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(23rd February to 10th March, 1933)

FIFTH SESSION
OF THE
FOURTH LEGISLATIVE ASSEMBLY,
1933



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Legislative Assembly

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Deputy President :

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

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

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LEGISLATIVE ASSEMBLY.

Tuesday, 28th February, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. Chairman (Sir Hari Singh Gour) in the Chair.

Mr. K. Ahmed (Rajshahi Division: Muhammadan Rural): Sir, before the proceedings of the day commence, I wish to bring to your notice that a newspaper called the *Hindustan Times* has in today's issue published something which I never said. The paper states in column 2 at page 1 that "Mr. K. Ahmed, Mr. C. C. Biswas and Mr. Ram Krishna Jha opposed Sardar Sant Singh's motion, the objective being to make way for the Abolition of the Untouchability Bill". You remember, Sir, that I never said anything about the Untouchability Bill when we were having discussion on Sardar Sant Singh's motion. My point was that Mr. Sant Singh's motion could not be adjourned on the ground that my friend from Karachi had got a letter from Mr. Sant Singh saying that he wanted to withdraw the Bill.

Mr. Chairman (Sir Hari Singh Gour): If the Honourable Member has any grievance against the Press, he has the usual remedy. It is not a matter for debate in this House.

Mr. K. Ahmed: Sir, the Chair is the custodian of the rights and privileges of the Members of the House and if anything debated in the House is not reported correctly, it is for the Chair to protect the rights of Members. According to the practice, I ask you to warn the reporter in the gallery so that in future this mistake may not take place. Otherwise, it would not look nice and fair from the point of view of the Members, if the proceedings of the House are not correctly reported.

STATEMENTS LAID ON THE TABLE.

Mr. H. A. F. Metcalfe (Foreign Secretary): Sir, I lay on the table the information promised in reply to starred questions Nos. 800 and 801 asked by Mr. Maswood Ahmad on the 8th February, 1933.

INSPECTION OF ANGLO-VERNACULAR MIDDLE AND PRIMARY SCHOOLS BY THE SUPERINTENDENT OF EDUCATION, DELHI, AJMER-MERWARA AND CENTRAL INDIA.

*300. (a) Yes.

(b) Yes.

(c) No. The medium of instruction in the primary schools in the Central India Agency is Urdu, Hindi, Gujrati and Marathi. In the European and the Anglo-Vernacular Schools, English is the medium of instruction.

(d) The Schools are inspected by the Superintendent of Education himself and not by his stenographer.

(e) The Superintendent of Education is fully conversant with Hindi. As regards his stenographer the question does not arise vide (d) above.

INSPECTION OF RECOGNISED SCHOOLS IN THE ADMINISTERED AREAS IN
CENTRAL INDIA.

*301. (a) At the time of the appointment of the present Superintendent of Education there were 41 recognised schools, *i.e.*, six High Schools, five middle schools, one special school and twenty-nine primary schools. On the 1st January, 1933, however, owing to the retrocession of certain areas to Indian States the number of such institutions stood at 31, *i.e.*, five High Schools, one Special School and 24 Primary Schools.

(b) The expenditure on the inspectorate in Central India during the year preceding the appointment of the Superintendent of Education was Rs. 4,078 and the total expenditure during the year 1932 was Rs. 3,937-10-0.

(c) Considerable improvements in the work of direction, inspection and control of schools have been effected. Discipline, instruction and results in schools have markedly improved. Expenditure has not increased. Government, therefore, see no reason to dispense with the present arrangement. There are no Government educational institutions as such, but the administrative control of the Cantonment Board Schools at present vests in the Superintendent of Education.

DEMANDS FOR SUPPLEMENTARY GRANTS IN RESPECT OF
RAILWAYS.

RAILWAY BOARD.

Mr. P. R. Rau (Financial Commissioner, Railways): Sir, I move:

"That a supplementary sum not exceeding Rs. 40,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1933, in respect of the 'Railway Board'."

I have very little to add to the information contained in the book of Supplementary Demands for Grants that have been placed before the Honourable Members of this House. There have been various directions in which our expectations have not been realised. In some cases we have had to spend more than we anticipated, in some less, but the main variations have been explained in the Book. I may explain that taking the voted and the non-voted items of the grants together, the excess is Rs. 25,000, of which Rs. 20,000, is only a payment from one pocket of Government to another. The odd Rs. 5,000, is due to our not being in a position exactly to estimate the number of officers going on leave during the year or the time for which they will be on leave. Sir, I move.

Mr. Chairman (Sir Hari Singh Gour): Motion moved:

"That a supplementary sum not exceeding Rs. 40,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1933, in respect of the 'Railway Board'."

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhamadan Rural): Sir, the Honourable Member has referred us to the Demands for Supplementary Grants. On the opening page I find this:

"Railway Board, Rupees Forty Thousand. Original Grant Rs. 7,75,000."

Then it goes on :

"The main variations giving rise to excess are :

- (1) It has been decided by the Government of India that the difference between the full assessed rents of residential buildings and the actual recoveries made under the rules from railway servants occupying them should be paid from railway revenues. This amounts to Rs. 20,000.
- (2) Excess leave salary on account of more officers going on leave than expected Rs. 5,000.
- (3) Officers whose salaries are voted taking the place of officers whose salaries are non-voted 15,000."

Then it goes on :

"Taking the 'voted' and 'non-voted' portions together, the total expenditure is expected to be Rs. 25,000 in excess of budget anticipations."

Further on it is said :

"The Standing Finance Committee for Railways has agreed to this supplementary demand being placed before the Assembly, *vide* Proceedings of the Standing Finance Committee for Railways, Volume IX, No. 5."

Mr. B. Sitaramaraju (Ganjam *cum* Vizagapatam: Non-Muhammadan Rural): On a point of order. Is it necessary for the Honourable gentleman to go on reading demands for grants page after page?

Mr. S. C. Mitra: Your ruling was that I can make my explanation by reading from any relevant books.

Mr. Chairman (Sir Hari Singh Gour): As introductory to or explanatory of his speech.

Mr. S. C. Mitra: Before I comment on each of these items, I should like to refer to the proceedings of the Standing Finance Committee for Railways which has been referred to. It is Volume IX, No. 5, dated the 5th February, 1933. On page 1 of this Volume I find :

"The Committee met in Room No. 36 in the Council of State Sector of the Council House at 11 A.M. The following members were present :

- Mr. P. R. Rau, Financial Commissioner of Railways, *Chairman*,
- Mr. Muhammad Yamin Khan, C.I.E.,
- Maulvi Syed Murtuza Sahib Bahadur,
- Khan Bahadur H. M. Wilayatullah,
- Mr. G. Morgan, C.I.E.,
- Khan Bahadur Haji Wajihuddin,
- Rao Bahadur S. R. Pandit."

Mr. Gaya Prasad Singh (Muzaffarpur *cum* Champaran: Non-Muhammadan): Is it necessary to read the names?

Mr. Chairman (Sir Hari Singh Gour): Honourable Members have been supplied with copies.

Mr. S. C. Mitra: I appeal to the good sense of the House. I am only following the ruling given by the Chairman. I am only reading the names to show who were present. Then, commenting on this, I like to place

[Mr. S. C. Mitra.]

before the House that, of a Committee consisting of 11 members, there were only seven members present. Of these seven, one is the Financial Commissioner who being an official will support what he has submitted. I shall, for the benefit of the House, read a further portion :

" The Committee considered the Demands for Grants for Railway expenditure for 1933-34. They agreed to the following Demands being placed before the Assembly.

Demand No. 1, Railway Board, Rs. 8,31,000 ;

Demand No. 2, Inspection, Rs. 82,000 ;

Demand No. 3, Audit, Rs. 12,30,000 ;

Demand No. 4, Working Expenses : Administration, Rs. 10,30,00,000 ;

Demand No. 5, Working Expenses : Repairs and Maintenance, and Operation, Rs. 38,12,50,000 ;

Demand No. 6, Companies' and Indian States' Share of Surplus Profits and net earnings, Rs. 54 lakhs. "

Sir, I see I made a mistake ; I was reading extracts concerning the main Budget. It is on the next page.

Mr. K. Ahmed (Rajshahi Division : Muhammedan Rural) : What a comedy of errors !

Mr. S. C. Mitra : The relevant portion is in the second page. They also agreed to supplementary grants being asked for from the Legislative Assembly for expenditure during 1932-33 under the following heads :

" *Commercial Railways*, Demand No. 1, Railway Board, Rs. 40,000 ;

Demand No. 2, Inspection, Rs. 1,000 ;

Demand No. 3, Audit, Rs. 24,000 ;

Demand No. 4, Administration, Rs. 12,50,000 ;

Demand No. 9, Appropriation to Depreciation Fund—Rs. 6,00,000 ;

Demand No. 14, Strategic Railways, Working Expenses and Miscellaneous, Rs. 2,69,000 ; "

There is not a word in this book to show what consideration these Honourable gentlemen gave to the demands before accepting the supplementary grants and, in this connection, I shall later on read from the speeches of Dr. Ziauddin Ahmad and Sir Alan Parsons to show that these grants were really taken as if they were all accepted and the farce really is made of placing those figures here, because the expenditure has already been incurred. In this connection I should like to read from the speech of my Honourable friend, Dr. Ziauddin Ahmad.

Mr. K. Ahmed : Are you not a better authority ?

Mr. S. C. Mitra : On a similar occasion last year in connection with the Railway Budget for 1931-32 (page 81) Dr. Ziauddin Ahmad said :

" Sir, I understand that this expenditure for which the Demand is made was incurred some years ago. It was not incurred during the year 1930-31. Some mistakes were made so that this expenditure which was incurred about five years ago ought to have been paid from the Depreciation Fund, but it was found convenient at any time for it to be paid from the general revenues. Now, on account of financial stringency and financial losses, they want to seek an excuse to get this money from the Depreciation Fund. "

Sir, the House will later on find that this year also they are getting hold of some excuse to take money from the Depreciation Fund. Then he goes on:

"I would like to suggest that instead of paying the entire amount this year we should pay Rs. 25,000 this year and the remainder Rs. 25,000 next year."

Some Honourable Members said, "it is lakhs and not thousands."

"I beg your pardon, I stand corrected, it should be Rs. 25 lakhs. My intention is that the amount should be paid in two instalments, one-half this year and the other half next year."

Mr. K. Ahmed: What is the use of my Honourable friend's wasting the time of the House by making these misleading quotations?

Mr. Chairman (Sir Hari Singh Gour): Order, order. How are these quotations relevant to the main purpose of the Honourable Member's argument?

Mr. S. C. Mitra: It is relevant in this way that the question was raised in connection with the Railway Supplementary Grants at that time and Dr. Ziauddin Ahmad argued that since this expenditure had been already incurred, it was no use then to submit these matters before the House and thus create a farce, and that the legitimate course of action would be for the Railway Board, before they incur such expenditure, to come before the House,—because there is a huge staff of financial officers and their assistants and it is their business to put those things before the House in proper time rather than leave us to perform a *post mortem* examination afterwards. That is my submission. Sir Alan Parsons, Sir, then said:

"May I explain that no expenditure is involved here at all. We are merely correcting certain wrong adjustments in the accounts from the year 1924 onwards." (*He was speaking about that particular item*) . . . "Following the advice which they gave us, we have made these adjustments in the current year's account; it is not in any way to show better results in this year's working that these adjustments have been made. I regret I am unable to accept the Honourable Member's proposal and I cannot agree that the rectification of the error should be postponed for a further debate."

Now, Sir, I should like to comment on the one page remarks of the Railway Board about the expenditure of this Rs. 40,000. They say:

"It has been decided by the Government of India that the difference between the full assessed rents of residential buildings and the actual recoveries made under the rules from railway servants occupying them should be paid from general revenues."

Sir, either the Railway Department should be considered as a Department of the Government of India, in which case this loss should be borne from the public exchequer, or it should be otherwise. This difference, so far as I can gather after going through this explanation, is merely this that, like other public servants, the highest that may be assessed by way of rent from these railway servants is a certain percentage of their pay, while the rent of these buildings is assessed on the basis of the capital expenditure, its interest, as well as the cost of the buildings, furniture, and so on. So, if all these things added together make up a sum which is greater than a certain percentage of the pay of the officer, then he is given the option to pay whichever is less. That is a condition for the public servants under the Government of India. The railway servants, on the other hand, are strictly speaking not Government servants as I argued on another occasion; and they are not entitled to the usual pensions like other Government

[Mr. S. C. Mitra.]

servants. They get certain special benefits in the shape of their provident funds, and so on. I further pointed out that they take advantage of railway passes,—and not only for their near relations, but for any number of them, sometimes for two or three servants, and even distant relations can carry a large amount of goods free of charge, so that there might be some discriminating conditions other than those which Government servants are entitled to. So my contention is this,—why this difference between the equitable rent for their buildings? A certain percentage of their pay, as in the case of other Government servants, should be allowed to the railway officers as well. I think the Honourable the Commerce Member will explain why for ordinary advantages the railway servants are to be treated like other public servants, but when the public servants claim for free railway passes and other things, they are told that it is only the railway servants who are entitled to these special privileges. My further argument is this. When did the Government decide in the case of the rent of these buildings that the difference between full assessed rent of residential buildings and the actual recoveries made under the rules from the railway servants should be paid from the railway revenue?

If the Railway Department wants to come to any final decisions on big issues like these, they should give effect to them in the beginning of the year or, in any case, they should provide for it in their budget. Instead of doing that, they go on altering their former position, thus incurring a large expenditure without this House having any chance to have its say on the grant. Really speaking, the whole debate in the House becomes a farce, if it is not already a farce. I object to the Government coming to this House with big supplementary grants which not only come to thousands, but lakhs of rupees, when the expenses have already been incurred. I shall be glad to be told how they can get rid of this expenditure even if these sums are now refused by this House, because, so far as I understand, this expenditure has already been incurred. If my presumption is correct, then I think it is all a farcical affair to bring these matters before the House for voting. So much about the first item.

Now, about the second item—excessive leave salary on account of more officers going on leave than expected. I agree that it is not possible always to foresee that there will not be slight excesses, but, in any case, before the financial year is over, it ought to be possible by reappropriation to balance the small amount like Rs. 5,000 in the Department rather than come again to this House for these small grants being in excess of the money sanctioned by the House.

The third item is—officers whose salaries are voted taking place of officers whose salaries are non-voted. This shows that there is a constant change in the classification of officers whose salaries should be voted or non-voted. There might have been some difficulty in the past to classify various pos's, but, as time passes, why should there be any difficulty as regards voted and non-voted grants unless the high officials find it convenient to change some appointments from voted to non-voted categories. Here, again, my complaint is the same as with regard to the last item, namely, that, before the financial year was over, these small matters should have been set right by reappropriation.

Mr. N. M. Joshi (Nominated Non-Official): Is it your speech or are you reading from some book?

Mr. S. C. Mitra: I shall be quoting presently; now I am only commenting. Sir, my Honourable friend, Mr. Gaya Prasad Singh, refers me to a very able speech that you, Sir, delivered on the 11th of July, 1930, about the constitutional point raised about these supplementary grants. On that occasion you said (page 119 of the Assembly Debates):

"Sir, when I rise to speak on this motion, I wish to recall the words of His Excellency the Viceroy, uttered only the other day, when he said that he had summoned a Session of the Indian Legislature, because it seemed to be clearly right that Members of both Houses should have the opportunity of discussing matters of public interest on which also His Excellency wished to have the privilege of addressing them, before the Legislature was dissolved."

Mr. B. Sitararamaju: Sir, I rise to a point of order. How is the Honourable gentleman relevant in quoting your speech on the constitutional reforms with regard to the supplementary grant?

Mr. Chairman (Sir Hari Singh Gour): Will the Honourable Member explain?

Mr. S. C. Mitra: I like to explain the issue about the supplementary grants generally. When these expenses are incurred by the various Departments of the Government, and they bring these supplementary grants before the House for consideration, the discussion becomes merely academic. You, Sir, have very wisely raised this constitutional point in your speech and it is performed much more ably than I can expect myself to do. So I was quoting from your speech following the example of Mr. Amar Nath Dutt, yesterday. You, Sir, were pleased to leave it to the good sense of the House not to interrupt him. To continue the quotation:

"In a later passage His Excellency said that his Government was at the present moment engaged in considering the future constitution of India and it is for this dual purpose of assisting the Government of India in their deliberations as to the future constitution for India and for giving our representatives to the Round Table Conference an expression of our views as to what they should press for and what they should resist that this motion has I understand been moved and is being debated in this House"

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): I rise to a point of order. I am sorry, the Finance Member is not here to hear this learned disquisition of my friend, Mr. Mitra

Mr. S. C. Mitra: I was merely quoting.

Sir Cowasji Jehangir: I know it. But I would like to point out that all this is being reported and will again be printed which will mean considerable cost. You allowed it yesterday, Mr. Chairman, and I would like to point out to the Finance Member and to you by way of a point of order that the cost of again reporting speeches, that were made two years ago in this House, will be considerable. I, therefore, want your ruling—a definite ruling—whether speeches can be read out in this House by the page or only abstracts should be allowed to be read out. I want a definite ruling on the point, because so long as you are in the Chair, Mr. Chairman, this precedent will be followed, not only today, but again tomorrow. I would like to point out that you, as Chairman, have the right to stop any Member from reading out page after page not only from the speeches made in this House, but from any other book of reference.

Mr. Chairman (Sir Hari Singh Gour): The Honourable Member has raised a point which is covered by a ruling given by the Honourable the President in the following words:

"During the debate on the motion to take into consideration the Indian Tariff Cotton Yarn (Amendment) Bill, a Member proceeded to make a lengthy quotation in his speech. The President intervened and ruled: 'I will inform the Honourable Member that the reading of such long quotations is not permissible'."

The point is that the President did not permit the reading of such long quotations and it is, therefore, in the discretion of the Chair to permit quotations if they are not unduly long. I would only ask Mr. Mitra not to transgress the rule which only permits reasonable quotations and not quotations much too long.

Mr. S. C. Mitra: I bow to the ruling of the Chair. As a matter of fact, I myself wanted to have a ruling, but my only submission is that I was not reading longer quotations than Mr. Amar Nath Dutt did yesterday. However, I take it as your ruling that I should not read from these books extensively. In that view of the case, I do not like to read anything more and I merely say that the Commerce Member will give us some idea as to why these things are not corrected by reappropriation, and why every time such big amounts are brought forward in the shape of supplementary demands.

Mr. B. V. Jadhav (Bombay Central Division: Non-Muhammadan Rural): Sir, to some it may appear superfluous on my part to stand on this occasion and raise objections or offer some remarks on these grants. I want to know from the Honourable the Mover why this excess of Rs. 5,000 occurred. He has offered an explanation, but I want further explanation on that point. The explanation offered is this:

"Excess leave salary on account of more officers going on leave than expected."

Sometimes it happens that whenever there is to be retrenchment, it is found convenient for some officers to send men to be retrenched on leave before dispensing with their services. I want to know from the Financial Commissioner whether that was the case on these particular occasions and whether more officers were advised to go on leave and, therefore, this excess was incurred. There have been many such cases recently, specially in the Public Works Department and other Departments, and, therefore, this raises in my mind a doubt that this stratagem may have been used on this occasion.

Then, Sir, there is another point. Officers whose salaries are voted taking the place of officers whose salaries are non-voted accounts for Rs. 15,000. Taking the voted and non-voted portions together, the total expenditure is expected to be Rs. 25,000 in excess of budget anticipations. Officers whose salaries are voted are generally lower paid officers and officers whose salaries are non-voted are generally officers of higher salaries. If officers whose salaries are voted are asked to act in place of officers whose salaries are non-voted, then I do not see why an excess should occur. On the other hand, I think there ought to be a saving. But, in this case, it is said that the excess amounts to something like Rs. 15,000 and I should like the Financial Commissioner to explain this point. It is really a pity that the Railway Standing Finance Committee has done its work in a very great hurry. It shows their sense of faith or trust in

the Railway Administration; but all the Members of this House cannot share in that amiable disposition, and, therefore, it falls to my unfortunate lot to raise objections or questions on these two points.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, I should first like to relate a small story. One of the greatest savants of Baghdad, Imam Ghazali, when made Grand Shaikh of the School of Baghdad, went to the pulpit to deliver his inaugural address, and said only one word, wept and came down; and what he said was:

"The death of great man has made me great."

This was really a noble example ever set and I thought the Leader of the Opposition would follow this noble example. But instead of following this noble example, he began to admonish the Deputy Leader of the Independent Party by remarking that in addressing Government Benches he should refrain from saying that he must do this, and he must do that. I now complete his sentences, but he should say: "Whatever you do, we are entirely at your disposal, we beg to remain, Sir, your most obedient servants, the Members of the Opposition Benches".

Now, coming to the subject matter of this grant, I thought this demand was really adding insult to injury. I say so, because they have not given any details, but referred us for fuller information to the report of the Standing Committee for Railways, No. 5, Volume IX. I took great pains to find out this particular book and I thought I would be able to get all the information. When I opened the book, I found that this meeting was held at 11 o'clock on a Sunday just at the time when Christians are required to go to Church and I found that Mr. Morgan thought that attending this meeting was more important than attending the Church on that particular day. Then, when I opened further, I found that there were two pages. On one page the Finance Committee dealt with the entire demands for 1933-34, and, in about 1/3rd of the second page, they disposed of the supplementary grants. Of course some persons thought that probably this is the way in which members of the Standing Finance Committee discharge their business; but, from my own experience of the Standing Finance Committee on the General Budget, I can say that the members are not to blame, but it is the system which is faulty. The Budget, as a whole, was never laid before the Standing Finance Committee and important items were never discussed by them. They simply in half an hour were asked to dispose of the whole Budget for 1933-34. The supplementary grants for 1932-33 give all the relevant figures which in this case were never laid before the Standing Finance Committee. These are genuine grievances, not in respect of these demands only, but in respect of all the supplementary demands which will come hereafter. It is assumed that these demands are scrutinised by the Standing Finance Committee, they have also been formally passed and sanctioned by the Legislative Assembly. This is all right on paper, but what happens actually in practice is just the opposite. The Finance Committee is not given an opportunity to discuss all questions as is evident from their report; and, as I said, it is no fault of the members, it is the fault of the system. When you come to the Assembly itself, they repeatedly demanded that the Budget should be divided into separate units so that votes may be taken at the end of one or two days on the group of demands. It is done in Provincial Councils. They consider the whole

[Dr. Ziauddin Ahmad.]

Budget as one unit with the result that we waste our time on the first demand and the important items are guillotined and we have to vote *en bloc*. That is really the way in which the whole Budget has been allowed to go through.

Therefore, I strongly object that they ought to give us reasonable opportunity to discuss the details of expenditure under the head of Establishment and the Operation which are really very important items of expenditure in the Railway Budget. But neither the Standing Finance Committee has ever been given a chance to discuss it, nor the Assembly is offered any chance. It is not our fault, but it is the fault of those who are responsible for it. That is really my grievance. I should like that, in future, our Standing Finance Committee should be permitted to go into all the details of the expenditure and that relevant papers might be supplied to them. They should be allowed to sit day after day to discuss these items.

The second thing which I wish to point out is that these demands of Railways should not be divided into single units. They should be divided into compartments and votes should be taken in groups, so that we may have an opportunity to discuss much more important items of expenditure, such as administration and operation and which we could not discuss in the Assembly on account of the bad way in which the whole thing is planned. This was the general observation which I had to make with reference to what my friend, Mr. S. C. Mitra, said.

Now, coming to the actual item here, I find that something is demanded for the excess leave salary on account of more officers going on leave than was expected. Now, this is a definite complaint which we have raised repeatedly on the floor of the House, year after year, that the Railway Board have not taken sufficient care to retrench officers. They retrench men, but not officers. They have got over this difficulty by allowing more officers to go on leave instead of retrenching them. My gallant friend, Colonel Sir Henry Gidney, drew the attention of the House to the fact that if a Member of the Railway Board is retrenched he is sent to some other post or allowed to go on leave. Now, you come to us for demanding an additional grant under the particular head. Had you carried on the policy of retrenchment in spirit and not in name, then these additional demands, which you are bringing forward, would have been unnecessary. Now, the other thing is, it is pointed out that certain items of expenditure were transferred from voted to non-voted. Now, if it is only the question of transfer, then the total expenditure ought to have remained the same.

Mr. P. R. Rau: It has remained the same. Rs. 25,000 is the total excess though the voted excess is Rs. 40,000. This is counterbalanced to a certain extent by the saving of Rs. 15,000 on non-voted.

Mr. B. V. Jadhav: Is there any saving in the voted expenditure?

Dr. Ziauddin Ahmad: I will just come to this thing. If it is only a transfer from voted to non-voted and there is a particular saving, then the total expenditure ought to have diminished, but I find that for the year 1932-33 their estimate was 7.75 lakhs and the revised estimate on

account of this wrong procedure that they have adopted is 8·15 lakhs. So there has not been any saving, but there has been actual rise in the expenditure. It rose from 7·75 to 8·15 lakhs. It is on page 2 of the Demand for 1933-34.

Mr. P. R. Rau: Will my Honourable friend read the portion relating to non-voted expenditure also? It has diminished from 4·25 to 4·10.

Dr. Ziauddin Ahmad: I am just quoting from the Demand which has been laid before us from page 2 where you have got a note saying that the total voted and non-voted was 12 lakhs budget estimate. But, now, in the revised estimate, you have put down 12·25 lakhs. So here also I find that the total sum is increased by 25 thousand rupees. That is not a very great saving. There are two points which are not very clear to me, that is, they have allowed a very large number of officers to go on leave. We may allow a fair proportion as in other Departments. The second point that I should like to draw attention to is this transfer from voted to non-voted which has not led to the diminution of the total expenditure, but it has only led to an increase of expenditure to the extent of 25,000 rupees. I should also like to mention that we have raised a very large number of questions during our Budget debate and the Government never replied to a large number of them as yet, and I hope that, on this occasion, which is perhaps the last occasion when they have come to us, they would clear up the points in connection with the replies in these Demands, for instance, comforts of third class passengers, etc.

Mr. Chairman (Sir Hari Singh Gour): Order, order. I think the Honourable Member is aware that in voting on supplementary grants the only question that can be debated is a question which strictly relates to the supplementary demand and that the general question of policy or any matter extraneous to the demand cannot be raised. I would read for the benefit of the Honourable Member a ruling given from this place on a previous occasion. This is what was then said:

"In view of a large number of cuts that have been put down on these Supplementary Grants, I have taken some trouble to examine the question and I invite the attention of the House to a summary of the position as stated in May's Parliamentary Practice, page 536, which I will read to the House:

'Debate on supplementary and excess grants is restricted to the particulars contained in the estimates on which those grants are sought and to the application of the items which compose those grants; and the debate cannot touch the policy or the expenditure sanctioned, on other heads, by the estimate on which the original grant was obtained, except so far as such policy or expenditure is brought before the Committee by the items contained in the supplementary or excess estimates.'

Consequently, all that the Honourable Member can ask is for an explanation upon the three items which are mentioned in this demand. But he cannot ask the Government or any other Member to stray out of the strict purpose of the Supplementary Grant and the limitations imposed upon a debate thereon.

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muhammadan Urban): May I point out, Sir, that I do not know what that ruling was, but there is a later ruling, I would like to refer to you, Sir, from the Assembly Debates, Vol. IV, 1930. On this particular demand

[Diwan Bahadur A. Ramaswami Mudaliar.]
 for Supplementary Grant the whole question of the future constitution of this country was raised, and you, Sir, made an excellent speech covering over 15 pages of this Report, in which you reviewed in your own masterly way the present situation and the future hopes of the country with reference to the constitution. In view of this ruling, which is a later ruling and which to that extent overruled the previous ruling, I believe, of Sir Frederick Whyte, I ask you to continue the practice that has been well established in this House that on Supplementary Grants, every question and every motion can be raised which can be raised on the original motion. I am not myself wedded to that procedure. I do not like it myself. In the Provincial Legislative Council the practice is different. But I do invite your attention to this ruling and to the debate which begins at page 100 and goes on to several pages of this volume where the whole discussion was allowed.

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): I do not want to say much more than draw the attention of the Chair about the scope for discussion regarding Supplementary Grants. I find in the Selection from the Decisions from the Chair at page 433, Para. 518, that the President pointed out that the debate must be restricted to the subject matter of the Supplementary Demand. Therefore, I submit, that this wide comprehensive discussion . . .

An Honourable Member: What is the date of that ruling?

Mr. C. S. Ranga Iyer: 20th February, 1924, by Sir Frederick Whyte. It is not a question of long ago or yesterday: it is a question that the President of this House, Sir Frederick Whyte, had given a ruling to this effect and his ruling, I believe, is the ruling which ought to govern procedure and practice in this House; because a practice happens to be in May's Parliamentary Practice one hundred years ago, that does not mean that the practice is wrong. A precedent was laid down that the debate must be restricted to the subject matter of the Supplementary Demand and I hope that you will enforce the practice suggested by President Whyte in regard to the subject matter of discussion, especially in view of the fact that we had ample opportunity during the Railway Budget to cover this wide comprehensive ground of policy.

Mr. Chairman (Sir Hari Singh Gour): The ruling to which I drew the attention of the House was given as far back as 27th March, 1928, and it has been subsequently followed down to the 10th July, 1930. Consequently there is a *cursum curie* on this question; and I am bound by the series of rulings bearing thereon.

Dr. Ziauddin Ahmad: The points to which I would very much confine myself just now would be those relating to this particular cut, and the other points to which I wanted to refer can very conveniently be raised in connection with other cuts. The one point which really refers to this particular cut is the revision in the scale of salaries, because had they revised the scale of salaries, then they could have met this additional cost by saving in other directions and this is a thing we have always been suggesting. Therefore, the one grievance which was pointed out

and for which we have not got any definite reply is the revision in the scale of salaries and I hope that in the reply something definite might be said on the floor of the House.

The Honourable Sir Joseph Shore (Member for Commerce and Railways) : May I bring to the notice of my Honourable friend that in view of the ruling of the Chair it will certainly not be open to us, when we reply, to refer to matters which are not definitely connected with each demand. The question of salaries raises a question which is entirely different, I submit, nevertheless I would like to explain that I have given to the House as much information as I possibly could on the occasion of the general debate on that particular point.

Dr. Ziauddin Ahmad : I leave this point for the time being and shall confine myself only to one point: that is, we ought not to allow such a large number of officers to go on leave so as to necessitate the additional expenditure, and I hope that the Railway Board will be more particular in future and confine themselves entirely to the sums already voted. They should know that so much has been sanctioned by the Assembly and it is very desirable that they should plan their expenditure so that this sum may not be exceeded. This is the thing I would like to emphasise, because this is what they have been doing year after year and I think the time has come when this practice ought to cease.

Mr. B. Das (Orissa Division: Non-Muhammadian): Sir, I wish to draw the attention of Honourable Members to one point when they oppose the grant of Supplementary Demands; they will have to face the grant for Excess Demands later on when the subject comes up before the Public Accounts Committee. If these Supplementary Grants had come during the middle of the Session, one could have looked at them more particularly, but now when these demands are placed before the House at the end of the Session, we take it that the Financial Commissioner has seen to it that these Supplementary Demands are necessary, and if they are not approved by this House now, probably later on the House will have to grant excess demands.

An Honourable Member : What is the difference between now and two months afterwards?

Mr. B. Das : It saves unnecessary work. If my Honourable friend, who is himself a member of the Public Accounts Committee, wants to go through the procedure that the excess demands should be approved by the Public Accounts Committee and then they would have to be placed before the House, he might oppose these Supplementary Demands; but I think these are matters usually brought up at the end of the Session and at the beginning of the new Budget, and that it is the regular course; so we should not make so much opposition to these demands.

Sir Cowasji Jehansir : Sir, I do not profess to be a great student of the Railway Budget, but from remarks that were made during the general discussion, it appeared to me that one of the allegations was that officers

[Sir Cowasji Jehangir.]

were sent on leave, not because they wanted leave, but in order to accommodate other officers. Now, I would like to know from the Honourable Member whether there are more officers on leave just now than is usually the case. I see there is Rs. 5,000 shown in the demand we are now discussing for excess leave salaries. Then, under Audit, there is another demand for Rs. 23,000 for excess leave salary. If we are to retrench, and if appointments are to be abolished, due to this policy of retrenchment, I do not think you are going to gain very much if you are forced to give officers leave when sometimes they do not even want leave, in order to accommodate others. I think that point might be taken into consideration by the Honourable Member and I would like to know whether there are more officers on leave just now than is usually the case.

Lieut.-Colonel Sir Henry Gidney (Nominated Non-Official): Sir, bowing to your ruling on this matter and with the great difficulty that faces me in confining myself absolutely to the three items embodied in this Rs. 40,000 demand and the merciless application of the guillotine which prevented many points from being fully discussed, I fear I shall find it difficult to confine myself to these items; but I do hope I shall be able to do so and escape a repetition of the charge of irrelevancy. I take these items in inverse order to that shown on the demand. First and foremost, what strikes me as being most extraordinary is this: we have just finished the Railway Budget in which a large number of demands were made for grants for various items; and now, within 72 hours, this House is presented with a series of Supplementary Demands for the Railways. . . .

Mr. P. B. Rau: May I point out that the Budget demands related to next year, and that these demands are for this year?

Lieut.-Colonel Sir Henry Gidney: This year, next year, sometimes, never; that is the old appeal of the amateur golf champion to his clubs, when forecasting his chances for winning the next championship. I make this observation as a seeker after economy, but it has been taken up very keenly by my friend—evidently it stung him—but I think it to be an extraordinary procedure to indulge in these frequent and separated demands for grants over twelve months. Why cannot the Railway Board shake up their minds and find out what they want? It is difficult, I know; but the point that strikes me is this: it is a general point; here is a Department which sails under the label of a commercial department. When I say that, I am not satirical. I repeat it is claimed that this is a commercial department and yet the salaries of its officers are divided into two categories, one votable and the other non-votable. I should like any one to tell me any other commercial undertaking that has the expenses in connection with the head administration divided into votable and non-votable items or liabilities. The result is that in trying to effect economy and in trying to point out excessive expenditure, we cannot attack items that are invulnerable to attack and protected by treaties and contracts with the Secretary of State; we can only attack and expect economy from the poorer paid staff. It is rather a peculiar position; but apart from the administration point of view, the reason for this demand is to defray the cost of leave given to officers who must, on the face of it, be surplus

to requirements especially in these days of financial stringency and economy. Now, Sir, I believe I am right in holding,—I speak
 12 Noon subject to correction by the Honourable Member,—that there is a certain leave reserve for officers employed in the Railway Board. I also take my memory back to a meeting in 1930, which I attended as a member of the Central Advisory Committee when a request was made to the Committee asking that State Railways, including the Board, should maintain a proper leave reserve of officers no doubt to enable them to continue as they do today to book their passages to England 8 or 10 months ahead and that in order to enable these officers to get leave, a lower gazetted service was necessary and an addition made to the official cadre, which was considered under strength for an adequate leave reserve. Since then retrenchment has taken place, and we are told that every railway has effected retrenchment to its utmost possible limit. Now, Sir, on the one hand we have every railway pointing out in clear terms that they have come to their limit of retrenchment. We have also got a list of absent railway officers showing the number of appointments held in abeyance. We have other lists showing the officers on leave, all of which may rightly be summed up as postponed economy. On the other hand, we have here a definite demand by the Honourable Member including the same item in the other demands of a total of nearly Rs. 35,000 or Rs. 40,000 for the pay of officers who are on leave. How are these two facts compatible either against each other or economy? I ask the Railway Board to explain, how is it that you are still able to send an extra number of officers on leave when you say that you have reached your limit of retrenchment? And, therefore, why do you want more for the extra officers who have proceeded on leave?

Now, Sir, I will take up another point, and I hope I shall not again be told that I am irrelevant. I instanced in the general discussion a case in which a certain officer of the Railway Board was retrenched for economy purposes, he was not retired or given leave, but, was given an appointment as Agent to a Railway and was also given Rs. 500 in excess of the salary of the post. I ask, what variety of economy is this, when after retrenching a Member of the Railway Board in the interests of economy, you give him Rs. 500 extra pay? There is no economy there. It is a special favour and stands self-condemned. Remember when that officer was employed, as Agent to the E. B. Railway, another officer had to go on leave. Is that officer's leave pay under this head or is the allowance of Rs. 500 given to the ex-Member of the Railway Board? If it is here, then. . . .

Mr. P. R. Rau: It is not here.

Lieut.-Colonel Sir Henry Sidney: Well, then where is it? Enlighten the House. If this officer's leave pay is included in this grant, I stand corrected; if it is not, I take this opportunity of ventilating this matter, and I do not ventilate it out of any personal bias or prejudice; my public life rises above such sordid motives. I ventilate it as an honest seeker after economy. Here is a demand to meet officers' leave salaries, and I ask the House to reject it unless the Honourable Member's explanation is satisfactory. You must have an excess of officers working, if you are able to send an excess on leave. Are they all in such bad health as to

[Lieut.-Colonel Sir Henry Gidney.]

require a change of climate from this country? Why should this House be asked to vote for this demand? I condemn the present so-called economy policy of the Railway Board, I say this leave to England is more or less a family arrangement. I do not think it is right, under the present circumstances of financial stringency, to allow an excess of officers to proceed on leave so frequently merely to accommodate others for whom appointments are needed, and if the Railway Board make a demand for money on such grounds, this demand should be refused by this House. It is not sound financial policy to send excess officers on leave. The Financial Commissioner, with his enormous knowledge of these matters, I know, will stand up and defend this demand, and I know that some of my arguments might be pulverised by him, but I do submit that this House is entitled to have an explanation from the Financial Commissioner as to why the Agents of the Railways give this liberal leave to their officers when we are faced with a financial stringency. Then, again, I would like to know whether he has given a distinct order to pay Rs. 500 extra per month to the officer who has been retrenched from the Railway Board and is now Agent of a State Railway on Rs. 4,000 per month. Can he explain to this House his principle of re-engaging a retrenched officer from the Railway Board and paying him an extra sum of Rs. 500. . . .

Mr. P. B. Rau: On a point of order, Sir. May I point out that that question does not arise out of this demand.

Lieut.-Colonel Sir Henry Gidney: Is that a point of order? I say, it is a matter requiring some explanation from you and I want it.

Mr. Chairman (Sir Hari Singh Gour): It is a point of order.

Dr. Ziauddin Ahmad: May I just say that unless the names of all the officers are given for whom this demand is wanted, I think the discussion is quite in order.

Mr. Chairman (Sir Hari Singh Gour): Will the Honourable Member please explain how the debate he is carrying on now is in order in view of the objection raised by the Financial Commissioner for Railways?

Lieut.-Colonel Sir Henry Gidney: I will try and explain it, Sir, in my own amateur way as compared to the position of a professional and trained financier. There is a Supplementary Demand here to meet the pay of officers on leave. This demand, as Sir Cowasji Jehangir pointed, is spread over the year. I pointed out the other day that an officer who has been retrenched from the Railway Board had not been sent on leave or retired, but to suit his convenience and appointment another officer had to go on leave. That officer's leave pay was being paid and the Member continued to receive his Rs. 4,000 per month.

Mr. P. B. Rau: That officer's leave salary is not debited to this demand.

Lieut.-Colonel Sir Henry Gidney: If it is not, then can the Honourable Member give us the details of this demand? With all respect to him, I say that the Honourable Member cannot stand up and say this refers to Jones, Smith or Dickie,—he cannot say that

Mr. P. R. Rau: This refers to the Railway Board, and the Officer to whom, I believe, my Honourable friend refers is on the Eastern Bengal Railway, whose pay or leave salary is not debited to this demand.

Lieut.-Colonel Sir Henry Gidney: With all respect to the Honourable Member, I submit, and subject to your ruling, that this demand for leave salary covers all officers who are on leave

Mr. Chairman (Sir Hari Singh Gour): The Honourable Member has been assured that this demand only deals with the Railway Board, and it is so written and printed at page 1. That is the heading. The Honourable Member must take note of that fact, and he cannot possibly enlarge the scope of this debate by referring to all officers whether connected with the Railway Board or otherwise

Lieut.-Colonel Sir Henry Gidney: I am referring to a Member of the Railway Board or an *ex*-Member of the Railway Board

Mr. Chairman (Sir Hari Singh Gour): Order, order. We are not dealing here with an *ex*-Member of the Railway Board.

Lieut.-Colonel Sir Henry Gidney: Very well, Sir. There is then the next item, and that relates to the rent charged for residential buildings to staff. I should like to have a clear definition from the Railway Member as to what they have been doing with this vexed matter. I understand that certain railway servants, who still enjoy Company privileges and rights, as regards free house rent, are now being compelled to pay house rent by a recent ruling by the Railway Board—why this departure from an honoured contract and agreement?

Mr. P. R. Rau: I still rise to a point of order, Sir. This has no reference to the demand under discussion.

Lieut.-Colonel Sir Henry Gidney: The Honourable Member in charge is so nervous about this, that I am sorry, I feel I should not worry him any more about it.

Mr. P. R. Rau: Mr. Chairman, there have been various questions in the debate on this motion, and I shall proceed to give very briefly the explanations required by the various Honourable Members. In the first place, my Honourable friend, Mr. Mitra, was apparently under the misapprehension that there has been a change in the present practice and that we were asking the House to agree to giving more concessions to the staff of the Railway Board in the matter of residential accommodation. That is not so. The staff of the Railway Board are Government servants, and under statutory rules they are entitled to have their rents calculated in a certain way. The only question here is whether the difference between the assessed rents and the rents they are charged under statutory rules should be borne by Railway Revenues or not. It was decided by the Government of India, I think some time in February, 1932, that commercial

[Mr. P. R. Rau.]

departments should pay the difference and, as I have already pointed out when I was moving this motion, it is only a question of a transfer from one pocket of Government to another. My Honourable friend suggested that this should have been brought into effect in the original Budget. May I explain with reference to that that the decision was arrived at, to the best of my recollection, sometime in February, 1932, after the Budget had been prepared. The decision was given effect to in the following year, 1932-33, according to the ordinary practice. My Honourable friend as a member of the Public Accounts Committee knows that any decision taken during the course of the year has usually effect from the next financial year.

The second point that my Honourable friend raised was about the possibility of reappropriation. If he will look at the Demands for Grants, he will find that there are various other directions in which also there have been excesses and savings. The Demand that we have now put before the House is after all possible reappropriations have been made.

I now turn to my Honourable friend, Mr. Jadhav. His point was that voted officers draw generally less salary and consequently the substitution of voted officers for non-voted officers should have reduced the expenditure. Here may I point out that the salaries of posts on the Railway Board are fixed and a voted officer gets just the same salary as a non-voted officer. Consequently, the only effect of a voted officer taking the place of a non-voted officer is that the expenditure is shown as voted and not as non-voted and the additional expenditure of Rs. 15,000 under the voted head is covered by a decrease in the non-voted head.

Mr. B. V. Jadhav: There is a total increase.

Mr. P. R. Rau: The total increase is due to other factors. So far as filling of posts by officers whose salaries are voted instead of officers whose salaries are non-voted is concerned, there is no increase.

Sir Cowasji Jehangir: May I ask whether these non-voted officers have gone on leave or have they been transferred to another department or have they gone to other posts?

Mr. P. R. Rau: As my Honourable friend is no doubt aware, there is no separate cadre for the Railway Board. When posts are vacant we recruit them from different Railways, and it is just a matter of chance whether the officer selected to fill a particular post happens to be an officer whose salary is non-voted under the Government of India Act or is voted. It has no reference to officers going on leave.

Lieut.-Colonel Sir Henry Gidney: May I ask a question to the Honourable Member? Are these officers, who are employed in the place of voted officers on leave, recruited from subordinates who are drawing one-third and half of the salary of the officers on leave?

Mr. P. R. Rau: I can tell my Honourable friend that I am not aware of any pay of a subordinate being non-voted. My Honourable friend, Sir Cowasji Jehangir, wanted information whether officers who are on leave have been sent on leave to accommodate other officers. I am not aware of any such case, but I think he will agree with me that it is not an

easy matter in preparing a Budget for the following year, which is done about 15 months before the close of that year, to estimate accurately how many officers will be on leave during the year and what periods they will require.

Sir Cowasji Jehangir: Is that not done on averages? Therefore, your Budget has gone wrong when you ask for an increase only on this head of leave salaries.

Mr. P. E. Rau: It may be based on averages, but it does not follow that the actuals will be exactly equal to the average. I just want to refer my friend to one or two figures here. In 1930-31, our expenditure on leave salaries on officers was Rs. 92,000. In 1931-32, it was Rs. 1,08,000. In 1932-33, it is expected to be Rs. 80,000, and in the following year, Rs. 70,000. It may be that it will prove too low or it may be too high, but it is just an estimate, and it is impossible to arrange the grant of leave to officers merely on the estimate of leave salaries put in the Budget.

Sir Cowasji Jehangir: My question is, are there more officers on leave than usual?

Mr. P. E. Rau: I do not think there are, and it is for that reason that I gave my Honourable friend the figures of leave salaries paid in the past. He will find that in the years 1930-31 and 1931-32 the leave salary was more than in the current year, and from that I infer that the number of officers on leave is not more than in the past.

Dr. Ziauddin Ahmad: May I just mention a point? This is a subject upon which we have been complaining year after year. Whenever a person is put temporarily on a higher grade with a higher salary, and when the permanent incumbent comes back, instead of going back to his original post, he takes leave on this higher salary and thus the leave salary increases.

Mr. P. E. Rau: That is the effect, though an unintended effect, of the statutory rules. We have taken steps in our new Railway Leave Rules to avoid inducements to officers to go on leave when they revert from a higher post.

Mr. B. V. Jadhav: The point I made has not been properly understood. My point is that, if an officer from the voted list is asked to work for an officer who is on the non-voted list, there is no reason why all such posts, in the voted and non-voted lists, when taken together, there should be an excess. What I cannot understand is this demand for Rs. 15,000. If officers from the voted list of the cadre are made to work for the non-voted cadre and *vice versa*, then there is no reason why, when both these lists are put together, there should be an excess.

Mr. P. E. Rau: I perfectly understood my Honourable friend's point, and I was explaining that the assumption on which it is based is incorrect. I would ask him to entirely forget part (3) of the explanation and read it together with the next clause which says 'Taking the voted and non-voted portions together the total expenditure is expected to be Rs. 25,000'. This excess is covered by the first two explanations in that page.

[Mr. P. R. Rau.]

I now turn to my Honourable and gallant friend, Sir Henry Gidney. His main complaint was that we showed our expenditure partly as votable and partly as non-votable, and that, as a commercial department, we had no right to do so. That, Sir, I am afraid, I am not in a position to remedy. The salaries of certain officers are non-voted under the Government of India Act and, so long as that Act subsists, I must show them as non-voted under this Demand. He also suggested that the Railway Board should make up their minds and say how much they want once for all. This is a question of estimating. Does the House really require that we should keep, as a reserve, a margin for all possible contingencies and ask for a much larger sum than we really require, or that we should try to cut down our demands to a minimum, and, at the close of the year, if we find that it is absolutely impossible for us to work within that minimum, come up to the House frankly and say, "We have tried to keep ourselves within the limits. We find it is not possible", and ask for a Supplementary Demand. From the estimating and from a financial point of view, I think that the correct procedure is to keep your original Demand as low as possible and not to keep margins for emergencies. Finally, Sir, my Honourable and gallant friend suggested that leave should be refused as much as possible. I do not know whether he was referring only to the officers of the Railway Board, or whether he was making this suggestion in his representative capacity on behalf of many of the Railway Unions of which he is the President. (Hear, hear.)

Lieut.-Colonel Sir Henry Gidney: Partly in my position as President of many Unions, but chiefly, Sir, in my capacity as an honest seeker of economy.

Mr. P. R. Rau: My Honourable friend has, like some of the Hindu gods, various faces. (Laughter.) It is true that the statutory rules provide that leave may be granted or refused or revoked at any time if the exigencies of the public service demand it, but hitherto it has never been held that the 'exigencies of the public service' include financial stringency. I do not think, Sir, that there are any more points on which I need detain this House. The only question I would like to refer to in conclusion is Dr. Ziauddin Ahmad's accusation against the Standing Finance Committee. Now I had half expected that some members of the Standing Finance Committee themselves would rise and explain what is the exact nature of the work that they did in connection with this Budget, and whether it is a fact or not that all the papers that they wanted were placed before them; but the whole point is that it is not fair to base any criticisms of the work that they have done on the fact that their decisions are recorded in one page of that small volume.

Mr. K. C. Neogy (Dacca Division: Non-Muhammadan Rural): Sir, I should have very much liked my Honourable friend to deal with a point that arose incidentally out of this debate, and that relates to the paucity of information given in the proceedings of the Standing Finance Committee for Railways. I hold in my hand the proceedings to which reference was made by some of my Honourable friends. Sir, lakhs and lakhs of rupees have been recommended by the Standing Finance Committee (Voices: "Crores and Crores"),—yes, crores and crores, before this House.

for the purpose of embodiment in the supplementary estimates, and the space that they have devoted to the recommendations is just a little over one page. I notice that this particular meeting of the Committee took place in the Council of State Sector of the Council House; I do not know whether that has anything to do with the brevity of the proceedings. (Laughter.) In any case, Sir, I remember to have been associated with the earliest days of this institution, the Standing Finance Committee for Railways, and it is something which I never came across in my experience as long as I served on that body. It is, no doubt, a fact that for some time Government have been seeking to pack these Committees, notably the Standing Finance Committee for Railways (Hear, hear); for instance, if an Honourable Member votes with Government on a measure like the Ordinance Bill, he is at once promised a place on the Standing Finance Committee by the Government Whips. (Hear, hear.) (*An Honourable Member*: "Some are promised other rewards too!") I do not mind if the noble services of Honourable Members are rewarded through the agency of the Honours List, but I, as a Member who had something to do with the creation of this particular body, would protest very strongly against the reduction of this procedure, which has been laid down by this House for the purpose of regulating Railway finances, to an absolute farce. Sir, I should not be understood to make any kind of personal reflection on any Honourable Member whose name appears on this particular list, but if the Honourable the Financial Commissioner could make a confession in this House, he would be able to tell us as to how useful he has found this body to be (Laughter), and how seldom has this body ever raised any objection to any proposal for expenditure. But, Sir, I do maintain that this House is entitled to a little more consideration than the Railway Department are prepared to allow it, and I do not see any earthly good of the proceedings being maintained in this fashion; because, disappointing and brief as that information is, we find much more information in the Demands for Grants themselves. But if the Honourable Member were to follow the past practice with reference to this Standing Finance Committee for Railways and also the practice in vogue with regard to the General Standing Finance Committee, this House would have a little more detail, which might be of help to this House in coming to a correct determination of the issues involved.

Mr. G. Morgan (Bengal: European): Sir, as a member of the Standing Finance Committee (Hear, hear), I am glad to hear that there are no accusations against the members, but the point raised by my Honourable friend, Mr. Neogy, is a very important one, and I think the Financial Commissioner will bear me out when I say that I have already taken up the matter with him. (Hear, hear.) (*Mr. K. C. Neogy*: "Very glad to hear that.") I am not at all satisfied by the method of the publication of the Standing Finance Committee's proceedings. When one says anything, one rather likes to see it in print (Laughter), and the mere statement that "the Committee agreed" or "the Committee approved" has never found any favour with me. As a matter of fact, if I may refer, Sir, to the General Standing Finance Committee. During the last two years I have raised that point, and I may say that we are now fairly satisfied with the printed proceedings of the General Standing Finance Committee. My Honourable friend, Mr. Ganga Prasad Singh, will bear me out in that (*Mr. Ganga Prasad Singh*: "Yes"), and, on this point, I agree that more details should certainly have been given.

[Mr. G. Morgan.]

It would have been better had these details been given in the Railway Standing Finance Committee's proceedings. The members of that Committee have of course certain details put before them. I do not say that in every case details, such as the names of officers gone on leave, have been given, but we are satisfied that the Financial Commissioner in his capacity as Chairman of that Committee does give us full information,—and I think Honourable Members may rest assured that I will not sit still and simply say, "Achha, achha," and "Wah, Wah". (Hear, hear.) I wish to know always what I am doing, and I never vote for anything that I am not thoroughly satisfied should be voted for or voted against. (Hear, hear.) Therefore, while voting for this grant, I support the point put forward that the Financial Commissioner should do his best as soon as possible to get some more regular procedure adopted for giving details of the discussions held at meetings of the Standing Finance Committee.

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural):

Sir, I must protest against the insinuations contained in the speech of my Honourable friend, Mr. Neogy, about the Railway Standing Finance Committee, and I do not like that they should go unchallenged. I may agree with him or not, and he may agree with us or not, that is our respective business, but we should not make insinuations. (At this stage Mr. B. Das made some interruptions.) Mr. B. Das may go on disturbing me in that way, but if he goes on like this, he will see that he will be disturbed every moment that he gets up to speak, if he does not keep quiet when an Honourable Member wants to talk serious things. What the Honourable Member has before him is not the proceedings of the Standing Finance Committee. It is the Supplementary Demands for Grants. In other words it is an extract from the proceedings. (Mr. K. C. Neogy: "Nothing of the kind. You do not know what you did.") The thing that he has quoted from is not the full proceedings of the Standing Finance Committee. If my Honourable friend had complained that the proceedings should give more details, nobody would have had any objection to it. But that was not the point he made out. He attacked the members of the Committee and said that they did not know what they were doing. Let me tell my Honourable friend that the members had their eyes open. My Honourable friend ought to know that there were certain members from his own Party who sat there not on the votes of the Government but on his vote and on the vote of his Party members. If he cannot rely upon them, then he should ask them to vacate, and he should come to the Committee himself. Nobody will have any grievance on that score. There was no question of a majority or a minority, because this decision was arrived at unanimously. (Mr. S. C. Mitra: "Why was it done on a Sunday? If you hold a meeting on a Sunday, you cannot expect others to attend.") The Honourable Member will find that Sunday was agreed to on the request of the members themselves. Members, in the first instance, requested that the meeting should not be held on Friday. Afterwards it was changed to Saturday. Even then they did not agree to it. As I explained in my speech on the Budget, the Financial Commissioner was even willing to accommodate the members by convening the meeting on a Sunday. It was really the request of the members that we must sit on a Sunday, because some members were sitting on some Committees

on Friday and others were sitting on some other Committees on Saturday. Some members wanted that they should not spoil their holiday and, therefore, they wanted Sunday. (Mr. K. C. Neogy: "How long did you sit?") If the Honourable Member is not satisfied with the representatives that his Party has sent, it is their own fault, and they should see that next time such members are not sent. If the Honourable Member himself enjoys the confidence of his Party, then he will find a place on the Standing Finance Committee, otherwise not. Sir, that is the only point that I wish to make out at present. So far as the items are concerned, I have no more to say as they have already been explained by my Honourable friend, the Financial Commissioner. He placed before the Committee all the papers that we required. No item was sanctioned unless it had been thoroughly gone into, and the Committee was fully satisfied that it was necessary to allow it to come before the Assembly. It is now for the House to accept them or to reject them.

Mr. K. C. Neogy: Will the Honourable Member kindly tell us how many minutes he devoted to this item before he was satisfied about its soundness, and how many crores of rupees have been recommended as a result of his stupendous labours?

Dr. Ziauddin Ahmad: The objection is to the system and not to individuals.

Mr. Gaya Prasad Singh: Sir, I associate myself fully with my friend, Mr. Morgan, when he said that his suggestions were useful in the proceedings of the Standing Finance Committee. I have been a very old member of the General Standing Finance Committee—since 1924—and I know very well how scrappy and incomplete the proceedings were before, and how some of my friends and myself tried to give more details, and how the proceedings are coming out more satisfactorily than they were before. I have just listened with amused interest to the speech of a habitual supporter of Government, I mean my Honourable friend, Mr. Muhammad Yamin Khan. He has referred to the blue book of the Demands for Grants, and he said that that was not the proceedings of the Standing Finance Committee. I am much surprised to find that my friend has not even seen the proceedings of a Committee of which he was himself a member. I hold the proceedings of the Standing Finance Committee for Railways, dated the 5th February, 1933, Vol. IX, No. 5. Now, Sir, the whole volume consists of only one sheet containing two pages. Nearly half of the first page is full of the names of the members of the Committee. (Mr. K. C. Neogy: "That is the Honours list.") About one-third of the second page contains only the names of the Demands and the amounts of money which have been sanctioned. These consist of several crores of rupees which they have sanctioned within the course of a few minutes. The question was repeatedly asked of my Honourable friend how many minutes they had been sitting to dispose of such huge sums running into many crores of rupees. But my friend, Mr. Yamin Khan, was discreetly silent on the point. He has referred to the members of my Party, and said that if the members of my Party, who were on this Committee, were not representative enough, they should not find a place on it when the next election comes. I will only say this that at this meeting of the Committee there was no member of the Nationalist Party present. This meeting was held at New Delhi on Sunday, the 5th

[Mr. Gaya Prasad Singh.]

February, 1933, at 11 A.M. in the Council of State Sector of the Council House. Those who were present were: Mr. P. R. Rau, Financial Commissioner of Railways as *ex-officio* Chairman of the Committee; Mr. Muhammad Yamin Khan, C.I.E.; Maulvi Sayed Murtuza Sahib Bahadur, a staunch nationalist, a gentleman for whom personally I have got very high respect and every elected Member of the House does the same. I am really surprised why he did not think it proper to record any note or to insist on more detailed proceedings being recorded. I honestly say that the Maulvi Sahib commands the confidence of a large number of elected Members in this House. (Applause.) Another gentleman was Khan Bahadur Hafiz Wilayatullah. He is not in his seat today; Mr. Morgan, C.I.E.; Khan Bahadur Haji Wajihuddin; and Rai Bahadur S. B. Pandit. These were the gentlemen who attended this precious Committee, and voted away other people's money amounting to crores of rupees, without recording any facts in this volume which consists of only one sheet of paper. With regard to the main item, I should like Mr. Rau to give more information on this point. With regard to item 2 on the first page—excess leave salary on account of more officers going on leave than expected, Rs. 5,000,—I should like my Honourable friend to give us a list of the names of the officers and the period of the leave which was given to them and why. With regard to item (3) also, I should like to know the officers whose salaries are voted, and who took the place of officers whose salaries are non-voted. I should like to know how and in what way they took these places, resulting in an excess expenditure of Rs. 15,000. I know very well, Sir, that constituted as it is, this House does not deserve more consideration than Government choose to bestow upon it. When we do not assert our own self-respect and dignity, I feel Government are quite justified in treating it with the scant courtesy with which they are treating us. Some of us care more for being always ready to support Government on every occasion, but I am not going either to name them or to impute motives to them. But judging from the way in which we are acting, if Government bring forward a Resolution that the Members of the Legislative Assembly should be hanged from the topmost bough of the nearest tree, still you will find, I dare say, a majority of Members voting with Government.

Mr. B. Sitaramasaju: Sir, is the Honourable gentleman in order in making such reflections on Members of the Assembly?

Mr. Gaya Prasad Singh: I am making no reflection; I am myself saying that, if a motion for our suicide were to be made by Government, we would support them in order to get at least a posthumous reward. (Laughter.) Sir, I am unwilling to allow this Demand to pass unchallenged, and I would ask the Honourable Member in charge to kindly enlighten the House on these points before the House is asked to give its support to this motion.

The Honourable Sir Joseph Blore: Sir, I am not very sure whether this discussion which has just taken place is entirely relevant to the particular demand which we are now considering. But as it has undoubtedly created a good deal of interest I should certainly like to reply to the points that have been raised.

In the first place, Sir, I must question the propriety of the suggestions that have been made by certain Honourable Members here that a Committee appointed by this House has not done its duty.

Some Honourable Members: Why not?

Mr. K. O. Neogy: It is perfectly open to this House to criticise its own Committee. The Honourable Member is not new to this House and should know the practice of this House.

The Honourable Sir Joseph Bhoré: I suggest, Sir, that this is a Committee appointed by the House itself and my point is that without good and sufficient reasons such aspersions ought not to be cast upon individuals who are individuals chosen by the free vote of this House.

Then, Sir, the suggestion was that this was a packed Committee. Well, Sir, as Honourable Members know, it is a Committee elected by the free vote of this House.

Mr. K. O. Neogy: Sir, I am sorry to interrupt the Honourable Member, but is the Honourable Member in a position to give a categorical denial to what I said that it is the practice of Government to issue whips in regard to the election of these Committees and that certain selected non-official Members are included in their whips if they vote with Government in crucial matters? The Honourable Member can make that inquiry and tell the House whether it is a fact or not.

The Honourable Sir Joseph Bhoré: Government have a perfect right to use their vote in securing the election of certain Members of this House, and it is common knowledge that they do use that vote. It is a right which they have and it is a right which they propose to exercise, but that does not mean that parties on the other side of the House cannot return individuals in whom they have the fullest confidence.

Mr. K. O. Neogy: We never said that; we referred to your practices.

The Honourable Sir Joseph Bhoré: Then, Sir, I would refer to the suggestions that have been made,—they were not categorical,—but I think the suggestion was insinuated that because a meeting was held on a Sunday it was an unrepresentative gathering. Well, Sir, Honourable Members must surely realise that during the Session when almost every working hour of the day is taken up, it is almost impossible on occasions not to have to utilise Sundays for purposes of public business. I do feel that those Members who have not attended might have the fullest justification for not attending because of private reasons, but if they had no such reasons then I can only say that it was a dereliction of duty on their part and that no blame can attach to the Financial Commissioner for having made use of what was, I understand, the only possible occasion when he could have had a long period of time to discuss the proposals that he wished the Committee to consider.

Then, Sir, I would refer to what my Honourable friend, Mr. Morgan, said. He said that he had made the suggestion beforehand that Honourable Members did like to see what they said in print. I should have considered that that is dangerous sometimes. However, I understand that the practice which has been continued this year is the practice which has

[Sir Joseph Bhore.]

been always in force in regard to the Railway Finance Committee. But if it is the general wish of this House that the proceedings of that Committee should be reported in greater detail, I am quite prepared to suggest to the Financial Commissioner that such procedure should be followed in the future.

Sir, I have no further points to make and I cannot, I am afraid, oblige my Honourable friend, Mr. Gaya Prasad Singh, with the specific information he wants, because I have not any means of doing it now. I do not think, Sir, any other point has been raised to which I need reply.

Mr. Chairman (Sir Hari Singh Gour): The question is:

"That a supplementary sum not exceeding Rs. 40,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1933, in respect of the 'Railway Board'."

The motion was adopted.

INSPECTION.

Mr. P. R. Rau: Sir, I move:

"That a supplementary sum not exceeding Rs. 1,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1933, in respect of 'Inspection'."

Sir, I have very few words to say in support of this motion. The total excess under this grant, taking the voted and non-voted together, is very much larger than Rs. 1,000. Here again the fact is that our estimate of leave salaries proved to be wrong.

Mr. Chairman (Sir Hari Singh Gour): Motion moved:

"That a supplementary sum not exceeding Rs. 1,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1933, in respect of 'Inspection'."

Mr. N. M. Joshi: Sir, I assure you at the very outset that I do not wish to raise any general debate. At the same time, Mr. Chairman, I have made it a matter of principle that I should not give a single farthing for 'Inspection' to the Government of India, so long as the Government of India does not place this Department on a proper footing. Sir, this department has been established in order that an inspectorate should be provided to safeguard the lives and properties of the passengers on Indian Railways.

Mr. Chairman (Sir Hari Singh Gour): The Honourable Member is again raising the question of principle. He has to strictly confine himself to observations arising out of the specific sum of Rs. 1,000 for the Supplementary Grant.

Mr. N. M. Joshi: It is not a question of general policy.

Mr. Chairman (Sir Hari Singh Gour): The Honourable Member must take my ruling.

Mr. N. M. Joshi: Mr. Chairman, I do not question your ruling at all. I do not propose to take the time in general discussion. I am only stating in a very few words what my objection to the grant is. My objection is that this Department should be independent of the Railway Board. Unfortunately the Department is placed under the Railway Board. An Inspector is placed under the administrative control of the Railway Board, but he has to report on the action of the Railway Board itself. That is an anomalous position and on that account I cannot give a farthing to this Department.

Mr. S. O. Mitra: Sir, I should like to place the whole of the evidence that is before the House taken by the Standing Finance Committee for Railways. I find under the head 'Inspection' a demand for Rs. 1,000. The excess grant is due to larger payments of gratuities than were anticipated. In Vol. IX—No. 6, you will find—I am reading from the proceedings of the meeting of the Standing Finance Committee for Railways, held on the 14th February, 1933:

"The Committee met in Room No. 36 of the Council of State Sector of the Council House at 5-10 p.m. The following members were present:

Mr. P. R. Rau, Financial Commissioner of Railways, *Chairman*.

Mr. G. Morgan, C.I.E.

Manlvi Syed Murtuza Sahib Bahadur.

Khan Bahadur Haji Wajihuddin.

Mr. Muhammad Yamin Khan, C.I.E.

The Committee approved of the following Demand being placed before the Assembly for expenditure in 1933-34."

Then under Demand No. 2—"Inspection", they say in brackets:

"In substitution of the amount of Rs. 11,000 approved at their previous meeting."

The House will judge for itself. No explanation is necessary here. It may merely be said that in a previous meeting they after mature deliberation with the help of my Honourable friend, Mr. Yamin Khan, came to the decision that there should be an approval of Rs. 11,000. It is not known why they have changed Rs. 11,000 to Rs. 1,000. As to the explanation, it was asked repeatedly by several friends what time the previous meeting took in deciding the whole of the current budget and the supplementary budget. No answer was forthcoming. I do not know what time they took after a whole day's work at 5-10 p.m. They do not give any reason whatsoever. I therefore say that these papers are a mere farce. Most of the space is taken by putting the names of their members, with their titles before their names and after (Laughter), but nothing about the actual demand. It is merely "approved". Why is it altered from the previous demand sanctioned, we know nothing about.

Another point that I should like to refer in this connection is that these Supplementary Demands should not be placed at the fag-end of the Session. My friend, Mr. B. Das, pleaded that otherwise it will be an excess grant. Sir, what is the purpose of placing these demands before this House now. The constitutional meaning, if there is any, is this that the House may have some control over the expenditure and the House, through the Railway Board, may check this expenditure. Then what is the meaning of bringing forward these Supplementary Grants after the

{Mr. S. C. Mitra.}

expenses have been incurred and when the financial year is nearly at an end. This is really asking this House to vote for approving an excess grant. Had it been brought a few months before, we could certainly have appreciated it; though it is not possible to make accurate estimates, and as the year advances, there may be necessity for changing the estimates. The demand for a Supplementary Grant is a very legitimate one but to come with a Supplementary Demand when the whole year is over is a farce, because I think it deprives the House of any further power to control the expenditure of the Railway Department. That is the reason why I differed from Mr. Das, in that although it is a Supplementary Grant, it is really a vote to approve of an excess grant.

As regards the Railway Finance Committee, I can only say that for the constitution of the Public Accounts Committee there is a healthy rule that only the Non-Official Members should vote in selecting the Members for the Committee, while for this Committee, I think, nobody can dispute that Government votes always overwhelm the popular votes. If, Sir, you go through the list you will be convinced, how many get in through Government votes, although the strength of the non-officials is more than 70, and the reasons for this state of affairs have been explained by my friend, Mr. Neogy.

Dr. Ziauddin Ahmad: Sir, I would like to draw the attention of the House to one point that the list of demands was printed on the 11th February, 1938. This meeting was held on the 14th February and the papers were printed on the 15th February. So practically the demands which they wanted to ask were already in print four days before the Committee actually sat. Therefore they reduced the Standing Finance Committee for Railways practically to the level of what I may call the Public Accounts Committee, and instead of taking the sanction in advance they only underwent formalities and obtained the sanction for the money which has already been spent, and therefore, I say there has been the change of functions between Standing Finance Committee and the Public Accounts Committee

Mr. G. Morgan: Is my Honourable friend insinuating that this printed book was placed before the Standing Finance Committee and that they had nothing to do but to sign the papers placed before them by the Financial Commissioner? If so, I repudiate it.

Dr. Ziauddin Ahmad: May I just know what is it that the Honourable Member is repudiating?

Mr. G. Morgan: I think I was speaking perfectly distinctly. If my Honourable friend had listened he would probably have heard what I said.

Dr. Ziauddin Ahmad: I did not follow what he said, I am sorry.

Mr. G. Morgan: I may have mistaken the Honourable Member, but it seemed to me from his remarks that he meant we practically were faced with a printed statement from the Financial Commissioner and all we had to do was to say "yes". That was not the case. Every point was discussed.

Dr. Ziauddin Ahmad: I am sorry, my Honourable friend has entirely misunderstood me. I had nothing to say against the Committee. What I attacked—and what I do attack even now—is the method by which the Financial Commissioner and the Railway Board are conducting the affairs of the Standing Finance Committee. That is really my object. If any additional expenditure has to be incurred they ought to bring it before the Standing Finance Committee for their sanction before the expenditure is incurred so that the function of the Standing Finance Committee may not practically be changed into that of the Public Accounts Committee.

Mr. K. C. Neogy: Sir, I am sorry to question the accuracy of any statement made by the Honourable Member-in-Charge, particularly when such statement is based on information given by my friend, Mr. P. R. Rau. He stated that in not giving the details of the discussions of the Standing Finance Committee in its published proceedings, the Committee was merely following the procedure that was all along its rule, but I have in my hand a few volumes, which I took up at random, of the various proceedings. I find that in most instances the detailed memoranda prepared by the Railway Department which were placed before the Committee did form part of the proceedings themselves, and if the proceedings themselves were somewhat brief they referred to these memoranda when they said that any demand put forward by the Railway Department had been approved.

1 P.M. Even in the case of supplementary estimates I find that there are certainly more details given in the previous proceedings than has been the case in this instance.

Mr. P. R. Rau: Sir, my Honourable friend who has just spoken is usually so accurate in his quotations and facts that there is no necessity ordinarily for Members on this side to ask him to verify them. But I am afraid he has been misled this time by the fact that he looked only at volumes 5 and 6 of the proceedings. If he had done the Standing Finance Committee the honour of looking at the earlier proceedings he would have found that memoranda of the nature—I do not know whether he complained of them or whether he appreciated them—that appeared in the past were placed before the Committee in the previous four meetings of the Committee and I am quite prepared to make a present of these four volumes to him now in case he wants to study them. I understand that the proceedings of these meetings have not been circulated to the House; if so it is a mistake, and I shall be very glad to have them circulated at once just as proceedings of the General Standing Finance Committee are circulated

Mr. K. C. Neogy: May I request my Honourable friend to give me a definite reference to the memorandum bearing on this particular demand which we are now discussing?

Mr. P. R. Rau: I believe that formerly also there was no separate memorandum on each demand placed before the Standing Finance Committee. The draft book of demands was the memorandum placed before the Standing Finance Committee which they criticised and altered if they so desired. The only other point that I should like to mention is the point taken by my Honourable friend, Mr. Mitra, about the change of Rs. 11,000 into Rs. 1,000. Here I think I must plead guilty to not having explained

[Mr. P. R. Rau.]

in my opening speech the necessity for this change. But I had explained it fully to the Standing Finance Committee for Railways. The position was this: that after they had agreed to the original supplementary demand of Rs. 11,000, it came to our notice from estimates sent to us by the various Government Inspectors that while the total of expenditure remained the same, the distribution of that expenditure between non-voted and voted was altered and consequently the voted portion of the expenditure was Rs. 10,000 lower and the non-voted portion Rs. 10,000 higher. I thought that seeing that we wanted only Rs. 71,000 for the voted portion of the expenditure it would not be proper on our part to come to the House and ask for Rs. 81,000 merely because our original calculation was that Rs. 81,000 was required and the Standing Finance Committee had approved of it.

Mr. B. V. Jadhav: Sir, I was wondering why Nos. 5 and 6 only were put in our hands and what Nos. 1, 2, 3 and 4 contained; but now the Honourable the Financial Commissioner promises to lend us those four volumes. I shall propose that this House should get time to go over those proceedings and therefore the further proceedings in regard to these Supplementary Demands should be postponed to some other future date in order to give us facilities to study those documents.

The Honourable Sir Joseph Bhoré: I have only to say, Sir, that the Government cannot consent to this indefinite postponement.

Mr. Chairman (Sir Hari Singh Gour): Motion moved that a supplementary sum not exceeding

Dr. Ziauddin Ahmad: On a point of order, Sir. The motion moved is that the consideration should be postponed till all these papers have been supplied.

Mr. Chairman (Sir Hari Singh Gour): I take it it was not a motion, but a mere suggestion. Did the Honourable Member merely make a suggestion or did he move a motion for adjournment?

Mr. B. V. Jadhav: I made an adjournment motion.

Mr. Chairman (Sir Hari Singh Gour): The question is:

"That the debate be adjourned."

The motion was negatived.

Mr. Chairman (Sir Hari Singh Gour): The question is:

"That a supplementary sum not exceeding Rs. 1,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1933, in respect of 'Inspection'."

The motion was adopted.

AUDIT.

Mr. P. R. Rau: Sir, I move:

"That a supplementary sum not exceeding Rs. 24,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1933, in respect of 'Audit'."

Sir, in making this motion I might briefly explain that a part of the expenditure is due to certain unexpected payments of gratuity and another part to excess leave salaries on account of more officers going on leave. The position under this grant is more complicated than under other grants, because quite a good many of the staff here are interchangeable with the ordinary civil audit which comes under the general Demand No. 28 and Demand No. 8, Railways. Consequently, it is more difficult than usual to frame any accurate estimate of leave salaries.

Mr. B. V. Jadhav: Sir, on a point of information. The amount mentioned here is Rs. 28,000 plus Rs. 10,000, while the demand made is for Rs. 24,000 . . .

Mr. P. E. Rau: May I ask my Honourable friend to read the explanation given in the second part of that Note which is that the above excess is counterbalanced to a certain extent by larger sums recovered than anticipated from the emergency deductions from pay.

Mr. Chairman (Sir Hari Singh Gour): Motion moved:

“That a supplementary sum not exceeding Rs. 24,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1933, in respect of ‘Audit’.”

Lieut.-Colonel Sir Henry Gidney: Sir, while sympathising with the Honourable Member in the difficulty which he has expressed, I fail to see why the Railway Department, which is supplied with such an elaborate system of Audit and Accounts, should not be in a position to make more accurate forecasts. That, Sir, is by way of opinion.

What I desire to seek information on is this. The amount in this Demand comes under two heads,—excess of leave salaries and excess of gratuities. An explanation is given in the foot-note which, on reading, I find, is tantamount to robbing Peter to pay Paul. I should like the Honourable Member to inform this House as regards this enormous sum of Rs. 23,000 for leave salaries,—what is the strength of the Audit Officers, and what is the strength of the subordinate Audit Officers? What is the leave reserve of the Audit Officers, and what is the leave reserve of the subordinate officers? How many Audit Officers are on leave today in India and how many in Europe, and how many subordinates are on leave? Moreover, what proportion of this sum of Rs. 23,000 refers to officers on leave and what proportion refers to subordinates on leave? If the Honourable Member will give us some information about these matters as to how he arrives at this enormous excess demand, I shall be satisfied.

Mr. S. C. Mitra: I find, Sir, in the supplementary demand on the right hand side that the excess is due to the following: (1) to ensure more officers and subordinates going on leave than expected, and (2) to certain unexpected payments of gratuities. The above excess is counter-balanced to a certain extent by larger sums recovered than anticipated from the emergency deductions from pay. The Standing Finance Committee for Railways has agreed to this Supplementary Grant being placed

[Mr. S. C. Mitra.]

before the Assembly, *vide* proceedings of the Standing Finance Committee for Railways, Vol. IX, No. 5, and it is said here in this Volume that it has been approved

Mr. Gaya Prasad Singh: That Volume consists of only one sheet.

Mr. S. C. Mitra: Yes, it has been shown several times to the House that this Volume means only one page.

Now, as regards the contention of the Financial Commissioner that this is the procedure they were observing for the last few years and that he was merely following a time honoured precedent, I shall take some time of the House in showing conclusively that that statement is not correct

Mr. Chairman (Sir Hari Singh Gour): The House now stands adjourned till Half Past Two.

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

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. Chairman (Sir Hari Singh Gour) in the Chair.

Mr. S. C. Mitra: When the House rose for Lunch, I was discussing about the procedure of the Standing Finance Committee for Railways and their reports. It has been said from the Government side that in this matter they were merely following old precedent. I shall presently show that that statement is not correct. In the earlier years, there was an elaborate report of the proceedings of the Standing Finance Committee. To give an instance, I am referring to the proceedings held at Delhi on the 24th January, 1925, which are reported in three pages and then on the 6th February, 1925. If I read a few sample pages, the House will understand

Mr. Chairman (Sir Hari Singh Gour): I understood the Honourable Member for Commerce gave an assurance to this House that in future a fuller report of the proceedings of the Railway Finance Committee would be recorded.

The Honourable Sir Joseph Bhoré: I gave such an assurance.

Mr. S. C. Mitra: In view of that, I have nothing more to say.

Mr. Chairman: The question is:

"That a supplementary sum not exceeding Rs. 24,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1933, in respect of 'Audit'."

The motion was adopted.

WORKING EXPENSES—ADMINISTRATION (COMMERCIAL LINES).

Mr. P. R. Rau: Sir, I move:

"That a supplementary sum not exceeding Rs. 12,50,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1933, in respect of 'Working Expenses—Administration (Commercial Lines)'."

The reasons for this excess have been fully explained in the memorandum which is placed before the House. Practically the entire demand is due to the fact that our estimate of the emergency deductions from pay proved to be an underestimate. A contributory cause was the fact that gratuities due to discharges and voluntary retirements proved to be higher than we had anticipated. I should like to say only one word about this over-estimate of the emergency deductions from pay. This estimate was based on inadequate information and had to be done in a hurry in order to prepare the Budget Demands in time. That is, I think, the main reason for this over-estimate. Another contributory cause was—I would not lay too much stress on this—the fact that, later on, when we came to work the detailed rules, we provided that workshop staff who had already suffered by reason of short time working in the workshops would not be subject to the same cut as they would have been if they had not been kept on short time. We provided that any member of the workshop staff who had already lost more than 23 hours a month would not be subject to the cut.

Mr. M. Maswood Ahmad (Patna and Chota Nagpur *cum* Orissa: Muhammadan): I want to know whether this estimation concerns any particular Railway or all the four State-managed Railways and Company-managed Railways as well.

Mr. P. R. Rau: This over-estimate was framed by the Railway Board and must be taken to be on all Railways.

Mr. Chairman (Sir Hari Singh Gour): Motion moved:

"That a supplementary sum not exceeding Rs. 12,50,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1933, in respect of 'Working Expenses—Administration (Commercial Lines)'."

Dr. Ziauddin Ahmad: This Supplementary Demand was originally estimated at 12,25,000 and 5,50,000. A note is added saying that a part of this is expected to be counterbalanced by savings in other directions. So that, the savings in other directions are expected to be utilised in order to pay a part of this extra expenditure under these two heads without the sanction of the Railway Finance Committee. The point I should like to make is that the savings in other directions ought to be sufficient to pay the entire cost, not only a part of it, but the whole of it. In this connection I may quote from the explanatory memorandum which says in paragraph 13:

"Owing to the changes in accounting procedure introduced in 1932-33 as a result of which certain items of expenditure previously shown under 'administration' were transferred to 'operation other than fuel' it is necessary for purposes of comparison to take these two heads together."

[Dr. Ziauddin Ahmad.]

Therefore, in my remarks I will have to include Demand No. 4 and Demand No. 5 for the reasons already mentioned in this explanatory memorandum. The first thing is that under the head "Administration and Operation other than Fuel", I explicitly omit fuel, because it has been discussed on the occasion of the Railway Budget. Under the heading of "Administration and Operation other than Fuel" I notice that there has been a very great difficulty in estimation, not only now, but all the time. In the year 1931-32, under these two headings, their estimate was 29.85 crores, but the actual expenditure was 30.64. In the year 1932-33, the estimate was 28.14 the actual was 29.72, and this year also the estimate is 29.48, and unless extraordinary steps are taken to have some kind of economy, this year also it is bound to rise. Therefore, I should like to point out that this over-expenditure is not due to the strenuous circumstances this year, but it is the habit of mind of the Railway Board, because they are perfectly certain that whatever they demand would be sanctioned by the procedure now followed in the Standing Finance Committee and in the Assembly.

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): Have the Railway Board got any mind?

Dr. Ziauddin Ahmad: I stand corrected. They are soulless people. Now, the incurring of extra expenditure is a thing which is not very unusual with the Railway Board. Then, there is another item "Other Expenses", and a very paltry sum is provided under that heading,—one crore and 12 lakhs—for this year. Nothing has been given to show what this head includes, and I may just ask whether, from this paltry sum of over a crore of rupees, it was not possible to make savings here. Now, the other items under which savings could have been effected were pointed out by the Opposition side from time to time. For instance, one method of saving, which could have been effected and which the Railway Board did not make use of, is the amalgamation of the higher staff of the East Indian and Eastern Bengal Railways.

Mr. Chairman (Sir Hari Singh Gour): Order, order. The Honourable Member is perfectly aware of the very limited scope of discussion under this head. These demands relate only to "emergency deductions and gratuities" and, consequently, as the Honourable the Financial Commissioner has pointed out, there was an erroneous calculation, an over-calculation necessitating the correction of it by the addition of these sums. The question of amalgamation, which is a question of policy, cannot be discussed under these heads.

Lieut.-Colonel Sir Henry Gidney: Sir, do I understand from your ruling that "Administration" does not come under "Policy" or "Policy" does not come under "Administration"?

Mr. Chairman (Sir Hari Singh Gour): An emergency cut does not come under policy.

Lieut.-Colonel Sir Henry Gidney: Does "Administration" come under it?

Mr. Chairman (Sir Hari Singh Gour): Order, order. I am not here to answer questions.

Dr. Ziauddin Ahmad: The point I wanted to make out was that the Railway Board had already met a part of this unforeseen expenditure by savings in other directions and I want to say that they could have met the whole of this cost by wiser administration in other directions and that this they have failed to do and that, therefore, we should not vote this Demand. Then, I am going to point out in what manner these savings could have been effected under this head. The Members of the Assembly suggested various methods during the discussion of the Railway Budget and, if any of these things had been adopted, there could have been substantial savings under the other items included in these particular Demands, Nos. 4 and 5, and, in that case, there would not have been any necessity for the Railway Board to come up to the Assembly for the additional grants. Now, one point was made out by my Honourable friend, Mr. Joshi, the other day—unnecessary accommodation for the first and the second class passengers. Had they removed these higher carriages

Mr. Chairman (Sir Hari Singh Gour): Order, order. I must once more call the attention of the Honourable Member to the fact that he cannot sidetrack the various issues we have got here and that he cannot again revert to the general discussion on the Railway Budget. He must confine himself to the very specific demand before the House, *vis.*, that arising from an error in the calculations of emergency deductions and gratuities.

Dr. Ziauddin Ahmad: It is really the same. Sir. I raise the point whether it was possible for them to meet this additional demand in other directions. May I ask, whether this is in order or not?

Mr. Chairman (Sir Hari Singh Gour): The Honourable Member is perfectly in order in saying that there is no occasion for coming up for these Supplementary Demands as there were other channels for retrenchment; but, as long as he confines himself to that point, he would be in order. If, however, he makes suggestions for the purpose of changing the whole policy and administration of the Railways, on the ground of either economy or general convenience, then the matter goes against the ruling which has been given in this House by the present Chairman and his predecessors.

Dr. Ziauddin Ahmad: I bow to your ruling, but my point was to mention the specific instances under which economy could have been possible and to state that the Railway Board never utilized it. If this is ruled out, then the only point which is now left is the arithmetic of these figures and there would be very little room for discussion.

Mr. Muhammad Yamin Khan: Is it possible for the Financial Commissioner to appropriate money which he saves from the other heads without coming up to ask for the sanction of this House?

Dr. Ziauddin Ahmad: Well, here it is stated that part of this is expected to be counterbalanced by savings in other directions. My point is that the whole of it could have been done in this manner; and, if he cannot make

[Dr. Ziauddin Ahmad.]

out any case, then I leave it at this stage: but I would like to mention—and this is the only point which can be emphasised under the restricted conditions imposed by you, Sir

Mr. Chairman (Sir Hari Singh Gour): The Honourable Member is perfectly in order in showing that whatever may have been the miscalculation, there were other channels from which savings could have been effected and that, therefore, there was no occasion for coming up before this House with a Supplementary Demand.

Dr. Ziauddin Ahmad: Thank you very much, Sir. I restrict myself to this point that these gratuities, I understand, are given to those persons who are retrenched for the sake of economy, before they have completed their full service.

Mr. P. R. Rau: Not exactly, Sir. These gratuities are gratuities given to all railway staff whether on the expiry of their normal service or normal age or are retrenched on other grounds.

Dr. Ziauddin Ahmad: Do I understand that gratuities are given to those persons also who retire after completing their full service?

Mr. P. R. Rau: Yes.

Dr. Ziauddin Ahmad: I understand they are given to those persons only who are forced to retire. That is my only point. In this particular case, the economy that could have been effected had not been effected. I think, by wiser administration, it would have been possible under the heading "Operation and Administration" to make a substantial economy, and I hope they will be able to reduce the amount next year when the report of the Pope Committee is received, and will not come to the Assembly for an additional grant for the year 1938-34.

Lieut.-Colonel Sir Henry Gidney: Sir, I want to ask the Honourable the Financial Commissioner a few questions in regard to this demand. There is an item—"gratuities being higher than anticipated as a result of discharges and voluntary retirements". Do I understand from this demand that it is a direct result of the retrenchment policy the Railway Board has been compelled to undertake within the past years of stringency? Again, it is said that the emergency is due from payment being less than estimated. I would like to ask the Honourable Member to further elucidate the point. Let us know really what he means by this. He introduced this demand with a very few remarks which certainly did not convince me. Apart from these considerations, I join with my friend, Dr. Ziauddin Ahmad, in the criticisms he has made. I do consider—indeed, I am convinced—that the Railway Board had ample opportunities which they have utterly neglected by means of which they could have effected considerable economy and thereby not have found themselves today in the position of beggars demanding Supplementary Grants. In making this criticism I have no intention of opposing this demand, because this money has been expended and the House has no option but to pass it. But this habit of coming to this

House with supplementary grants without adequate reasons is not a desirable one as you yourself, Sir, so rightly put it when I asked you for a ruling and not "a question". The Financial Commissioner said it was due to an error in calculation. I think myself that the Honourable the Financial Commissioner should protect himself in the future from these errors of calculation. Errors of calculation are often unavoidable and are the outcome of uncontrollable contingencies, but there are other errors which are avoidable and I place this demand under this category of errors. This could have been avoided had the Railway Board exercised more care and paid more attention to economy and retrenched more than they have done not so much in their own staff as in other directions which were stated by my friend, Dr. Ziauddin Ahmad. If I am not transgressing the order of the Chair on this matter, I would repeat the point which is a very vital one and which was very strongly recommended by the Retrenchment Committee on Railways, namely, the amalgamation of these two Railways. Sir, it is not only the amalgamation of these two Railways one wants, but there are other points directly or indirectly concerned with the amalgamation of other Railways which deserve attention. I join forces with my friend in saying that besides these there are many other channels by which the Railway Board could have economised. We are, however, fortunate in having today an Honourable Member in charge of Railways who has given this House many assurances and promises. I hope these promises will be fulfilled because the cost of damages against a breach of promises in this House is a very heavy one. I am sure the Honourable Member who has the confidence of all parties in this House will see that what he has said and promised is put into practice at a very early date and that he and his Financial Commissioner will have a happier story to tell this House next year when he presents his supplementary grants for Railways.

Mr. Chairman (Sir Hari Singh Gour): The question is:

"That a supplementary sum not exceeding Rs. 12,50,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1933, in respect of 'Working Expenses—Administration (Commercial Lines)'."

The motion was adopted.

APPROPRIATION TO THE DEPRECIATION FUND.

Mr. P. B. Rau: Sir, I move:

"That a supplementary sum not exceeding Rs. 6,00,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1933, in respect of 'Appropriation to the Depreciation Fund'."

Here the additional sum required is entirely due to the fact that on the North Western Railway for the last four years no contributions were adjusted in respect of certain electric assets and the mistake having been corrected this year, there was an additional amount of about 12 lakhs to be paid into the depreciation of this account as a consequence of which there is likely to be an excess. But for this we would not have required an additional grant under this head.

Mr. Chairman (Sir Hari Singh Gour): The question is:

"That a supplementary sum not exceeding Rs. 6,00,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1933, in respect of 'Appropriation to the Depreciation Fund'."

The motion was adopted.

APPROPRIATION FROM DEPRECIATION FUND.

Mr. P. B. Rau: Sir, I move:

"That a supplementary sum not exceeding Rs. 1,75,37,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1933, in respect of 'Appropriation from Depreciation Fund'."

The present estimate of the Railway deficits exceeds our Budget estimate. We are not asking for any sum for the ordinary expenditure on works which is debited to the Depreciation Fund.

Mr. Chairman (Sir Hari Singh Gour): Motion moved:

"That a supplementary sum not exceeding Rs. 1,75,37,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1933, in respect of 'Appropriation from Depreciation Fund'."

Dr. Ziauddin Ahmad: I would like to ask one or two questions in connection with this demand. In the first place, I want to know whether this money is taken as a loan from the Depreciation Fund or it is only an appropriation and there is no intention to pay it back to the Depreciation Fund? The second question is whether this money is borrowed at a fixed rate of interest and whether they really mean to pay the interest as well as the capital?

Mr. P. B. Rau: Sir, I would like to explain in reply to the questions put to me by my Honourable friend, Dr. Ziauddin Ahmad, that our intention is that the repayment of these loans from the Depreciation Fund will be the first charge on future surpluses. In the second place, this loan is at present interest-free. The reason is that the interest which is paid on balances of the Depreciation Fund, which is with the general revenues at present, is credited to Railway revenues and not to the Fund itself, so that if you charge interest, it will only mean that the amount will be credited to Railway revenues and will be debited to Railway revenues, the effect being the same as the present method of not charging any interest on these advances.

Dr. Ziauddin Ahmad: So, this money has been taken away as a kind of debt of honour without interest.

Lieut.-Colonel Sir Henry Gidney: Will the Honourable Member inform the House whether this money is really with Railway revenue or is it merged in the revenues of the country?

Mr. P. R. Rau: I am afraid I do not quite understand my Honourable friend's question, but these sums were appropriated from Railway revenues and deposited in a fund which is at present merged in the general ways and means balances of the Government of India.

Mr. Chairman (Sir Hari Singh Gour): The question is:

"That a supplementary sum not exceeding Rs. 1,75,37,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1933, in respect of 'Appropriation from Depreciation Fund'."

The motion was adopted.

STRATEGIC LINES—WORKING EXPENSES AND MISCELLANEOUS.

Mr. P. R. Rau: Sir, I move:

"That a supplementary sum not exceeding Rs. 2,69,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1933, in respect of 'Strategic Lines—Working Expenses and Miscellaneous'."

The explanation, for this excess is the same as the explanation that I gave with regard to the excess under demand No. 4. To the extent of Rs. 2,50,000 it is due to the fact that our estimate of the emergency deductions from pay proved to be an over-estimate; and the balance is due to the fact that the amount that we estimated to pay to the Income-tax Department in respect of exemption and surcharge of railway staff proved to be an under-estimate to a slight extent.

Mr. Chairman (Sir Hari Singh Gour): Motion moved:

"That a supplementary sum not exceeding Rs. 2,69,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1933, in respect of 'Strategic Lines—Working Expenses and Miscellaneous'."

Maulvi Sayyid Murtuza Sahab Bahadur (South Madras: Muham-madan): Sir, as regards this demand, I have to say a few words. Before doing that, I have to thank my Honourable friend, Mr. Gaya Prasad Singh, for having showered some encomiums on me saying that I command the confidence of the elected Members. Sir, I thank him and those who hold the same view. I may, at the same time assure them that I am trying in my humble way to prove worthy of that confidence. As regards one point, I should make my position and the position of my Honourable friend, Mr. Rau, quite clear. The day, Sunday, was objected to by some of the Members and we, the Muslim Members, are in a way responsible for it. First of all, when we met in Calcutta, our Honourable friend was courteous enough to ascertain from us whether Friday would suit our convenience and we said that Friday being our Sabbath day, on which we had to perform our Juma prayers, it would be convenient if he could arrange the meeting on some other day. So it was that he fixed Saturday, but

[Maulvi Sayyid Murtaza Sahib Bahadur.]

on account of the inconvenience of another colleague of ours, Mr. Morgan, he had to change it to Sunday. Sir, if any colleague of ours is to be found fault with for his accommodating tendency, we may level some charge against our friend, Mr. Rau. But for his accommodating tendency he would have, without asking us, changed the date to either Friday or Saturday.

Then, as regards this demand, I have to ask one thing from my Honourable friend, the Member in charge, whether he is prepared to debit this charge to the Military Department in consultation with his colleague, the Finance Member. There was some objection raised in this House as also in the other House that this was a proper charge on the military and not on the civil side. I had no occasion to take part in the general discussion, but now I avail myself of this opportunity and ask my Honourable friend, Sir Joseph Bhore, whether he is prepared to go ahead in that respect, that is to say, to charge this not to the Railways, but to the military.

The Honourable Sir Joseph Bhore: Sir, so far as the limited question is concerned, which was put to me by my Honourable friend, I think he and the House will realise that I could not at once on the floor of the House give a definite aye or nay to a question of this importance which has on more than one occasion engaged the attention of the Government of India. There are certain matters connected with Railway charges in which the Military Department is concerned which are at the present moment engaging the attention of the Government of India. One of them, for instance, is the question of giving preferential rates to the Military Department. That question is certainly engaging the attention of the Government of India. So far as we are concerned,—and I am speaking for the moment as spokesman of the Railway Department,—I should certainly like nothing better than to see increased income, but there are other Departments of the Government of India vitally concerned in this matter, and the House will realise that I could not commit myself one way or the other. Naturally, Sir, a matter of this importance could not be pronounced upon without the closest consultation with my Honourable colleague, the Finance Member. But I shall most certainly consult my Honourable colleague in regard to this and all other matters which refer to the question of the incidence of Railway charges and expenditure so far as the other Departments of the Government of India are concerned.

Mr. Chairman (Sir Hari Singh Gour): The question is:

“That a supplementary sum not exceeding Rs. 2,69,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1933, in respect of ‘Strategic Lines—Working Expenses and Miscellaneous’.”

The motion was adopted.

The Assembly then adjourned till Five of the Clock.

The Assembly re-assembled at Five of the Clock, Mr. Chairman (Sir Hari Singh Gour) in the Chair.

THE BUDGET FOR 1933-34.

The Honourable Sir George Schuster (Finance Member): The story which I have to tell this year of the public finances of India is a simple and—viewed merely as a matter of public finance—a satisfactory one. The emergency plan which we introduced in September 1931 was designed to produce budgetary equilibrium for the two years 1931-32 and 1932-33, and now as we approach the end of the second of these two years and take stock of the position we can confidently say that our plan has worked.

2. *Summary of results for 1931-32 and 1932-33.*—Let me briefly summarise the position. The results for the year 1931-32 turned out to be nearly two crores better than I anticipated in my Budget speech last March, and the accounts for the year showed a deficit, after providing nearly 7 crores for Reduction of Debt, of 11½ crores.

For the current year (1932-33) our latest revised estimates indicate that our Budget forecast of a surplus of 215 lakhs will be almost exactly realised, and that the surplus—after providing again nearly 7 crores for Reduction of Debt—will be 217 lakhs.

The results for the two years combined thus show a total budgetary deficit of 9.58 crores against which may be set the total provision made for Reduction of Debt of 13.73 crores. We may therefore say that in the two years from April 1, 1931 to March 31, 1933, which I think may be fairly described as the two most difficult years for public finance that the world in times of peace has ever known, we shall not only have paid our way but have provided a net sum of 4 crores, 15 lakhs for the Reduction of Debt. I think that this result is one which is a legitimate cause for satisfaction, and which amply justifies the great improvement in the credit of the Government of India which the recent rise in our security prices has shown.

3. It is interesting to make a short comparison between these results and the forecasts which I gave when I introduced the emergency plan in September 1931. We then anticipated, after allowing for the normal provision for Reduction of Debt, a deficit of 10.17 crores for 1931-32 to be followed by a surplus of 5.23 crores for 1932-33, and that the net amount available for the Reduction of Debt in the two years, after allowing for the deficit on the combined results, would be 9.11 crores. As I have just shown, we now anticipate that the net figure available for the reduction of debt will be 4.15 crores, so that we are about 5 crores below our original estimate for the two years. As the combined amount involved in the two years is about 260 crores on each side of revenue and expenditure, I think we may claim that our forecast showing a variation of only 2 per cent. from the result was, considering the complete instability of the time, fairly near the mark.

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It is also interesting to examine where the main differences from our estimates occurred. Revenue for the two years is 10.42 crores less than was forecasted, but expenditure was also less than the estimates by 5.78 crores. The reduction in expenditure is accounted for largely by savings in interest charges owing to the improvement of Government credit and the cheaper money conditions which have supervened; but there has also been a realisation of administrative economies beyond what we felt safe in hoping for last year. I shall deal later in greater detail with the position as regards expenditure, but Honourable Members will, I feel sure, regard it as satisfactory that the figures for these two years should show such a substantial reduction as compared with our estimates.

Table summarising Budgetary forecasts and results for 1931-32 and 1932-33.

(In lakhs of rupees.)

	Revenue.	Expenditure (including provision for reduction or avoidance of debt.)	Surplus or Deficit.	Provision for reduction or avoidance of debt included in expenditure.	Surplus of receipts over expenditure other than Reduction of Debt.
Emergency budget—					
1931-32 . . .	1,26,13	1,36,30	—10,17	6,90	—3,27
1932-33 . . .	1,33,06	1,27,83	+5,23	7,15	+12,38
Combined result for both years . . .	2,59,19	2,64,13	—4,94	14,05	+9,11
Estimate at Budget Session, March 1932—					
1931-32 (Revised).	1,20,77	1,34,43	—13,66	6,89	—6,77
1932-33 (Budget) .	1,29,96	1,27,81	+2,15	6,82	+8,97
Combined result for both years . . .	2,50,73	2,62,24	—11,51	13,71	+2,20
Present estimates—					
1931-32 (Actuals) .	1,21,64	1,33,39	—11,75	6,89	—4,86
1932-33 (Revised) .	1,27,13	1,24,96	+2,17	6,84	+9,01
Combined result for both years . . .	2,48,77	2,58,35	—9,58	13,73	+4,15

4. *Expectations for next year (1933-34).*—With a surplus of 217 lakhs anticipated as the final result for the current year, the next question is whether we can expect a repetition of such a surplus next year. In order to explain the answer which I have to give to that question it is necessary to analyse the factors which have contributed to the current year's result, and to review the general economic position. In anticipation of this examination I may remind the House of one important feature in the position, namely, that our revenue during the past 18 months has been specially augmented by the process of abolishing the salt credit system, the effect of which has been to give us the equivalent of two years' duty on credit salt in the space of 18 months. As a result we have benefited during 1932-33 by a special non-recurring addition of about 150 lakhs to our revenue. That of course drops out next year.

5. *Economic position.*—The general features of the economic position are so well known, and so closely resemble those which I had to describe last year that I need not deal with them at length. Again, as last year, I can say that the monsoon was fairly normal for India as a whole, and that so far as climatic conditions are concerned India might have been enjoying a year of normal prosperity*. Again, as last year, I can say that world economic conditions have been the overriding factor, and that India's trade and purchasing power have been suffering from the terribly low levels to which prices and demand for commodities have declined. In the latter respect the current year has touched still lower depths. Last year it seemed reasonable to hope that a move would be made to settle the world troubles, and that with the detachment of sterling from gold we might see a substantial rise in prices for commodities at least in terms of sterling and of the currencies linked with sterling. Unfortunately neither of these hopes has been realised. A good start was made at the Lausanne Conference in June, and the provisional agreement then achieved, which would have resulted in the removal of the disturbing factor of Reparation payments, spread at the time a feeling of justifiable optimism. But unfortunately the possibility of executing this agreement depends on the balancing cancellation of war debts, and for this problem there is no solution yet in sight. Indeed, except among the nations of the British Commonwealth, for which within their own area the Ottawa Agreement holds out hopes of improvement, there has been no advance towards that international co-operation which is so badly needed; and for the world in general it is unfortunately true to say that there has been not only no quickening up of the normal flow of trade, but on the contrary the restrictions which so many countries have been forced to impose on trade and exchange in order to maintain their balance of payments have operated still further to check the international exchange of goods. As regards prices, the anticipated rise in rupee and sterling prices has not materialised. The position, broadly speaking, is that, after an initial rise, prices towards the end of the period under review showed again a falling tendency, with the result that although the average level of prices on the basis of which India's exports during 1932 were sold is slightly higher than during 1931, the general level of prices at the end of the year had fallen below this average. The most that one can say is that countries with currencies

* The monsoon was normal for India as a whole except in Bihar, the East United Provinces and North Madras coast. Otherwise though lighter than usual, it was fairly well distributed and fortunately rainfall in September was above the average. The sowing conditions for monsoon crops were only moderately favourable: sowing conditions for cold weather crops were generally favourable. The winter rains have been below the average and the yield of the crops now on the ground will depend to a greater extent than usual on the weather during the next few weeks. Slight frost damage in January has been reported from a number of places.

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linked to sterling have fared much better than those which are still on a gold basis.

If Honourable Members are interested in studying the position, I would commend to their attention the Review of the main items of India's foreign trade for 1932, which has been prepared by Dr. Meek, the Director-General of Commercial Intelligence and Statistics, and which I propose to circulate as usual with the budget papers. In my present speech I can only deal with the broad aspects of the position.

6. The results of the further deterioration in the general world position are revealed in India's export figures which for the 10 months from April to January showed a total value of 110½ crores as compared with 134½ crores for last year.

7. In the case of practically all the main items the decline is accounted for by a fall in the quantities rather than the price of the articles exported. This is true of the following decreases,—cotton exports 6½ crores, jute 1½ crores, grain, pulse and flour about 2 crores, seeds just over 2 crores. The only exception to this under the major heads of exports is the case of Tea where a slight increase in the quantity exported has been accompanied by a fall of 3 crores in value.

8. I may at this stage note that during 1932 there was a slight improvement from India's point of view in the correction of the disparity between the price levels for the main articles which she has to sell and those which she has to buy. According to Table XV of Dr. Meek's review it is shown that the average index figure for the main export articles, taking 1913-14 prices as 100, was 77 for 1931 and 79 for 1932. On the other hand, the index figure for the main articles of import averaged only 84 in 1932 as compared with 87 in 1931.

9. For appreciating the significance of the comparison which I have made between exports for the first 10 months of the current year and last year, it is necessary to compare the present figures with the general average levels for the post-war period. In the figures for the current year, the most striking feature has been the fall in the exports of Indian cotton which has been only offset to a very small extent by an increase of the consumption of cotton by Indian mills, for they have provided for their larger production mainly by greater purchases of imported cotton. Comparisons between results for the calendar year 1932 and the average for the 10 years from 1920 to 1930 bring out the same point.

		Quantities.			Values.		
		Average of 10 years ending 1930.	1932.	Percent- age.	Average of 10 years ending 1930.		Percent- age.
					Rs. (lakhs).	Rs. (lakhs).	
1. Cotton, raw	Ton (000)	616	286	46	69.09	16.03	23
2. Hides and Skins (Raw and Tanned)	Ton (000)	70	42	60	13.95	7.76	56
3. Jute, raw and manu- factured	Ton (000)	1,499	1,176	78	72.84	31.49	43
4. Tea	lb. (millions)	346	368	106	27.06	16.89	62
5. Groundnuts*	Ton (000)	448	472	105	11.21	8.11	72
6. Rice (not in the husk)	Ton (000)	2,067	2,076	100	36.98	17.16	46

*The trade in groundnuts has been expanding rapidly during the period.

This table shows how terribly the value of India's exports has declined compared with what had come to be accepted as a normal level in the post-war period. But even so the figures as regards quantities exported—with the sole exception of cotton—have kept up in a manner which seems to justify the view that India has not even yet suffered quite so badly as most of the other countries producing primary agricultural products.

Raw cotton is by far the worst sufferer and during 1932 the exports had fallen in quantity by more than a half, a fall which as a result of the lower prices is increased to one of more than three-quarters in value as compared with the average for the past 10 years. For jute the fall in volume was about a quarter while the fall in value is more than a half. In the case of tea, although the volume of export was more than maintained, the value was reduced by more than a third. In the case of rice, the volume of export was maintained but the value fell by over 50 per cent. Groundnuts on the other hand show an increase in quantity but a decline in value.

10. While the value of India's exports has thus further declined this year as compared with last, the course as regards imports has been strikingly different. For these, at 112½ crores for the first 10 months of the current year, show a rise of about 7½ crores on the corresponding 10 months of last year. Here again an examination of the actual changes in the case of the main articles of import is interesting and suggestive. By far the largest item is the increase of just over 7 crores in cotton piece-goods and yarns. It may perhaps be said that in this case exceptional factors have come into play, because the preceding period with which it compares, influenced as it was by non-economic factors such as the boycott, can hardly be regarded as normal. The important fact to remember, however, is that this increase in imports of cotton piece-goods was accompanied by a striking growth in the production of Indian mills,—which according to Dr. Meek's figures increased by about 11 per cent. or 284 million yards in the first 11 months of 1932 as compared with 1931. It must also be noted that there has been a marked increase in the imports of other piece-goods, woollen, silk, artificial silk, and mixtures.

The increase in Indian production of cotton goods accounts for the next interesting item of increased imports on which I must comment, namely, of raw cotton, which at 6.36 crores are 79 lakhs up on last year. The steady growth during recent years in these imports is most remarkable. Taking the "cotton years" up to August 31 in each case, imports of foreign cotton expanded from just over 20,000 tons in 1928-29 to 97,000 tons in 1931-32.

11. Another interesting item is machinery, where the imports at 9½ crores are only a few lakhs less than last year. Here there would have been a much greater fall if it had not been for a striking increase in the imports of plant for sugar factories, the imports of which in the 9 months to the end of December amounted in value to 138 lakhs as compared with 30 lakhs last year and only 9 lakhs in 1929-30.

In the case of certain other machinery too there have been increases which are encouraging. Thus, taking the full calendar year 1932 as compared with 1931, cotton machinery increased from 180 to 208 lakhs, while tea, jute and wool machinery increased by 13, 3 and 1 lakh, respectively.

12. These are the chief items of expanding imports. As against this I must comment on the two most striking examples of declines. Imports of foreign sugar at 3.66 crores are down by 1½rd crores. This indicates the continuance of a steady process of decline in the value of sugar imports which

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for 1930-31 was about 9 crores, and in 1929-30 about 14 crores. The decline may be partly due to decreased purchasing power as evidenced by decreased consumption of refined white sugar, but I think it is a fair appreciation of the position to say that it is mainly due to the increase of Indian production. I explained last year that we estimated the production of Indian sugar to be increasing at the rate of 60,000 tons per annum, and it looks now as if this rate were being considerably accelerated. I shall deal later with the effects of this on our revenue position.

13. Another striking example of decline is the case of vehicles—mainly of course motor-cars, buses and lorries, which at 304 lakhs for the 10 months show a decline of 89 lakhs on last year and are less than $\frac{1}{3}$ rd of the value in 1929-30.

It is probable that I shall be told in the course of debate that the decrease is mainly due to the high level of our import duties. I think it more correct to regard it as mainly caused by loss of purchasing power, which on the one side restricts luxury expenditure, and on the other induces owners of cars and heavy vehicles which are not used for luxury purposes to avoid replacements which are not absolutely necessary.

14. It is not possible in a budget speech to go into all the interesting details in our trade returns, and I am concerned now only with broad conclusions, and more particularly with those that affect our revenue estimates. With some of these broad conclusions I wish now to deal. In the first place the results as regards imports combined with the figures of Indian production of such articles as salt and kerosine and cotton piece-goods seem to reinforce one of the points which I emphasised in my speech last year—namely, the extraordinary power of resistance, in spite of diminished purchasing power, which India shows in maintaining the consumption of certain standard necessities of the masses.

15. I have had a table prepared which will be printed with this speech analysing the results as regards certain main articles of consumption classified under three heads—luxury articles, requirements of industry, and necessities of the masses. The classification cannot be entirely accurate, and it is difficult to say exactly where such articles as sugar and artificial silk piece-goods should be placed; but if one takes such articles as cotton piece-goods, kerosine, and salt as necessities for the masses, machinery, lubricating oil, cement and chemicals as industrial requirements, and tobacco, liquors and motor-cars as luxuries, one can at least draw interesting conclusions.

In order to get at the figure of consumption I have taken imports plus local production for articles which are produced in India, and imports only for those articles which are not. This again may not be entirely accurate for a particular year, for some of the imports and home production may have gone into stock, particularly in the case of cotton piece-goods during 1932; but it affords a rough guide, and, for an average of years, must be fairly accurate. On this basis I have made a comparison between the consumption for the calendar year 1932 and the average annual consumption for the ten year period from 1920 to 1930, which may be regarded as a period of prosperity with high prices and high purchasing power. The table shows both quantities and values. Values have been calculated as follows. In the case of articles which are only imported the declared values have been taken and the various rates of import duties during the ten year period have been added. For articles which are both imported and

manufactured the value of the internal production has been estimated on the basis of the declared value of the corresponding imports together with the appropriate rate of duty for each year of the period.

The results shown in this table are, I think, extremely interesting. As regards the three articles which I have taken as necessities for the masses, the quantities of consumption are in all cases higher for 1932 than for the ten year average 1920-30. Piece-goods with a total of 5,827 million yards as compared with 4,923 million yards for the earlier period are 18 per cent. up. Kerosine oil with a total of 235 million gallons as compared with 232 million gallons for the earlier period is 1 per cent. up. Salt with a consumption of 2,106,000 tons as compared with 1,965,000 tons for the earlier period is 7 per cent. up.

Turning to values, there is of course a fall in these for 1932, owing to the lower prices prevailing in spite of the higher duties. The total value of all these three commodities consumed in 1932 was 162 crores representing 78 per cent. of the average for the ten year period, which was 207 crores.

In the case of the articles required by Industry, it is of course impossible to compare quantities for such miscellaneous heads as machinery and millwork, or chemicals. The Table shows a fall in value for machinery and millwork of about 40 per cent. which, allowing for the fall in prices, must indicate a very much smaller fall in quantities; a fall both in quantity and value of lubricating oil of between 30 and 40 per cent.; an increase in quantities of cement accompanied by a fall in values; and an increase of 26 per cent. in the value of chemicals. The total value of all these articles for 1932 is 70 per cent. of the value for the ten year period.

Turning to luxuries, there is a very heavy fall in motor-cars, with a figure of 5,300 cars for 1932 as compared with an annual average of 11,400 in the earlier period. Quantities represent 46 per cent. only, and values 43 per cent. only of the earlier period. I would note here that the value per car has fallen in spite of the increased duties. Tobacco consumption for 1932 represents 61 per cent. in quantity and 51 per cent. in value of the earlier period, and liquors 92 per cent. and 73 per cent. respectively. Altogether the total value of the three luxury articles consumed in 1932 represents 58 per cent. of the average value for the earlier period.

I think it is fair to say that these figures indicate that certain luxury and quasi-luxury articles show very heavy decreases in consumption; that industry has stood up fairly well, and that in certain fields—particularly the sugar industry and the textile industry—expansion in India is still progressing in spite of the world slump; and lastly that as regards the necessities of the masses the consumption figures are being maintained in a most remarkable way in spite of loss of purchasing power, while in spite of increased excise and import duties consumers have had a substantial benefit from the fall in prices.

I must add in conclusion one obvious but most important point, namely, that the really striking falling off in India's normal consumption has been in the case of precious metals. As is well known, India imported gold and silver of the average annual value of about 40 crores in the years from 1920-30. The power to cut out this enormous margin has been a tremendous factor—equal in importance almost to the actual sale of gold, to which I shall refer later—in enabling India to go through this period of depression without being forced to cut down her normal absorption of those commodities which are needed for daily consumption.

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16. The figures in the following table indicate imports except in the case of articles marked * where the quantities given include figures of production so far as available. In the case of salt, production figures relate to British India excluding Aden. The value figures of production have been estimated on the basis of the average declared value for imports.

		Quantities.			Values (cum duty).		
		Average of 10 years ending 1930.	1932.	Percentage.	Average of 10 years ending 1930.	1932.	Percentage.
					Rs. (lakhs).	Rs. (lakhs).	
(A) <i>Luxury articles—</i>							
1. Motor-cars . . .	No. (000)	11.4	5.3	46	3.50	1.51	43
2. Tobacco . . .	lb. (000)	8,396	5,104	61	4.03	2.06	51
3. Liquors . . .	Gal. (000)	5,915	5,429	92	5.93	4.30	73
Total of (A) . . .	..	..	..	..	13.46	7.87	58
(B) <i>Requirements of Industry—</i>							
4. Machinery and mill-work . . .	..	..	..	..	19.62	12.04	61
5. Lubricating oil . . .	Gal. (Million).	22.3	14.3	65	2.28	1.57	69
6. Cement * . . .	Ton (000)	492	551	112	3.73	2.86	77
7. Chemicals . . .	..	..	..	..	2.64	3.34	126
Total of (B) . . .	..	..	..	..	28.27	10.81	70
(C) <i>Necessities for the masses—</i>							
8. (a) Cotton piece-goods (Mill-made) * . . .	Yds. (Millions).	3,677	4,327	118	131.72	99.40	76
(b) Cotton piece-goods (hand-loom). . .	Do.	1,246	1,500	120	44.85	34.46	77
Total . . .	Do.	4,923	5,827	118	176.57	133.86	76
9. Kerosine oil * . . .	Gal. (Millions).	239	235	101	17.73	16.27	92
10. Salt * . . .	Ton (000)	1,965	2,106	107	12.74	11.84	93
Total of (C) . . .	..	..	..	..	207.04	161.97	76
(D) <i>Articles of doubtful classification—</i>							
11. Artificial silk piece-goods . . .	Yds. (Million).	27.8	116.2	418	3.24	4.35	196
12. Sugar . . .	Ton (000)	781	462	59	23.59	12.75	54

17. I must now turn to another broad aspect, the position as regards the balance of trade and of payments. With exports for the 10 months at 110½ crores and imports at 112½ crores, India has a slight adverse balance of trade in merchandise. As in the last months, however, the tendency has changed, and there has been a reduction in the adverse margin, one may not unreasonably anticipate that the year will end with an even balance. But owing to India's large "invisible imports"—mainly represented by external obligations—an even balance of trade in merchandise falls far short of giving us an even balance of payments, and therefore India could not support the present volume of imports without very embarrassing results unless the position were being helped by some other factor. That factor in the present case has been, as Honourable Members well know, the export of gold. I do not propose to give a mass of figures illustrating this aspect of the matter now, because I dealt with it very fully in a speech at the Ottawa Conference which I believe most Honourable Members have seen. The broad fact is that India could not with exports at their present level support the present volume of imports simultaneously with meeting her external obligations unless they were supplemented by gold exports. What is happening now may be put in two different ways, either that part of India's consumable imports are being paid for in gold, or that gold sales are providing the means to meet external obligations and, as I shall hereafter explain, to accumulate reserves in external currencies. The truth really is that what is happening is a combination of the two processes, for it must be remembered that so far as concerns the individuals who make up the mass of producers of goods for export and consumers of imported goods, they have to pay for the latter with customs duties added, and as customs duties on the 112 crores worth of goods imported for the 10 months of the current year amount to 38 crores, one may say that the exports to the value of 110 crores are being supplemented by gold sales in order to pay for goods at the imported value of 150 crores, so that 40 crores of the gold proceeds have been used to pay for consumable goods. To this extent therefore it may be said that India is helping herself to tide over a period of unexampled depression by drawing on her reserves of gold, and thereby avoiding reducing her consumption to the desperately low level which would otherwise be necessary. This, however, is by no means the whole story, and as there are many questions arising in connection with gold exports which have a vital bearing on the welfare of the nation, and as I know that Honourable Members take very great interest in it, I propose to deal with this subject again, as last year, at some length.

18. In the first place I know that there are many who regard what is happening as a dangerous process of living on capital. I think it fairer to regard it, as indeed I pointed out last year, as a process partly of exchanging one form of investment for another, and partly of tiding over a period of abnormal difficulty by drawing on reserves which had been accumulated in better times; reserves, moreover, which produce no revenue, so that their depletion does not bring about any decrease of income. To that extent we have regarded the process as a legitimate use of reserves, which has on the whole been beneficial to the people. How long such a process can, without damaging the country, continue is another matter, but I must point out that so far as Government is concerned nothing that it could do could prevent individual owners of gold selling their gold and using the proceeds for investment in other forms or for the purchase of consumable goods.

19. There is, however, another beneficial aspect of the process to which I think it important to direct attention. I have already commented on what is the worst feature of the present world situation, namely, that practically

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every nation today in order to preserve its balance of international payments has been forced to put artificial restrictions on its imports, by way of high duties and exchange restrictions. This is checking the flow of international trade, so that its channels are gradually becoming completely dry, and is the main evil from which the world today is suffering. We ourselves by increasing our own import duties have done something to add to the evil, but if the flow of imports into India had not been helped by the exports of gold the case would have been very much worse. India in fact has been able to release into the world a commodity for which alone there is an undiminished market and the possession of which, if it is used as a basis for currency, does not diminish but rather increases the purchasing power of the countries which absorb it. By doing so India has been enabled to take more imports and thereby in this second way also to increase the purchasing power of her own potential customers. This last point indeed must always be borne in mind, for we cannot restrict our own imports without weakening the market for our exports of merchandise.

20. There is still a third point on the credit side of the account to which I must call attention. The proceeds of the gold which have been sold have only to a limited extent been balanced by the purchase of consumable commodities. A great portion has undoubtedly been invested. The increased demand for Government securities affords general evidence of this, and that the process has been widespread and not confined to the richer classes can be very clearly seen from the figures of Post Office cash certificates and Savings Bank deposits. The figures here are most striking. Making very conservative allowances for what we shall get in the last two months of the year, we estimate the net investment in Post Office cash certificates this year at 10 crores and the net addition to savings bank deposits at 4.35 crores. Both these figures greatly exceed any previous record, and I may point out that the figure of 10 crores for Post Office cash certificates compares with average net receipts of about 2½ crores annually for the period from 1917, when these certificates were first started, until March 31, 1931. Moreover the high figure for this year follows on the exceptionally high figure of 6.15 crores for net receipts last year. These figures therefore clearly show that proceeds of gold sales have been converted into investments by the poorer classes, and although the Indian habit of accumulating reserves of gold has stood the country in good stead in the present crisis, I feel forced to regard it as a beneficial advance that the exceptionally high price of gold in rupees should have started a process of exchanging barren gold reserves for interest-bearing Government securities as a form of investment. If only the process is kept in proper channels, and the people of India are not misled, as the people of the United States were in the post-war boom, to putting their savings into wildly speculative investments, the result must in the long run be of great benefit to India.

21. But I must now turn to another aspect of the matter. There may be some who would agree that there is some truth in what I have said up to this point, but who have an uncomfortable feeling that the country is being weakened by the process, and that Government if they had adopted a different policy could have prevented this weakening. Such people argue that, even if we could not prevent private individuals who wish to do so from selling their gold, Government ought to have acquired it for themselves and thus have prevented it leaving the country. I shall deal later with the criticism of Government policy. For the present I am only concerned with presenting an account of what has actually happened, and I think that Honourable Members will find the account interesting. I propose to take the period

of 15 months from the end of September 1931, just after England went off the gold standard, up to December 31, 1932, and shall endeavour to put the position in the simplest possible form.

22. In this period of fifteen months, India on balance exported 107·08 crores of gold. We may thus take it that private individuals during this period acquired out of the proceeds of gold exports balances in external currency, probably mainly in sterling, to the extent of £80½rd millions. During this same period exports of merchandise were 181·37 crores and imports 161·45 crores, giving a favourable balance of 19·92 crores equivalent to, say, £15 millions. This sum also may be taken as having been converted into external currency balances by private individuals. Adding this £15 millions acquired against merchandise to the total of £80½rd millions acquired against gold exports, the total external balances acquired by private individuals from October 1, 1931, to December 31, 1932, amounts to £95½rd millions. Out of this sum Government has acquired by its purchases in the market as currency authority no less than £69½rds millions.

The balance of £25½rds millions has been retained on private account. I will deal with this latter portion later and consider first what the Government has done with the sterling balances of £69½rds millions which it has itself acquired.

23. In the first place Government has used about £34 millions in meeting its ordinary recurrent commitments.

Secondly, it has used £15 millions in discharging the 5½ per cent. sterling loan which matured on January 1, 1932, thereby liquidating an obligation which cost it £825,000 equivalent to Rs. 110 lakhs per annum, and greatly strengthening its credit in London.

Thirdly, Government has added about £11 millions to its currency reserves, and lastly, the balance of £9½ millions was added to the Government's Treasury balances, and is really potentially available for further strengthening of its currency reserves.

Government therefore made good use of the abnormally high amount of sterling which it was able during these fifteen months to purchase as a result of the gold exports.

In order to complete the picture I may here add that a 5 per cent. sterling loan for £10 millions was floated during the same period, out of the proceeds of which £6 millions 6 per cent. bonds were repaid and the remaining £4 millions of which were used as a further addition to the Treasury balances.

Taking this last transaction into account, the combined result is that during the fifteen months the Government has reduced its sterling debt by a net amount of £11 millions sterling, has increased its currency reserves by £11 millions and its treasury balances by £13½ millions. The total of these amounts is £35½ millions, so that out of our £69½rds millions sterling we used about £34 millions for meeting our current requirements and £35½ millions sterling for strengthening our position. Incidentally we may thus be said to have advanced by £35½ millions towards the position required for setting up a sound Reserve Bank.

24. I must now turn to consider the sum of £25½rds millions which, as I have explained, must be regarded as having been retained by private individuals out of the total proceeds of gold exports and the balance of trade in merchandise. What has happened to this money? In the first place, as Honourable Members are well aware, a substantial proportion of the external currency derived from the sale of Indian exports abroad is always retained

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on private account. The amount required is influenced by two factors, first normal current requirements, and secondly, movements of capital. The normal current requirements are for such things as sea freights, interest and dividends on investments in India held abroad, family remittances, money spent abroad by travellers from India, etc., etc. The movements of capital may be either transfer of funds for permanent investment by private individuals, or the movement of funds by banks for temporary investment in treasury bills, etc. These movements of capital may of course take place either towards or away from India, and therefore either reduce or swell the amount required to meet current requirements. The annual reports of the Controller of the Currency always give clear figures and explanations on this point and I would refer Honourable Members to them. I cannot within the limits of this speech attempt any full examination of this matter, but from the investigations of the Controller of the Currency it appears to be a fairly accurate estimate to say that in the 15 months with which I am dealing about Rs. 15 crores or £11½ millions was required for the repayment of money invested in Indian treasury bills by foreign banks, and that the balance of about £14 millions was required to meet normal current requirements. The repayment of the treasury bills, of course, represents a strengthening of the Indian position.

25. It is now possible to reconstruct the whole picture. For this purpose I think it is fair to take the surplus balance of trade in merchandise of £15 millions as earmarked for meeting, in the first place, the normal private current requirements of £14 millions. Thus, in round figures, the position as regards the proceeds of the gold sales would be as follows. Out of £80 millions which represent the proceeds of the exports of gold Government acquired £70 millions and £10 millions served to repay foreign funds temporarily invested in India. Government out of its £70 millions used £34½ millions to meet its own current requirements and £35½ millions to repay sterling loans and strengthen its reserves. Therefore out of the total £80 millions of gold proceeds only £34½ millions were used to meet current requirements, and the balance of £45½ millions went to reduce India's external obligations and strengthen her public reserves.

Looking at the matter from the side of the Indians who have sold the gold, they have acquired 107½ crores of rupees and of this, while a portion has been spent in meeting current requirements (*i.e.*, paying customs duty on imported goods and other taxes), a very substantial portion also, as is clear from the figures which I have given, must have been retained in currency or invested in Government securities.

Therefore whether the position is viewed from the side of public finance or private investment, it is clear that to a very large extent the gold exported does not represent a drawing on reserves, but merely the conversion of one form of reserve into another. Apart from this, as there are some who, while not criticising what has happened so far, consider that the process of so-called drawing on reserves has now gone far enough, I wish to remind the House that even though the amounts exported have been very large, the figures are still small in relation to India's resources. The fact that the published figures are given in values tends to give an exaggerated idea, because, of course, gold now stands at a premium of about 30 per cent. If we look at the statistics of the weight of imports and exports the strength of India's position is extraordinarily striking. From September 1931 up to the end of December 1932 India had exported slightly over 14 million ounces of gold. As compared with this the imports between April 1926 and September 1931 exceeded 15

million ounces ; so that, in spite of the enormous amounts hitherto exported, we are not yet back to where we were in April 1926. If we go further back the results are still more striking. The net imports from April 1922 to March 1926 exceeded 28 million ounces, and this means that India can go on exporting gold until the total quantities have risen to three times the amount of what has already been exported, and still have more gold in hand than she had eleven years ago.

So far, therefore, regarding the whole position of India as a single interest and considering the vast size of the accumulations of gold which exist, it cannot be said that there has as yet been any dangerous depletion.

26. I have been concerned in making this examination rather with presenting a picture of what has happened than of defending Government's policy, but it will help to complete my explanation if I now deal with some of the criticisms which have been made. The general argument is that if Government had prohibited the export of gold and been ready to purchase on its own account against rupees all the gold that has come forward for sale, then Government would have been able to reinforce its own currency reserves to that extent.

I have already shown that Government has actually acquired seven-eighths of the sterling proceeds of the gold exported up to December 31, 1932 ; but, as I wish to follow out the criticism, I will consider the simple question : " What would have happened if Government had prohibited the export of gold and thereby allowed to those who wanted to sell it no other opportunity except to sell it for rupees ? " In the first place it is highly improbable that the same amount of gold would have been sold—But I leave that out of account and will assume that Government would have bought it all. What then would have been Government's position ? In the first place it would have had to convert £45 millions of it into sterling to meet some of the purposes which I have already explained, namely, its current requirements and the net discharge of £11 millions sterling debt. As regards the £24½ millions which it has, as I have explained, actually used for strengthening its currency reserves and Treasury balances, it might have kept this sum in the form of gold. But I do not think this would have been good policy, for we already have our proper proportion of gold in our currency reserves, and we should have been well advised to convert this amount also into interest-bearing sterling investments.

27. I am left to explain what would have happened to the balance of £25½ millions retained on private account, or rather the £10 millions out of this sum which represents the proceeds of gold exports ; for it is this sum which our critics say we should have secured to ourselves if we had purchased the gold and which by our actual policy we have lost. But should we have been able to retain it ? Certainly not. This balance was needed for the purposes which I have explained, and if we had bought the gold for rupees, the private remitters would then have come to us, as the currency authority, and demanded that we, in accordance with our statutory obligation, should sell sterling to them. We could not under the existing law have refused to do so, and in that case we should have had to use the gold which we had acquired in order to buy sterling to meet our obligation, and thus would have found ourselves in precisely the same position as we are today. We could only have refused to sell the gold in two ways. Either we should have had to get a law passed to relieve us of our statutory obligation, in which case who would venture to prophesy what would have happened to the sterling value of the rupee ? Or, as an alternative,

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we should have had to pass a law putting a rigid restriction on all exchange transactions, which would have been a gross and unnecessary interference with the liberty of private individuals to deal with their own property, and would necessarily have led to a very serious restriction of imports.

Either of these alternatives would have been very serious steps, which might have had far-reaching and dangerous effects on our position. Those who criticise our policy as regards gold must first be very sure in their own minds whether they would have welcomed them.

28. I have explained the position as fully and fairly as I can, and I hope that I have done so clearly. I have done this not as an advocate anxious to defeat his opponents, but as one who earnestly desires to clear his own mind as to what is right and to put the real issues before the public. We do not claim for ourselves either perfect wisdom or any monopoly of such imperfect wisdom as is attainable in this world, but I think what we can claim is that our policy has guided India through a period of quite unexampled difficulty without disaster, and that at the end of these two years we find ourselves with greatly improved public credit, with greatly strengthened resources, and with the freedom and security of private trade unimpaired. Nor can I believe that any single interest of the country has hitherto been sacrificed or damaged. The policy therefore has worked well so far, and more than this I do not claim. The times in which we live are so uncertain and abnormal that no one could venture to lay down that a particular policy must be for ever infallible. We must be guided by events. But till now and for the present we do claim that our policy has worked well, and that while that continues it would be unpardonable rashness to plunge into the unknown depths of wild experiments.

29. I am afraid that my argument as to Government's policy as regards gold exports has led me into something of a digression from the review of India's economic position which was my main purpose at this stage.

I may now sum up my own conclusions on that review. For my own part, the main impression gained by a study of what has been happening during these last two years of terribly difficult times is one of admiration and wonder at the way in which India and her people have adjusted themselves to the emergency. The more highly organised Western nations may well take lessons from her in this respect. While I have commented on the enormous decline in the demand for India's export products, it is a remarkable fact that this has not yet led here, as in other countries, to the piling up of unmanageable stocks which form both a source of weakness to the country that holds them and a menace to the rest of the world. The diversity of cropping in most parts of India has led to a comparatively quiet adjustment to changed conditions without elaborate schemes for restriction of production, or dangerous experiments for using public funds to finance surplus stocks. The striking restriction which was effected after the 1930-31 season in the jute area of Bengal is well known, but in the case of cotton also an adjustment has taken place aided partly by short crops and partly, though only to a regrettably small extent, by increased consumption by Indian mills of Indian cotton. To some extent, in certain cases such as sugar, Government policy has helped the agriculturalists to find profitable alternatives in money crops. Linseed is another important alternative crop for which possibilities of an increased outlet have been opened up by the Ottawa Agreement. In this case a fairly substantial increase in the area sown had been undertaken before the Ottawa Agreement was implemented, and the preference now secured in the British market may justify a further increase. Groundnuts, again, have provided

another alternative outlet, and this crop has become in Madras a moneycrop of first rate importance, and is becoming an alternative crop to cotton of growing importance in Bombay and Berar. Where export facilities have been lacking for a particular crop and alternative export crops have not been possible, there has been a spreading over into miscellaneous crops for local consumption. In the case of Bengal, where the main reduction in the jute area occurred before last year, it has been possible to examine conditions fairly closely, and there the alternative crops were mainly rice, maize, millets, smaller pulses, and to some extent sugarcane. It is difficult to trace exactly the complete economic effects of these adjustments, but one conclusion is probably justified, and that is that the poorer classes and particularly the wage-earning classes whose wages have not been reduced proportionately to the fall in values of local food produce, are at present being better fed than ever before. Thus some advantage at least is gained.

If one turns to the other side—the side of consumption—one gets the same impression of comparative stability, for here the power to draw on reserves has, as I have explained, resulted in a remarkably steady maintenance of consumption, in spite of increased duties, of the main necessities of the masses. In fact, by cutting off imports of precious metals and supplementing her purchasing power by drawing on her reserves of gold, India has been able to keep up her standard of living and her position as a customer for the goods supplied by the rest of the world to more nearly normal levels than most countries. In this way she has avoided an undue weakening of the position of her own potential customers, a result which has been further helped by the release of gold supplies to the world.

Simultaneously with all this the figures show a striking increase in investment by the poorer classes.

30. The result of this survey has seemed to us to justify the assumption for the purposes of our estimates that general conditions as regards consumption of dutiable articles may be expected, even without a striking world recovery, to remain fairly constant next year. But having stated this assumption it is necessary to add a note of warning. Neither the process of drawing on reserves, nor that of agricultural adjustments, can be continued indefinitely. As to the latter point, seeing that the contraction in export demand applies to practically all our export crops, the range of adjustment is comparatively narrow, and, if a further fall in purchasing power is to be avoided or minimised determined efforts are necessary both to make the most of every possible export outlet for our produce, and to supplant by local production imports of such articles as long staple cotton.

Further, in regard to both points, India remains as deeply interested as any other country in efforts to promote international co-operation and the recovery of world trade. If the present low levels as regards both prices and world demand for agricultural products were to become stabilised, very serious problems would have to be faced and it would be necessary for those responsible for governing India to take stock again of the whole position.

Effects of the general economic position on tax revenue.

31. I want now to show as briefly as possible how some of the broad phenomena which I have been describing appear when translated into revenue results.

32. As might have been expected from what I have said, revenue from salt, kerosine and cotton piece-goods has been very satisfactory for the current year.

[Sir George Schuster.]

We estimate salt revenue at 10·38 crores as compared with a budget estimate of 9·43 crores.

Kerosine import and excise duties are expected to produce 4·25 crores as compared with a budget estimate of 4·42 crores.

Cotton piece-goods import duties are put at 6·40 crores as compared with a budget estimate of 3·79 crores.

33. In the case of cotton piece-goods, however, we think it necessary to treat the imports for the current year as to some extent abnormal.

Quantities imported have shown a great advance, the yardage in the 9 months, April to December, 1932, being about 30 per cent. up on the same months in 1930 and about 70 per cent. up on 1931. That this is partly due to other reasons than the price factor is shown by the fact that the recovery has been shared by British goods, the average price of which has not fallen appreciably. To this extent, general causes—notably the waning of the boycott movement—must have operated; but it remains true that so far as Japanese goods are concerned, the very heavy fall in prices which followed on the depreciation of the yen has been the most important stimulus to the import trade. The result was a strong demand from the Indian mill industry for the exercise by Government of their powers of increasing the protective duty; and on August 30th, 1932 this was done, the duty on non-British goods being raised from 31½ per cent. to 50 per cent. *ad valorem*, with the minimum for plain grey goods raised from 4½ annas to 5½ annas a pound. By this time, the imports from Japan had been 257 million yards against 135 million in April to August 1931, with an average value of 2·3 annas a yard against 2·6 annas in 1931. But in this trade it is prospects and forward business that are most important; and that the action taken in August was timely is shown by the fact that the considerable imports which came forward in the following four months had an average value as low as 2·03 annas a yard or 78 per cent. of the 1931 average. The effect of the increase of duty, coupled with the fact that imports made or contracted for before it had been made must have left fairly large stocks in hand, has been a steady decrease in imports so that in January the duty taken on non-British piece-goods was only seven-tenths of that taken, at the same enhanced rates, in September.

34. In close connection with cotton piece-goods I must mention artificial silk goods and mixtures. In spite of the great enhancement of the duty (from 20 per cent. to 50 per cent. and 34½ths per cent. respectively) and in spite of a striking reduction in the value of Japanese goods, the total values of imports have increased.

We now estimate receipts from artificial silk goods at 130 lakhs for the whole year and mixtures at about 20 lakhs, as compared with earlier estimates of about Rs. 70 lakhs and Rs. 13 lakhs respectively.

35. Other special heads under which revenue receipts have been most satisfactory are the new duties on raw cotton and machinery. Our estimate of revenue from the duty on raw cotton is now 62 lakhs against our original budget estimate of 32 lakhs. Similarly, in regard to duties on machinery we now anticipate a revenue of 115 lakhs against our budget estimate of one crore.

36. As against these satisfactory results I must comment on the main heads where we have fallen far short of our estimates. Sugar is the most important item. In this case we now only expect an import of about 435,000 tons producing duties, including land customs receipts, of Rs. 7·80 crores

against the budget estimate of 550,000 tons and about 10 crores respectively. The development of sugar manufacture in India, though satisfactory in itself, is, as I have already noted, making a very serious hole in our revenue. The duty at present works out at something like 166 per cent. *ad valorem*, and it is therefore obvious that if purchasing power which was once put into sugar is diverted to some other commodity paying lower rates of duty, the revenue must be a heavy loser. If, for example, 1½ crores are spent on sugar machinery including the 10 per cent. duty, the revenue gets about 13½ lakhs. On the other hand if 1½ crores are spent on sugar including duty, the share of the revenue in the total purchase price is about 93 lakhs.

37. Silver, again, has failed to come up to our expectations, and it is clear now that we cannot rely on any appreciable imports of any precious metals as long as the present depression continues.

38. Motor cars and cycles have shown heavily reduced figures and we now estimate receipts at 60 lakhs only against 80·63 lakhs budgetted and actuals of 95·01, 72·31 and 63·20 lakhs in three previous years,—despite the increases of the rate from 20 per cent. in 1929-30, when the duty was 95 lakhs to 37½ per cent. in the current year. We have carefully considered representations that this is due to the operation of the so-called law of diminishing returns, but have not been able to satisfy ourselves that this is the case. The use of motor vehicles has not diminished in anything like the same ratio: our estimate for this year for the motor spirit duty (customs and excise) is 4·30 lakhs, equivalent to 258 lakhs at 6 annas a gallon which was the rate in force in 1929-30, when these duties yielded 298 lakhs. It is very obvious that apart entirely from any enhancement of duties, a period of acute depression will affect what I may call capital expenditure more than recurring expenditure, and this factor must be particularly noticeable with motor vehicles, the number of which on the road was probably excessive before the depression came.

39. Of the taxes on luxuries, the most important (apart from silk and artificial silk piece-goods) fall on articles which are such as I have just described as representing recurring expenditure,—that is to say, goods that are consumed on being taken into use. The principal such items are liquors, tobacco and spices and betelnuts. The yield of the tobacco duties which we now estimate at 125 lakhs, has been greatly reduced as a result, not of decreased consumption, but of the transfer to India of the manufacture of many brands of cigarettes that used to be imported: we still get the duty on such imported leaf as is used in making these brands, but that duty is much lower than the corresponding duty on cigarettes. Liquors are standing up pretty well: the heavy increases of duty and the general depression have reduced consumption heavily, but those very increases serve to bring up the estimated yield for the year to a figure not far short of the actuals in 1929-30 and 1930-31. Betelnuts and spices, which have a duty less severe in its *ad valorem* incidence, have been very successful items; any decline in imports has been much more than set off by the increase in duty rates and our revised estimate for these two heads is 76 lakhs against actuals of 46 and 37 lakhs in 1929-30 and 1930-31.

Analysis of Revenue and Expenditure estimates—1932-33 and 1933-34.

40. I have dealt at some length with certain important factors which have played a part in the current year's results because I wanted to make clear what sort of considerations we had in mind in framing our estimates and in deciding what proposals to put forward.

[Sir George Schuster.]

It must be clear from what I have said that to estimate revenue for next year—particularly customs revenue—is, in view of the completely uncertain and abnormal conditions, a task of quite unprecedented difficulty. Indeed I may say that accurate estimation is impossible. In these circumstances and for the reasons which I have explained, we have thought that the most reasonable course is to assume that the general position next year will be the same as for the current year, neither better nor worse, and in particular that India will be able to maintain the same purchasing power for commodities imported from abroad.

41. *Customs*.—The assumption, however, that the value of imports will be maintained does not necessarily imply that the value of the import duties will also remain the same.

I have already explained the special position as regards sugar, showing how the present development of the Indian industry is affecting our revenue. On these considerations we think it necessary to allow for a drop of one crore in receipts from the sugar import duties which will not be offset by any increase under other heads.

In regard to cotton piece-goods also, for reasons which I have explained, we think it necessary to regard the revenue from import duties—at least on Japanese goods—as to some extent abnormal and not likely to be repeated. Here therefore we have allowed for a drop of 30 lakhs.

As against these reductions we have thought it safe to count on a small revenue (25 lakhs) from silver imports—because having closed the gap in our land customs line on the Burmese frontier, through which a large trade in silver from China was suddenly developing in the course of the last year, we think it reasonable to expect a moderate resumption of dutiable imports.

Making allowance for these and other minor variations, our customs revenue estimates for next year are put at 51,25 lakhs showing a reduction of 104 lakhs from the revised estimates of the current year.

The position as regards net receipts may be summarised as follows :—

	Revenue (Lakhs).
Budget Estimate, 1932-33	52,31·27
Revised Estimate, 1932-33	52,28·55
Budget Estimate, 1933-34	51,24·60

42. *Income Tax*.—In our estimates for income-tax we are as in the case of customs making the assumption of a repetition of the current year's results. On this basis we should have receipts of 17,70 lakhs next year to which must be added 53 lakhs representing the tax on official salaries in regard to which the exemption hitherto enjoyed is, according to our proposals, to be removed completely with the reduction in the out in pay which we proposed. The total estimate is thus 18,23 lakhs out of which it is reckoned that the 25 per cent. surcharge will account for 3,50 lakhs, and the tax on incomes below Rs. 2,000 for 70 lakhs.

The position may be summarised as follows :—

	Revenue (Lakhs).
<i>Taxes on Income.</i>	
Budget Estimate, 1932-33	18,73·38
Revised Estimate, 1932-33	17,70·00
Budget Estimate, 1933-34	18,23·00

43. *Salt*.—The results for the current year justify us in anticipating the continuance of consumption at the present level. We have, however, now exhausted the special temporary acceleration of receipts resulting from the extinction of the salt credit system which was one of the features of our emergency financial plan of September 1931. This produced a special addition to our receipts during the current year of as much as 150 lakhs. Allowing for the disappearance of these exceptional receipts, the net revenue from salt will be 7,58 lakhs.

The position as regards net receipts may be summarised as follows :—

	Lakhs.		
	Revenue.	Expenditure.	Net.
Budget Estimate, 1932-33 .	9,43·40	1,15·69	8,27·71
Revised Estimate, 1932-33 .	10,38·00	1,14·77	9,23·23
Budget Estimate, 1933-34 .	8,75·00	1,16·96	7,58·04

44. *Opium*.—The revenue under this head is being gradually reduced owing to our declared policy of reducing exports. It is also subject to unexpected variations from year to year due to changes in the actual requirements of Foreign and Colonial Governments within their allotted quota. This latter factor accounts for 34 lakhs out of the drop of 38 lakhs in the revised estimate.

The position as regards net receipts may be summarised as follows :—

	Lakhs.		
	Revenue.	Expenditure.	Net.
Budget Estimate, 1932-33 .	1,32·63	71·62	61·01
Revised Estimate, 1932-33 .	94·92	86·36	8·56
Budget Estimate, 1933-34 .	1,20·05	57·36	62·69

45. *Service of Debt and Finance heads*.—It will be convenient if I deal with the service of Debt and the other Finance heads together.

In the first place, as regards interest payments, the reductions shown are satisfactory, namely, 204 lakhs as compared with 1931-32 and 51 lakhs as compared with the revised estimate for 1932-33. I must however explain that the full result of the conversion operations recently undertaken is not yet revealed. The results indeed of the latest operation were not known at the time our estimates had to be compiled; but apart from this there are other special reasons. Although our main conversion scheme has been directed to substituting one form of permanent debt for another, the process has been a continuous one which is not yet completed, and the first actual result in the current year has been to reduce treasury bills held by the public and the Paper Currency Reserve by approximately Rs. 34 crores. Current rates for treasury bills had fallen so low that this aspect of the conversion actually represents, initially at least, an increase in the interest charges. It must be remembered, however, that this large reduction in our treasury bill outstandings is not only a sound operation in itself, but by strengthening the Government position enables it to reduce interest rates both for the remaining volume of treasury bills and for its permanent debt.

A second point which I have to make in explaining the effect of the conversion operations is that the Government of India is not mainly a borrower on its own account. The great bulk of the borrowings is undertaken for the Railways and through the Provincial Loans Fund for the Provincial Governments.

[Sir George Schuster.]

In the case of the Railways in respect of the whole of their capital outlay met otherwise than from specific railway loans we charge them the average rate of interest which we ourselves pay. The total amount of non-specific debt which enters into our calculations for working out the average rate of interest is, in round figures, 450 crores, and the total Railway capital outlay on which interest at the non-specific debt rate is charged is, in round figures, 300 crores. Any savings from conversion operations will therefore be passed on to the Railways to the extent roughly of two-thirds. Bearing these two considerations in mind, as the sterling loan and the four rupee loans floated during the current year almost exactly cover our total liabilities in respect of loans maturing, in the case of sterling in 1932-33, and in the case of rupees in 1932-33 and 1933-34, we can reckon that these maturities have been converted at an annual saving in interest of approximately 70 lakhs for the rupee loans and 9 lakhs for the sterling loan, that is to say, that when the temporary effect of the loss due to the reduction of treasury bills has passed away, the permanent saving to the railways will be in the neighbourhood of 53 lakhs, and to general revenues of 26 lakhs.

46. Apart from this it must be noted that the conversion operations only affect what we call our Ordinary Debt. As regards our so-called 'Other Obligations', although we have reduced the rate of interest on Post Office Cash Certificates from about 6 per cent. to 4½ per cent., the results of this will only very gradually be felt, while in regard to the other heads, Post Office Savings Bank Deposits and Provident Funds, the interest rates which we allow are calculated on methods which will not show any immediate reduction. In fact, as regards the important head of Provident Fund balances, on which we are paying interest at over 3½ crores annually, the rates which we allow will actually show a slight increase next year, because we work on the basis of the average rate of the preceding five years, and we are therefore just now dropping out years when the interest was lower than it was last year.

47. There is, further, another special head under which an increase has had to be provided, which offsets some of our other savings under interest payments, namely, interest on War Debt. The House will recollect that the so-called Hoover moratorium originally extended to the first of the two payments due for 1932-33, and that His Majesty's Government agreed, when the moratorium was first introduced, that as they were not making payments on the debt due from them to America, they would not themselves demand interest on the debt owing from India and the Dominions to them. The House also knows that the moratorium was not extended, and that His Majesty's Government met the full payment on the second instalment due in December last. His Majesty's Government have, however, agreed not to demand any payment due at the present time from their own debtors—India and the Dominions—pending a final settlement of the War Debt question. How that will be settled no one knows, but I hope that it will be in a manner which will bring relief to the debtor nations, for I believe that the world's trade cannot flow in its normal course, nor can any country settle down to normal economic life, so long as these huge international obligations continue as disturbing factors. For the present, however, we have to take account of the fact that the debts exist, and we have made provision in the current year for the second instalment of interest due in December, and for next year on the basis of a full year's payment. For the current year the instalment due, but not demanded, has been debited under the interest head and credited to a suspense account. The amount, however, for which we are making provision next year, has been reduced because we have thought

it reasonable to assume that, pending a comprehensive settlement of the question of War obligations in which India's War Loan liability will possibly be included, His Majesty's Government will at least give us the benefit of a reduction in interest rates corresponding to the reduction which they have achieved by converting the British 5 per cent. War Loan. At the same time we have made provision for repaying by equated annual instalments over a period of 20 years our War Loan liability outstanding at the end of the current year including the arrear interest for a year suspended under the Hoover moratorium. The combined effect of this last-mentioned provision and of the reduction of interest rates is that the full provision for next year is £658,800 against a liability of £836,000 under the original arrangement. I must point out however that for 1932-33 we have only had to provide for half a year's interest at the higher rate, namely, £418,000; so that under the new proposal interest charges are increased by £240,000 or Rs. 32 lakhs.

While we are making provision for this amount it must be noted that we are not allowing for any receipts under the head of reparations, for these remain suspended under the Lausanne agreement.

We can only hope that these matters will be settled in a fair manner during next year and that possibly the settlement may leave us in possession of a margin. This is one of the favourable possibilities for the future.

The net result of the factors affecting Interest payments, some of which I have just explained, is that interest charges show a net reduction of 2.04 lakhs as compared with the actuals for 1931-32 and 51 lakhs as compared with the revised estimates for 1932-33.

48. The other items which may be classified as 'Finance heads' are the provision for Reduction and Avoidance of Debt and the net revenue from Currency and Mint. Under these heads there is no striking change as compared with the revised estimates. The provision for Reduction and Avoidance of Debt is put at 688 lakhs for next year as compared with 684 for the current year. The amount is arrived at automatically according to the present convention which is well known to the House. An important point to note is that it is a substantially heavier burden now than it was in the period of prosperity from 1923 to 1928—in fact, it is 2½ crores more than the annual average for that period.

49. As to Currency and Mint, the receipts under this head automatically go down when the rate on treasury bills falls. We are allowing for a net reduction of 61 lakhs as compared with the revised estimate for the current year.

50. It will be seen from what I have said that as regards Finance heads there is no great change compared with the revised estimates for the current year. Net interest charges are down by 51 lakhs, Reduction and Avoidance of Debt is up by 4 lakhs, and the net revenue from Currency and Mint is down by 61 lakhs. Interest receipts show a small decrease of 1 lakh. There is therefore a net deterioration of 15 lakhs.

51. *Commercial Departments.*—I now turn to the remaining important factor—receipts from Commercial Departments. So far as the Railways are concerned I need say little. We take credit in our budget for full interest payments, although, as the Honourable Member for Railways has explained, these can only be met by trenching on the unspent balance of the allocation for depreciation.

[Sir George Schuster.]

As to the Posts and Telegraphs, the position remains, I fear, unsatisfactory. The net loss on working account, which has to be carried in our budget, for next year is put at 57 lakhs as compared with about 48 lakhs in the revised estimate for the current year. This increase of 9 lakhs in the loss allows for an extra charge of 27½ lakhs on account of pay due to the proposed reduction in the cut and 15 lakhs on account of increments. As a small increase of 8 lakhs in revenue has also been assumed, net economies of 25 lakhs have accordingly been achieved in other directions.

52. *Expenditure position.*—Having thus dealt with the position as regards Tax revenue, Finance heads and Commercial departments, I must now turn to consider the main heads of expenditure, Civil and Military. It is this expenditure which above all needs careful watching, and I have no doubt that, now that our main retrenchment campaign is concluded, Honourable Members of the Legislature will feel it to be especially their function to satisfy themselves not only that we have carried out our promises, but also that we are not relaxing our efforts to achieve economy. With that I entirely agree, for I have always taken the view that the pressure for economy must be continuously applied and should not be allowed to become a process of violent energy at one moment to be followed by a period of lassitude and relaxation continuing until a new emergency arises. If, in giving an account of the present position, I am led into very small details, that is a reminder of the fact that it is only by painstaking attention to every detail that expenditure can be controlled.

53. *Civil Expenditure, 1932-33.*—The budget estimate of Civil expenditure for the current year (1932-33), i.e., excluding military expenditure, expenditure on Commercial departments and Debt services, was 20,65 lakhs. Our revised estimate now gives the figure as 20.89 lakhs. There is thus an apparent increase of 24 lakhs. But a closer examination shows that this increase does not denote any increase in real expenditure, and, indeed, that the economy in recurrent expenditure has been greater than that which we promised. The figure of expenditure as shown in our accounts has had to be increased because special items amounting in all to 68½ lakhs, but the great bulk of which do not denote real expenditure, have had to be included.

54. I can classify these items as follows:

(a) Items which merely appear under expenditure heads in the accounts, but are not expenditure in the ordinary sense. These come to a total of 40½ lakhs. The details are as follows:—

- | | |
|--|-----|
| (1) Increase in the share of Customs revenue payable to the Travancore and Cochin Darbars. This is unavoidable under the terms of the agreement. It is not really expenditure, but rather a deduction from revenue | 2 |
| (2) Extra payments under Opium. This is necessitated by the fact that the yield of the crop was unexpectedly high. The opium has to be purchased from the cultivators, but of course the cost will all be subsequently recovered | 15½ |
| (3) Increased expenditure on fumigation of imports of American cotton. The whole of this cost is recovered | 3½ |
| (4) Carry-forward of certain expenditure from 1931-32 to 1932-33 (Aerodrome works at Juhu and cost of currency note forms) | 3½ |

- (5) Increase in the net expenditure under Survey of India and the Indian Stores Department owing to short recoveries due to financial stringency and general trade depression. This item does not represent increased expenditure, but as the amount of this grant in the budget is the net amount after deducting recoveries, this net amount is increased if the recoveries are reduced 4½
- (6) Payments to local Governments on account of re-allocation of leave and pensionary charges of officers lent by them to the Government of India and re-classification of certain other charges (port quarantine charges, etc.) as central 11
- Most of this merely represents the discharge of a liability already accepted. The potential liabilities under this head are now practically exhausted.
- (b) Special non-recurring items. These account for a total of 17 lakhs and are made up as follows :
- (1) Provision for the annual Research Grant to the Imperial Council of Agricultural Research not included in the original budget. This grant was suspended as part of the economy measures. As, however, a surplus is available on the 1932-33 budget, it was decided to recommend a special grant out of this surplus to the Imperial Council of Agricultural Research, which will increase their balance to a sum sufficient to provide for the completion of all the projects which they actually have in hand. A motion for a supplementary grant to cover this item will be moved in due course. The regular annual provision of this 5 lakhs still remains suspended 5
- (2) Increased terminal charges on pensions including commutation payments. These charges in excess of our original estimates had, of course, to be met 12
- (c) Items of special unforeseen expenditure. These amount only to the small sum of 11 lakhs. The following are the details :
- (1) Expenditure on staff and roads in connection with the Khirtar Canal colonisation scheme ½
- (2) Expenditure on account of the special session of the Legislature in November 1½
- (3) Expenditure on account of the third Round Table Conference, the Ottawa Conference and the Capitulation Tribunal 4½
- (4) Expenditure on repairs necessitated by flood damages 3½
- (5) Other minor items ½

55. As the special items to which I have just referred amount to 68½ lakhs, and as the total accounts expenditure for 1932-33 shows, as I have explained, an increase of only 24 lakhs, it follows that under the other heads of real expenditure we shall have achieved during this year economies of 45 lakhs more than we promised. It may be remembered that in my budget speech in March last (paragraph 34) I stated that, broadly speaking, against a total retrenchment in expenditure of 490 lakhs recommended by the four civil

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sub-committees, Government had achieved economies of 433 lakhs, or nearly 87 per cent., before allowing for terminal charges which the committees did not take into account. The results according to the revised estimate for the current year which I have just given show that the actual economies achieved in normal expenditure amount to 45 lakhs more than this, that is to say, to a total of 478 lakhs, or nearly 96 per cent. of the amount recommended by the retrenchment committees.

56. *Civil Expenditure, 1933-34.*—Turning to the estimates of expenditure under these civil heads for next year, I am glad to be able to report a still further improvement. As compared with the current year with its budget estimate of 20,65 lakhs and the revised estimate of 20,89 lakhs, the estimates for 1933-34 are 20,53 lakhs, that is to say, a reduction of 36 lakhs on the current year in spite of the following facts; first, that we have allowed for reducing the cut in pay to 5 per cent. thereby incurring extra charges of 28 lakhs on these particular civil heads, secondly, that we have to meet the normal increments in time scale pay which still involve an annual addition of something like 15 lakhs, and thirdly, that we have to meet new obligatory expenditure amounting to about 17 lakhs, the nature of which I shall shortly explain. If all these items are taken into account it will be seen that the total of the net reductions otherwise effected under the normal heads of expenditure amount to no less than 96 lakhs. Honourable Members may say that they are not concerned with this figure but only with the saving of 36 lakhs actually effected, but I have given these explanations in order to show how we are continuing the retrenchment effort and what a constant effort is required *merely to prevent expenditure from growing.*

57. I must now explain the nature of the items which go to make up the 16½ lakhs of new unavoidable expenditure as shown in the accounts to which I have referred.

- (1) Further increase in the share of Customs revenue payable to the Travancore and Cochin Darbars.

This, as already explained, is not really expenditure but a transfer of revenue under the existing agreement . . . 1

(2) Additional expenditure on income tax staff in Bombay necessary in the interests of revenue . . . ½

(3) Further expenditure on staff and roads in connection with the Khirjar Canal colonisation scheme . . . 1

(4) Expenditure under Police on construction of police quarters and rearmament of police . . . 1

(5) Increased charges under Political on account of re-equipment of police, maintenance charges of buildings, replacement of a motor-car, additional establishment for Gyantse Trade Agency and land compensation charges . . . 1

(6) Grant for Sugar Research . . . 1½

(7) Additional expenditure under Aviation for works and staff . . . 1

(8) Cost of compilation of inter-provincial trade statistics . . . 2

(9) Cost of new civil works, *viz.*, improving the roadway on the Jumna bridge and Sibi water supply scheme . . . 4½

(10) Lump provision for the Joint Select Committee . . . 1½

(11) Other petty items (including about ½ for meteorological facilities for Karachi-Madras air route) . . . 1½

It will be seen from this list that most of these items are beneficial expenditure. The largest of them—which I specially wish to mention—is a provision of 2 lakhs for improvement in our statistical records. This represents one step in a general plan for improving our economic intelligence organisation which we are now preparing.

58. *Military Expenditure.*—When I turn to the provision for the Military or Defence Budget the results are equally, or even more, satisfactory. For the current year (1932-33) allowing for the full effects of the 10 per cent. cut in pay, the net budgetary allotment was 46·74 crores. For next year the net expenditure provided for in the estimates, after allowing for an extra charge of 52½ lakhs due to the reduction of the cut in pay to 5 per cent. is 46·20 crores. That is to say although the pay bill is increased by 52½ lakhs the net expenditure is to be reduced by 54 lakhs. The further economies made therefore in other directions amount to 106½ lakhs.

59. It is necessary of course to point out that the provision now made is cut very fine, and that to some extent the reduction in expenditure progressively effected over the last five years is due to the fall in prices of commodities which the Army has to buy. The difference between commodity prices as taken for the present estimates, and those prevailing in 1928-29, represent a saving on the whole budget of about 1 crore. If prices were to rise again, as in the general interests of the country one must hope they will, obviously under this head charges would increase.

I must also point out that this budgetary provision includes no margin for unforeseen expenditure, or for the continuance of the re-equipment programme which was laid down in 1928 and which is still being financed (to the limited extent which is possible) from reserves accumulated under the stabilised military budget system which was then inaugurated.

60. Nevertheless, while these facts must be borne in mind, I cannot but feel that the reduction in the net military budget from 55·10 crores (including the Territorial Force grant) in 1929-30 to 46·20 crores in 1933-34 is a very satisfactory achievement. There are some ungenerous critics who, when they see large savings effected in public expenditure, are inclined to say that that only indicates how extravagant was the original provision. I must indeed confess that I make it my business, as Finance Member, to be perpetually telling the spending departments something very much on these lines. But, in the case of the economies effected in the last two years by the officers of the Army from the highest downwards, I know that a great part of their work has been, not the elimination of unnecessary or wasteful expenditure, but the giving up of cherished schemes destined to increase the efficiency of the Army or the amenities for the troops. They have given them up without rancour because they recognised the greater urgency in the public interest of preserving financial equilibrium during these critical times, and they have for this reason been wholehearted co-operators with the Finance Department in a task which I know has been most distasteful to them. The public interest can never be served properly without such co-operation. What I say of the Army is equally true of the other departments, and I hope that this Assembly will not deem it unfitting that I should take this occasion of expressing my gratitude to them for the part which they have played in our common effort to restrict public expenditure. (Hear, hear.)

61. *Expenditure Position. Summary.*—The net result is that as regards the two main fields of administrative expenditure—the Civil heads, excluding expenditure on Commercial departments and Debt services, and the Defence

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budget—the budgetary provision for next year comes to a total of 66·73 crores as compared with a total of 67·63 crores for the current year. The total provision has thus decreased by 90 lakhs in spite of allowing for extra expenditure of about 80½ lakhs under both heads due to the reduction of the cut in pay to 5 per cent., and in spite of the normal and unavoidable growth of expenditure due to increases in the pension bill and to the increments accruing under the time-scale system on salaries, which involves an increased provision next year of about 20 lakhs.

I would before leaving this subject like to remind the House that the expenditure in these two fields which stands for 1933-34 at 66·73 crores amounted in 1929-30 to no less than 78·82 crores.

62. The explanations which I have now given show in what respects, our estimates for next year must differ from the revised estimates for the current year, although as I have explained, we have adopted as a foundation for next year's estimates the assumption that the general conditions of the current year will be repeated.

63. I may summarise the position as follows :

REVENUE—	Rs. lakhs.	
	Better.	Worse.
<i>Customs.</i> —(Reduction due to fall allowed for in imports of sugar and cotton piece-goods) . . . . .	..	1,04
<i>Income-tax.</i> —(Increase due to removal of exemption from surcharge on Government servants)	53	..
<i>Salt.</i> —(Reduction mainly due to termination of temporary increase in receipts on termination of credit system) . . . . .	..	1,63
<i>Opium</i>	25	..
<i>Finance heads.</i> —Net changes including additional expenditure of 1 on account of part restoration of cut in pay . . . . .	..	15
<i>Commercial departments.</i> —Net revenue . . . . .	..	11
<i>Miscellaneous.</i> —(Reduction of 30 due to no provision being included in next year's estimates for Gain by Exchange) . . . . .	..	45
EXPENDITURE—		
<i>Military.—</i>	} Net reduction effected in spite of part restoration of pay out costing 79½ lakhs under these heads as compared with the revised estimates. (This net reduction together with the reduction of 5 under Irrigation and Currency and Mint taken on the revenue side gives a total reduction of 90 as mentioned in para. 61)	85
<i>Civil heads.—</i>		
Total	163	338

64. As a result of the changes thus summarised the net deterioration for next year is estimated at 175 lakhs, and thus the surplus of 217 lakhs shown in the revised estimate for the current year will be reduced to a surplus of 42 lakhs.

The comparison between the two years may be thus summarised.

	Rs. crores.		
	1933-34. Budget.	1932-33. Budget. Revised.	
Revenue	124.52	129.96	127.13
Expenditure	124.10	127.81	124.96
Balancè	42	2.15	2.17

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65. These figures are arrived at after allowing for the proposals as regards pay which were announced in the communiqué of February 3, and without them we should, on the basis of the retention of all existing taxes, have shown an estimated surplus of 97 lakhs. That then is the position which I have to put before the House, and I must now explain what we consider to be the right policy in this position.

The cut in pay.

66. In the first place I must say something about the proposal as regards pay which as I have just explained has been allowed for in our estimates.

Before explaining the details as regards its financial effects, I want to clear up one point about our procedure. We regard this proposal as being an essential part of the budgetary plan. Its justification must depend on the budgetary position and cannot be discussed without full knowledge of that. In these circumstances the normal course, and the course which we should have thought right, would have been to make the announcement as part of the budget speech, so that Honourable Members might simultaneously know the whole position and the whole plan for which Government sought their approval. Unfortunately that course was not practically possible, because on February 3, the budgetary proposals for the Railways had to be put before the Standing Finance Committee for Railways, and it was impossible to do this without revealing proposals about the pay cut for Railway officials. We could not put forward the Railway Budget on a hypothetical basis, nor could we feel it right in the special circumstances of the present case to treat the Railway staff on a basis different to other Government servants. For this reason we were forced to announce the whole plan which we proposed four weeks in advance of the budget speech.

67. The precise financial effect of the present proposals has already been indicated as regards particular departments in my earlier remarks, but I think it well to summarise the position.

For the Central Government civil services, including the Posts and Telegraphs Department, but excluding the Railways, a restoration of the full cut in pay for twelve months would cost about 1,22 lakhs.

For the Army, taking the officers affected by our cut, it would cost 1,34 lakhs.

As under the original plan the 10 per cent. cut was to apply to all pay earned up to March 31, 1933, and as salaries are always paid on the first day of the month following that in which they are earned so that March pay is debited to the accounts only on April 1, there will in any case be one month

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of the full cut included in the budgetary expenditure of the financial year 1933-34. Therefore any reduction in the cut for next year only affects eleven months' pay borne on the 1933-34 budget.

To reduce the out in pay to one-half for eleven months means on the Civil side	55½ lakhs.
and on the Army side	52½ lakhs.
The total cost therefore is	108 lakhs.

As against this the Central budget will recover as a result of the withdrawal of the exemption of income-tax surcharges and the tax on incomes below Rs. 2,000 from Government officials—not only officials paid against the Central budget, but officials of the Railways and officials serving under the Provincial Governments—a net increase in income-tax receipts of 53 lakhs*.

The net cost of the proposal to the Central Government is thus 55 lakhs.

68. The considerations on which this proposal has been put forward by the Government of India are first, that it represents the maximum concession which the financial situation justifies, and secondly, that there are very strong reasons for going as far as the maximum which is justifiable. I do not propose now to go into all the arguments or to anticipate what may have to be said hereafter in the course of debate. I can explain Government's position in this matter very simply as follows.

69. In the first place I must recall what I said when introducing the original proposals in September 1931. We hoped then that the emergency with which we were called upon to deal was a temporary one, or at least that the degree of intensity which made the imposition of these extreme measures necessary would have passed by March 31, 1933. The cut in pay was thus definitely intended to be merely a temporary measure justified only by an extreme and, as we hoped, temporary emergency. It was essential to make this purpose clear, and I therefore stated as one of the main conditions that the cut

“should be of a temporary nature not extended beyond the need of the present exceptional emergency. Its justification is in the need for a common sacrifice in a national emergency.”

Further, in summing up the position, I again said :

“It must be clearly explained that there is no intention that they should remain operative beyond March 31, 1933. They will not be continued beyond that date without further examination of economic conditions”

We have acted exactly in accordance with the intention thus indicated. We have very carefully reviewed the economic conditions, and we have arrived at the definite conclusion that while we can take the risk of making some reduction, nevertheless an emergency continues sufficient to make it impossible to restore the whole of the cut.

*Note.—The actual increase in income-tax paid directly by officials is 67 lakhs, but the net gain is only 53 lakhs. The explanation of this is that, for special reasons, the value of the exemption in the case of Railway officials was previously being paid to Government by the Railway administration. This amounts to 14 lakhs, and of course when the Railway officials themselves pay the tax, the Railway administration will cease to make this payment.

That, then, is the first point which I must make, namely, that we regarded, and still regard, the cut as a temporary measure.

The second point is this, that we regarded a cut in the fixed pay of Government officers as an extreme measure only to be taken in the very last resort after the efforts of all other feasible measures for dealing with the situation had been exhausted. Obviously a measure which is thus only justified in the last resort ought to be the first to go when any relaxation is possible. On this point also I made our purpose perfectly clear in September 1931. I said, after expressing the hope that it would be possible in 1933 to relax the emergency measures :

"It is perhaps forecasting events too much to say in what order these reductions should be made. But there are certain principles which we consider must be observed. Relief must come first in restoring the emergency cuts in pay and secondly in taking off the surcharge on the income-tax now to be imposed."

Therefore on this point also we are acting in accordance with our declared purpose.

70. Now in dealing with this matter I have to make our position clear both to those who may think we have gone too far in the present proposal, and also to those who may think we have not gone far enough.

I will deal with the latter first. To them I would say that we have acted exactly in accordance with our declared purpose and that we have gone to the maximum extent that we considered justifiable. It must also be remembered that in deciding our policy we had to take into account not only the budgetary position of the Central Government, but also that of the Railways in which we are directly interested, and, further, that of the Provincial Governments who might be affected by our example and whose financial troubles react upon both the Central Government as their bankers, as also generally upon the financial position of India as a whole. Taking into account these wider implications we felt it to be absolutely clear that we could not go further at present towards the restoration of full pay than the half measure which we have proposed.

71. To those who may think that we have gone too far, or that we ought not to have taken this step in priority to relaxation of measures of taxation, I wish particularly to emphasise that this must not be regarded as optional expenditure to be weighed in the balance against other possible demands on the public funds. Government is not really meeting its full obligations as long as it is not paying the fixed rates of pay of its officials—rates, moreover, which in certain cases are guaranteed by the Government of India Act. Government is therefore bound to regard the task before it as one of producing a balanced budget after including full pay to its servants. In fact there is only one criticism which we could regard as relevant and valid, and that is if it could be maintained that the proposed remission goes further than financial conditions warrant. In this connection I would remind them of one very important point which I have brought out earlier in my speech, namely, that in spite of the actual addition of Rs. 108 lakhs on the expenditure side which this proposal involves or excluding the Posts and Telegraphs Department 80½ lakhs, we are able to show a net reduction in the Civil and Military expenditure of Rs. 90 lakhs. This fact alone should answer many criticisms. Apart from that, as regards financial justification, the action now proposed must be judged by the results. What we hope is that conditions will so improve during the next year that it may be possible not merely to avoid retracing the step now taken, but to take the further step of restoring full pay and after that making a start in reducing

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the burdens of taxation. Beyond the expression of such a hope it would be rash to go.

72. I may add one final point for consideration by critics who may think this proposal unduly favourable to the Services, namely, the significance of our having in our proposals coupled a reduction of the cut with the removal of the income-tax exemptions. We felt it to be important to get rid as soon as possible of the position in which Government officials were treated as a special class as regards taxation, and subjected to special burdens in lieu of some of the burdens of taxation falling upon ordinary citizens. Honourable Members who criticised our original proposals were always very ready to calculate the exact value of these exemptions. I trust that they will be equally ready to recognise what the burden of their removal means. For officials on the highest rates of pay it means that they benefit very little from the present proposal; in fact, for officers earning Rs. 1,500 per month and over, the surcharges amount to from 2½ to nearly 4½ per cent. The greater part of benefit is felt in the lower grades. The final result in any case is that Government officials are still subjected to a very special burden, for they have to suffer not only the heavy burden of ordinary taxation but are further penalised by a special deduction of 5 per cent. from their salaries.

73. There is one consequence of our proposals which must have struck all Honourable Members. So far as the net burden to the Central Government is, under these proposals, mitigated by the recovery of full income-tax surcharges from Government officials including those serving under the Provincial Governments, it may be argued on behalf of the latter that it is inequitable that we should thus for our own benefit convert a deduction which was formerly treated as a cut in pay into a deduction in the form of income-tax. We cannot admit that such a result would in any sense be improper, for it follows necessarily from the present constitutional position as regards taxation, and we would regard it as a very dangerous precedent to admit that the Central Government may have to give up the proceeds of taxes on the ground that they are borne by officers serving Provincial Governments. Nevertheless so long as an emergency justifying a cut in pay persists it must be admitted that the circumstances are exceptional, while, having regard to the sequence of events, it must be recognised that there is some ground for the feelings of Provincial Governments. We desire within the limits of our resources to take account of these special considerations, and if the financial results for the year prove that it is possible, we intend in due course to put before the Legislature proposals that, in the case of Provincial Governments that can satisfy us that they are in unavoidable deficit, special grants shall be made to them representing the amount collected during 1933-34 from the emergency income-tax increases now to be levied for the first time on the salaries of such of their officials as are still subjected to a cut in pay. Our estimates show that the total amount involved for all officers in the service of the Provincial Governments would be about 36 lakhs. If therefore our budget estimates are realised we shall be in a position to make these grants.

74. Having explained the considerations which guided us in making our proposals about the cut in pay, it will be fairly obvious to Honourable Members what our general policy in other matters must be. We have treated the restoration of the cut as our first objective, and the tentative step of partial restoration which we have proposed represents the limit to which we think it safe in present circumstances to go. Otherwise the whole carefully balanced framework of the financial plan which we introduced in September 1931 must

in our view remain undisturbed. The position is sound ; the plan has worked and proved equal to the emergency ; budgetary equilibrium has been restored. But the future is still dark with uncertainty. Some of us, and I am one of them, may feel hopes that an improvement is coming. But one cannot make budget estimates or frame financial policy on hopes. We are materially better off than we were in September 1931 in the sense that we have got the measure of our difficulties and proved that our structure is strong enough to stand up against the storm, at least as hitherto experienced; but there could be no more fatal folly than to weaken that structure before the storm is over, and thus jeopardise all the success which has been achieved.

75. We therefore think that the structure must, at least until things are clearer, remain unaltered, and I have accordingly no remissions of taxation to propose.

76. We have considered very carefully whether in any cases of customs duties a point of so-called diminishing returns has been reached, but I am quite satisfied that there is no class of ordinary imports in regard to which a reduction of the duty would so stimulate the demand as to produce an increase of revenue. I have little doubt that in the course of the budget debate questions of this kind will be raised, and I can defer a statement of the evidence in regard to any particular item until then. We have given special consideration to two very high import duties, those on silver and sugar. As to silver, it might perhaps be argued with greater force than in the case of any other article that a reduction in the duty might stimulate consumption, or at least that, as we are recovering so little duty now, we could afford to risk the experiment. If revenue were the only consideration there is doubtless a good deal in the argument. But we had to take other considerations also into account. The internal price, which affects many classes in India, depends on the rate of the import duty, and any lowering of that would have had a disturbing effect. On the whole we thought it to be in the public interest not to introduce disturbing factors of that kind just now.

In the case of sugar it is essential to remember that the present rate of duty is substantially higher than the maximum protective duty recommended by the Tariff Board. It is conceivable that a lowering of the duty might in this case stimulate imports of foreign sugar. But just at this moment many new factories are being started and for that reason one must hesitate to make any sudden change. On the other hand it would be highly imprudent for those who are investing money in the sugar business to forget that present conditions are more favourable than those on which, according to the recommendations of the Tariff Board, they have any right permanently to rely. For this reason a due proportion of the profits that are earned on the present basis ought to be accumulated as reserves, for no right can become established to a continuance of the present position.

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

78. While our general plan is, as I have explained, to stand on our present position without weakening any part of it, there are three proposals of minor importance which are included in the Finance Bill and which I must now explain.

79. The first two are changes in the import duties on boots and shoes and artificial silk goods which can be described as revenue measures with a

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protective significance. Their justification really depends on a combination of these two qualities.

80. Special taxes, going beyond the ordinary 25 per cent. surcharge, viz., a specific minimum duty on boots and shoes and enhanced rates of duty on artificial silk manufactures, were imposed on these two classes of articles in the Emergency Act of 1931, and these have proved excellent revenue producers. We estimate the yield from the duty on boots and shoes during the current year at Rs. 27 lakhs, while the year's yield from artificial silk manufactures may be roughly estimated at nearly 1½ crores. In the revenue estimates for 1933-34 I have assumed that these two taxes will bring in as much revenue next year as in the current year, but it would not be safe to reckon on such a result if the duties were left unchanged. I will explain the reason for this.

81. First, in the case of boots and shoes, establishments have been set up in India for the production of shoes made from imported canvas uppers and imported rubber soling sheets. Both of these constituents pay duty at no more than the standard revenue rate, and the result is that by this very simple process of merely assembling in India what are really foreign manufactures the amount of duty paid by importers is very greatly reduced. The Bill proposes, therefore, to apply to uppers for boots and shoes a minimum specific duty at half the rate applicable to complete boots and shoes. This will do much to safeguard the revenue, while it will at the same time leave some slight margin of advantage to the local assembly plant as compared with the importer of the complete article. Leather uppers, which in any case could not be cheap enough to fall within the scope of the minimum specific duty, are excluded for the technical reason that the *ad valorem* duty to which they are liable is, owing to the operation of the Ottawa Trade Agreement, different from that applicable to other uppers.

82. I now come to the second group of proposals which relate to artificial silk goods and to mixtures in which either silk or artificial silk may be included. The existing rate for mixtures is, owing to the operation of surcharges, 34⅓ths per cent. This item was introduced as providing an intermediate rate between that applicable to silk and that applicable to the other textile ingredient, whatever it may be, with which the silk is mixed. With the raising of the duty on non-British cotton piece-goods to 50 per cent. by the notification of last August, a new situation has been created, for manufacturers of such goods can escape this special duty by introducing at a trifling expense a very small quantity of silk or artificial silk into the warp or weft of cotton goods, and thus secure assessment at the lower rate of 34⅓ths per cent. applicable to mixtures—a result which would not only involve loss of revenue but would impair the operation of the protective policy of the Government. We have rejected a proposal that the mixed rate should be raised to 50 per cent., since that would be unfair to all the remaining classes of silk or artificial mixtures where the duty is still an intermediate one, and have resorted instead to the device of a minimum specific duty.

83. While a change in the duty on mixtures has been necessary for these reasons, it has also appeared desirable to us to guard against any falling off from the very satisfactory revenue that we have been receiving from the higher *ad valorem* duties on pure artificial silk goods, the imports of which are 99 per cent. Japanese. Such losses might occur either through a further fall in prices of Japanese goods, or through a decline in the volume of imports. We are also not able to leave out of consideration the possibility that to some extent competition of these goods, no less than of mixtures, when imported

at very cheap rates, may impair the effectiveness of the special protective duties on cotton piece-goods. Here again merely to raise the *ad valorem* rate would not only be a dangerous device from the revenue point of view, but would also be unfair to the manufacturers of the more expensive article in countries other than Japan ; and for both these reasons we have in this case also resorted to the device of a minimum specific duty.

84. The duties which we propose in both these cases have been carefully worked out in the light of the objectives to be attained, and they are 4 annas per square yard for pure goods and 2 annas 3 pies for mixtures.

(I may here note that in the case of both these proposals no distinction is made between silk and artificial silk. I have already explained why this must be so in the case of mixtures. In the case of pure goods, although the arguments in favour of imposing the specific duty for pure artificial silk goods do not apply to pure silk goods, nevertheless in practice it is highly unlikely that the duty which we have proposed will ever come into operation with silk goods ; while it is desirable on administrative grounds to maintain the duty on silk goods and artificial silk goods at the same level. We are therefore nominally extending the minimum to silk goods also. We do not think that these specific duties should be applied to fents, which, as in the case of cotton fents, will remain liable to the ordinary *ad valorem* duty.)

The value per square yard of the classes of piece goods concerned can only be estimated, since the trade is recorded in linear yards, but on the best estimate that can be made we calculate that with present prices the *ad valorem* incidence of the proposed duties will, in the case of pure artificial silk goods, be 100 per cent. on the Japanese and from 26 to 32 per cent. on others ; while on silk and artificial silk mixtures the average incidence will be 47 per cent. on Japanese goods and from 32 to 36 per cent. on others. In regard to mixtures I would remind the House that we are here mainly concerned with a possible abuse of the mixture definition so as to pass off what should really be called cotton goods as mixtures, in which case the *ad valorem* incidence of the specific duty would be very much higher.

Finally, I may say that we are making one more slight change and taking this opportunity to round off to 35 per cent. the present duty on mixtures, which, owing to the operation of the two surcharges, has reached the uncomfortable figure of 34 $\frac{3}{4}$ ths per cent.

85. The last of the three small changes which, as I have explained, we are proposing in the Finance Bill is designed to benefit not the Central but Provincial revenues. The House will remember that the stamp duty on cheques was abolished with effect from the 1st July 1927 on the recommendation of the Currency Commission of 1926. It was hoped that the abolition of the duty in India would lead to a wide adoption of cheques as a means of payment and thereby to a desirable encouragement of the banking habit. The actual results, however, have not been encouraging, and from enquiries made the Government of India believe that the remission of the duty has not had much effect. The report of the Indian Central Banking Enquiry Committee tends to confirm this belief, as it found that the most serious obstacle to the growth of the cheque habit in the country was the illiteracy of the people. We therefore felt that we had no strong grounds on which to resist the demand which has been pressed upon us by various Provincial Governments that the stamp duty should be reimposed in order to help their revenue, and we have accordingly somewhat reluctantly agreed to propose a reimposition of the duty for a limited period of three years. In order to allow due notice to banks and the public the change will, according to our proposal, only come into effect on the 1st July 1933. A provision for this purpose is included in

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the Finance Bill. The legislation must be central but the proceeds will be divided among the Provinces. We estimate that the proceeds in a full year will be about seven lakhs of which the greater share will go to Bombay and Bengal.

86. *Ways and Means*.—I must now turn to a review of the Ways and Means position for the current year and the next.

The outstanding features of the year have been the sensational improvement in our credit both in England and locally, which enabled us to fund a much larger amount of our loan commitments than appeared possible when I made my budget speech last year, and the strengthening in our currency reserves which has been possible as a result of the improvement both in our credit and in sterling exchange.

87. I will deal first with the latter. In my budget speech for 1932-33 I showed that one of the first sequels to the currency policy adopted in September 1931 was a large demand for currency in India. This currency had to be supplied, and though we were able to effect large purchases of sterling we decided that in the first instance the additional currency should be provided by the creation of *ad hoc* treasury bills, and that the sterling should be used for other purposes, such as the liquidation of our immediate loan liabilities in London. In this way we effected a net expansion of 35 crores against treasury bills. At the same time, I indicated that if in the current year we obtained more sterling than was necessary for supplying the requirements of our Home Treasury and the repayment of sterling loans falling due, the surplus would be used to strengthen our sterling currency reserves. This policy has been carried out and sterling securities have been substituted on a large scale for Treasury bills, the net reduction of the latter so effected during the year amounting to 14,39 lakhs.

I have already dealt with this question in my broader survey of the position as regards gold exports.

88. *Loans*.—In my last budget speech I anticipated that it would be possible to reduce the amount of treasury bills held by the public by about $7\frac{1}{2}$ crores from the current resources, and that we should not have to raise any loans during the year except to meet our maturing liabilities. I indicated, however, that if conditions were favourable we should take the opportunity by loan issues to strengthen our position and in particular to fund as much as possible of our floating debt. The continuous rapid improvement in our credit enabled us to float no less than one sterling and four rupee loans at rates which improved from over $5\frac{1}{2}$ per cent. to something below $4\frac{1}{2}$ per cent. The results of the latest conversion loan operation are not yet fully known, and when the estimates had to be completed early in February we could only work on guesses as to how much would be converted. For the purpose of the printed estimates we have assumed that Rs. 22 crores would be converted, and I have had to work out all my figures on this cautious assumption, though this amount had actually already been reached by February 21st. If I assume a higher figure, say, 30 crores, the position is that against an originally estimated discharge of permanent debt of $26\frac{1}{2}$ crores during the year we shall be able to discharge nearly 78 crores, and in addition to reduce the treasury bills outstanding with the public by 19,53 lakhs as compared with our original estimate of 7,51. When the discharge of *ad hoc* treasury bills, to which I have already referred, and the repayment of Ways and Means advances are included, this means that during the current year we shall have been able to fund immediate liabilities to the huge amount

of 121 crores, as compared with a budget estimate of 34. The bulk of this has been converted into regular loans for which the obligatory maturities range from 8 years in the case of the first loan issued last year, to 37 years in the case of our latest conversion scheme. The details of these loans are as follows :—

REVISED, 1932-33.		
<i>India.</i>		Rs. lakhs.
4 per cent. 1943		14,67
4 per cent. 1960-70		30,00
5 per cent. 1940-43		24,68
5½ per cent. 1938-40		18,76
		88,11
<i>England.</i>		
5 per cent. Stock 1942-47		12,67
		100,78
	Total	100,78

89. Our general programme has also been helped by exceptionally large receipts from post office cash certificates and savings bank deposits. Though the cheapening of money rates has enabled us to reduce the yield on the former from 6 per cent. to 4½ by two stages, the latter becoming operative on January 1, on which date most banks in India also reduced their rate of interest on deposits, no less than 14,35 lakhs was obtained from these two sources, as compared with the budget estimate of 7 crores, and an average of less than 5½ crores for the 5 years from 1928 to 1931. I want to direct particular attention to this result on which I have already commented in my general review of the economic position.

90. *Capital Expenditure—Railways.*—The Railway capital outlay in the current year is now estimated to be 81 lakhs as compared with 4,15 lakhs estimated in the budget—this reduction meaning an improvement of 3,34 lakhs in our Ways and Means position. As against this, the results of normal operations have made somewhat heavier demands on our Ways and Means position than was anticipated. The gross receipts continued to be disappointing, though the fall was largely offset by increased savings in working expenses.

The net result is that a loan of 934 lakhs had to be taken from the depreciation fund as compared with the estimate of 759 in the budget. In this connection, however, I must point out that the accretion to the depreciation fund during the year was 815 lakhs so that the effect of this loan is to reduce the fund by only 119 lakhs, from 14,86 to 13,67.

91. *Provincial drawings.*—The provincial drawings have been much less than was anticipated when framing the budget, amounting to 564 lakhs as compared with 10,62, this being the effect of the policy of the drastic restriction of advances from the provincial loans fund to capital works already in hand, and the curtailment of these as far as possible. Unfortunately, though the position of some Provinces was better than anticipated, others, particularly Bengal, have had again to face heavy deficits.

92. *Revenue surplus.*—It is estimated that the revenue surplus will be 217 lakhs as compared with the 215 lakhs originally budgetted for.

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NEXT YEAR 1933-34.

93. *Capital Expenditure.*—I shall have something to say in my concluding remarks as regards our general policy of Capital expenditure and the possibility of expansion in the future. But whatever change in the direction of a more expansive programme we may hereafter feel justified in considering, it is not likely to have appreciable effects as regards expenditure in the coming year. For the purpose of the estimates we are including provision for Capital expenditure of 330 lakhs on the Railways and 424 lakhs for loans to the Provincial Governments.

94. *Borrowing programme, 1933-34.*—With this reduced capital programme I estimate that it will be possible to effect a further reduction of 8 crores in our outstanding treasury bills and still have approximately 17 crores available to meet our maturing loan liabilities apart from what we may obtain from fresh borrowing. This is clearly a very strong position. In making this estimate I have allowed for the possibility of drawing to the extent of about 11 crores on our sterling balance with the Secretary of State. Owing to the very large figure at which this balance now stands, such a reduction would be quite legitimate. Apart from this I have allowed only for receipts to the amount of 840 lakhs from savings bank and cash certificate receipts. This is of course very substantially less than the estimated figure of 14,35 lakhs in the current year. I have allowed for this decrease because of the reduction in the rate of interest to 4½ per cent., but this form of investment has now so thoroughly popularised itself throughout India that it is not at all improbable that our budget estimate will be materially exceeded.

95. Against these resources of 17 crores our maturing loan liabilities are of very modest dimensions. We have the option of repaying the £7 millions 6 per cent. sterling 1933-35 bonds, and we shall have to deal with any portion of the rupee loans of 1929-47, 1933 and 1933-36 which is not converted. On the assumption that 30 crores of the latter are converted, we shall only require to raise a loan of 4 crores in India, and on the assumption that we repay the £7 million sterling loan, we should require to raise only £6 million equivalent to 8 crores in London. These figures, however, cannot be regarded as more than tokens. If conditions are favourable in London we might issue a larger loan and use the proceeds for strengthening our sterling currency reserves, or to repay £10 million 6 per cent. 1933-34 Bonds which we have the option of repaying on the 15th December. If the conversions on our present scheme are larger than 30 crores, the loan liabilities in India will be so much less, and we may proceed further with the funding of treasury bills.

One important point to note is that according to these estimates, and without any further loans, the treasury bills outstanding with the public will, on our present estimates, be reduced to the comfortable figure of 28 crores by March 31, 1933, a very satisfactory reduction from the 84½ crores outstanding at the end of August 1931.

96. *Home charges.*—Exchange was very steady throughout the year, and large purchases of sterling were made from the middle of August. The estimated purchases for the year are approximately thirty-nine million pounds. In addition, £715,000 was taken over from the Calcutta Port Trust, being the balance of a sterling loan floated by them. Our requirements for the year were £24 millions so that the balance of approximately £15½ millions was available for strengthening our currency reserves, which I indicated in my last budget speech as the most appropriate use to which they could be put. I estimate that our closing balance in London this year will be £13,400,000, as compared

with £15,900,000 last year. This is still a large figure, but I consider it advisable to adhere to it, as an alternative source from which we can meet our sterling loan maturities should this prove preferable to sterling borrowing. On the assumption that we float a sterling loan of six millions, this means that the sterling which we will have to purchase in 1933-34 will be £21 million, and if further remittances are obtained, it will probably prove best to devote them, as in this year, to the further strengthening of our sterling reserves.

97. The position which I have thus explained may be summarised as follows ; but I must repeat that this summary is compiled on the assumption that only 22 crores will have been taken up under the February conversion scheme. If the results are different from this the figures as regards rupee loans, both for the current year and next year will be substantially altered.

Liabilities.

	Budget, 1932-33.	Revised, 1932-33.	Budget, 1933-34.
Railway Capital outlay	4.15	4.81	3.30
Other Capital outlay	1.50	1.52	1.23
Provincial drawings	10.62	5.64	4.37
Discharge of permanent debt	26.56	69.48	37.10
Discharge of treasury bills—			
(a) with the public	7.51	19.53	8.00
(b) in the Paper Currency Reserve . . . . .	..	14.39	..
Repayment of Ways and Means advances . . . . .	..	9.50	..
Loans and advances by Central Government	26	76	72
Other transactions	08	1.53	—2.53
	<hr/> 50.66	<hr/> 123.16	<hr/> 52.19

Resources.

Revenue surplus	2.15	2.17	42
Rupee loans (net)	14.50	80.11	12.00
Sterling loans (net)	8.00	12.67	8.00
Post Office cash certificates and savings bank	7.00	14.35	8.40
Other unfunded debt	4.71	3.67	4.96
Appropriation for reduction or avoidance of debt	6.82	6.84	6.88
Depreciation and Reserve Funds	52	—91	—20
Reduction of cash balances	6.96	4.26	11.73
	<hr/> 50.66	<hr/> 123.16	<hr/> 52.19

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98. I have endeavoured to give the House a fair appreciation of our present position. I fear that I have taken a great time, but even so it has only been possible to touch superficially on many important points. In the field of finance the outstanding features of the year under review are, first, the re-establishment of budgetary equilibrium, secondly, the great improvement in Government credit which has completely transformed the market for Government securities, thirdly, the creation of cheap money conditions.

99. I want to say a few final words on the last two points which are closely connected. If we turn our memories back eighteen months ago to that day in September 1931 when I had to introduce the emergency financial plan, the transformation is indeed marvellous. At that time $3\frac{1}{2}$ per cent. paper in India stood at 53; now it stands at about 82; Indian $3\frac{1}{2}$ per cent. sterling securities stood at 46; now they stand at about 89. The 1960-70 4 per cent. loan of which we hope to place about 30 crores on our present conversion plan and which stands at about 94 then stood at 62, and at that time the idea of placing a long term loan on any terms would have been utterly impossible. Eighteen months ago the bank rate stood at 6 per cent., today it stands at $3\frac{1}{2}$ per cent. and I would remind the house that at least as far back as I have been able to trace, that is for 29 years back to 1904, the bank rate at this time of the year has never stood below 6 per cent.

Eighteen months ago we had a floating debt of Rs. 84 crores; today it is reduced to 35 crores. Now in all this we have obviously been helped by world conditions, and of course cheap money is to some extent a sign of low industrial and commercial activity. But making every allowance for these factors, the transformation in our position would have been quite impossible unless our own budgetary policy had been sound.

100. The maintenance both of Government credit and of cheap money conditions is dependent on the maintenance of a sound budgetary position, for if Government were to start meeting its current needs with borrowed money, we might not only become unable to borrow that money at cheap rates, but it might also be necessary to raise the bank rate in order to protect the currency position.

101. I wish, moreover, to emphasise how vitally important it is in the interests of commerce and industry to maintain both these conditions of high credit and cheap money. Indeed, the one hope amid the present depression is that the power to raise long term loans at low rates of interest will provide a stimulus for the revival of capital expenditure; and that is the only sound way by which an exit can be found from the present depression. I know that many people hold that the present high rates of taxation, particularly of income-tax, are crushing industrial enterprise; but I would put it to them that nothing is more likely to damage business than a premature relaxation of our present measures leading to difficulties and unsoundness in public finance. For this again would lead not only to a loss of Government credit and a rise in the general rates of interest, but would almost certainly make it necessary in the long run to reimpose taxation at higher rates in order to recover the lost ground. If, on the other hand, the Government keeps its position strong, and if, as a result of the confidence thus created, the public become ready to invest in long term securities at low rates of interest, that offers hope of an industrial revival which will soon make it possible to reduce taxation. There is no other sound remedy for the present disease.

102. Let me say also a few words as to Government's own policy in these matters. We believe that the time is coming when our own position will be

so strong that we can safely contemplate relaxing the restriction on capital expenditure which we have had to impose during the last few years. With the success of our conversion schemes we are gradually approaching a period when we shall be entirely relieved of the embarrassment of having to meet heavy loan maturities each year. Once that stage is attained we shall require to raise only a very small amount of money from the public each year in order to support quite a substantial programme of capital expenditure.

103. But there are certain conditions which will very definitely govern our action.

In the first place we must adhere to the policy of not regarding any schemes as suitable objects for capital expenditure which are not economically sound and productive. In the second place we do not intend to launch out into any programme on a scale which is likely to depress the market for Government securities by putting us in the position of having to ask the investing public to subscribe more money than it has readily available for investment. We are approaching a period when there is more money for investment in Government loans than we require to raise. That is a very healthy change of conditions from those of the past few years and we do not intend to disturb these new conditions.

104. As regards the outlets for capital expenditure, these again must be carefully chosen. Contrary to the general public impression, it does not appear that there are any very urgently needed railway extensions or railway works, for in spite of the restrictions of the past few years, the railways have kept fairly well abreast of current needs. Railways, moreover, must no longer be treated in isolation; they must be regarded merely as one part of a general system of transportation and communications, of which roads also are a most important feature. At the Conference on Road and Railway policy which is to be held at Simla on April 24, as announced by His Excellency the Governor General when he addressed the Assembly at the opening of this session, we shall consider the whole problem of financing road development. Whether any immediate opening for sound capital expenditure can be found in connection with roads I cannot yet say. All that I can say is that the time has come when we think it right to give these matters our active consideration.

105. In the matter of our future policy as regards conversion schemes and funding operations, I cannot of course announce any precise plans. We have proceeded so far step by step, and at each step we have raised the level of securities and given to the investors concerned an opportunity to convert their holdings in a manner which has left them a good margin of profit. I have every reason to anticipate that this process will continue, for I believe that, subject always to the maintenance of sound Government finance, we have before us a long period of cheap money and the possibility of seeing securities reach a substantially higher level. In this policy we are looking not merely to the immediate, but also to the more distant future. We feel that with the new constitution approaching we have a special duty to prepare the way, so that the first years of the new Government may be freed from embarrassment. In particular, we desire to consolidate the position so as to make it possible to start a Reserve Bank on sound foundations.

106. And that brings me to the last thing which I have to say. I fully realise that the budgetary plan which I have just announced is not of a nature to stir enthusiasm. It involves a continuance of the grim effort which has been sustained during the past eighteen months. But if Honourable Members look round the world, they will, during the next few weeks, see the Finance Ministers in every country which believes in sound finance introducing budgets very much of this kind. If they dislike the continuance of this effort, I am

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sure they will appreciate that I dislike it equally, and that it must be a very great disappointment for me, on this occasion of the last budget of my five-year term, not to be able to take for the first time the pleasant path of relaxing burdens of taxation. But I have felt it necessary to take the harder path; and I have at least this consolation. When I first took office, though the rest of the world was still booming, it became apparent to me very early that India was faced with special difficulties, and was destined for a period both of constitutional uncertainty, and of borrowing to meet past commitments, which would inevitably reduce her credit. But today we have recovered from all that and I think we may feel that India, amidst a world which is floundering in the gravest trouble and distress, has reached a position in regard to her public finance which challenges comparison with that of any other country. That we have been aided both by special fortune and by the strong reserve resources of the Indian people in attaining this position, I should be the first to admit. But that, while it does not diminish the value of the position, only strengthens the obligation which rests upon us to make the utmost efforts to maintain it. I would appeal to the House to support us both in those efforts and in the fulfilment of what is now our guiding purpose—the purpose of leaving to the new Government of India a house well stored and buttressed against all the storms which it may encounter. (Loud Applause.)

THE INDIAN FINANCE BILL.

The Honourable Sir George Schuster (Finance Member): Sir, I beg to move for leave to introduce the Indian Finance Bill, 1933.

Mr. Chairman (Sir Hari Singh Gour): The question is:

“That leave be granted to introduce the Indian Finance Bill, 1933”.

The motion was adopted.

The Honourable Sir George Schuster: Sir, I introduce the Bill.

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 1st March, 1933.