March, 1939.