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THE

LEGISLATIVE ASSEMBLY DEBATES

Official Report

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THIRTEENTH SESSION

OF THE

FIFTH LEGISLATIVE ASSEMBLY, 1941



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Legislative Assembly

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LEGISLATIVE ASSEMBLY

Tuesday, the 4th March, 1941.

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

ALLOWANCES AND ACCOMMODATION FOR ITALIAN AND INDIAN PRISONERS OF WAR.

240. *Mr. Govind V. Deshmukh: Will the Defence Secretary please state the allowances and accommodation provided for:

- (a) Italian prisoners of war (i) officers and (ii) other ranks in India; and
- (b) Indian prisoners of war (i) King's commissioned officers (ii) Viceroy's commissioned officers and (iii) other ranks in Sudan and France?

Mr. C. M. G. Ogilvie: The treatment of both Italian and Indian Prisoners of War is governed by the International Convention relative to the treatment of Prisoners of War signed in Geneva in 1929 which has been ratified by India, Germany and Italy. In accordance with the Convention the Prisoners of War are required to be lodged in buildings or huts with all possible safeguards as regards hygiene and salubrity. Captured officers are entitled to the rates of pay of equivalent ranks in the armed forces of the capturing power or to the pay they have been receiving before capture whichever is less. Non-commissioned officers and other ranks receive free rations as issued to the depot troops of the detaining power and a messing allowance of 3½ annas per day but no pay. These conditions are being fulfilled by His Majesty's Government in respect of Italian Prisoners of War in India. We have no reason to believe that Indian prisoners of war are being differently treated.

Mr. Govind V. Deshmukh: May I know if the Indian prisoners of war are accommodated in huts or buildings? I am referring to prisoners of officers' ranks.

Mr. C. M. G. Ogilvie: I have already said that we have no reason to believe "that Indian prisoners of war are being differently treated". I cannot say more, because we have no precise information on the subject. For the information of the Honourable Member, I may say that I have recently seen three or four private letters from Indian prisoners of war who expressed themselves satisfied with the conditions in Germany.

Sir H. P. Mody: Is it not a fact that the International Red Cross Organisation looks after these matters?

Mr. C. M. G. Ogilvie: Yes.

Sir H. P. Mody: Are not, then, the Government of India obtaining information from that organization?

Mr. C. M. G. Ogilvie: When that organization can obtain it, the Government of India receive it. But that organization itself is experiencing great difficulty in obtaining information of conditions prevailing in Germany.

Lieut.-Colonel M. A. Rahman: Have the Government of India sought any information from the Red Cross?

Mr. C. M. G. Ogilvie: Yes, from all sources.

Mr. Govind V. Deshmukh: Are enquiries being made about the accommodation given to Indian prisoners of war in enemy countries?

Mr. C. M. G. Ogilvie: Enquiries are being regularly made, and we hope, in due course, to receive a report from those who have seen them.

WORK TAKEN FROM ITALIAN AND INDIAN PRISONERS OF WAR.

241. *Mr. Govind V. Deshmukh: Will the Defence Secretary please state whether the Indian prisoners of war have been put on any work by the Governments of those countries in which they are at present, and whether the Italian prisoners of war have been put on any work in this country?

Mr. C. M. G. Ogilvie: The Government of India have no information as to whether Indian Prisoners of War have been put to work. So far Italian Prisoners of War in this country have not been put to any work outside their camps.

Mr. Govind V. Deshmukh: Is there any idea of putting them on work?

Mr. C. M. G. Ogilvie: Yes, it is being considered.

Mr. Govind V. Deshmukh: What sort of work?

Mr. C. M. G. Ogilvie: Suitable work.

Mr. Govind V. Deshmukh: Have you got any idea about the sort of work?

Mr. C. M. G. Ogilvie: I have a great many ideas, but I am not here to give my ideas.

Mr. Govind V. Deshmukh: We are here to secure information from the Government about their ideas?

Mr. C. M. G. Ogilvie: I beg the Honourable Member's pardon. I am not here to give information about my ideas.

Mr. Govind V. Deshmukh: What sort of work are the Italian prisoners given?

Mr. C. M. G. Ogilvie: I have informed the Honourable Member that the Italian prisoners of war have not been put to any work outside their camps.

Mr. Govind V. Deshmukh: What is the work inside their camps on which they are employed?

Mr. C. M. G. Ogilvie: Some have been employed upon making paths ways and so on in the internal arrangement of the camp.

REWARDS TO INDIAN SOLDIERS AND OFFICERS FOR MERITORIOUS SERVICES

242. *Mr. Govind V. Deshmukh: (a) Will the Defence Secretary please state if the Governments of Provinces other than the Punjab, Bengal, Assam and Sind have reserved lands for giving as jagirs to the Indian soldiers and officers, as rewards for their meritorious services in this war? If so, which are the Provinces and what is the area of land reserved for such purpose?

(b) Have the Governments of these Provinces made any statements regarding the special reward for the meritorious services in this war?

(c) Have the Government of India any statement to make regarding the special reward for meritorious services in the war to Indian soldiers and officers? If so, what?

Mr. C. M. G. Ogilvie: (a) and (b). The Government of India have no information on these points.

(c) No, Sir, the Government of India have the question under sympathetic consideration but are not prepared to make a statement at this stage.

Mr. Govind V. Deshmukh: May I ask whether, if the Government made a statement in respect of what I have suggested in part (c), it will not help the recruitment?

Mr. C. M. G. Ogilvie: That, I think, is quite probable, but the Government are considering it carefully.

Mr. Govind V. Deshmukh: When it is probable that the Government of India will make the statement?

Mr. C. M. G. Ogilvie: I cannot say when the statement will be made.

Mr. M. S. Aney: Do they propose to make a statement shortly?

Mr. C. M. G. Ogilvie: I cannot say when.

Mr. M. S. Aney: Do they really propose to make a statement shortly?

Mr. C. M. G. Ogilvie: I cannot say whether shortly or not shortly.

Mr. Govind V. Deshmukh: Do Government propose to make any statement at all?

Mr. C. M. G. Ogilvie: All I can tell the Honourable Member is that the matter is under consideration, and, when a decision has been reached, it will be made known, but I cannot at present say when the consideration stage will reach its end.

CENSUS INSTRUCTIONS CONCERNING LANGUAGE AND CASTE COLUMNS IN THE UNITED PROVINCES.

†243. ***Bhai Parma Nand:** (a) Will the Honourable the Home Member please state whether Government are aware that in the United Provinces the enumerators have been instructed to enter "Hindustani" in the language column of the census?

(b) Are Government further aware that the Hindi Sahitya Sammelan (a very important organisation) has announced that 15th February be observed as "Hindi" day to publicly protest against these instructions?

(c) Is it a fact that the Hindus are restricted to mentioning only the caste in the column of Race, Tribe, or Caste, and say nothing about Tribe or Race? If so, what is the reason for this restriction?

The Honourable Sir Reginald Maxwell: (a) The form of question in the United Provinces repeats that of 1921 and was designed to meet the peculiar conditions of that province. I may say however that where a person specifically requires the answer Urdu or Hindi to be written in his enumeration slip this will be done.

(b) I am prepared to accept the Honourable Member's statement.

(c) No.

INDIANS RECRUITED AS SOLDIERS.

244. ***Mr. Amarendra Nath Chattopadhyaya:** Will the Defence Secretary be pleased to state the total number of Indians who have been recruited as soldiers since the beginning of the war and their number according to their respective Province and nationality?

Mr. C. M. G. Ogilvie: I refer the Honourable Member to the reply to part (a) of Mr. Lalchand Navalrai's starred question No. 18 of the 7th November, 1940, and to the reply to the same Honourable Member's starred question No. 54 of 13th February, 1941.

INDIANS IN MUNITION FACTORIES.

245. ***Mr. Amarendra Nath Chattopadhyaya:** Will the Defence Secretary be pleased to state how many Indians have been employed in Munition factories in India since the outbreak of the war and how many of them are Europeans, Anglo-Indians and purely Indians?

Mr. C. M. G. Ogilvie: This question should have been addressed to the Honourable the Leader of the House.

PROTECTIVE MEASURES AGAINST AIR RAIDS ON WAR MATERIALS FACTORIES.

246. ***Mr. Amarendra Nath Chattopadhyaya:** Will the Defence Secretary be pleased to state what protective measures have been taken

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

regarding all such iron and steel and munition factories, manufacturing war materials in India, province by province, against possible air raids by enemies?

Mr. C. M. G. Oglvie: This question should have been addressed to the Honourable the Labour Member.

DEFICIENCY IN THE NUMBER OF MUSLIM EMPLOYEES ON INDIAN RAILWAYS.

247. *Mr. H. M. Abdullah: (a) Will the Honourable the Home Member be pleased to state whether all Indian Railways are following the rules for direct recruitment contained in the Resolution of the Government of India of July 1934? If not, why not?

(b) Is it a fact that Government can enforce the terms of this resolution on the four State-managed Railways only?

(c) Is it a fact that these State-managed Railways do not serve the entire Indian continent?

(d) Is it a fact that it has been admitted in paragraph 8, section IV of Annexure 1 to the Home Department Resolution No. F. 14/17B/33, dated 4th July, 1934, that recruitment to subordinate posts on the Railways is made by local areas and not on an All-India basis?

(e) Is it a fact that an average percentage of Muslims in the population of the areas served by the State-managed Railways is over 35, but that the percentage fixed for Muslims in direct appointment to gazetted services on those railways is only 25, and it is only 33 in the case of subordinates?

(f) Is it a fact that Muslims have been given less than their due share in accordance with population on the South Indian Railway, Assam Bengal Railway, and the Bombay, Baroda and Central India Railway, by approximately nine per cent.?

The Honourable Sir Reginald Maxwell: With your permission, Sir, I propose to answer questions Nos. 247 and 248 together. The questions should have been addressed to the Honourable the Railway Member.

Dr. Sir Ziauddin Ahmad: Is it not a fact that the Honourable the Home Member is the guardian of the Resolution of 1934?

The Honourable Sir Reginald Maxwell: I am not the guardian of the Railways, Sir.

Dr. Sir Ziauddin Ahmad: But he keeps a watch over the working of the Resolution.

Mr. President (The Honourable Sir Abdur Rahim): This question should have been addressed to the proper Department.

Dr. Sir Ziauddin Ahmad: I think the Home Department have always undertaken the responsibility to see that the Resolution is carried out? Is it not a fact?

(No reply.)

Maulvi Muhammad Abdul Ghani: May I know whether reports about communal representation in All-India services are submitted to the Home Member or the Railway Member?

The Honourable Sir Reginald Maxwell: The detailed application of the rules is a matter for each Department, but general statistics are compiled by the Home Department and are placed in the Library of the House at intervals.

DEFICIENCY IN THE NUMBER OF MUSLIM EMPLOYEES ON INDIAN RAILWAYS.

†248. ***Mr. H. M. Abdullah:** (a) Will the Honourable the Home Member be pleased to state whether the total reservation, for India as a whole, of 25 per cent. for Muslims in direct recruitment, was fixed to approximate to the ratio of Muslims in the total population of India?

(b) Is it a fact that so far as Railway services are concerned, the rules contained in Annexure II of Home Department Resolution No. F.-14/17-B./38, dated 4th July, 1934, apply to State-managed Railways only?

(c) What is the total number of State-managed and Company-managed Railways of all classes, separately? Of these, how many have been asked to adopt similar rules for the services on their Railways and how many have actually done so?

(d) Have Government set up any machinery to ensure that Company-managed Railways, who may have agreed to adopt similar rules for the services on their Railways, are actually doing so?

REQUISITIONING OF PRIVATE-OWNED MOTOR VEHICLES BY MILITARY AUTHORITIES AND COMPENSATION THEREFOR.

249. ***Mr. Govind V. Deshmukh:** (a) Will the Defence Secretary be pleased to state whether it is a fact that the military authorities have acquired a large number of motor vehicles for training their drivers at Jubbulpore?

(b) If so, what is the number of motor vehicles so acquired from each Province?

(c) What is the basis on which compensation is calculated and given to the owner of the motor vehicles so acquired?

(d) Are Government aware of the fact that the President, Provincial Motor Union, Central Provinces and Berar, Nagpur, has submitted representations to the Government of the Central Provinces and the military authorities at Jubbulpore, complaining against inadequacy of the compensation given by the military authorities to the owners of the motor vehicles?

(e) Are Government aware of the fact that the present prices of the motor vehicles have increased by 20 to 25 per cent. over those prevailing two years ago? If so, is this factor taken into account in calculating the compensation to the owners?

(f) Do Government propose to restrict the acquisition of the motor vehicles only from such owners as own more than two vehicles?

Mr. C. M. G. Ogilvie: (a) 170 vehicles are being acquired for training military drivers at Jubbulpore.

(b) It is not yet known from which provinces this number of 170 will eventually be sent.

†For answer to this question, see answer to question No. 247.

(c) The basis on which compensation is calculated is a fair market price for the vehicle.

(d) Government are not aware of any such representation.

(e) Yes. This factor has been taken fully into account in calculating the compensation to the owners.

(f) All such administrative details have been left at the discretion of the Provincial Government.

CONSTRUCTION OF A NEW PARK IN SADAR BAZAR, LAHORE CANTONMENT.

250. *Dr. P. N. Banerjee: (a) Will the Defence Secretary please state whether it is a fact that a public park is under construction in Sadar Bazar, Lahore Cantonment, which has been named after the name of the present Executive Officer of that Cantonment?

(b) If so, what expenses were incurred for *pucca* footpaths, *pucca* pavements, earth-work, drainage, sign-boards, iron gates, etc., on the park, from the Cantonment Fund?

(c) How many other public parks are in existence at present in Sadar Bazar of Lahore Cantonment and in the Cantonment proper, except the new park under construction, which are maintained from the Cantonment Fund?

(d) Has the new park been constructed with the object of perpetuating the memory of the present Executive Officer of Lahore Cantonment?

(e) Is it a fact that other urgent works, such as, repairs of roads and important lanes in Sadar Bazar and works of public importance and necessity, were neglected in order to provide money from the Cantonment Fund for the new park?

(f) Is construction of public parks, from tax-payer's money, to perpetuate the name of an Executive Officer of the Cantonment Board, permissible under the Government Servant Rules?

(g) Are Government prepared to consider the desirability of taking steps to discourage the incurring of such expenses? If not, why not?

Mr. C. M. G. Ogilvie: (a) Yes.

(b) Rs. 3,627-4-0.

(c) Sadar Bazar—Nil.

Cantonment proper—nine.

(d) No. The proposal was initiated 17 months before the transfer of the present Executive Officer to Lahore.

(e) No.

(f) Does not arise.

(g) In view of clause (b) of section 117, Cantonments Act, 1924, this does not arise.

WATER RATE AND OTHER TAXES IN LAHORE CANTONMENT.

251. *Dr. P. N. Banerjee: (a) Will the Defence Secretary please state the rate of water and other taxes levied in Lahore Cantonment?

(b) Is it a fact that houses in Lahore Cantonment, which are not connected with water taps, are also taxed for the supply of water tax?

Mr. C. M. G. Ogilvie: (a) and (b). Water tax is seven per cent. of the rental value for buildings with a water connection. For other buildings the tax is three per cent. or two per cent. according to whether they are situated less than 600 feet or more than 600 and less than 1200 feet from the nearest public stand post. There is no tax for buildings situated more than 1200 feet from the nearest public stand post.

Other taxes are:

House tax at nine per cent. of the annual value.

Dog tax which varies from Re. 1 to Rs. 2/8/- per dog according to the number of dogs kept.

Octroi tax at various rates—*vide* Government of India, Defence Department Notification No. 1275, dated the 19th August, 1940.

Dr. P. N. Banerjea: What are the reasons for differentiating the water tax in different parts?

Mr. C. M. G. Ogilvie: It is very hard to say briefly. Each case is considered on its merits having regard to the local conditions of the cantonment concerned.

OFFICE SUPERINTENDENT OF THE LAHORE CANTONMENT BOARD.

252. *Dr. P. N. Banerjea: Will the Defence Secretary please state what the rate of salary drawn by the Office Superintendent of the Lahore Cantonment Board is and what his educational qualifications are?

Mr. C. M. G. Ogilvie: Rs. 150—5—200 per mensem. He is a matriculate.

UNSTARRED QUESTIONS AND ANSWERS.

CIRCULATION OF GOVERNMENT NOTES.

92. Mr. Amarendra Nath Chattopadhyaya: (a) Will the Honourable the Finance Member be pleased to state what was the total circulation of Government Notes on the 31st March, 1940, and what was the total circulation on the 31st January, 1941?

(b) What is its equivalent in (a) coin, (b) in bullion, (c) in securities?

The Honourable Sir Jeremy Raisman: The attention of the Honourable Member is invited to the weekly accounts of the Reserve Bank which are published in the *Gazette of India*.

AMOUNT OF NEGOTIATION IN GOVERNMENT SECURITIES.

93. Mr. Amarendra Nath Chattopadhyaya: Will the Honourable the Finance Member please state what has been the total amount of negotiation month by month during 1940 in Government securities in the whole of India—Province by Province, *i.e.*, what amount has been purchased and sold?

The Honourable Sir Jeremy Raisman: The information desired by the Honourable Member is not available.

SAVINGS DUE TO NEW COINAGE, SALES OF INDIAN GOLD AND GOLD RESERVE IN INDIA.

94. Mr. Amarendra Nath Chattopadhyaya: (a) Will the Honourable the Finance Member please state what saving has accrued in silver by the introduction of new coinage of rupee and half-rupee in India?

(b) What was the total weight of gold sold away from India just before the war broke out and what was its value? What value of gold has been sold away after the breaking out of war?

(c) What is the present gold reserve in India?

(d) Is it a fact that gold reserved by the Reserve Bank of India is to be adjusted against India's sterling loan to be repaid presently?

The Honourable Sir Jeremy Raisman: (a) The saving in each rupee is five-twelfths of a tola of fine silver and in each half-rupee, half that quantity.

(b) The attention of the Honourable Member is invited to the Review of the Trade of India.

(c) The required information is contained in the weekly accounts of the Issue Department of the Reserve Bank which are published in the *Gazette of India*.

(d) The method in which the repatriation of sterling debt is to be financed has been explained in my budget speech, and does not involve the use of any portion of the gold reserve.

SALES OF REVERSE COUNCILS ON LONDON BY DEFERRED TELEGRAPHIC TRANSFERS.

95. Mr. Amarendra Nath Chattopadhyaya: Will the Honourable the Finance Member please state the total amount of sales of Reverse Councils on London by deferred telegraphic transfers in 1940 during the war?

The Honourable Sir Jeremy Raisman: There have been no such sales.

CENTRAL GOVERNMENT FINANCE ACCOUNTS AND AUDIT REPORT.

The Honourable Sir Jeremy Raisman (Finance Member): Sir, I lay on the table a copy* of the Central Government Finance Accounts 1939-40 and the Audit Report, 1941, as required by section 169 of the Government of India Act, 1935.

Dr. P. N. Banerjee (Calcutta Suburbs: Non-Muhammadan Urban): Will these copies be available to us?

*Not printed in these debates—*Ed. of D.*

The Honourable Sir Jeremy Raisman: I understand they will be circulated.

THE GENERAL BUDGET—GENERAL DISCUSSION.

FIRST STAGE.

Mr. President (The Honourable Sir Abdur Rahim): The General Budget will now be discussed, and in that connection the Chair has got to fix a time limit for speeches. According to past practice, fifteen minutes is allowed for Members generally, twenty minutes for Party Leaders, and an hour or more for the Government Member to reply. Is there general agreement with regard to that?

Mr. M. S. Aney (Berar: Non-Muhammadian): Members generally desire to have twenty minutes: Party Leaders and the Government Member may be given thirty minutes.

Mr. President (The Honourable Sir Abdur Rahim): Government may require more.

Mr. M. S. Aney: They may have more.

Mr. President (The Honourable Sir Abdur Rahim): Is that the general desire—twenty minutes for Members generally, thirty minutes for Party Leaders and the Government Member may have an hour or more for reply?

Honourable Members: Yes.

Mr. President (The Honourable Sir Abdur Rahim): Very well.

Maulana Zafar Ali Khan (East Central Punjab: Muhammadian): Sir, ordinarily general discussion extended to two days formerly: now, on such an important matter, the discussion has been limited only to one day, and even then only fifteen minutes has been given to us.

Mr. President (The Honourable Sir Abdur Rahim): Twenty minutes has been given.

Mr. M. S. Aney: Sir, may I, with your permission, repeat what I stated last year also, my request to the Honourable the Leader of the House that it has been a very serious grievance felt by the non-official Members—particularly by the elected non-official Members—that the number of days for general discussion of the General Budget should have been restricted now only to one day. It used to be for two days at least for the last few years. The only ground on which last year the Honourable the Leader of the House did not seem inclined to accept my suggestion was that a very important Party was absent from the House and, naturally, the number of speakers will be proportionately reduced. That is true; but there is another aspect also of the question. When there were a large number of speakers, the range of subjects that was discussed was also equally large. Now, as they are absent, if we allow

the number of speakers to be reduced proportionately, it means that we also allow the range of the discussion of the administration of the Government of India to be proportionately reduced. Now, the important point is that this is the only occasion for this House to bring under its discussion and consideration the general administration of the Government of India. Therefore, although some Members might have been absent, Government should not take advantage of that fact to see that opportunities for full discussion of the Government of India's administration are denied to this House, because some Party is absent. From this point of view I still make myself bold to approach the Honourable the Leader of the House with a request that he should reconsider his decision and allow us to have full two days' debate for the General Budget.

Dr. Sir Ziauddin Ahmad (United Provinces Southern Divisions: Muhamnadan Rural): Sir, I support the suggestion. When I received a copy of the Agenda, I wrote to the Honourable the Leader of the House immediately that the number of days allowed for the general discussion and for the Demands should not be curtailed—there ought to be two days and five days respectively—because the time does not depend upon the absence of one particular Party or the reduction in the number of Members: it depends on the importance and the number of the subjects we have to discuss. The importance remains whether the number of Members is reduced by 50 per cent. Therefore, I support the request.

The Honourable Sir Muhammad Zafrullah Khan (Leader of the House): Sir, the House will perhaps not have forgotten that last year one day did not prove to be too short for the general discussion of the Budget. The discussion was concluded well in time. Mr. Aney has been pleased to observe that the House has only this opportunity of bringing under general review the administration of the various Departments of the Government of India. But, surely, the consideration stage of the Finance Bill also affords that opportunity—and an unlimited one—of bringing under review the general administration of the Government of India; nor can it be contended that when the number of Honourable Members desiring to take part in the discussion has been considerably reduced, the same amount of time is required for general discussion of the Budget as would be required in a full House. Having regard to what happened last year, Government are convinced that one day is amply sufficient for the purpose.

Mr. President (The Honourable Sir Abdur Rahim): The discussion will now begin.

(Dr. Sir Ziauddin Ahmad and Mr. L. C. Buss rose to speak.)

The Chair does not know what the Honourable Member's (Sir Ziauddin Ahmad's) position is—whether he is the Leader of his Party or an ordinary member. Mr. Buss.

Mr. L. C. Buss (Nominated Non-Official): Mr. President, when speaking during the general discussion of the Railway Budget, I remarked that it was necessary to look at that budget against the background of the war. That applies with even greater force to the General Budget in which very substantial provision has to be made not only for

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the needs of the fighting services but also for the very complex supply organisation behind the lines which has so enormously increased in importance, in volume and, unfortunately, in cost, under modern conditions of warfare.

When, however, one considers the benefits accruing to India from the supply orders placed by His Majesty's Government—the latest available total of which is no less than Rs. 82 crores, a figure likely to be greatly increased as time goes on—the amount of Rs. 58 lakhs which the Supply Department is expected to cost next year seems a great deal less vulnerable to criticism than the arguments of some of its critics might lead one to suppose.

Viewed against the background of the war, I have no hesitation in saying that in my view and in that of my Party, the Honourable the Finance Member has been able to present what may be termed a very favourable picture. The additional expenditure which we are called upon to defray in one way or another is certainly substantial in the sense of its relation to a normal Indian Budget, but let us not for that reason forget that it is fractional compared both with the actual expenditure of the United Kingdom on war measures and with the relation of that expenditure to their normal budget. We are moreover spending actually less than Australia and proportionately much less than New Zealand.

Running through the Honourable Member's budget is a vein of solid achievement in having kept essential expenditure well under control. While we should certainly deprecate any cheese-paring in such critical times as the present, we should be entitled to take exception to prodigality and lack of control, but the information which the Finance Member has presented to us indicated, I think, that he has steered a prudent course between these extremes.

On many occasions in the past we have strongly emphasised from these Benches that a balanced budget is a fundamental principle of sound finance and I see no reason to modify that view except to say that it is impossible, in the midst of a mortal struggle, fully to maintain the standards of financial rectitude which we rightly set ourselves during periods of peace and normality. While we might perhaps have anticipated that a larger share of the additional expenditure already incurred and to be incurred would have been met from revenue, that is to say, by a still wider increase in taxation, it would be incorrect to suggest that an unbalanced budget at the present time will have any serious consequences to India's credit. Our financial position, about which I shall have more to say later, is much too strong for that.

Turning now to the Honourable Member's proposals for meeting that part of the deficit which he recommends should be defrayed from revenue, it will at once be evident that by far the greater part of the burden of new taxation is being placed on the shoulders of those best able to bear it. Only one item, the increase in the excise duty on matches, can fairly be described as an indirect tax which affects all classes of the people. Even in this case, as the Finance Member has pointed out, there is every prospect that, owing to the small units in which the commodity is sold and the lack of flexibility in grading prices so as to absorb the duty with any exactitude, it is probable that the

trade will itself absorb an appreciable part of the enhanced duty instead of continuing to enjoy what the Honourable Member terms an "unconvenanted profit".

We take no exception to the additional direct taxation which we are now asked to shoulder. If the money is to be wisely spent in the prosecution of the war, we accept the burden, and would indeed accept a heavier burden, with a lively recognition of the fact that whatever may be asked of us out here is almost negligible compared with what our brothers and sisters overseas are being called upon to bear. Not only is their financial burden far heavier but they have also to reckon with a weight of physical and mental suffering which I believe few of us who have not had an opportunity of seeing conditions in the devastated areas in the United Kingdom can properly appreciate.

I should, however, like to draw the attention of the House to a matter which I think must be frequently in the mind of the Finance Member: at all times and, particularly, when he is pondering over the future and laying his plans against the continuance of the war conditions over perhaps a lengthy period, on an intensified scale and possibly nearer home. I have said that we shall cheerfully accept what we are called upon to contribute to the common cause, but there is a mathematical limit to the maximum yield from the kind of taxation, whether it be direct or indirect, which falls on the wealthier stratum of the community. In spite of all that has been achieved by the Income-tax section of the Central Board of Revenue in discovering new assesses, the fact remains that the present taxpaying class is numerically extremely limited. Sooner or later, and probably sooner than later, the basis of taxation will have to be broadened if we are to keep our heads above water as this war drags on.

This is not the occasion to go into much detail about the specific proposals made by the Honourable Member, and I will confine myself to a brief reference to one or two points. As my predecessor in this seat last year, Sir Alec Aikman, said on a similar occasion, we have no quarrel with the taxation of excess profits accruing from the present emergency. Few of us, I imagine, were surprised to learn that an increase in the percentage of this tax was contemplated, and as far as I and my colleagues are concerned, we accept this increase as quite justifiable in the circumstances. That all shades of opinion will not take a similar view I am well aware, but that is a matter which can be discussed when the Finance Bill is before us. We shall also, I think, hear a good deal about the increased duty on artificial silk yarns and thread, but I will not go into that now.

Let me turn for a moment to that part of the Finance Member's speech which deals with the repatriation of debt. He has covered the ground very fully and my remarks will be brief. Early last year we were told of certain steps which it was proposed to take in this direction, but I think few of us can have realised on what a scale it would be found possible to achieve the object in view. I take this opportunity of tendering my most sincere congratulations to the Finance Member and all those associated with him on the outstanding success of their endeavours, and it will perhaps not be out of place to observe that, while these operations constitute one of the most important steps that could

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be taken towards releasing India from outside financial obligations, they have been taken by the much maligned Government which is now in charge of our destinies and with the authority and support of His Majesty's Government.

Now, Sir, I should like to devote a little time to a consideration of the advantages which membership of the British Commonwealth of Nations has secured for India in these critical days, as revealed by various observations which the Finance Member has made in his speech. I would ask the House first to take note of paragraph 12, which deals with the supply of equipment required for modernisation of our forces. Then again there is paragraph 17, where reference is made to the provision of dollar exchange for purchase of essential war requirements from the United States and Canada, and paragraph 20 which reminds us of the very notable settlement arrived at between India and His Majesty's Government relative to the allocation of war expenditure. And finally, at the end of the same paragraph, No. 20, mention is made of the very large contribution of the British taxpayer towards the cost of modernising the Army in India, quite apart from paying for all supplies and services provided by India to His Majesty's Government. It is an obvious conclusion that, but for the relief afforded in all these ways, the deficit with which we are faced would be a far larger one.

In a somewhat similar category is the very satisfactory arrangement referred to in paragraph 16, that is to say, the acceptance by His Majesty's Government of the proposal that a forward programme should be adopted for supplies which are likely to be required over a period. It must be evident that this must have greatly facilitated the work of the Supply Department and of the Industries on whose co-operation that Department must rely for a steady flow of production, and there can be no doubt that at the same time those industries which are already established in India as well as those which are growing up as a result of events in Europe—and here I would mention the very satisfactory news that the first Indian aeroplane is likely to be produced this year—will receive a very strong stimulus. This kind of expansion, aided by the widening of internal markets which has taken place and is still taking place owing to the quickening tempo of industry, will help a great deal to absorb the surplus of primary products which used to be shipped overseas, but one must not forget that for certain commodities, such as the jute crop of Bengal and the groundnut crop of Madras, alternative markets cannot be found overnight either internally or at new destinations overseas, and I have no doubt that the difficulties of these Provinces continue to engage the earnest attention of the Honourable the Commerce Member as well as that of the Provincial Governments.

There is one matter about which we feel some misgivings and that is the position of the Provinces in relation to the war effort. At present the Government of India have come to the assistance of the Provinces both in the matter of Civic Guards and in the matter of Air-raid precaution preparations, notwithstanding that both of these are a liability of the Provincial Governments and not of the Centre. Faced as the Centre is with a deficit of Rs. 5½ crores during the current year after taking into account Rs. 3 crores provided for reduction of debt, it seems to us that

the time will soon come, if it has not come already, for the Government of India to reconsider these special grants to the Provinces. There are certain Provinces today, which despite the war show a substantial surplus, although they have made no change in regard to their policy and expenditure in the nation-building services. In one case, indeed, I understand that taxation originally imposed by a Congress Ministry was subsequently reduced. It would certainly seem, therefore, that there is at least a case for reconsideration of the special grants to which I have just referred.

I will end my observations on a more personal note. Sir Frederick James recently asked the Finance Member for his comments on the very conflicting views which have of late been appearing in the press about the obligations of the individual in this country in respect of his way of living under war conditions. I realise that the answer is not an easy one, but I hope the Honourable Member will find it possible to make a statement to the House at an early date, as he indicated was his intention when replying to Sir Frederick James. Closely allied to this topic is the question of voluntary donations and loans to which the Honourable Member referred in paragraph 31 of his speech. No one will dispute his statement that a free flow of money into loans is absolutely essential if our war effort is to continue and to grow to its maximum, but I think some clarification is called for and I should like to ask the Honourable Member whether he is in favour of voluntary donations being continued *pari passu* with contributions to loans or whether he considers that more would be achieved if the gift funds were closed down and undivided attention were given to the loans. This is a matter regarding which a lead from the Government of India and from His Majesty's Government would appear advisable.

Finally, there is one small point to which I would like to refer. As Post Office Savings Bank accounts are not in the trustee investment list, they cannot be utilised for the monies accruing in Provident Fund accounts. If it is desired to attract as much as possible into the Post Office Savings Bank, I suggest that the basis should be broadened so as to allow the contributions to Provident Funds to be so invested.

That is all I wish to say, Sir, at this stage.

Dr. Sir Ziauddin Ahmad: Sir, I offer my felicitous congratulations on the manner in which the Honourable the Finance Member has controlled the finances of the country. Those who understand finances will appreciate the complicated manipulations and vigilant watch which the Finance Member must have exercised for maintaining the stability of the credit of the country, both inside and outside. I am accustomed to criticism, and not to flattery, but I honestly believe that the Finance Member deserves our credit for his success in making money available at an exceptionally cheap rate for the development of industries at a time when we are in the middle of a great war, and our future is in the balance, although with the conviction that we will win. The value of 3½ per cent. paper, which is the thermometer of our credit, is Rs. 95 in India and Rs. 108 in England. The bank rate which rose to 6 per cent. during the Great War, and, subsequently, to 7½ per cent. continues to be 3 per cent. In congratulating the Finance Member, I should like to associate with him the authorities of the Reserve Bank whose co-operation was necessary

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for our financial stability. I cannot over-emphasise the necessity of financial stability, as I believe that financial stability, coupled with the stability of prices, goes a very long way in averting political crises and maintaining contentment in the country.

Sir, may I remind the Finance Member of the criticisms which I made on the issue of the one-rupee note. I said that the action of the Government, in issuing these notes over the head of the Reserve Bank, and without keeping a reserve against the paper currency, was against the theories of political economy. He tried to convince me that this one-rupee note (showing a paper rupee) was a coin. I thought that a philosopher alone could convince,—a mathematician alone would be convinced that this particular note is a coin. Persons of common sense like my Honourable friend, Sir Frederick James, who is neither a philosopher, nor a mathematician, will not be convinced that this is a coin. I may recite a story in this connection. There was an egg on the table, and a philosopher tried to prove that there were two eggs. He said, one egg is this one and the other egg is in the mind, one was real and the other was imaginary. The mathematician readily believed it and said that the first egg is represented by 1 and the second by i , where $i = \sqrt{-1}$ or by $a \times i$ where both a and b are unity. But Sir Fredrick said: "Very well. I will eat this egg, and you will eat the other egg whose existence you have proved." Judging from facts, I find that this one-rupee note was a great relief. People put silver rupees out of circulation by holding coins, and the paper-rupee came as a great relief to the people who could not get little things in the market by five-rupee notes which could not be converted into smaller units. The success and the popularity of this measure have shown that the step taken by the Finance Member was the correct one, and the theories of political economy ought to be modified which I will discuss on the occasion of the Finance Bill, because I have no time to do so today. But I should like to point out that we have to watch very carefully the theories of political economy from time to time as they are responsible for the enormous number of miseries in this country. We know that the first theory was that the prosperity of a country depends upon the balance of trade. This was proved to be futile during 1920-25. It was replaced by another theory that the prosperity of a country depends upon the stability of exchange. Under this theory we lost Rs. 60 crores by trying to maintain our exchange at Rs. 2, and lost another Rs. 44 crores between 1926-31 in trying to maintain it at 1s. 6d. So, ultimately, Macmullan's Committee said that it was useless attempt to stabilise the exchange. We ought to stabilise the prices. We have now reached a stage which necessitates the formulation of certain other theories to suit our convenience and I will discuss these on the occasion of the Finance Bill.

In connection with these various theories, I just want to remind the Honourable the Finance Member who is a philosopher that he will do a great service to the world if after retirement he will write a book on the philosophy of political economy. I have read the book written by Bertrand Russell on the philosophy of mathematics and also by Whitehead. I have read also the the philosophy of history by Ibne Khalladon, but I am not aware that any book on the philosophy of political economy has been written accustomed as they are with their fantastic and extravagant theories and argue in technical terms. I think it is very desirable that

somebody should philosophise these theories of political economy, so that the country may not make the mistakes, and we may be really spared from the so-called experts on economics.

I come now to the policy of taxation of the Finance Member and I call his policy of taxation to be a timid one. He has got a lion and a tiger before him. I will tell later on who they are. Before the growling of these wild beasts, he comes forward with some kind of timid proposals for taxation. I call it timid, because he goes first to the milch cow, his Honourable colleague, who is his neighbour, Mr. Sheehy. He tells him...

Nirbh balá kun ki arzání hunús.

It means "I do not think the taxation you have got is enough." You know he will not be satisfied unless he takes from himself 16 annas in the rupee as income-tax, and, in addition, he will take one anna for revenue stamp duty to put on his bill, which he will have to pay from his own pocket. So, this is the first thing. He is the milch cow and the Finance Member will try to take from him as much as he can.

Now, Sir, the second thing that I should like to draw the attention of the House to is the way in which we get the taxation from the communications. We know, as Sir Basil Blackett has said, that any taxation on communications is bad but during war time the case is different. I quite admit that the way in which taxation was put on last year by the Honourable the Railway Member is not correct and it is against all the principles of Rates and Fares. In no country are rates and fares increased by one man. In every country they take the advice of a body of people and an appeal to the High Court is permissible. The honest and straightforward course would have been to say 'We want to put a special tax for the prosecution of the war'. Let the rates and fares be increased by one anna or 2 annas per rupee earmarked for war purposes and then all the criticisms which we have levelled against him would have been avoided. He ought to have told us in a straightforward manner that these are for war purposes. We get additional revenue for war purposes from the post office, from the telephone, from the radio, from road and from railway. It would have been much safer had they come forward and put a direct tax on communications earmarked for war purposes, so that we could have come back to normal conditions when the war is over.

The next thing that I want to refer to is the question of artificial silk which has been referred to by the Leader of the European Group. He must have got figures before him. This particular book, called the Explanatory Memorandum circulated to us with Budget papers, must have been published long before 28th February. Anybody who scrutinises this particular book will at once see the proposal which the Honourable Member had up his sleeve, to be let loose on the 28th February, because all the hints are in this particular book. If you read pages 6 and 7 of this book, which must have been printed 15 days earlier, you could suggest all the proposals for taxation which the Honourable Finance Member has made.

The Honourable Sir Jeremy Baisman (Finance Member): That is why you didn't get it.

Dr. Sir Ziauddin Ahmad: I am not a man who makes money. I only explain the theory. There are others who make the money. Coming to the argument, customs have gone down, as we see it from these figures.

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The customs duty had been diminished from 45.88 in 1939-40 to 37.75 crores in this particular year. We have now got the law of diminishing returns in operation. Country after country is becoming enemy country and trade with those countries has stopped altogether. The tinkering of the customs at the present moment, however expedient it may be otherwise, is not very desirable from general considerations, because we are not sure even during the current year whether we will be able to import these articles from those countries on the basis of which he has enhanced the duty on the artificial silk yarn. The tinkering of the tariff customs is really the result of his apprehension due to the fear of the tiger which he did not want to touch.

An Honourable Member: Which is the lion and which is the tiger.

Dr. Sir Ziauddin Ahmad: I am coming to that. It is really due to the fear of the lion and the tiger that made him tinker with this thing and the beauty of it is that he thinks that he has got justification for this course on account of the telegrams of congratulations saying that this is the right duty to impose. I think he must have these congratulations from the tiger and certainly not from the small industries who do not like any increase in the duty on yarn and thread, which is the raw material so essential for the development of the cottage industry. Never mind this. This is a very small item. This tinkering at this stage is really due to want of prudence because these things are coming from a country which may at any moment become enemy country and there may be no imports from enemy countries, so this thing might have been left alone.

About the matches, any one who reads page 7 will at once come to the conclusion that evidently the duty on matches ought to be doubled, because if we see the imports and the exports on pages 6 and 7 we find that it is a right duty and it ought to have been imposed but the difficulty lies in this fact that the moment the duty is doubled everybody is selling the match at double the price. Since the duty was announced on the radio, the price has doubled and the Finance Member ought to see that the doubling of the duty does not mean the doubling of the price and they must have some control of prices by the Provincial Governments and the District Magistrates, because doubling the duty affects a small portion of the total cost which we consumers have to pay. We should, therefore, see how much the price can be raised and steps should be taken to prevent profiteering by the District Magistrates. They should not make the increase of the duty as an excuse for doubling the price of matches. Now, before I leave this topic I should like to draw attention to certain items on page 31 of the Explanatory Memorandum. It is page 28 of the memorandum about the Income-tax. Here we find that there is a misprint, because the customs duty cannot be in 1937-38, 4-58. But leaving out the misprint which evidently everybody could put it down, it ought to be 14.58, we see clearly that the income-tax, which has always been in the neighbourhood of 17 crores, has this year been raised from 17 crores to 35.02. Therefore, the income-tax this year has been double of the normal duty, and I think we would not grudge it even if it be trebled, so long as it is not sixteen annas in the rupee and in addition one anna for the revenue stamp.

Now, I come to one or two points to which no reference has been made by the Honourable the Finance Member, and it was very desirable that he ought to have discussed it. One is the question of Sugar. We know that in 1930-31 we realised 10.78 crores from sugar for the general revenues. Now, this figure went down to 6.45 crores in 1939-40 and last year we realised only 3.35 crores. We expected that the Honourable the Finance Member would review the position, and in fact I understand that he is contemplating to spend the entire amount and give it as a contribution to the U. P. Government, and hence the net income will be nothing; and I hope that when the Commerce Member will come forward to extend the Sugar Protection Bill for another year as the time is about to expire now, he will not come forward in a blindfolded manner but that he will justify his arguments and he will give clearer reasons why our expectations have failed and what happened to the loss of revenue, from 10.78 crores to 3.35 crores in the present year and where has the balance of this, 7.78 crores, gone,—whether it has gone into the pockets of the capitalists, or whether it has gone into the pockets of the agriculturists or the middlemen, but there is a loss to the taxpayers to the tune of 7.78 crores, and I think the Honourable the Commerce Member should make out a case when he comes here and say where this money has gone and what mistakes have been made by various authorities so as to reduce ourselves to this position, because this is really a very serious matter and we cannot agree to it in a blindfolded manner in this particular case. Now I come to the case of a tiger. Now, we know that in the case of the textiles our income was 7.70 crores in the year 1930-31. Now this year, according to the figures given to us, it has been reduced to 3.91 crores in the case of the various forms of textiles; so there is a loss of 3.79 crores. Now, here is a loss to the general revenues on account of the protection of textiles, of 3.79 crores. Now we know the condition of the textiles at this time: it is not that they are rolling in wealth but that wealth is rolling on them. If so, why on earth were you afraid of this tiger and did not come forward with a definite proposal to impose an excise duty on this particular thing?—though, of course, no doubt there would have been a good deal of propaganda, because I know there are two classes of people in this country who are experts in propaganda, one is the sugar industrialists and the other, the textile manufacturers. Now these are all propagandists, but at the same time all the representatives of the consumers, the representatives of the cottage industries and the other people would be with you. Of course, there was one class, namely, the tiger would oppose you, but all the other animals of the jungle would have been with the Finance Member had this excise duty been put on this particular textile.....

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

Dr. Sir Ziauddin Ahmad: I think, Sir, you will give me thirty minutes?

Mr. President (The Honourable Sir Abdur Rahim): Only for the Leaders of Parties,—thirty minutes.

Dr. Sir Ziauddin Ahmad: I submit I am the Leader now—in the absence of the Leader and the Deputy Leader.

Mr. President (The Honourable Sir Abdur Rahim): Information has been given to the Chair that the Honourable Member is not the Leader of his Party.

Dr. Sir Ziauddin Ahmad: The Leaders are not, I believe, going to speak?

Mr. President (The Honourable Sir Abdur Rahim): That the Chair does not know. Thirty minutes is only reserved for the Leaders of Parties.

Dr. Sir Ziauddin Ahmad: Will you kindly give me ten minutes more, Sir?

Mr. President (The Honourable Sir Abdur Rahim): No; the Honourable Member, however, will undoubtedly have other opportunities.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): Mr. President, I think it would be a truism to say that the minds of all men and women and even children in countries which are directly or indirectly affected by the war are concentrated on this great struggle. Here one of our duties is to examine how the finances required for the struggle, so far as India is concerned, are to be found. I trust that there is no one in this House able to be present and allowed to be present who does not earnestly desire that India should be in this war with all her might and main and that no avenue should be left untapped to see that that effort is as great as it can possibly be. But, Sir, India is in a peculiar position today,—and these empty Benches are evidence of that position. So far as my Honourable friend, the Finance Member, is concerned, perhaps he would like to propose a vote of thanks to Mr. Gandhi. But the fact remains that very few non-officials are associated with these war efforts. They are called upon to subscribe to war funds, they are called upon to subscribe to the loans, they are called upon to knit stockings, but, as the position stands today, they are not called upon to do anything much more. I listened to my Honourable friend's speech, naturally with the greatest interest, I read it afterwards as carefully as I could, and I missed one main point which interests the public,—some sort of assurance, some sort of proof that India's effort, as described by him, is the greatest effort which she can put forward, and that India can do nothing more than what he explained and described, and that effort is the maximum effort; I would have another assurance that, since the political position of India is what it is today, he had provided checks and counter-checks and safeguards against waste, against extravagance, even corruption and an assurance that posts were not made for men, that posts were not created merely for the men who occupy them. Some sort of assurances of this sort surely ought to have found a place in the Finance Member's speech, considering the political position of India. We are spending crores of money. What is the check that his Department, the watch-dog of our finances, is exercising over all these crores that he is spending? The two assurances, therefore, which I would have most earnestly desired to see in his speech or some proof of them, I repeat, are, firstly, that the effort is the greatest India can make and nothing more can be done, and, secondly, that the money spent is well spent and we are getting value for it.

Now, Sir, comparisons are made between England and India. May I point out, as everybody knows, that there is no analogy between the positions of the two countries. The position in each is totally different. Since the Honourable the Finance Member's budget came out, I have heard that India is very lightly taxed as compared with England. Now, Sir, is there any comparison between the war effort of India and England? Is there any comparison between the hardships and sufferings endured by the English people and the people of India? Is there any comparison between the control exercised by the Legislatures in England and in India? Is there any comparison between the whole-hearted efforts of all classes in England and those in India? Is there any comparison between the proximity of war to England and India? Is there any comparison between the wealth of the two countries and the capacity to bear the burdens of taxation? There is only one thing in common between England and some of us in India, and that is the strong conviction that this war is a struggle of life and death for both countries. Is there any comparison between the stability of the industries of the two countries? Some of the industries in England are some hundreds of years old, whereas in India our industries are new, infant and struggling.

Now, Sir, where there ought to have been a comparison, I do not think the Finance Member has made it. How is the war effort financed in England and how is it met here? The budget of 1940-41 for England was announced, I think, on the 25th of April, 1940. They have had supplementary budgets since in England but for my point and for my argument which I desire to place before this Honourable House the supplementary budget figures do not vary or change the position. The expenditure in England for 1940-41 was £2,667 millions, the revenue was £1,234 millions and the deficit, therefore, was £1,433 millions to be made up from loans. That is to say, 116½ per cent. of the revenue had to be made up from loans. Take the revised figures for India for the same period. The revenue was about Rs. 97 crores and the deficit was of about eight crores, or 7½ per cent. of the revenue. So, England had to make up from loans her deficit to the extent of 116½ per cent., India had to make up from loans her deficit for the same period to the extent of 7½ per cent.

The Honourable Sir Jeremy Raisman: Will the Honourable Member kindly also indicate the percentage of the war budget of England to its normal budget and the Indian budget?

Sir Cowasji Jehangir: We are talking of deficits and they are due to the increased cost for defence. Normally, we try to balance our budget but in war time a balanced budget is an impossibility. It is ridiculous to talk of balanced budgets in war time. I am pointing out how England meets her war expenditure and total expenditure. It is £2,000 millions for war and £667 millions for ordinary expenditure for the year. Now, let me continue my argument. I will repeat the figures I have already given. The deficit that has been met in England for the year from loans was 116½ per cent. of the revenue, whereas in India it was 7½ per cent. of the revenue. Then, take the year 1941-42. We have a deficit of 20 crores on a total revenue of 106 crores. The deficit has risen to 18½ per cent. of the revenue. What is the deficit likely to be in England? It is not announced but I will give one or two indications to show how the deficit will go up in England which will have to be met from loans. This budget

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was announced in April, 1940, and three months after, that is, in July, it was announced that the war expenditure had gone up to £8 millions a day. A supplementary budget was introduced which does not affect my argument because the deficit had increased. It has been announced that the war expenditure today is nearly £18 millions per day. Although the figures are not yet out, the comparison between 1941-42 in England and 1941-42 in India will further support my argument. Now, Sir, because the deficit has gone up from 7½ per cent. to 18½ per cent. of the revenue my Honourable friend thought that further taxation was justified. I contend that under the circumstances there should have been no further taxation. I am not complaining about the extent of the expenditure. I am prepared to see more expenditure on the war effort. I only want to qualify it by saying that every safeguard should be taken by the Government to see that we get value for our money. I am not sure by any means that you are doing your best in the war effort. Undoubtedly, you are trying your best, but whether you are doing your best, I am not certain. I am prepared to see more expenditure but I am not prepared to see that that expenditure should be financed on the principles that have been enunciated by my Honourable friend. If you want to compare England with India, then I have already shown the methods of both the countries to finance the war.

Now, Sir, the Honourable the Finance Member has stated that he got 50 crores from loans, I mean from all loans put together, out of which, I believe, he has utilised 25 crores to pay off the five per cent. 1940-43 Loan. I have got the figure 25 crores, I hope I am correct.

The Honourable Sir Jeremy Raisman: The amount that we still had to redeem was 19 crores out of 25 crores.

Sir Cowasji Jehangir: It is 19 crores out of 50 crores. I will take it roughly at 20 crores just for the purpose of calculation. The Honourable Member announces he will have to pay off the three per cent. loan of 1941 to the extent of 10½ crores and this makes it somewhere near 30 crores altogether. That is 19 crores plus 10½ crores.

The Honourable Sir Jeremy Raisman: That is in two years.

Sir Cowasji Jehangir: That is both the loans together. A loan of 50 crores has been received. Therefore, from this war loan that has been raised for the purpose of prosecuting the war, the Honourable Member is paying off nearly 30 crores of loans that had matured or will mature shortly. Then, 20 crores are left roughly for war effort. Then why call it a war loan?

The Honourable Sir Jeremy Raisman: You cannot set the whole Rs. 30 crores off against the loan I have already got in, because, by the time that loan is to be paid off, more will come in.

Sir Cowasji Jehangir: Let me put it more clearly. You have got 50 crores. You might get more later on. But of that 50 crores, what are your liabilities to pay off loans on maturity?

The Honourable Sir Jeremy Raisman: Nineteen crores

Sir Cowasji Jehangir: *Plus* ten which is coming. If you get no more loans, if you stop raising loans, then you will have to earmark 30 crores to pay off those loans that mature and this is called a war loan. May I ask how much of the money lent free of interest is going to be used to pay off these loans?

The Honourable Sir Jeremy Raisman: I do not understand the Honourable Member's question. Money comes in and money goes out, it is not earmarked.

Sir Cowasji Jehangir: Therefore, out of the money that has been given free of interest some part will go to pay off loans.

The Honourable Sir Jeremy Raisman: No, Sir.

Sir Cowasji Jehangir: Let us leave it at that. I hope that is really the case that this money will go to finance the war.

The Honourable Sir Jeremy Raisman: So long as the expenditure for war purposes is greater than the total amount of the interest free loan, obviously it cannot be said that the interest free money is being used for paying off other loans.

Sir Cowasji Jehangir: A part of the money out of 50 crores is free of interest. At any rate out of 50 crores, twenty crores have been paid off. If no more loans come in, another 10½ crores will have to be used to pay off the three per cent. loan.

Now, Sir, this only shows the very strong position in which my Honourable friend was and that he has no reason to put up the taxes to meet further war efforts. If your deficit had been 50 or 60 crores, I could have understood it. Your deficit rose from 7½ per cent. to 18½ per cent. of the revenue. I have shown how the deficits in England are met. One tax to which I would draw special attention is the increase in excess profits tax. My Honourable friend has admitted that the machinery to collect the tax is not quite perfect, that in the current year he will not get all he expects, and that this extra amount will complicate matters but still he desires to increase that burden on industries from 50 per cent. to 66¾ per cent. without proper justification. I am leaving aside for the moment the question of income-tax and super-tax. That will be a further burden on the industry over and above this excess profits tax. We are told that Government desire to encourage industries in this country, they desire to encourage enterprise. What is the meaning of the word 'enterprise'? 'Enterprise' is an effort whereby you may have loss or you may have profit, the loss is your own, but out of profits, 66¾ per cent. is my Honourable friend's. Over and above that, you add the extra super-tax and income-tax. Well, the Government are taking a very big slice and that is you call encouragement to industries in India where it is already very difficult to start any industries.

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

Sir Cowasji Jehangir: I can say in conclusion that I wish, honestly and sincerely, the Government's war efforts every success, more strength to

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their elbow and may they be able to assure us that those efforts are the greatest that they can make, that India is really pulling her weight. With these assurances and the assurances that I have already mentioned I feel that at least some of us will be satisfied.

We realise, Mr. President, thanks to Mr. Gandhi that public opinion which might have been a check and a safeguard is less than it might have been. It is no fault of Government's. Mr. Gandhi has locked up some part of public opinion, he has sent it to jail and, therefore, we cannot blame the Government. But we can ask the Government to provide those safeguards themselves, to see to it that the Finance Department is strengthened, it exercises that check, that recheck and that counter-check that it is expected to exercise over the whole field of expenditure of all departments of Government. If not, let him set up machinery to have that check and counter-check. That will be some assurance, some guarantee that India is getting value for her money.

Dr. P. N. Banerjee (Calcutta Suburbs: Non-Muhammadan Urban): Sir, this is an occasion neither for flippant congratulation nor for thoughtless condemnation. The situation is a serious one and it demands clear and deep thinking.

The budget presented by the Honourable the Finance Member the other day has been called the second war budget. This statement is somewhat misleading. Although it is a fact that in the present budget we find a complete account of the income and expenditure for the current year and also an estimate of income and expenditure for the year to come, yet this is not the second taxation measure of the Government. In fact this is the fifth occasion on which fresh taxation has been imposed.

What is the total burden that has been and is being imposed on the people. It seems to me that the total additional burden of taxation for the coming year would amount to about 81 crores of rupees. How do I arrive at that figure? A sum of nine crores will be derived from the original Excess Profits Tax, a sum of Rs. 6½ crores will be derived from the enhancement of railway fares and freights: three crores will be derived from the surcharges on sugar and petroleum; six crores will be derived from surcharges on income-tax and the enhancement of postal rates; and lastly, 6½ crores will be the amount of additional taxation imposed in connection with the present budget, thus making a total of 81 crores of rupees. And on whose shoulders will this burden fall? This burden will fall on the rich as well as the poor classes,—on all classes of the population ranging from the richest to the poorest.

I will now examine the incidence of the new taxes which are going to be levied in the coming year on the different classes of the population. In the first place, I take the enhancement of the Excess Profits Tax. Excess Profits Tax is derived from war industry, and it is right and proper that a large proportion of this profit should go into the public exchequer. Last year, the Finance Member demanded 50 per cent., now he demands 66½ per cent. Some are glad that he has raised this amount, but it would be taking a superficial view of the thing if we look at the question only from one aspect. There is another aspect of the question, namely, the development of industry and trade in the country. India's situation in this respect is different from that of the industrially advanced countries. Industry in

this country is still in a nascent condition, and if it gets an impetus through an accidental circumstance, that is all to be welcomed. From this point of view, the raising of the Excess Profits Tax is not desirable. But taking all things together, if money has to be found, I cannot say that this is not a desirable form of taxation.

I come next to the additional surcharges on the super-tax and income-tax. Super-tax is paid by the very rich people and income-tax is paid by the well-to-do people and people belonging to the middle class. The lowest ranges of the income-tax fall on the poorer section of the middle class. This section has a fairly high standard of living; and when a surcharge was imposed last year, there was a great deal of hardship on the poorer section of the middle class. If a further surcharge is to be levied it will be felt all the more severely, and if that results in reducing the standard of living it will be a calamity, not only from the individual point of view, but also from the national point of view, because the poorer section of the middle class is the most advanced section in the country.

Coming now to the third item, namely, the duty on matches, I am sorry to have to say that this is a form of taxation which is open to the most serious exception. The Finance Member ought to have thought twice or thrice before resorting to this form of taxation, because it falls very heavily on the poorest people. It is nearly akin to the salt tax, and it should have been avoided by all means. It is well-known that prices have now gone up, and with the increase in prices the condition of the poorest classes of the population has become miserable. Now to add to their burden is nothing short of cruelty. The Honourable the Finance Member says that this burden will not fall on the consumer but that it will fall on the producer. Will he guarantee that the prices will not be raised? The Government has the power under the Defence of India Act and the rules framed thereunder to prevent the raising of prices. Will the Honourable the Finance Member take the proper steps to see to it that the price of a match-box is not increased?)

An Honourable Member: It has already gone up.

Dr. P. N. Banerjee: It has already gone up. Why did he not take any steps? It looks like special pleading when he says that there will be no rise in the price.

Coming to the fourth item, I am in entire accord with the Honourable the Finance Member. He has my full and wholehearted support. This additional taxation on artificial silk and thread will give an impetus to the silk industry of the country, and it is a very desirable form of taxation.

I come now to the new excise duty to be levied on pneumatic tyres and tubes. The burden of this tax will fall on all classes of the people, including the poorest classes who travel by bus, and it will handicap the growth of the motor transport industry. It would be desirable, if possible, to avoid this tax.

I have no desire to embarrass the Government in its effort to finance the war, but I must insist that the methods which the Honourable the Finance Member adopts should be fair and reasonable

An Honourable Member: And honest!

Dr. P. N. Banerjee: I would not add that word, because I have faith in the honesty of ordinary men. I, therefore, urge that the excise duty on matches be withdrawn and that the additional surcharge on income-tax be so modified as to exclude incomes below Rs. 5,000. The acceptance of these suggestions of mine will entail a loss of revenue which will perhaps amount to one crore and three-quarters of rupees, a crore and a half on account of the tax on matches and about 25 lakhs on account of a modification of the income-tax at the lower ranges. Now, how is this deficiency of a crore and three quarters to be met? This can be met by economy and retrenchment. Unfortunately, there is not a word in the Finance Member's speech about any measures of economy, and everywhere we hear tales about the extravagance of Government expenditure, particularly in relation to the war. Sir, it is my view that if proper measures of economy are resorted to, then this sum can be easily found. But granting for the sake of argument that this sum cannot be found, what is the other alternative? There might be a slight addition to the amount of borrowing in the coming year. That is another alternative. I agree with my friend, the Finance Member, in the view that a judicious combination of taxes and loans is the proper method of financing a war. Now, what this judicious combination is on a particular occasion is a point on which opinions differ. My own view is that a fifty-fifty ratio would be a proper distribution between the burden which is laid on the present generation and that which will be laid on posterity. If we take this criterion, what do we find? The expenditure for the coming year will be 126½ crores, but what is the normal expenditure of the country? 80 crores,—the figure for the year 1937-38. Therefore, 46½ crores may be regarded as war expenditure. You may look up the figures, Sir Jeremy Raisman, later on

The Honourable Sir Jeremy Raisman: The figure for next year is 126-84 crores.

Dr. P. N. Banerjee: It is 126½ crores, and the normal expenditure was 80 crores for the year 1937-38,—the year just before the commencement of the war. Therefore, what do we find? We find that the war expenditure will amount in the coming year to 46½ crores or 46½ crores.

An Honourable Member: More.

Dr. P. N. Banerjee: I am talking of the estimate. I have already shown that out of this war expenditure, 81 crores will be supplied by means of additional taxation. Therefore, what remains is 45½ crores. That would be about one-third of the amount of additional expenditure. So the proportion between expenditure financed by taxation and expenditure financed by borrowing would be something like two-thirds and one-third. It would not be very unreasonable, if you add a crore or two to the amount to be borrowed. In this connection I should like to point out two important facts. During the current year the amount which has been borrowed to meet the deficit is only 5½ crores, and we should remember that the Government

Sir Cowasji Jehangir: Where do you get it from?

Dr. P. N. Banerjee: From the Finance Member's speech.

The amount of deficit which has been met by borrowing is 5½ crores, and you should remember that the Government has floated loans which are interest-free. That means, the additional burden on the tax-payer is somewhat less. This has also to be taken into account. In view of all these facts, therefore, I do not think there would be a great burden on the people if the amount to be borrowed is increased by 1½ crores in the Budget.

Sir, the Finance Member says that he fears criticism from certain quarters that he is providing too small a proportion of the war expenditure by means of taxation. He need not have any hesitation in this matter. A slight addition to the amount of borrowing will not be undesirable.

In conclusion, I urge the Finance Member to accept my point of view, which is, "tax the profiteer and the rich person, but spare the poor man".

Sir Abdul Halim Ghuznavi (Dacca cum Mymensingh: Muhammadan Rural): Mr. President, my Honourable friend, Sir Cowasji Jehangir, has truly stated what we Indians feel about the budgetary proposals. The Budget discloses that the normal defence expenditure of the country has advanced from 45 crores to the abnormal level of 84 crores. This enormously growing scale of expenditure on defence is staggering indeed. We do not for a moment say, do not spend as my friend has said, but what we say is, do spend whatever you require, but see that you actually spend the same for war purposes. We want to help you to raise the money in a manner that India can, and not in the manner that you are trying to do. Sir, as my friend, Sir Cowasji Jehangir, pointed out, Mr. Gandhi is to be thanked for the Congress empty benches before us. Their absence from this House on this occasion has cast on us, those who are present here today, to do our best, and to impress on the Government that they should be careful about the expenditure, as the majority of the Opposition is not here to scrutinise all the budgetary proposals. Sir, firstly, the Government should give the fullest assurance to the Indian public that they will enter only into such commitments as are justifiable from the Indian point of view and which would be for India's defence. . . .

Sir F. E. James (Madras: European): The Honourable Member is now speaking on behalf of the Congress Party.

Sir Abdul Halim Ghuznavi: Secondly, Sir, they should take every step possible to avoid extravagance and waste in the proposed huge expenditure on defence. Thirdly, they must take the Indian public into their confidence regarding the manner in which the total defence expenditure is proportionately shared between the Government of India on the one hand and His Majesty's Government on the other. Sir, we have not forgotten our experience of the last war. The Inchcape Committee found that what was debitable to England was debited to India. Therefore, I repeat, you should satisfy the Indian public that the expenditure debited to India is incurred primarily to safeguard India's own interests. Fourthly, we want to know the India's boundary for which this defence expenditure is necessary in the interests of India. Huge expenses are being incurred. If it had been possible to have a popular Finance Minister responsible to this House. . . .

An Honourable Member: There is no provision in the Budget for that.

Sir Abdul Halim Ghuznavi: . . . things would have been different. Unfortunately, that is not the position.

An Honourable Member: Whose fault?

Sir Abdul Halim Ghuznavi: It is all the more necessary, therefore, for the Finance Member to explain and to assure Indians when he wants money for the purpose of conducting the war.

The Honourable the Finance Member said repeatedly, not once or twice, "Look at what England is doing, look at the burden in England. What is India's share? What is she doing in proportion to England?"

The Honourable Sir Jeremy Raisman: I did not say that.

Sir Abdul Halim Ghuznavi: Very well. I will accept his statement that he did not say that. But we are told from the Treasury Benches, "Compare what is being done in England and in India." One cannot, as my Honourable friend, Sir Cowasji Jehangir, said, compare India with England. May I read a statement that was recently made in the *Asiatic Review* by Sir Firoze Khan Noon:

"I do not know if any other country even in the East is as poor, where the income per head of population is lower than it is in India. Some people compute that this income in India is Rs. 63 per head per annum as against Rs. 1.160 in this country."

This is the position of India as compared to England. There is one very high authority, Sir George Dunbar. He says:

"With War Savings in this country now taking so important a place in the Home Front, India's financial help in the last war should be mentioned. Over £100,000,000 were raised by the Government of India, representing more than the Budget income for a year, the subscribers to the 1918 loan totalling 227,706.

To rich Western countries the sum may seem small. But it must be borne in mind that, while there are exceedingly wealthy landed proprietors and industrial magnates in India, vast masses of the population are desperately poor and that the average income per head in India is less than £8 a year."

And still we are asked to compare India with England!

The Honourable Sir Jeremy Raisman: You are doing it, not I.

Sir Abdul Halim Ghuznavi: As I said last year, my Honourable friend's predecessor in 1914 raised loans to conduct the war. He said, as this was not a permanent expenditure it should not be met by taxation, but by borrowing.

The excess profits tax has already affected the industry in India. The industry in India is in an infant stage. The industry in England is centuries old, it is well established, it can bear, but here in this country our infant industries cannot bear. What is the effect of this increase in the excess profits tax? On the one hand, we are told, "We encourage you to come with new industries. Here we have established a Scientific Research Institute to help you to come forward with any enterprise." On the other hand, we are told, "You had better bear in mind that 66½ per cent. will be the excess profits tax on that new industry" which we are asked to foster. Who on earth, I ask, is going to finance a business when he knows that 90 per cent. of profit made will be taken away by the Government and he will be left with ten per cent. and the risk of losing all that he invested in the business. Indian capital is shy and what is the use of tempting us and telling us, come and open new enterprises?

The Honourable Sir Jeremy Raisman: I hope the Honourable Member realises that the tax is 66½ per cent. of the excess over a certain standard of profit, which, in my opinion, is quite a handsome one.

Sir Abdul Halim Ghuznavi: I do realise that and I know it. It suits my Honourable friends of the European Group to laugh, but it does not suit Indians to laugh. What is the meaning of that? Let me explain to the House. I open an industry today. My Honourable friend has put down that the standard profit of a new enterprise is ten per cent.

Mr. J. F. Sheehy (Government of India: Nominated Official): 12 per cent. And that is not a maximum. You can get a higher rate if you make a proper application and prove your case.

Sir Abdul Halim Ghuznavi: (Interruptions.) In what way?

The Honourable Sir Jeremy Raisman: Read the Act.

(There were interruptions.)

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member will go on with his speech. He can be corrected afterwards.

Sir Abdul Halim Ghuznavi: I shall get my chance in the Finance Bill when I shall be able to explain this.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member had better go on.

Sir Abdul Halim Ghuznavi: I understand from my Honourable friend, Mr. Sheehy, that I can get 12 per cent. and even more if I can explain to him and the Central Board that I deserve more. I know what will be my fate, when I go to explain to him. I shall have to be content with 12 per cent. What is 12 per cent. to a new industry? Where is the reserve? What about the losses that will stare him in the face in the future after the war is over? You take away all and leave that new industry to die after the war. On top of the excess profits duty, you have piled on the surcharge on the super-tax and income-tax. That also comes from this new industry.

Qazi Muhammad Ahmad Kazmi (Meerut Division: Muhammadan Rural): Don't have such a big industry.

Sir Abdul Halim Ghuznavi: Industries cannot stand. We all want to help and do our little bit. Raise the money by loan and conduct the war. Defeat the Nazis but not by killing the infant industries in India. In Great Britain most of the industries have almost a century's standing and even there the financial press is unanimous in urging the Government to modify their Excess Profits Tax

The Honourable Sir Jeremy Raisman: It is 100 per cent.

Sir Abdul Halim Ghuznavi: Have I not showed you the percentage of income in England and India? Their industries can build up strong reserves in order to meet the difficulties of the post war slump or to provide

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for higher cost of replacement of their equipment in the post war years, while in India, the industries are not very well-organised and they have not adequate resources for these twin purposes. That is the position. In the United Kingdom, in the case of new industries started during the war, His Majesty's Government are making plans in advance for bringing about an easy transfer of the industries from war time occupation to peace time occupation or in the alternative they allow special rates of profits to the industries in question with a view to enable them to meet the difficulties of the post war slump. What is the Government doing here? Nothing at all. Look at what His Majesty's Government are doing for the new industries floated during the war.

I must thank my Honourable friend for putting up the duty on artificial silk yarn from 3 annas to 5 annas but I think that tax should be made on a longer term basis, such as five or ten years. Otherwise it will not be helpful to the Indian industries.

An Honourable Member: As a protective measure?

Sir Abdul Halim Ghuznavi: Yes. He has done nothing so far as artificial fabrics are concerned. He should also raise the duty on the imported artificial fabrics. Otherwise it only helps them to export from Japan.

The Honourable Sir Jeremy Raisman: We can deal with this point suitably on the Finance Bill when that tax is being discussed.

Sir Abdul Halim Ghuznavi: There is then some hope there.

The Honourable Sir Jeremy Raisman: No hope.

Sir Abdul Halim Ghuznavi: As regards the duty on matches, when Sir George Schuster first imposed this duty in 1934, I was a member of the Select Committee—he wanted to impose this double duty. As this duty was discussed, they found out the profits which the matches manufacturers were making. We went into the details. Sir George Schuster wanted then and there to impose this double duty which my Honourable friend has done today but people from the Western Match Co. wanted two years time and he said, I remember his speech, that his successor would double the tax and even then at that time the question was also considered that at the price he fixed the masses would not be affected.

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

Sir Abdul Halim Ghuznavi: Very well, I will resume my seat.

Maulana Zafar Ali Khan (East Central Punjab : Muhammadan) : We are in the middle of a titanic struggle and war threatens really to spread like wild fire. It may for aught I think and know reach the gates of India. In order to successfully prosecute this war, the nations that are engaged in this struggle are spending money in millions, in thousands of millions. Dollars, yens, marks, roubles and pounds are being spent like

water. Well, we have these astronomical figures before us. As against these, the war expenditure in India, we are told, will reach next year 84 crores. That may be a very big sum but what is it against the huge sums spent by Germany, America, Japan, Russia and England. Has not India the capacity to raise a huge sum like this? It ought to have. It is a country, I should call it a sub-continent, two thousand miles long and two thousand miles broad, with infinite wealth

An Honourable Member: Potential wealth.

Maulana Zafar Ali Khan: and with a population of 400 millions. Germany has got only 90 millions, England 50 millions, France 60 millions, or something like that, Russia 140 millions and Japan 50 millions. These countries with such small populations are raising such huge sums of money and we are 400 millions in India. With a continent and with such potential wealth, we are very glad if we can raise a puny sum of 84 crores. What is 84 crores? Not much.

What is the total expenditure of England on this war? Twenty-two crores of rupees a day, that is to say, a whole year's income
 1 P.M. in India is equal to two or three days' expenditure of England on the war. I might well ask how it is possible for these countries to raise these huge sums? The answer is plain. They are highly industrialized. And what is the case of India? Industries there are but nothing worth speaking of. For such small mercies as the Honourable the Finance Member has shown us, we thank him.

Mr. M. S. Aney: What is the mercy?

Maulana Zafar Ali Khan: Well, it might have been a much worse Budget; we might have been taxed say Rs. 30 or Rs. 40 crores (interruption), but he knew very well that the taxable capacity of India had reached its uttermost when we last met in this House. This time, we are faced, we are told, with a deficit of twenty crores. In order to meet this deficit, new taxes are going to be imposed—income-tax, super-tax, an excise duty on matches and a duty on pneumatic tyres and the import duty on artificial silk. This has given us only six crores and sixty-one lakhs—not much. We ought not to be proud over that, and still there is a deficit of thirteen crores, but how is this deficit going to be met? By raising a loan. Well, why not raise a loan for this six crores also, why impose fresh taxation? Sir, I am not an admirer of the capitalists. I used to slash my Honourable friends, Sir Cowasji Jehangir and Seth Haji Abdoola Haroon. I used to look upon them as capitalists and when my Honourable friend, Sir Jeremy Raisman, taxed them to his heart's content last time, I was not very sorry, but this time I am sorry. They are taxed sixty-six per cent., and what is left to them out of that, they will be required to lend you money. They lend you money after only 33 per cent. has been left to them, and then they are expected to invest their savings in industries. What are they to do? We are in a desperate fix, really.

An Honourable Member: But they are not.

Maulana Zafar Ali Khan: Well, you tax them, you tax the capitalists 66 per cent. excess profits tax, then super-tax and so on. I cannot how.

[Maulana Zafar Ali Khan.]

ever, agree with the Honourable the Finance Member with regard to the other items. You propose to levy an import duty on artificial silk. Now, where does this artificial silk come from? It comes from Japan. You are very nearly going to be at war with Japan; war may break out at any moment between you and Japan, and what does this signify? It will signify nothing, so I would advise the Honourable the Finance Member to withdraw this item altogether.

Dr. P. N. Banerjea: What about the duty on matches?

Maulana Zafar Ali Khan: I am coming to that. These taxes fall heavily upon the capitalists but the match duty falls heavily upon the man in the street.

Mr. M. S. Aney: Upon every smoker.

Maulana Zafar Ali Khan: I am very glad because I am an inveterate smoker, and I was apprehending on Friday last that the Finance Member might tax tobacco

An Honourable Member: Why don't you tax *pan-supari*?

Maulana Zafar Ali Khan: and the ordinary man in the street, the tongawalla and the day labourer cannot afford to pay two pice for a match. Even one pice is the last straw on the camel's back. So, I say, take away this duty, take away the duty on matches, take away the duty on artificial silk, because it signifies nothing. Then remains the excise duty on pneumatic tyres, I would not object very much to it because it is looked upon as a luxury.

An Honourable Member: What about bicycles and tyres?

Maulana Zafar Ali Khan: Well, I at least for once should like to support the Finance Member. So, after making these definite suggestions which I think the Finance Member will consider and which I hope he will accept, I come to the wider aspect of the question,—the inability of the Government by its policy to bring about a settlement of the very intricate problem that is facing us at the present moment, the political deadlock. Sir, these empty Congress Benches here mean something, it shows a House divided against itself, and a Government which fails to please the Congress and which equally fails to please the Muslim League, the two great Parties in India

Mr. President (The Honourable Sir Abdur Rahim): That has nothing to do with the question.

Maulana Zafar Ali Khan: Sir, it is very interesting

Mr. President (The Honourable Sir Abdur Rahim): It is undoubtedly very interesting, but it must have some bearing on the Budget.

Maulana Zafar Ali Khan: I am giving instances

Mr. President (The Honourable Sir Abdur Rahim): It is not relevant.

Babu Baijnath Bajoria (Marwari Association : Indian Commerce) : Probably my Honourable friend is suggesting that some provision should be made in the Budget for bringing about a "settlement"

Maulana Zafar Ali Khan : With reference to the deadlock and the political situation

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member will have other occasions to discuss those things.

Lieut.-Colonel Sir Henry Gidney (Nominated Non-Official) : Sir, the boquet which I propose to present with sincerity and thanks to the Honourable the Finance Member on his Budget speech, is different to the many that he has already received, because it has no thorns. I have only one observation to make today, and I do so with a fullness of heart and gratitude to the Honourable the Finance Member—it is to be found in our Lord's Sermon on the Mount in the Holy Gospel according to St. Mathew, Chapter VII, Verse VII, which our Prime Minister, the Right Honourable Mr. Winston Churchill sent in a cabled message to General Wavell before he commenced his operations of driving the Italians out of Egypt and Libya.

Mr. M. S. Aney : What book of the Gospel is that?

Lieut.-Colonel Sir Henry Gidney : You do not understand; you know the Bhagavat Gita only. It is my message also to the Finance Member. *viz.*, "Ask, and it shall be given, seek and you shall find, knock and it shall be opened unto you". Sir, this is all I have to say on the Budget speech. Though this is the shortest speech I have ever made in this Honourable House it is none the less in its sincerity, thanks and gratitude to the Honourable the Finance Member for the presentation of a great Budget and the part he has played for India in the prosecution of the war by husbanding her financial resources.

Dr. R. D. Dalal (Nominated Non-Official) : Sir, the predominant impression left by the Honourable the Finance Member's interesting and illuminating speech is that India is more than ready to respond to his appeal to promote the war effort in every respect. The Finance Member has succeeded in producing a budget which is in my opinion an exceedingly sensible budget. Everyone is well aware that a higher price than this budget exacts may have to be paid in future, and that a higher price will be paid readily and without question when the need arises. The country is well prepared for that if it becomes necessary, because the burdens so far imposed are not a great price to pay for peace and security which India at present enjoys. The Honourable the Finance Member in the present circumstances cannot possibly foresee with any degree of accuracy what the total expenditure for 1941-42 is really likely to be, and in any case the expenditure is bound to exceed the revenue. So, the Honourable the Finance Member is not necessarily under any obligation to consider that his budget problem is laid down in black and white, and it is likely that he may bring up a supplementary budget. Every year at this time a substantial factor is undoubtedly the fear lest trade should be subjected to heavy new burdens in the coming financial year, but the Finance Member's insistence upon the fact that the taxpayer is fully playing his part in

[Dr. R. D. Dalal.]

meeting inevitable burdens removes this fear. It is generally admitted that the financial strength of a country is its greatest asset. The best proof of financial strength is that it can safely be used fearlessly. The Finance Member has decided so to use it and he will reap the reward of his courage. The Finance Member's statement means that he does not intend to make good the prospective deficit in the revenue by heavy rates of taxation. But the increased taxation would have been much heavier had it not been for the large grant recommended by the Chatfield Committee and passed by the British Government. With this munificent grant 33 crores as a free gift and about 12 crores advanced free of interest for a period of five years, India has been able to push ahead with the plans to mechanise her forces and to expand her ordnance plant. Further, out of this year's railway budget's record surplus of 14½ crores, ten crores will be handed over to the general revenues

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member can continue his speech after Lunch.

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

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

Dr. R. D. Dalal: Mr. Deputy President, before the House adjourned for Lunch, I was explaining that the increased taxation would have been much heavier had it not been for the munificent grant of 45 crores recommended by the Chatfield Committee and passed by the British Government. Further, out of this year's railway budget's record surplus of 14½ crores, ten crores will be handed over to the general revenues—a windfall which has enabled the Honourable the Finance Member to keep down the demands upon the taxpayer. This grant, liberal though it is, has not removed the need for increased taxation, but it is a most welcome contribution.

Sir, it is fully realised that while the war continues, taxation all round must be heavy; so there is clearly enough an unassailable case for tapping all available sources of revenue. We should devise taxes which exactly answer the needs of the moment. Sir, I repeat the suggestions which I made last year that in view of the present grave emergency, the salt duty should be raised from Rs. 1-9-0 to Rs. 2-8-0 per maund and the stamp duty on cheques should be revived. No section of the community should be exempt from contributing its share, so, in my opinion an increase in salt duty is fully justified. Further, taxes on arts, trades and professions also would in my opinion in the present circumstances be justified. There is an immense industry in gambling, and it is not easy to understand why this universal form of entertainment should be excused from contributing to the State some portion of the vast sums of money which are engaged in it. I regret that the ordinary bicycle is left immune from a duty of any kind. It cannot be seriously pleaded that a tax on bicycles would be too difficult to collect. Unpleasant though it may seem, a small tax on bicycles would bring in a large revenue.

Sir, as regards income-tax and super-tax, the surcharge of 25 per cent. has been increased to 33 1/3 per cent., but the Honourable the Finance Member has nearly reached the limits of the standard rates of income-tax which can be imposed. The case for refraining from any increase in the standard rates of income-tax is formidable, and it is a matter for congratulation that the Honourable the Finance Member has not had recourse to it. But it is necessary that the sacrifices should be spread over all sections of the community. A largely increased yield of income-tax can be obtained by a lowering of the point at which the tax now becomes effective. I appreciate that there would be some administrative difficulties and that additions to the staff will have to be made to cope with additional work. But I suggest that the minimum income liable to income-tax should be reduced from Rs. 2,000 to Rs. 1,000 for the duration of the war.

Sir, the question of death duties has long been considered and periodically revived; it has its possibilities; and these possibilities should be fully explored and boldly tackled by new methods and by new minds. Death duties have been exacted in most civilised countries for centuries. I do not pretend that the question of death duties in India is a simple matter, but I submit that the measure is a real need, particularly when every anna is needed to strengthen India's defence.

Dr. P. N. Banerjee: But the proceeds will go to the provinces.

Dr. R. D. Dalal: The determination of the Honourable the Finance Member to prevent "war fortunes" meets with universal acceptance. The levying of excess profits tax is considered equitable, and it is a matter for congratulation that the tax has been raised only to 66 2/3 per cent. The Excess Profits Tax is now based on two Acts of the Central Legislature and a third is being enacted. I submit that the consolidation of legislation relating to Excess Profits Tax would not be a difficult matter.

Now, Sir, I wish to make one important suggestion as regards Excess Profits Tax, and it is this: that when the tax is wound up, the tax shall be levied over the whole period of its operation only on the net profits realised when both the war period and the aftermath of the war have been taken into account. That is to say, the tax shall be levied on the balance of profit over loss arising out of the war and its aftermath. It is indeed only fair that for a tax of this kind—the losses resulting from the war should be taken into account as well as profits; and though it would be impossible now to settle the details of alleviation after the war, I submit that the principle of alleviation may now be accepted.

Sir Cowasji Jehangir: You mean a refund of the tax.

Dr. R. D. Dalal: Yes, take the calculation of profit and loss over the whole period of the operation of the tax.

Sir Cowasji Jehangir: And then refund if there is loss.

Dr. R. D. Dalal: From India's point of view, the redemption of India's sterling loans is most welcome. Interest rates on the redeemed loans vary between three and five per cent., mostly between four and five per cent.—considerably higher rates than those prevailing now. This redemption has enabled India to wipe out one-third of her debt to Great Britain.

[Dr. R. D. Dalal.]

and this approach to financial equality, by lessening India's indebtedness, represents the financial complement to her industrial advance.

Now, Sir, I wish to request the attention of the Honourable the Finance Member to the subject of transfers of government servants. These transfers inevitably cost Government large sums of money, and in these difficult times no sum is too small to be saved. I, therefore, respectfully suggest that in the interests of much-needed economy instructions should be issued that the transfers of all Government servants, gazetted or non-gazetted, of whatever grade or pay, should be stopped for the duration of the war, except on the most cogent grounds.

There is only one further point to which I wish to refer. I desire to refer very briefly to the urgent necessity for a Banking Act for India. It is true that a special chapter in the new Companies Act is devoted to banking companies, and certain restrictions and regulations are laid down for their conduct; but within two years since the Act came into operation experience has shown that these restrictions can be evaded. For instance, no company formed after the commencement of the Act which uses as part of its name the words bank, banking, or banker, can be registered unless its memorandum restricts the objects of the company to the carrying on of the business of banking as defined in section 277. Further, there is no legal provision to compel a company already registered with the word bank to change its name if its business is not covered by that section. This gives rise to the anomaly that a company may call itself a bank, and still may not be subject to the new regulations embodied in the Companies Act. There are many concerns in Bengal and South India which claim to be banks but are indistinguishable

Mr. Deputy President (Mr. Akhil Chandra Datta) : How is that relevant to the Budget?

Dr. R. D. Dalal : Because this is a financial question. I will finish in two minutes, Sir.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The Honourable Member has another two minutes. He can go on.

Dr. R. D. Dalal : I was saying that there are many concerns in Bengal and South India which claim to be banks but are indistinguishable from land mortgage or agricultural credit institutions. The result is that very often a depositor is woefully misled as to the security of his funds. A further provision of the Companies Act is designed to free Indian banking from the managing agency system by providing that after the 15th January, 1939, no bank shall be managed by a managing agent other than a bank. Here again the purpose of this provision can be evaded by the exercise of sufficient ingenuity. I submit that these considerations make it obligatory on the Government of India to take steps to place Indian banking on a sounder foundation, and to undertake comprehensive legislation so as to regularise the system of banking and to check malpractices.

Mr. Umar Aly Shah (North Madras : Muhammadan) : Sir, I rise to say a few words on this general Budget which has been introduced by the Honourable the Finance Member. Several speeches have already been made on it, and I do not want to make a long speech. The proposals in

the Budget come every year like an annual eclipse, and this Session is just like any other previous Session. The present proposals have come after two or three months—after December and January—when there was a previous budget in November. I have seen that for the past six years the budget has not been passed by this House—perhaps this year it may be passed, because unfortunately the Congress Party is not here. Of course, Government have got so many powers and they can certify whatever they want. But justice must be existing somewhere.

This is a deficit Budget—a deficit of 29 crores; and to meet this deficit the Government are trying to introduce so many new taxes and increase the existing taxes. The taxation policy of the Government has been condemned several times on several platforms by eminent politicians. The Congress ministries while in power have taught some lessons to the Government, and the Government has introduced new taxes in the country. They say that when Aurangzeb introduced the *jisiya* tax, the whole of India rose in protest, but where is that India now? India is now bankrupt—although those words in Sanskrit still remain there—*Ratna-garbha* and *Vasundhara*. *Vasundhara* means a place of gold. Where is that gold now? There is no gold in India now. Those days are gone. Government gave the railways 800 crores in order to start them, and they have recently passed the Ticketless Travellers Bill to despoil the public further: the result has been further to torture the people. Government have not given anything to support cultivation or to support our peasants and still they are asking us to put so many new taxes on the head of the peasants. This is their policy. But I do not want to criticise it now. If only Government had helped our irrigation works, they could have got, not 20 or 30 crores, but we would have been ready to give some hundreds of crores. But we are not getting any help from the Government. They do not help our peasants at all. As Dr. Sir Ziauddin Ahmad said this morning, what is our currency? It is now nothing but paper. Government were asked to introduce a gold coin. Government refused to do that. Even the silver coin is now being taken away, and we have got instead paper or nickle coin which is a sort of bogus coin. I do not know what is its real value. I do not know what its value is. Of course, there is a precedent in history also. In the time of Muhammad Bin Tughlak, I think, leather coins were introduced. That was the currency in his time. Now, gold has become dearer, and so we have got paper money. God alone knows what the actual value of that paper is. I do not know it. Our friends of the Congress, who are not here today, spoke much against the introduction of paper currency. They have not attended the Assembly today to oppose the General Budget; they have offered Satyagraha. "*Satya*" means Truth, "*graha*" means Angry. This is not a current grammatical combination. "*Satya mabadhiam Badhiam midhiathi vivekaha*" would be correct rendering.

Mr. Deputy President (Mr. Akhil Chandra Datta): This has nothing to do with the Satyagraha movement.

Mr. Umar Aly Shah: Very well, Sir. In Sanskrit Satyagraha has two meanings, but our Congress friends have taken a different meaning. I do not think they have understood the correct meaning. "*Hurn-Haruna Harateeti Hariha*". Similarly, take the meaning of Harijan. Harijan means a dacoit. There is no other meaning except that. *Hari* means a dacoit, and *Jana* means a person. I do not want to dilate on this.

[Mr. Umar Aly Shah.]

Our Government have imposed so many taxes on India. This is a vast country. 97 languages are spoken in this country. Our India today has become foreign India. Our leaders are all foreign educated people. They introduce here all foreign laws, foreign jurisprudence. Where is the real original India? It is gone now. It might come under my great leader, Mr. Jinnah. He will introduce the original programme when India will be able to take the lead in all matters. The thing is, our friends are offering a kind of Satyagraha, but the Britisher does not yield. Our friends are offering Satyagraha against the war efforts, but it is a wrong method. I do not want to touch on that subject. There is no doubt that money is required for the prosecution of the war. Our Government are involved in this war, and so India is also in danger. For that money is required, and there is no question that we must find the money, but my point is there are so many officers who collect money for war funds. Today our General Budget also wants 30 crores. We are ready to support the Government with men and money, but the thing is that the Government have not shown any sympathy for the people of this country. We are ready to sacrifice. The Indian soldier is getting only Rs. 18, and he has to sacrifice his life for that sum in a far off land. This is a very critical time. There is famine, unemployment in the country; there are also so many other ills among my countrymen, and at such a time this Budget has been introduced. God knows what more burdens we will have to be borne in the future. So I do not approve of this Budget.

Mr. T. Chapman-Mortimer (Bengal: European): Mr. Deputy President, before Lunch this debate took a somewhat surprising turn, and I could hardly believe my ears when I heard my friend, Maulana Zafar Ali Khan, putting forward the plea that he did, and expressing the compassion that he did for the capitalist that he so often attacks. My Honourable friends, Sir Cowasji Jehangir and Sir Abdul Halim Ghuznavi, had previously put in a somewhat similar plea for relief to some extent from the burdens thrown upon the direct taxpayer. It is perfectly true that these burdens are crushing and the direct taxpayer is entitled to all the sympathy that he can receive from the Government, but, at this time, I think, we have to consider the *pros* and *cons*, not of whether that burden is crushing now, but what it would be, if we did not put it on now, but if we put it on at a later stage,—after the war, for example. At the moment capitalists, especially those who are engaged in war production, are making very substantial profits. Later on, after the period of war, when war production ceases, they may very easily find themselves in a period during which they may make very serious losses,—even if they do not make very serious losses,—and their present substantial profits would largely disappear altogether from their pockets at all events. Really the issue is this, not whether these capitalists should be taxed as they are now, or not taxed, or taxed to a less extent; but whether they should be taxed now, while, as it were, the going is good, or whether they should be taxed later, when the going will be far from good. I suggest to my Honourable friend, Sir Cowasji Jehangir, that he would very much rather pay a very high percentage of tax on his large income now than an equally high percentage at a later stage on a less large income. I suggest, therefore, that we have in the Budget proposals before us a well considered and well balanced programme between direct taxation and a loans programme.

I think that it is obviously in the minds of both Sir Cowasji Jehangir and Sir Abdul Halim Ghuznavi that Government might have retained the income-tax surcharge at its old rate and not increased the Excess Profits Tax, and that the balance thereby left should have been made up by loans. In other words, they are really suggesting that the Honourable the Finance Member should raise more by way of loans, than in fact what he is proposing to do. This merely postpones the evil day. Not only does it do that,—and this, Sir, is the most surprising feature of the debate,—namely, that, we have found Honourable Members in different parts of the House suggesting that if we raise money by loans now, it would in some mysterious way ease the burden. In actual fact, the exact converse is the case. It might ease the burden now,—it would certainly ease the burden now on the direct tax-payer,—but in so far as it takes the burden off his shoulders, it puts it on shoulders less able to bear it, and that is why I found the remarks of my friend, Maulana Zafar Ali Khan, so amazing. He has constantly appeared in this House as a protagonist of the poor and of the agriculturist. Here is a Budget which seeks, as far as possible, to hold the scales even between the rich on the one hand and the poor on the other, and I maintain that that attempt on the part of the Honourable the Finance Member has been triumphantly achieved. The Maulana Saheb on the other hand suggests that, if instead of raising more taxation now, we had raised the money by way of loans, the country would have benefited. In actual fact, some rich people would certainly have benefited, but the loss to the people of this country would be that, ultimately, they would have to pay for the interest on the loans now raised. Moreover, Sir, the war makes circumstances totally different from what they would be had there been no war. We have to raise enormous sums of money, in fact, we require far far more money than would appear on the face of it when you read the Honourable the Finance Member's Budget speech. I was very glad, in these circumstances, to hear Dr. Dalal say what he did about the contribution of His Majesty's Government. No one knows how much that contribution is, and there are very valid and very good reasons why that official secret should not be disclosed, but we have been assured,—and we have no reason to doubt the accuracy and the truth of that assurance,—that His Majesty's Government are contributing probably much more, and certainly at least an amount equal to, the additional burdens that India is called upon to bear for defence at this time.

It has been suggested by Sir Abdul Halim Ghuznavi that the Excess Profits Tax at the present level is a crushing burden. I am sorry
 3 P.M. he is not here, but I am afraid he has overlooked that special concessions were provided for new industries in the Excess Profits Tax Act. They are allowed to retain no less than twelve per cent.—I think that is the correct figure—before their revenue is subjected to an excess profits tax. Well, I for one should be very glad if I could get twelve per cent. on every Rs. 100 I had to invest, and I should say that if it is a deterrent to new industry in this country to be taxed on Excess Profits Tax when its profits rise beyond twelve per cent., then all I can say is that I am disappointed in the spirit of the Indian capitalists. But I do not believe that is the spirit, and we all know perfectly well that the wealthy financiers who are prepared to put their money into Indian industry today would be satisfied with even a much less return than twelve per cent. When you compare the three per cent. from Government loans with six or seven per

[Mr. T. Chapman-Mortimer.]

cent. from industry or even up to twelve per cent., I suggest that there is ample scope there for capitalist enterprise.

Finally, I should like to say one word on another point made by my Honourable friend, Sir Abdul Halim Ghuznavi. He suggested—I think I have got him down correctly—he suggested that if we only had Ministers responsible to this House, a totally different financial policy might have been introduced. It is perfectly true that we might have seen a different financial policy, but I suggest that it would not have been in the direction required or asked for by Sir Abdul Halim Ghuznavi. We all know that Mr. Gandhi and the Congress Party have stood for, or said they stood for,—the poor and the agriculturist. If that is, in fact, the case, if that is their claim—and I am not suggesting that it is not a true claim—but if that is their claim, of one thing we can be absolutely certain, namely, that if such Members had been Members of the Government and sitting on these Benches there, instead of the Finance Member, we should have had a budget which would have shown very little mercy to the direct taxpayer, and, in addition, in order to avoid a very wide gap between revenue and expenditure, they would not have hesitated to impose certain taxes, which for fairly obvious reasons my Honourable friend, the Finance Member, has not imposed this time.

Sir, I just want to close on this note. Dr. Sir Ziauddin Ahmad very rightly suggested that the stability of price structure was of fundamental importance. I too, believe that, and I should like, when we come to hear the Finance Member's reply, to hear what he has to say on this very important subject. If prices were not strictly controlled, if, in fact, the structure of control which Government have set up breaks down or weakens, it is certain that the repercussions would be extremely serious, and I should like, in conclusion, to have that assurance from the Honourable the Finance Member that he attaches the very greatest importance to the remarks of Dr. Sir Ziauddin Ahmad under this head.

Sardar Sant Singh (West Punjab: Sikh): Mr. Deputy President, there is no doubt that the war is on, and the Budget is overshadowed by war considerations. There is no doubt also that for the prosecution of the war money is needed, and money must be had from the pockets of those whose pockets can bear the burden, whose pockets are full. But there is the other side of the question as well, and that side of the question is being completely ignored.

I refer to the point that, if the war must be financed—by whom?—by the people of India, then, in that case the people of India must have a voice to control that expenditure. Those who pay the piper should call the tune. Here our grievance is,—and this grievance is responsible for the political deadlock that we see in this country—that, though we are made to pay, we are never asked, we are never consulted as to how that money is to be utilised. As a matter of fact, if you cast a glance over the one and a half years that have passed since the declaration of war, we find that with the growing war expenditure India is being ruled today by military people. It is practically the military rule that is crushing the political life of the country today. The result is that there is confusion all round,—political confusion which India had never witnessed during the last 20 or 25

years. Here the Finance Member sits. He probably receives demands from the various Departments, and when a particular demand is coupled with the suggestion that the money is needed for the successful prosecution of the war, he naturally, as a human being, suspends that judgment which otherwise as Finance Member he would have brought to bear in scrutinising the various items of expenditure.

Sir, it is not for him to say whether this war is not being exploited for the purposes of gain on the expenditure side. We have put questions and we have been given answers about the Supply Department that people getting Rs. 400, 500, or 600 a month have, within six months, been raised to posts carrying a salary of Rs. 2,100 a month. The circumstance of the war is being exploited for the purposes of self gain. That is the trouble which we complain of. Will the Honourable the Finance Member tell us that this money which he wants to raise in the country will be utilised for the purposes of the war, but in a manner in which the people, especially the services, will not be permitted to exploit the war for aggrandising their own emoluments? That is the assurance that we want from him.

Again, what are the Government of India going to do to give us an effective voice in the control of expenditure which runs to the tune of about Rs. 84 crores in the Defence Department? What voice have the people of India in the spending of that money? In the very beginning of the war, we made proposals for a Defence Committee to be appointed. We suggested that "Defence" should be controlled by an elected body of the elected Members of this House, but to no purpose. While we have got Committees—Standing Committees for Railways, for General Finance, for various other Departments of the Government of India, why is this right denied to us of scrutinising and examining the accounts of the Defence Department?

Dr. P. N. Banerjee: They do not trust you.

Sardar Sant Singh: It is right that they do not trust us

Dr. Sir Ziauddin Ahmad: Why trust elsewhere?

Sardar Sant Singh: That is a question which I shall expect you to make out in your speech on the Finance Bill. However, this is a fact that we are not being trusted. That is one point on which we want to lay great stress. Probably the present Government of India think that monopoly of wisdom lies with them and that they are the best judges of what to do and what not to do. We question that right. We have questioned it in the past, and we question it again. We know that the Government of India are no longer capable of having that imagination or vision which is required for the successful prosecution of the war. If they want that the war should be effectively fought, they must vacate those places bag and baggage, and make room for the younger men whose heart should be in the business. Their heart is not in the business, and they are not allowed to exercise their judgment. The inspiration comes from above, I am told, and I wish the Government to refute it, if it is incorrect, that the Board of Trade has overruled the Government of India in several matters for the encouragement of industry in India. They talk of the Eastern Group Conference here. Will they please tell us what are the conditions in the development of industry which Australia has got over that of India? Australia

[Sardar Sant Singh.]

has got seven ship building dockyards, while, before this war, Australia had only one. How much can the Government of India boast about this ship building industry in India? What other industry have the Government of India encouraged during the last year and a half when the war effort began. Again, may I ask them, is it not a fact that this manufacture of aeroplanes, of which so much is being made in the speech of the Honourable the Finance Member, has been started with great effort on the part of one industrialist of Bombay? What concession has he got from this Government? Is it not a fact that he has started this industry at his own expense bringing an expert from America, without the help of the Government, and what encouragement have Government given for which they are taking so much pride?

The Honourable Sir Jeremy Raisman: An order the value of which is very much larger than all the capital which he is required to invest.

Sardar Sant Singh: It is a good thing, and I accept the word of the Honourable the Finance Member that encouragement has been given to this industry. Similarly, we are still to learn as to what is being done about the manufacture of automobiles in India. Has this been similarly subsidised or encouraged? With regard to other industries also, we should have found by this time that India was being industrialised very rapidly on account of the needs of war, but we are far away from it.

Now, coming to the taxes, I want to ask one other question of the Honourable the Finance Member, and that is, the price of the primary products, with which the agriculturists are mainly concerned, has considerably gone down. What proposals has he got to raise the prices of wheat, oil seeds, cotton and other primary products?

The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar (Member for Commerce and Labour): Wheat has gone down?

Sardar Sant Singh: It has gone down a good deal. The present price of wheat at Lyallpur which is the centre, is about Rs. 3-2-0. It was Rs. 3-9-0 two months back. It has gone down by seven annas per maund. The price of cotton has considerably gone down.

Sir Cowasji Jehangir: Since when?

Sardar Sant Singh: Since the last few months. In the beginning of the war, the price rose very high. It has gone down considerably. What I want to know is, what are the Government of India doing to raise these prices, and is it or is it not a fact which has been published today in the *Statesman* that Great Britain is going to buy their wheat from America, and not from India? Is it due to some political reason? Are the Government of India insisting that the surplus wheat from India should be purchased by Great Britain?

The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar: Is there surplus wheat?

Sardar Sant Singh: Otherwise, why should the prices go down. The price was 2-12-0 for July and August, and it is still going down. Similarly, the price of sugar has gone down. We only know this much that the

agriculturist is made to pay higher prices for cloth and other necessities of life, and he is not getting what he was getting immediately before the war. That is our complaint, and we want to ask the Government what they are doing towards raising the prices of agricultural products.

Then, Sir, about the duty on the artificial silk yarn. No doubt, in some quarters this duty has been welcomed, but may I know why a corresponding duty on the import of Japanese artificial silk imported into India has not been levied? Is there any political reason for this or is it merely for fiscal purposes? There are many handloom industries in India which use this artificial silk yarn. Though the production of real silk will be encouraged by this duty, what about those small handlooms that have been established in India and which use this artificial yarn which is imported from outside? Will it, or will it not discourage that industry?

Then, Sir, I would like to ask one question which I would ask the Honourable the Finance Member to answer. Why has he not touched the cement or steel industry in India? Those industries can very well bear the burden, because they are making substantial profits at this time on account of the war. I would like the Finance Member to tell me whether it is a fact or not that if these two industries had been taxed, a substantial burden would have fallen on Great Britain, because at this time Great Britain is the greatest purchaser of these two articles.

The Honourable Sir Jeremy Raisman: That is an excellent method of providing war finance.

Sardar Sant Singh: We are not paying it. If Great Britain purchases, she pays it.

The Honourable Sir Jeremy Raisman: I see that for the Honourable Member the matter is entirely devoid of any other consideration.

Sardar Sant Singh: If there are political considerations, I would like to hear what the Honourable the Finance Member has to say when he speaks on this subject, but certainly that would have fallen on broader shoulders.

The Honourable Sir Jeremy Raisman: Which are bearing nothing at present.

Mr. Muhammad Azhar Ali (Lucknow and Fyzabad Divisions: Muhammadan Rural): He will note all your suggestions for the November taxation.

Sardar Sant Singh: If the war continues, then taxation will continue. If the Honourable Member induces his colleagues in the Government of India to give us a voice in the control of the expenditure of the money which he raises for war purposes, I think we will be satisfied to co-operate with him. Otherwise, he cannot expect that we should co-operate with him on the lines which he suggests. If he wants the co-operation of the non-official Members on this side, he will have to induce his colleagues to take this House more into confidence than he does at present. The mere demanding of money, though technically correct, the mere demanding

[Sardar Sant Singh.]

of supplies is, however, here virtually something different; he carries the monopoly with himself; even if we, by a majority, refuse to accede to his demand, he has got the secret weapon of getting the demand certified and proceeding on with the Finance Bill. We have rejected the Finance Bill several times, and we have always found it to be certified by the Governor-General. We know that the constitutional position is such, but, with the increase of taxation every year, we expect, and the country expects and expects rightly, that the country shall be consulted in the matter of the spending of these huge amounts.

Mr. Muhammad Nauman (Patna and Chota Nagpur *cum* Orissa: Muhammadan): Sir, I must express my appreciation for the Budget which has been produced in the very exceptional circumstances in which we are today. I do not want to enter into any discussion regarding our position on the war, as this point was sufficiently hammered in this House only a few months ago. The constitutional issue remains as it was then, that is whether we are trying to defend India as a country of the Indians or whether we are arranging to defend India, a possession of British imperialism? That has not been solved as yet. So I will try to make my comments absolutely outside that political issue which has been the real backbone of many of the speakers in the House who have tried to oppose the financial proposals. So it is not exactly the amount of expenditure on defence over which the people of this country have resisted the Government demand, but the question has been whether Government are justified in making any expenditure on that account or not. However, Sir, constituted as we are today, the country was getting nervous and all sorts of direct and indirect taxations were being speculated upon or apprehended to and I find that the Honourable the Finance Member has been able to burden the taxpayer as lightly as it was possible to do in the circumstances, and I must confess that so far as the financial aspect is concerned that we have to appreciate the soundness of the Budget that the Honourable Member has produced in the circumstances in which we are today.

Sir, the incidence of any taxation certainly cannot make anybody happy. There is no doubt that the Honourable Member has taken a very reasonable precaution and, to a very great extent the incidence of the proposed taxes do not fall on the man in the street. My doubt is only with regard to one item and it is on the proposed excise duty on matches being doubled. I feel, Sir, that although the Honourable Member has stated that the doubling of this duty will not affect the retail prices as this had already increased, still, we expect that some assurance should be given by the Government that steps will be taken to see that the proposed doubling of the excise duty on matches does not cause an increase on the retail prices in any case. Then the proposal to raise the import duty on artificial silk yarn is again a form of taxation which will touch the middle-class people in this country because the cloth produced is certainly used mostly by the middle section of the people in this country. But the position of the artificial silk industry will be made more sound and in that connection the desirability of an enhanced duty on yarn on a longer term basis can be viewed as encouraging the development of the artificial silk industry. There should be some sort of stipulation about the time. I am not suggesting that it should come as a guarantee from the Government just now but some sort of announcement,

in reply, should be made by the Government to the effect that the Government propose to enhance this duty as a step towards the development of the artificial silk industry in this country as well. That will serve the purpose of a protective duty as well as serve the purpose of a revenue duty, for which it has been proposed in the present conditions. The same remarks apply to the proposals for an increase in the excise duty on pneumatic tyres, but, Sir, without an equivalent protective duty on imports of foreign rubber, the industry may be faced with a cut-throat competition from foreign countries, and, with the deterioration of industrial activities in rubber here, the rubber growers may be put to certain disadvantages in the long run. I would like to hear from the Honourable Member whether he has examined the position and whether he has considered what difference it will make to the position of the rubber industry by this excise duty that he is putting, because certainly he is not getting a very big amount out of the duty as he expects about thirty-five lakhs of rupees only. I think unless the import duty is increased to the same extent, it might affect adversely the rubber industrialists in this country. Sir, I do not know if my Honourable friend, Sir Abdul Halim Ghuznavi, is also in this industry and whether he is here in the House.

An Honourable Member: He is here.

Mr. Muhammad Nauman: Anyway, he is not looking at me, Sir, both he and my Honourable friend, Sir Cowasji Jehangir, criticised vehemently the proposals for raising the Excess Profits Tax from 50 per cent. to 66½ per cent., and I think all the arguments advanced on the basis of the poverty of this country do not very much appeal to any man in this connection. Sir Abdul Halim Ghuznavi was very enthusiastic in quoting the *per capita* wealth of the people of this country as being £8 per year per head but he ought to realize that those class of people are not going to pay this 66½ per cent. Excess Profits Tax; the class of people that are going to pay this Excess Profits Tax would have a *per capita* wealth of over 80 million Rupees or even 8 million at least. So he may satisfy himself that this incidence of taxation will fall not on the man in the street but it will fall mainly on those who have got large amounts of capital and are making huge profits. Then again my Honourable friend, Sir Ghuznavi, said that the Excess Profits Tax is not a very amenable thing. It may not be, but that tax would be accounted only after giving him 12 per cent. or even more on the industry that he may establish now. Then the argument that the industry will be strangled is not very clear at least to me as I would like to ask him what is the fair average profit that he should expect? And besides this, he says that the machinery may get worn out, but he does not realize that the depreciation will also be put in the account before the Excess Profits Tax will be levied on that concern. Then, Sir, large amounts of profits are going to certain people because of the conditions of war and consequent on the activities of the Supply Department, the Directorate of Contracts and so on. The Supply Department as we know is the dumping ground for all sorts of people and all sorts of commodities—and there can be no reason why they, I mean the contractors who at this hour of need are getting all this money out of the spoils of war, out of the arrangements of defence which are being continued in this country and out of the misfortune which has fallen to the world and to this country—there is no reason why they should not pay, and, surely, there is no reason why they ought to grumble or

[Mr. Muhammad Nauman.]

criticize that point of view. I am sorry for people as Sir Ghuznavi, but the facts remain where they are. Then my friend, Sir Abdul Halim Ghuznavi, made a very humorous hint by asking "what would be the position of a popular ministry with such proposals of taxations. Could he have the courage to come forward with such a proposal?" Well, has he forgotten the popular ministry of Congress in Bihar in connection with the agricultural income-tax in Bihar? Has he forgotten the United Provinces employment tax which was brought forward by the popular ministry of the Congress in the United Provinces? Has he forgotten the proposal which is pending in Bengal regarding the sales tax? Is that not a popular Ministry there in Bengal?

Sir Abdul Halim Ghuznavi: I wish Mr. Nauman to be a popular Minister!

Mr. Muhammad Nauman: That is very kind of my Honourable friend, but let him not expect that I would leave out those big people who are able to pay the Excess Profits Tax and who always try to see that the burden falls on the poor man in the street. I think the Honourable the Finance Member has been very fair in his proposals of taxation and I hope and trust they will be appreciated by the Members of this House.

Sir, a suggestion was made that the deficit of these 20 crores be met by borrowing. That point has been very much cleared up by Mr. Chapman-Mortimer. He said that it would amount only to putting off the evil day. There can be no sound financial adjustment on the basis of borrowing in any part of the world. Of course, the Honourable the Finance Member has done it to the extent of thirteen crores of rupees and I am sure nobody can support the suggestion that the whole amount of 20 crores deficit should have been met by borrowing in the present situation. After all, the money which this Government will borrow will have to be liquidated from the exchequer of this country and that would only mean that you are putting off the evil day. We may pay it in parts in ten years or five years but we will have to pay it back. Nobody else will pay it on our behalf. Sir, I am not speaking on behalf of the Honourable the Finance Member but I am only giving expression to my own views which are based on the conversations that I have had with many people since the Budget was placed before us. People were expecting some worse things. My Honourable friend, Sir Abdul Halim Ghuznavi, knows very well the kind of speculation that was going on in the Calcutta market and other markets at the time when the Budget was to be introduced. Sir, I am glad that we have been let off so lightly so far as new taxation goes. I would, however, ask the Finance Member to give us some relief on the match industry. I will be satisfied if he gives even an assurance to the effect that certain methods will be adopted by means of which it will not be possible to put up the prices of the matches in retail selling. If he does that, I would say that the Finance Member has made the best of the worst Budget in the peculiar circumstances through which we are passing.

As regards the proposal to repatriate a large part of the sterling debt. I would like to impress upon the House and the Government that all possible precautions should be taken to avoid any stringency in the Indian

money market. A very bold step has been taken and I hope the Honourable the Finance Member is alive to the situation which might be created if the whole thing is not properly handled with that amount of scrutiny which it deserves. With these remarks, Sir, I take my seat.

Babu Baijnath Bajoria: Sir, the most striking feature of this second war Budget is the striking increase in the defence expenditure from 45 crores, two years ago, to 84 crores in the next year, 1941-42. The revised estimates of this year are for 72 crores. Of course, during the period of the war we had expected that the defence expenditure will go up, but the expenditure has gone up rather too suddenly, and it is not scrutinised in the way in which it should be done. It is for the sake of scrutiny that I am giving these figures. I would have liked the Honourable the Finance Member, whom the Commerce Member described as the watch-dog of the finances of the various Departments, to have watched the expenses much more carefully than he has done. I would also suggest that a War Advisory Council should be formed as soon as possible. On this Council, this House should be represented, if necessary, by the Leaders of Parties. It should also consist of other experts, financial and otherwise, who are expected to give aid to the Government in scrutinising the vast amount that is being spent. Without such a scrutiny, there is a general feeling in the country that there is a great wastage in this defence expenditure, and it is for the Government to allay these feelings.

Sir, the Finance Member in the beginning of his Budget speech said that considering the times, through which we are passing, the country is very prosperous, and he gave three reasons for this prosperity. In the first place, he said that in the first nine months of the current year, the exports have gone up from 122 crores to 144 crores. But may I ask him, what is the percentage of those exports which are meant for war purposes? I think the orders on account of His Majesty's Government and also for war purposes amount to much more than this apparent increase. But the real trade figures would show an appreciable decrease in exports. The second point that he mentioned was that the prices now are 15 per cent. above the level in the beginning of September, 1939, when the war broke out. That may be true, but the figure at the beginning of September, 1939, was at a very low level. At that time, as we all know, everybody was crying that the prices of agricultural produce were such that the cultivators could not even get the cost of production. It is absolutely unjust to compare the present prices with that low level of prices and then to say that the present is a period of prosperity. I may remind the Honourable the Finance Member that during the present year the index of commodity prices has fallen down from 40 per cent. to 15 per cent. If, with a decrease of 25 per cent. during the year, the present times can still be called to be more prosperous than a year ago, I, for one, cannot subscribe to this view.

Then, the Honourable the Finance Member has proposed several taxation measures. As has been pointed out by my friend, Dr. Banerjee, this morning, out of a total excess expenditure of 46 crores during the last two years, 31 crores are raised by direct taxation.

The Honourable Sir Jeremy Raisman: Not by direct taxation alone.

Babu Baijnath Bajoria: I am sorry. The amount was raised both by direct and indirect taxation,—I stand corrected. The Honourable the Finance Member's maxim seems to be to raise taxation by six crores every six months. That is what he has been doing.

An Honourable Member: Very moderate.

Babu Baijnath Bajoria: You may consider it moderate, but I do not think so.

The Honourable Sir Jeremy Raisman: That would not be enough.

Babu Baijnath Bajoria: Last March, the Honourable the Finance Member paid his attention to sugar, petrol, and, with the excess profits duty which will be collected during the current year, he will get six crores. Then the increased postal rates and surcharge on income-tax which he levied in November last will get another six crores, and now the present taxation which he proposes to levy will bring him another six crores.

Sir F. E. James: Only textiles and salt are left.

Babu Baijnath Bajoria: I think he has got something up his sleeve like that as my Honourable friend, Sir F. E. James, says. Next time he will get six crores from something else. I wish to say something in protest against this increase in excess profits duty and income-tax surcharge. It is not only 66½ per cent. which a person has to pay for his Excess Profits Tax, because, apart from the Excess Profits Tax, he has to pay income-tax, super-tax and surcharge thereon on the balance of his excess profits. I have calculated the figures, and I find that a company has to pay about 80 per cent. in the shape of excess profits, including excess profits, income-tax and super-tax. There remains only twenty per cent. for a company. In the case of an individual who happens to get a high income, well, the incidence of taxation will be even more than that, because, in the case of a company, the super-tax is limited to only one anna in the rupee, whereas, in the case of individuals, it may range between four and six annas in the rupee. This high taxation will have very little incentive for any business. I do not exactly mean new industry, but I say further expansion of business, development of business and industry. The reason is, if there is loss, the business will have to suffer the full 100 per cent., but if there is gain, it will be left only with 20 per cent. after paying all the taxes. We have also to take into consideration that there is bound to be slump and great reaction when the war ends. At that time there will be many industries left in dire condition, because the machinery, plant and other things will not be of any use, at any rate they cannot be put to the same use as they are at the present moment. For that rainy day some provision should be made. I know depreciation is allowed, but depreciation on the usual scale is not sufficient for that purpose.

As regards the duty on matches, I submit, it will hit hard the consumer. If it is true, as the Honourable the Finance Member says that he is taking only a share of the profit of the retailer, then I would not have had much objection, but the things as I see are not the same as he does. In the month of February, prices have gone up considerably in anticipation of an increase in the excise duty on matches. It is for the Government to see that the retail prices are not increased.

Then, Sir, there are one or two good features in the Budget speech on which I congratulate the Honourable the Finance Member. The first thing is, I welcome the purchase of telephone companies of Calcutta, Bombay and Madras and the formation of a Government Telephone Board. I do not know exactly what is its constitution. Is it to be composed of entirely officials, or are non-officials also included in that Board? In my opinion, non-official also should be included in this Board.

Sir F. E. James: Will there be Directors' fees?

Babu Baijnath Bajoria: I do not know how this purchase is going to be completed, how these telephone lines will be operated. Will they be amalgamated with the present telephone lines which are run by the Government?

The Honourable Sir Jeremy Raisman: On the expiry of the present licence, it will become merely part of the Posts and Telegraphs Department. The Board is merely a device for holding it by Government until that point.

Babu Baijnath Bajoria: Then, that will be amalgamated with the Posts and Telegraphs Department and run like other trunk lines in the country.

Sir F. E. James: Will there be Directors' fees?

The Honourable Sir Jeremy Raisman: No, Sir.

Babu Baijnath Bajoria: A second welcome feature of the Budget is the payment of the external debt. If I remember aright, the leading merchants of this country were always pressing that the external debts should be reduced, and now that time has come when the external debts are going to be reduced. I think practically all the terminable debts are being paid to the tune of 120 crores. I think this is a step in the right direction. But as has been pointed out by my Honourable friend, Mr. Muhammad Nauman, and other speakers also, Government should take care that this may not entail financial stringency in the country. At the present moment, there is not any. That is also a good sign that even during the period of the war, money is cheap in this country and is obtainable at three per cent.

About the excess profits tax, I should like to say one word about its operation. I will have opportunities of discussing it in detail later on when the Finance Bill comes up for discussion, but the Honourable Member said and said rightly that the operation of this Act is bristling with difficulties. Most of them are of their own creation.

The Honourable Sir Jeremy Raisman: Why all of them.

Babu Baijnath Bajoria: As has been pointed out already by my friend, Sir F. E. James, and many others, I say that the law has been made very difficult to understand. Many eminent lawyers with whom I had occasion to discuss this matter have themselves confessed that they did not know the exact meaning of the various important clauses in the Bill, and even some officers of the Income-tax Department know much less. Sir, especially the clauses about computation of average capital and the standard profits are the two items on which the whole structure of that Act

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depends, and the officers of the Income-tax Department are at a loss to make out what is the data for average capital and what is the standard profit to be derived. I remember what Sir James said with reference to a question that I put to Mr. Chambers: he said that Mr. Chambers was trying to explain the unexplainable, to understand the ununderstandable, and compute the uncomputable—I think those were his words; and in practice his version has proved very true. I think it would be better for the Central Board of Revenue to publish a short note for the guidance, both of the assesseses and of lawyers and officers concerned

Mr. M. S. Aney: Who should prepare it?

Babu Baijnath Bajoria: The Central Board of Revenue.

Mr. M. S. Aney: Is there anybody there who understands it?

Babu Baijnath Bajoria: If they do not, then it is very difficult to operate it and collect the money on it.

I would like to say one word more about mint and currency. This new rupee which has been minted has been very ill received by the people on account of its metallic sound being like nickel and not like silver: it will lead to a lot of counterfeiting, and coins which were rejected for defective sound will become genuine by the creation of these new coins.

About the ship-building industry, the Honourable the Finance Member said that expansion was going on and so forth. I should like to know how many ships have been built, or only small boats and barges are being constructed. He also said that the expansion of the Royal Indian Navy was proceeding apace. How many ships or destroyers or big things like that have been made? What has been the net result till now?

An Honourable Member: U Boats?

Babu Baijnath Bajoria: It is very difficult to manufacture U boats in the beginning.

Lastly, I would say that the Budget reveals that the position of the finances of this country is inherently sound, and, with these few remarks, I will resume my seat: I would, however, like to have the exposition I wanted from the Honourable Member.

Mr. Husenbhai Abdullabhai Laljee (Bombay Central Division: Muhamman Rural): Sir, I have carefully read the speech of the Honourable the Finance Member and I must say that he has been good enough to give a good deal of detail which we have always wanted. We have been demanding to know the activities which Government have been carrying on and we do hope that these activities will be continued even after the war.

I agree entirely with the remarks made by my Honourable friend, Sir Cowasji Jehangir and also by Sir Abdul Halim Ghuznavi. It is rarely

that I agree with him, but on this most important question I do so. We have really to consider this aspect of the question, how are we going to get money, at what rate now and hereafter? Every day our demands will be more during the war; and after that also everything depends upon the circumstances under which we get money. If we get money at a higher rate hereafter or if we do not get money, the result would be that we will then have to heavily tax the poor in whose interests we ought to do every saving we can. My friend, Mr. Nauman, was loud in saying: why should we not tax the people now? So also my friend, Mr. Chapman Mortimer. They know very well that at the present moment we are not considering about what is going to happen to the people just now: this war is being fought for the welfare and prosperity of people for a number of years to come. Even small municipalities they have to do some water-works they have loans for 30 years: and larger municipalities have loans for 50 years: and above all in this war when we are thinking of the prosperity of future generations, can the Honourable the Finance Member deny that it is for the future that the present generation is contributing and that all their sacrifices are being made for the future? Furthermore, the most important point is this: when you put large taxes, and when it is a well-known fact that the capacity of this country has already reached its breaking point, and when the condition of the people is such that no more taxation can be borne, who is going to lend you money? What bankers will you have? Will you have the Reserve Bank to recommend your loans if you have not got the capacity to tax your people hereafter? I am sure a day will come when it will be difficult for you, if you go on like this, with your taxes and expenditure—I do not say about war time which is an extraordinary time—to float a loan at 3 per cent. or 3½ per cent. A great misfortune has happened to my own city of Bombay. In that city, the Congress Government all of a sudden brought in prohibition and they put up ten per cent. more taxation on properties in the Bombay Municipality. What will be the result now? That municipality which could get money at 4 per cent. cannot now get any money for renewals at less than 5 per cent.: they would have to go on paying 30 lakhs on a debt of 30 crores more every year, and 30 lakhs is the whole cost of free and compulsory education which they may have to stop giving.

Mr. M. S. Aney: There is a conspiracy of capitalists in Bombay, I am told.

Mr. Husenbhai Abdullabhai Laljee: I am telling you the facts. You want money and you want cheaper money to keep down taxation from the banks and others at a cheaper rate. That is your general principle; and yet you want to tax heavily the people at present for the future generation for whose prosperity it is needed. Above all, please remember your capacity to pay is the only thing on which the banker or money lenders will lend you the money.

Mr. M. S. Aney: I agree with your argument. You may proceed further.

Mr. Husenbhai Abdullabhai Laljee: If that is the position, I ask you in all fairness, by putting now more of this Excess Profits Tax, and income-tax and super-tax, what will be the return to those great capitalists:

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like my friend, Sir Cowasji Jehangir? Will he contribute further and in future for purchasing your 8 per cent. loan or will he and like him ask more return, so will also my friend, Mr. Bajoria? Rich people like them will put their money in their safes rather than in Government paper with no appreciable return. You want money. That is a fact and you cannot go on taxing people who cannot afford to pay the tax. Once you raise the rate of interest, as a business man I tell you that you will have more and more difficulty in making up your budget. If you put an enormous amount of taxation on the people now, believe me, that the people who have to pay the tax will raise the prices and will try and make more profit and they will calculate every farthing they have to pay to you. It is all very good to say that rich people should be taxed. But if you have to tax them, there is a limit. You have already put 50 per cent. Excess Profits Tax and additional income-tax and super-tax and surcharge. Why do you want to take more for the present for this six crores deficit. As my friend, Sir Cowasji Jehangir, pointed out, people in Great Britain have been borrowing loans because war is for the future generation more. Why should you not do in like manner and follow the lines they have adopted and which is quite the right course. We all welcome and appreciate the steps you have taken in regard to your sterling transactions, but surely there is a limit to that also. At the present time you want money,—everybody wants money. You will get the money as long as the people will see that you will be able to pay and have that credit. That is the real point I wish to bring out. You have got to be very careful now to see about the limit you put, about taxing people, and about taxing capital. Do not make capital shy. You better have bigger loans for longer periods at a shorter rate of interest; be bold and act with foresight.

Then, Sir, the next question is about our industries. It has been

4 P.M. said by some one here that we will get 12 per cent. return now. Surely, in these extraordinary times, people will get not merely 12 per cent., but probably 15 and 20 per cent.,—and 12 per cent. is certainly very reasonable. But look at the history of our industries. Look at the textile industry. How much has the textile industry paid? It is not like the Industry established in England; all our industries are still not on solid basis; they are mostly still in infancy. Furthermore, Sir, we have got the example of the last war. We have to remember that every ten years there is a cycle, there is a depression. Who is going to advance to the new industries? When an industry is started during war time, the first presumption of an investor is that it is started only for the period of the war, and that if the war stops tomorrow, the industry will be closed and then as usual there will be a slump. Under these circumstances, to suggest that 12 per cent. is a fair return that one could get now, as if the 12 per cent. was going to be guaranteed for 5 or 10 years, is not right. I was surprised to hear a great business man from Calcutta saying we should be satisfied if we could get now, during war, 12 per cent. return while there is no guarantee of the very next year. Furthermore, he adds, you must pay when the time is good. It is all very good for an ordinary man or for a man who has a small business or one who gambles on the race course to suggest this, but men who are engaged in industries know how difficult it is to make headway in industries, specially in our country when it has taken nearly 100 years to establish some of our industries on somewhat solid basis. It is easy

to say that we can get now 12 per cent. return, but the difficulties thereafter are really great. Where is even the guarantee that you will get it next year? I will get advances freely to any industry if it guarantees to give 6 per cent. for 20 years. There was a great man from Scotland who said that he was prepared to give away fifty crores if he got 5 per cent. for fifty years. Fifty crores for fifty years at 5 per cent. interest. Why did he make an offer? Because he could get in fifty years by interest fifty crores back and further twenty crores at interest at 5 per cent. This is how great financiers look at things. They want a definite return for a definite period, and then and then money could be had.

Then, Sir, something was said about the match industry in this country. I happen to know something about it. So far as the match industry is concerned, the unit at which a match box is being sold now is $\frac{1}{4}$ anna or $\frac{1}{2}$ anna, and until and unless the Government guarantee that the manufacturers' and retail prices will not go up,—and they could very well guarantee it now, because there are very few match factories in this country,—in fact there is a Syndicate which has already moved in the matter and the prices have already gone up,—the tax which the Government have put on matches will make a match box cost two pice instead of one pice. As I said, this Syndicate holds the monopoly for the manufacture of matches in this country, and unless and until the Government force them and a very few others not to increase their prices, on gross boxes, you will not be able to protect the public, otherwise the tax will have to be paid by the consumer. It is the poor consumer who will be made to pay the additional tax on the match box. But here I may suggest one thing. I feel that this industry should be under the control of the Government. In many foreign countries the match industry is under Government control, because they are well able to look after it. Similarly, if the match industry in this country is also taken over by the Government they will be able to look after it in the same way as they are looking after the telephone companies. There are now very few and only very small Indian concerns at work, and it is time that the Government stepped in and took charge of the Syndicate. The Syndicate that we have is a foreign Syndicate. One does not know how long it will last. Norway is gone, and Sweden is waiting for her turn,—perhaps it is gone already or it will go very soon,—one does not know exactly when. But my point is, that 80 per cent. of the match factories belong to the foreign Syndicate. I do hope, therefore, that the Government will make a serious attempt to step in and see that they and others do not increase their prices to an extent which will adversely affect the poor man.

Then, Sir, much has been said about the poor agriculturist. It is a well-known fact that, so far as the Government of India are concerned, they have done very little for the poor agriculturist. In fact, his welfare in respect of education, health, sanitation, roads and so forth has to be looked after by the Provincial Governments, and the Government of India have no hand in the affair. Their sole concern is of course defence or police, and nothing else. Either it is punitive police or frontier police, call it what you like, the Government of India have no other business except to preserve law and order or look after the defence of the country. They have not taken upon themselves the responsibility of looking after the welfare of the agriculturists, although the large amount of tax they are collecting from the people comes to much more than the total taxes collected by all the Provincial Governments put together. The fact that

[Mr. Husenbhai Abdullabhai Laljee.]

the revenue that is collected by the Central Government is about 120 crores less Railway, Post, Telegraph and Currency, certainly much more than the revenue collected by all the Provincial Governments put together which is about 75 crores. It is, therefore, their bounden duty to see that they do something for the poor agriculturist, and the general welfare of the people of the country.

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

The Government of India will have to revise their freights and railway rates policy in order that the raw material reaches the ports for exports at a cheaper rate. They must afford facilities for the transport in India of raw material and Indian industrial materials at cheaper rates as also for exports and not for imports into the country; they should give special rates for the export and transport of Industrial materials. Another thing is, they can very well adjust the customs duties to meet the requirements of the people. All these things will tend to the promotion of agriculture and industries. I do hope that a time will come when the Central Government will realise that, although they have been collecting more taxes than all the provinces put together, they have upto now not been responsible for the economic and general welfare of the people, and now at least they will start to do something which may help to materially raise the standard of life of the people, at least to the extent to which they are collecting money from these poor people.

It has been said that Textile, steel, sugar and cement Industries have not been taxed. But it is not necessary for me to say when the war will end. We have got still to wait, and watch but at the present moment the position is such that I feel that in fairness these industries should be allowed to prosper a little. There is still time, however, these will be the industries that may have ultimately to pay. It is only after a long, long time that a little help has come forward for these industries, and we ought never to burden the industry too much. With these few words I should like to congratulate the Honourable the Finance Member on the whole for putting before us a budget containing details for the defence of the country and for the encouragement that is being now given to enlist young people in various spheres and also for promising to support the industries for the defence of the country, and incidentally for the general welfare of the country.

The Honourable Sir Jeremy Raisman: I am grateful to the many speakers who have expressed their support of the Budget which I placed before the House. I am equally grateful to those critics who have expressed their opposition, because I must admit, as I said in my Budget speech, that I was haunted by some degree of apprehension that the measures of taxation which I had introduced were not sufficient in view of the size of the deficit. I am to some extent reassured when I find Sir Cowasji Jehangir, from whom I would have least expected it, and Professor Banerjea and other competent critics feel that more should be done by borrowing and less by taxation. Well, Sir, this is a question on which one can never hope to find agreement. But there is one thing which I should like to impress upon the critics. It is not possible to decide by any *a priori* method what amount of a revenue deficit should be met by taxation and what by borrowing. It surely depends upon,

first of all, the size of the deficit in relation to your normal budget. Sir Cowasji Jehangir mentioned the vast sums which the British Treasury is borrowing in order to finance the war effort. Well, there you have a position in which the total expenditure is now approaching £ 5,000 millions a year. The total amount which can be raised even by the existing level of taxation is only of the order of about £ 1,500 millions a year.

Sir Cowasji Jehangir: May I point out to the Honourable Member that the figures I gave were for 1940-41 in which the war expenditure was £ 2,000 millions against an ordinary expenditure of £ 667 millions. I pointed out further how the increase had taken place and the latest figure was £ 13 millions a day, but this was later on.

The Honourable Sir Jeremy Raisman: Precise figures do not matter. I would put the position thus. In the United Kingdom only about a third of the total expenditure is being met by taxation and the rest has to be met by borrowing. I accept the position as stated by the Honourable the Baronet that more than half of the budgetted expenditure has to be met by borrowing, whereas in the current year in India, as he rightly says, the net borrowing in order to balance our expenditure will have been of the order of only about $7\frac{1}{2}$ per cent.

Sir Cowasji Jehangir: 1941-42—18 per cent.

The Honourable Sir Jeremy Raisman: I am talking about the current year.

Sir Cowasji Jehangir: Yes, $7\frac{1}{2}$ per cent. for that year.

The Honourable Sir Jeremy Raisman: Surely, the size of the figures, the comparative size of your extraordinary expenditure compared with your ordinary budget is a most relevant consideration, and that is what the Honourable Member did not emphasise. Supposing your total normal expenditure is of the order of Rs. 100 crores a year and you are involved in a small war which costs you, say, Rs. 10 crores additional, there is no reason whatever why that Rs. 10 crores should not be met by taxation in the ordinary course. On the other hand, if your war costs twice or three times the size of your normal budget, then it becomes impossible to meet it by taxation. The position in India last year when I presented the budget was that the additional defence expenditure was estimated at a little over Rs. 8 crores, and I, therefore, set out to meet the whole of it by taxation. In the changed circumstances now, I agree that a certain amount of the deficit of Rs. 20 crores odd should be met by taxation, but I do not consider that the size of the war budget justifies recourse to borrowing alone. I entirely disagree with that. So, between the two courses of meeting the whole of the deficit by taxation and meeting the whole of it by borrowing, it is a question of degree, of expediency, a question of taking into account relevant factors, and I suggest that in the condition of India today, where there are obvious factors operating to increase the income of important taxable classes, it would be a serious dereliction of duty to refrain from levying on those classes taxation as a current contribution to the cost of the war. It is true that no fiscal machinery can be so perfect as to ensure that the only individuals called upon to make sacrifices are the ones who should scientifically be called upon. But, within the inevitable limitations, I claim that the taxation which I have proposed is for the most part directed to classes who may justly be called upon to contribute.

[Sir Jeremy Raisman.]

Here I come to the argument against the excess profits tax and the effect on industry. Several of the speakers have obviously been impressed by the communication which the Federation of Indian Chambers of Commerce and Industry sent to the press this morning. I consider that the picture as presented by them is overstated and that the effects on industry and business are not likely to be as serious or as detrimental as they would have us believe. I will not traverse in detail the arguments which they have adduced, but it is quite clear that they have not given sufficient weight to the factors to which I alluded in my Budget speech. Those were, in the first place, the choice of the optional periods. Mention has been made of the criticism which is now common in England of the excess profits tax. Now, that tax stands at 100 per cent. and it is quite clear that when the excess profits tax is at the level of 100 per cent. it is far more important to secure that your machinery isolates only what are definitely excess profits than when you tax only a portion of the excess profits.

Sir Cowasji Jehangir: Why?

The Honourable Sir Jeremy Raisman: Clearly it is a more serious matter to say that you are taking the whole of a man's excess profits and then to take part of his normal profits than to take half or two-thirds. It is a much more serious matter. In one case you may be said to be cutting into the bone, whereas in the other you are only cutting into the flesh.

Sir Cowasji Jehangir: Does it mean then that to cut into the flesh is justifiable? You may even sometimes cut into the bone.

The Honourable Sir Jeremy Raisman: I claim that my methods approximate more to those of the Turkish bath than of the surgical table. My object is to reduce fat and to induce wholesome slimming at the same time.

Sir Cowasji Jehangir: You may get at the heart.

The Honourable Sir Jeremy Raisman: I do not believe that the strain which is being imposed on the heart of the patient is sufficient to cause serious weakness. However, that is a matter of opinion.

My point is that whereas in the United Kingdom the tax is levied at a hundred per cent., it is still the case that in the United Kingdom the options for your standard periods are what they were in the Bill which I first introduced in this House, that is, they were related to periods of lesser prosperity and they were lesser in number. The effect of the more numerous and the more recent options which are given in India is very serious indeed on the yield of the tax and I have no doubt that the proof of the pudding will be seen in the eating of it.

Then again, the Federation takes no account whatever of the special provisions which I accepted in the later stages of the Bill to deal with new industries. Let me remind the House of what the position is in regard to new industries. It is not only possible for a new industry to escape taxation by excess profits until those profits exceed 12 per cent. on the capital employed but also there are provisions which enable the industry to state a case in the first place for abnormal depreciation. Now, that is a very important matter, because I claim that if a new industry finds itself at the end of the war with the cost of its capital

virtually written down to nothing and if during the period it has enjoyed profits not less than 12 per cent., then the *entrepreneur* in question has not been placed in a very dangerous situation even if he has to face a serious recession. He will at least have acquired the cost of his plant out of the war profits, and he will be able to put something away to reserve, for, surely, it is not reasonable that a new industry should expect to distribute 12 per cent. as dividend during the war. Besides the provision for abnormal depreciation, however, it is open to a new industry at any rate to argue a case for even a higher standard basis of normal profits than 12 per cent. Obviously, I cannot anticipate now or foresee the type of case which will be put or the kind of arguments by which we should be convinced but the possibility is there and the imagined cases of extreme hardship are, therefore, to my mind, rather beside the point. The case in fact is regularly overstated first by omitting to draw attention to the fact that the tax only deals with excess profits and secondly by glossing over the nature of the basic period and the way in which the standard profits are determined.

Now, Sir, a number of speakers who accepted other parts of the Budget speech were doubtful about the doubling of the duty on matches and there is one point on which most of them concentrated and that is the question of price. I do not at this moment wish to anticipate what I may have to say at the time when the Finance Bill comes under discussion but I do recognise that it is an important responsibility of Government in relation to a tax of this kind to ensure that the consumer is not exploited under the guise of increased taxation and that some measure of price control may prove necessary but I may have more to say on that later on, because the question of retail price at any rate is obviously intimately bound up with the size of the unit which is marketed.

Sir Cowasji Jehangir: It is not the manufacturer who is profiteering. It is the retail people. Your announcement a couple of months ago made the retailers speculate.

The Honourable Sir Jeremy Raisman: My Honourable friend has just reminded me that an announcement was made two months ago which led to speculation in regard to matches. What was done two months ago was to promulgate a rule in regard to all excisable commodities which made it impossible for issues to take place on Budget day after 5 p. m. That notification dealt with all excisable commodities and it was promulgated in order to obviate certain difficulties which have occurred in the past. The match industry which was no doubt conscious of the fact that an increase in the tax on matches would be a suitable measure at this time jumped to the conclusion that the probabilities were that the tax on matches would be increased and the trade immediately proceeded, therefore, to put up the retail price. To that extent the trade has been exploiting the consumer now for some time.

Sir Cowasji Jehangir: Not the manufacturer.

The Honourable Sir Jeremy Raisman: On my understanding of the position, it is not so much a question of exploitation by the producer, although I believe there have been small increases in the wholesale price but it is the retail price which has registered the big increase.

[Sir Jeremy Raisman.]

Several speakers in dealing with the art. silk duty wished for an assurance that this duty would be kept in force for a considerable time. In other words, they wanted me here and now to convert this into a protective duty. Well, Sir, the object of a revenue duty is to raise money and if you convert it into a protective duty, you sound the knell of that form of revenue. It is usually only a matter of time before it disappears and I am not satisfied that there is a case for protection in regard to art. silk yarn and thread. At least that is a matter which would have to be investigated in a proper manner. It should not be disposed of in a casual way whilst raising a tax for revenue purposes. I will not deal now with the position which one or two speakers touched on in regard to the art. silk fabrics, but I would point out that the duty on art. silk fabrics is already very heavy and that it was placed at that level in pursuance of a policy of protection of the cotton textile industry. I will only say that I am satisfied that the level of the duty on art. silk yarn and thread is not incompatible with the continuance of the duty on art. silk fabrics at the existing level.

An Honourable Member: What is the meaning of "is not incompatible"?

The Honourable Sir Jeremy Raisman: Well, the position is that if you regard the art. silk fabrics as a finished product, and if you regard the art. silk yarn and thread as a raw material, which it is not

An Honourable Member: It is; why not?

The Honourable Sir Jeremy Raisman: then it might be said that the industry of weaving art. silk fabrics has been put in an impossible position. I do not agree that that is the case. In any case I must say that personally I do not regard that industry as having very great claims upon us. It has sprung up under the shelter of a protective duty meant for another purpose, purely out of the protection to the cotton textile industry; there was no question of protecting the industry of weaving art. silk fabrics out of imported art. silk yarn,— and I may mention that that industry has taken its habitat to some extent in certain States which are expert in the technique of diverting customs revenue from the British Indian exchequer.

Sir Cowasji Jehangir: There are a good many such factories in Bombay and all over the country.

The Honourable Sir Jeremy Raisman: Now, Sir, there is another point which speakers have clearly taken from the Press Communique of the Federation of Chambers of Commerce in regard to the repatriation scheme. They have expressed some anxiety as to whether our operations may lead to stringency in the Indian money market and thus to deflation. Well, Sir, inflation and deflation are words which are bandied about somewhat carelessly, and I must confess that I find it difficult to follow the line of argument which is put forward. All I can adduce is a very simple, commonsense argument on the other side and that is this. We ourselves will be large borrowers during the course of the next year and probably the year after that and we obviously have an important interest in keeping money reasonably cheap. It is, therefore, not likely that we would so act as to

make money dear either for industry and commerce or for ourselves. That is merely a matter of enlightened self-interest. We are in the same boat with those in industry and commerce, here.

Now, Sir, there was a point which my Honourable friend, Dr. Banerjea, raised in regard to the new taxes. I will not deal with his objection to the match tax because I am afraid the answer simply is that I must disagree with him as to whether a certain amount of indirect taxation should now be resorted to or whether the amount of borrowing should be increased. But I take his point about the income-tax surcharge and I think he said that that would press heavily on the lower middle classes and might depress their standard of living. Well, Sir, he had in mind particularly, I may say, the case of those with incomes up to five thousand rupees. Well, Sir, it may interest the House to know that this is the class which, on the whole, has fared the best in recent years during the changes in the income-tax rates. Many of them,—a large number of these assesses, even after paying on the slab system with a thirty-three and one-third per cent. surcharge, will be paying appreciably less tax than they were paying under the old scale, with one-twelfth surcharge.

Dr. P. N. Banerjea: You should not compare with the old scale.

The Honourable Sir Jeremy Raisman: It seems to me that if we are singling out special classes of income-tax payers for some mitigation of the burden of war taxation, we should at least deal with those who find themselves rather worse off and not with those who find themselves better off.

Dr. P. N. Banerjea: Compare the position with what existed years ago.

The Honourable Sir Jeremy Raisman: Yes, that is the position with which I have compared it.

Dr. P. N. Banerjea: The cost of living has increased.

Sir H. P. Mody (Bombay Millowners' Association: Indians Commerce): The cost of dying has become much cheaper. (Interruption.)

Dr. P. N. Banerjea: You are not a believer in that?

The Honourable Sir Jeremy Raisman: There was a point which my Honourable friend, Mr. Chapman-Mortimer, emphasised when he asked for some assurance and that was in regard to the stability of prices and he drew attention to the remarks of Sir Ziauddin Ahmad. I can assure him that that is a matter of constant concern to the Government and it is one which my Honourable friend, the Commerce Member, as well as myself are not likely to overlook. At the same time I have no doubt that Honourable Members will realize that price control is by no means an easy matter and that there is always a danger that intervention may do more harm than good unless it is very carefully thought out.

My Honourable friend, Sardar Sant Singh, asked me why I do not tax steel and cement. Well, Sir, I am not in the habit of discussing the

[Sir Jeremy Raisman.]

reasons why I have not imposed particular taxes, but I would remind him that one of the criteria which must now be applied to the selection of a tax is whether it would merely mean passing money from one pocket to another: and that in the cases in which Government is almost the sole consumer of a commodity, there is no virtue in adding both to the revenue and the expenditure side.

Dr. P. N. Banerjee: That would be a mere paper transaction.

The Honourable Sir Jeremy Raisman: That would be a paper transaction. My Honourable friend, Dr. Sir Ziauddin Ahmad, seemed to have had an afternoon in the zoo. I suppose the letter "Z" stands for "Ziauddin" and the "zoo". Well, my Honourable friend had a whole catalogue of weird animals.

Dr. Sir Ziauddin Ahmad: I am sorry I could not finish the story.

The Honourable Sir Jeremy Raisman: I do not know whether my Honourable friend, has read the "Inferno" of Dante; it starts off by the poet finding himself in the middle of a very dark wood and all sorts of horrible animals beset his path. But he is afraid to venture forward. Sir Ziauddin Ahmad seemed to put me in the position of one entering on the journey to hell. I can assure him that I was not deterred by zoological considerations from any alternatives which may have occurred to him. But he alluded to some incidents in my past when he classified me as a philosopher as against himself as a mathematician. I noticed that he borrowed the one rupee note: he did not produce one from his own pocket. He obviously believes in the Latin proverb:

Fiat experimentum in corpore vili.

"If there is any experiment to be made, let it be made on some worthless body belonging to somebody else". However, he flourished this rupee note before the House and he told them that I had explained that this was a coin and not a note. Well, Sir, it is quite true that in answering the Honourable Member's question about the backing behind these notes I had pointed out that this was a paper rupee and not a currency note in the ordinary sense. But his disposal of the matter, since he mentioned philosophy, reminds me of a famous incident in the life of Dr. Samuel Johnson—not the Dr. Johnson of whom our friend, Sir Henry Gidney, has given us so many details—but the one about whom Boswell wrote. Somebody asked Dr. Johnson what he thought of the philosophy of Bishop Berkeley. Bishop Berkeley was the author of what is known as the system of subjective idealism, which suggests that the whole of the world is merely the impressions of the individual perceiving it. Dr. Johnson who was then walking along, said: "Look, thus I dispose of it." And he kicked a stone with his foot, suggesting that the palpable reality of the physical world outside him was demonstrated in this way and that disposed of the whole argument of Bishop Berkeley. I think it is recognised that that is an entirely inadequate method of disposing of the idealist system of philosophy. Similarly, I suggest that Sir Ziauddin Ahmad's gestures and remarks on the subject of the one rupee note by no means dispose of the fallacies which he himself entertained on the subject of its status as a piece of currency.

Now, Sir, there is very little more I wish to say, but I would like to touch very briefly on the two points which the Leader of the European Group mentioned. One of these was the question of voluntary donation in relation to loans. Well, Sir, I do not wish to be understood as in any way discouraging the magnificent efforts which people have made in connection with war gifts and, as I said in my Budget speech, nobody can fail to be impressed with the response which these efforts have received. At the same time, in allotting our war effort to particular activities, it is important to bear in mind the relative proportion and the relative importance of the objects to which they are devoted. And it is also the case that what might be highly desirable at one point of time might not be quite so important at another. Well, Sir, it is clear that the sums which have to be raised in connection with a war of this magnitude are sums which cannot adequately be dealt with by the method of gifts. It is obvious that it is only by a fairly widespread scheme of savings that finance of that magnitude can be catered for. I do not wish to be misunderstood. There will always be certain types of objects which can most suitably be financed by gifts and by charitable efforts. But the main burden of the war effort will obviously, I suggest, have to be financed rather by loans, that is to the extent that it is not covered by taxation, and therefore it is desirable that a proper proportion should be maintained and that effort should be directed on an appropriate scale to the encouragement of savings. This consideration is reinforced by the fact that many individuals have made gifts and have possibly reached the point at which they cannot afford to make further gifts. In other words, a gift tends to be a gift which is made once for all or perhaps twice or three times, whereas the individual may be in a position to embark on a regular scale of saving which will enable him to contribute to the extent he can throughout the period of war. For these reasons, I do consider that the stage has been reached at which it is desirable that the question of loans and the question of savings should perhaps occupy a more prominent place in the activities of workers on behalf of the war effort than the question of gifts.

The other point on which my Honourable friend, Mr. Buss, touched was the point in regard to which Sir Frederick James asked me a question the other day, and that is what has been referred to as "the new frugality". Well, Sir I am not in a position to make a considered statement on behalf of Government but I can give some of my own personal reactions to this question. It is, of course, an intricate question and there are many conflicting arguments which can be brought to bear. But there are two points which I should like to make. The first is this that there is a moral as well as an economic point involved. If the individual feels that he would rather refrain from the consumption of particular articles during the war, then he may wish to do so regardless of any particular economic effect. It might be that by refraining from drinking whisky or smoking cigars he actually slightly sets back the war effort, but that is not in itself a sufficient reason why, after thinking of the circumstances of his friends and kinsmen in England, he should feel himself bound to continue on the same scale of self-indulgence as he did before.

Mr. L. C. Buss: Provided he gives the money to your loans.

The Honourable Sir Jeremy Raisman: Provided he does contribute the amount he saves towards war effort. But there is another point. I cannot deal with the moral or ethical point involved, but on the economic side, I would suggest that individual interpretations of the circumstances are not likely to produce the effects which communities may desire and that is so important that I, personally, feel that the individual should be content to a large extent to await the result of action by Government, that he should assume that where it is highly important that certain effects should be prevented, the Government will introduce control so as to prevent those effects. If he finds, for instance, that certain products of the United Kingdom are available for sale in India, then I do not think that it is necessary for him to enter into an elaborate argument as to whether he should consume them or not. That is, apart from the moral point but purely on the economic ground of whether he is helping in the war effort or not, I think it is unnecessary for him to enter into that kind of question. It is true that Lord Stamp pointed out that it is not much use people at home refraining from the consumption of certain luxuries, if other sections of the community continue to be employed on the production of those luxuries for overseas consumers. But then, on the other hand to the extent that the resources and man power of Great Britain cannot be completely or immediately diverted to the main war effort and, therefore, a certain section of the population must still be employed, which is better than being unemployed, on the production of unessentials, to that extent, to the extent that that inevitably happens, it is desirable that the products of that economic activity should be disposed of by Britain abroad and that the consumer should not refrain from purchasing them.

Sir F. E. James: Arising out of that, it is true that as far as imports from Great Britain and Empire countries are concerned, there is possibly a much clearer duty before the individual, but when he comes to articles which are imported from countries outside the Empire areas, for example, Japan or other countries, then the individual is at some doubt as to what his duty is.

Sir Cowasji Jehangir: What is the percentage of the population in India that is really affected by this? Infinitesimal.

The Honourable Sir Jeremy Raisman: It is a small percentage. But at the same time the question has come to prominence and I am not pretending now to give an authoritative reply on behalf of the Government, but since the question was touched upon by Mr. Buss and since it is a matter about which obviously, particularly members of the European community have thought a good deal, I merely wish to give my personal impression at this moment. But my answer to Sir Frederic James' question would be that that is the kind of thing which should be left to Government control and that until you reach a stage in relation to imports of a particular country at which you are justified in imposing prohibitions or control, until that stage is reached, there is no call on the individual and possibly no particular virtue in the individual refraining from consuming the products of that country.

These are the points on which I feel I can usefully touch. I am grateful for the general acceptance of my Budget . . .

Mr. M. S. Aney: Reception.

The Honourable Sir Jeremy Raisman: Yes, I am grateful for the reception accorded by the House to my proposals. I am grateful to my Honourable friend, Mr. Aney, for pointing out that acceptance is yet to come.

Mr. President (The Honourable Sir Abdur Rahim): Before the House adjourns, the Chair likes to inform Honourable Members that an arrangement has been arrived at by the Parties in this House with reference to the moving of cut motions next Thursday and the succeeding days. Next Thursday, the Muslim League Party will move their motions and will continue until Lunch time on Friday, the 7th March. On Friday, the 7th March, the European Group will move their cut motions in the afternoon. The Congress Nationalist Party will move their cut motions on Monday, the 10th March, in the morning and will continue till 3 P.M., and the unattached Members will move theirs on Monday, the 10th March, from 3 to 5 P.M.

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 5th March, 1941.