

21st March 1939

**THE
LEGISLATIVE ASSEMBLY DEBATES**

(Official Report)

Volume III, 1939

(14th March to 28th March, 1939)

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



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CONTENTS.

VOLUME III.—14th March to 28th March, 1939.

	PAGES.		PAGES.
TUESDAY, 14TH MARCH, 1939—		THURSDAY, 16TH MARCH, 1939—	
Starred Questions and Answers	2003—23	Member Sworn	2151
Message from the Council of State	2023	Starred Questions and Answers	2151—82
The General Budget—List of Demands—		Unstarred Questions and Answers	2182—83
Demand No. 10—Indian Posts and Telegraphs Department (including Working Expenses)—	2024—46	Election of Members to the Standing Committee on Emigration	2184
Departure from the Practice of using Urdu script in Postal Forms	2024—29		
Carrying on a one-sided Propaganda and withholding Telegrams sent by the Rival Party	2032—46	The General Budget—List of Demands—	
Demand No. 19—Commerce Department	2048—50	Demand No. 17—Department of Education, Health and Lands—	2184—
Conditions to be imposed on subsidised or protected Industries in India	2048—50	Indians Overseas	2184—
Demand No. 12—Executive Council	2050—73	. . . . .	2211
Constitution and terms of reference of the Sandhurst Committee appointed against the Resolution of the Legislative Assembly	2050—73	Demand No. 19—Commerce Department—	2211—26
WEDNESDAY, 15TH MARCH, 1939—		Failure of the Government to protect the Coccoanut Industry	2211—26
Starred Questions and Answers	2075—	Demand No. 15—Home Department—	2226—30
	2105.	State Prisoners detained without trial	2226—30
Postponed Question and Answer	2105	Demand No. 1—Customs	2230
The General Budget—List of Demands—		Demand No. 2—Central Excise Duties	2231
Demand No. 12—Executive Council	2105—	Demand No. 3—Taxes on Income including Corporation Tax	2231
	49.	Demand No. 4—Salt	2231
Government's Defence Policy and Administration	2105—49	Demand No. 5—Opium	2231
Demand No. 17—Department of Education, Health and Lands	2149	Demand No. 6—Provincial Excise	2231
Indians Overseas	2149	Demand No. 7—Stamps	2231
		Demand No. 8—Forest	2231
		Demand No. 9—Irrigation (including Working Expenses), Navigation, Embankment and Drainage Works	2232
		Demand No. 10—Indian Posts and Telegraphs Department (including Working Expenses)	2232

THURSDAY, 16TH MARCH, 1939— <i>contd.</i>	PAGES
The General Budget—List of Demands— <i>contd.</i>	
Demand No. 11—Interest on Debt and other Obligations and Reduction or Avoidance of Debt	2232
Demand No. 12—Executive Council	2232
Demand No. 13—Council of State	2232
Demand No. 14—Legislative Assembly and Legislative Assembly Department	2232
Demand No. 15—Home Department	2233
Demand No. 16—Legislative Department	2233
Demand No. 17—Department of Education, Health and Lands	2233
Demand No. 18—Finance Department	2233
Demand No. 19—Commerce Department	2233
Demand No. 20—Department of Labour	2233
Demand No. 21—Department of Communications	2233
Demand No. 22—Central Board of Revenue	2234
Demand No. 23—India Office and High Commissioner's Establishment Charges	2234
Demand No. 24—Payments to other Governments, Departments, etc., on account of Services rendered	2234
Demand No. 25—Audit	2234
Demand No. 26—Administration of Justice	2234
Demand No. 27—Police	2234
Demand No. 28—Ports and Pilchage	2234
Demand No. 29—Lighthouses and Lightships	2235
Demand No. 30—Survey of India	2235
Demand No. 31—Meteorology	2235
Demand No. 32—Geological Survey	2235
Demand No. 33—Botanical Survey	2235

THURSDAY, 16TH MARCH, 1939— <i>contd.</i>	PAGES
The General Budget—List of Demands— <i>contd.</i>	
Demand No. 34—Zoological Survey	2235
Demand No. 35—Archaeology	2235
Demand No. 36—Mines	2236
Demand No. 37—Other Scientific Departments	2236
Demand No. 38—Education	2236
Demand No. 39—Medical Services	2236
Demand No. 40—Public Health	2236
Demand No. 41—Agriculture	2236
Demand No. 42—Imperial Council of Agricultural Research	2236
Demand No. 43—Scheme for the Improvement of Agricultural Marketing in India	2237
Demand No. 44—Imperial Institute of Sugar Technology	2237
Demand No. 45—Civil Veterinary Services	2237
Demand No. 46—Industries	2237
Demand No. 47—Aviation	2237
Demand No. 48—Capital Outlay on Civil Aviation charged to Revenue	2237
Demand No. 49—Broadcasting	2237
Demand No. 50—Capital Outlay on Broadcasting	2238
Demand No. 51—Indian Stores Department	2238
Demand No. 52—Commercial Intelligence and Statistics	2238
Demand No. 53—Census	2238
Demand No. 54—Emigration—Internal	2238
Demand No. 55—Emigration—External	2238
Demand No. 56—Joint Stock Companies	2238
Demand No. 57—Miscellaneous Departments	2239
Demand No. 58—Currency	2239

THURSDAY, 16TH MARCH, 1939— <i>concl'd.</i>		PAGES.	FRIDAY, 17TH MARCH, 1939—		PAGES.
The General Budget—List of Demands— <i>concl'd.</i>					
Demand No. 59—Mint	2239	Starred Questions and Answers	2243—64		
Demand No. 60—Civil Works	2239	Postponed Question and Answer	2264—65		
Demand No. 61—Central Road Fund	2239	Unstarred Question and Answer	2266		
Demand No. 62—Superannuation Allowances and Pensions	2239	Election of Members to the Standing Committee for the Department of Commerce	2266		
Demand No. 63—Stationery and Printing	2239	Election of Members to serve on the Standing Committee for Roads	2266		
Demand No. 64—Miscellaneous	2240	Election of the Standing Finance Committee for Railways	2267		
Demand No. 65—Grants-in-aid to Provincial Governments	2240	Election of the Central Advisory Council for Railways	2267		
Demand No. 66—Miscellaneous Adjustments between the Central and Provincial Governments	2240	The Indian Finance Bill—Discussion on the motion to consider not concluded	2268—2312.		
Demand No. 67—Expenditure on Retrenched Personnel charged to Revenue	2240	SATURDAY, 18TH MARCH, 1939—			
Demand No. 68—Delhi	2240	Member Sworn	2313		
Demand No. 69—Ajmer-Merwara	2240	Starred Questions and Answers	2313—36		
Demand No. 70—Panth Piploda	2241	Unstarred Questions and Answers	2336—37		
Demand No. 71—Andamans and Nicobar Islands	2241	Motion for Adjournment re Ejectment and Prosecution of a First Class Railway Passenger for wearing a Dhoti—Ruled out of order	2337—38		
Demand No. 72—Indian Posts and Telegraphs	2241	Election of Members to the Public Accounts Committee	2338		
Demand No. 73—Indian Posts and Telegraphs—Stores Suspense (not charged to Revenue)	2241	The Indian Finance Bill—Discussion on the motion to consider not concluded	2338—78		
Demand No. 74—Indian Posts and Telegraphs—Capital Outlay on Telephone Projects (not charged to Revenue)	2241	MONDAY, 20TH MARCH, 1939—			
Demand No. 75—Capital Outlay on Vizagapatam Harbour	2241	Member Sworn	2379		
Demand No. 76—Delhi Capital Outlay	2242	Starred Questions and Answers	2379—2408.		
Demand No. 77—Commuted Value of Pensions	2242	Unstarred Questions and Answers	2408—15		
Demand No. 78—Interest-free Advances	2242	The Registration of Foreigners Bill—Presentation of the Report of the Select Committee	2415		
Demand No. 79—Loans and Advances bearing Interest	2242				

	PAGES.		PAGES.
MONDAY, 20TH MARCH, 1939—contd.		THURSDAY, 23RD MARCH, 1939—contd.	
The Indian Finance Bill— Discussion on the motion to consider not concluded . . .	2415—58	Election of Members to the Standing Committee for Roads	2634
TUESDAY, 21ST MARCH, 1939—		Election of Members to the Standing Finance Com- mittee for Railways	2634—35
Starred Questions and Answers	2459—78	Message from the Council of State	2635
Postponed Question and Answer	2478—79	The Indian Finance Bill— Discussion on the consider- ation of clauses not con- cluded	2635—50, 2651—79.
The Indian Finance Bill— Motion to consider adopted	2479— 2530.	The Criminal Law Amendment Bill—Presentation of the Report of the Select Com- mittee	2650
WEDNESDAY, 22ND MARCH, 1939—		FRIDAY, 24TH MARCH, 1939—	
Starred Questions and Answers	2531—52	Starred Questions and Answers	2681—99
Postponed Questions and Answers	2552—53	Bill passed by the Council of State	2699
Motion for Adjournment <i>re</i> Government's refusal to give an opportunity to the Assembly to express its opinion on the proposed Bill to amend the Govern- ment of India Act, 1935— Disallowed by the Governor General	2553— 2586.	The Indian Finance Bill—Dis- cussion on the consideration of clauses concluded	2699— 2749.
Election of Members to the Standing Committee on Pilgrimage to the Hedjaz	2554	SATURDAY, 25TH MARCH, 1939—	
The Indian Finance Bill— Discussion on the considera- tion of clauses not conclud- ed.	2554—85, 2586—99.	Starred Questions and Ans- wers	2751—62
THURSDAY, 23RD MARCH, 1939—		Message from His Excellency the Viceroy and Governor General	2763
Starred Questions and Answers	2601—29	The Indian Finance Bill— Recommended amendment to clause 2 negatived	2763—71
Statements laid on the Table	2629—32	Demands for Supplementary Grants in respect of Rail- ways	2771— 2807.
Motion for Adjournment <i>re</i> — Alleged criminal assault on a respectable Indian Lady by British Soldiers at the Ferozepore Cantonment— Disallowed	2632	Demands for Supplementary Grants.	2807—16
Reported appointment of Mr. Bird as the Special Income-tax Commission- er—Disallowed	2633—34	MONDAY, 27TH MARCH, 1939—	
		Members Sworn	2817
		Starred Questions and Answers	2817—24
		Statements laid on the Table	2825
		Motion <i>re</i> the Indo-British Trade Agreement—Discus- sion not concluded	2826—28

	PAGES.		PAGES.
TUESDAY, 28TH MARCH, 1939--		TUESDAY, 28TH MARCH, 1939—contd.	
Starred Questions and Answers	2895— 2939.	Election of Members to the Central Advisory Council for Railways	2940
Unstarred Question and Answer	2939—40	Election of a Member to the Standing Committee on Pilgrimage to the Hedjaz	2949
		Motion <i>re</i> Indo-British Trade Agreement—negatived	2940— 3004.

LEGISLATIVE ASSEMBLY.

Tuesday, 21st March, 1939.

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

STARRED QUESTIONS AND ANSWERS.

(a) ORAL ANSWERS.

REDUCTION IN INDIA'S CONTRIBUTION TO THE LEAGUE OF NATIONS.

1201. *Mr. T. S. Avinashilingam Chettiar: Will the Honourable the Law Member state:

- (a) whether Government have made representations to the League of Nations for the reduction of the contribution of India to the League;
- (b) whether any decisions have been reached in the matter; and
- (c) if so, to what effect?

The Honourable Sir Nripendra Sircar: (a), (b) and (c). The Honourable Member is referred to my reply to starred question No. 717 by Sardar Mangal Singh on the 24th February, 1939.

Mr. T. S. Avinashilingam Chettiar: May I know whether Government have received any reply to the representations which he recently said they have made that their contributions to the League should be lessened?

The Honourable Sir Nripendra Sircar: I explained the position in my answer to the question of Sardar Mangal Singh. There is no question of reply. We are awaiting the report of the committee which is considering this matter.

Mr. T. S. Avinashilingam Chettiar: When do they expect to receive the decision of the committee?

The Honourable Sir Nripendra Sircar: I have no expectation one way or the other.

SETTING UP OF A CENTRAL SUGAR CONTROL BOARD.

1202. *Mr. S. Satyamurti: Will the Secretary for Education, Health and Lands please state:

- (a) whether it is a fact that the Governments of the United Provinces and Bihar have addressed the Government of India for setting up an All-India Licensing Board for granting licences to sugar factories in order to regulate the production and to eliminate the possibility of overproduction of sugar; and

- (b) whether Government propose to set up such a Central Sugar Control Board?

Sir Girja Shankar Bajpai: (a) and (b). The Honourable Member's attention is invited to the replies given to Seth Haji Sir Abdoola Haroon's starred questions Nos. 957 and 958 on the 10th March, 1939.

Mr. S. Satyamurti: Are Government considering the question of getting this ban on the export of sugar by sea outside India removed as early as possible?

Sir Girja Shankar Bajpai: I submit that question does not arise.

Mr. S. Satyamurti: If my Honourable friend will refer to the last two lines of part (a) of this question

“eliminate the possibility of overproduction of sugar” and one of the possibilities which can be explored is to remove the ban on export by sea of sugar from this country.

Sir Girja Shankar Bajpai: My Honourable friend will remember that the other day when he asked me a question on the subject of overproduction in the course of a supplementary in my answer I informed him that the phenomenon was limited to one year.

CONTEMPLATED IMPOSITION OF AN IMPORT DUTY ON WHEAT FLOUR FROM INDIA IN BURMA.

1203. ***Mr. S. Satyamurti:** Will the Honourable the Commerce Member please state:

- (a) whether Government have any information to the effect that the Burma Government contemplate imposing an import duty on wheat flour from India;
- (b) whether today wheat flour is allowed free entry from India into Burma; and
- (c) whether Government propose to cause enquiries to be instituted in the matter and place the information on the table of the House as early as possible?

The Honourable Sir Muhammad Zafrullah Khan: (a) No.

(b) Yes.

(c) In view of the provisions of paragraph 1 of Part III of the India and Burma (Trade Regulation) Order Government do not see any reason to make an enquiry.

With your permission, Sir, I might add that when answering questions with regard to the Burma Trade Regulation Order on the last occasion, I believe it was in answer to Mr. Avinashilingam Chettiar's question that I stated that if notice had to be given it must be given by 31st March. I have since again studied the provisions of the Order and I find that Article VII, though it does prescribe one year's notice, it does not require, as I had mistakenly thought at the time, that notice must start with the end of the year. Notice can be given at any time though its duration must be one year. I owe it to the House to make that correction.

Mr. S. Satyamurti: May I know if the answer, "no", is based on any enquiries made with regard to Burma Government's intentions in this matter?

The Honourable Sir Muhammad Zafrullah Khan: As I have said in answer to part (c) in view of the provisions of paragraph 1 of Part III of the India and Burma (Trade Regulation) Order, Government do not see any reason to make an enquiry. Government have no kind of apprehension that this is likely to be done while the agreement is in force.

Mr. T. S. Avinashilingam Chettiar: May I take it that even though that notice is to be given after 31st March, 1939, Government will come to a conclusion over this matter to give notice of termination of agreement before the end of this month as they originally contemplated?

The Honourable Sir Muhammad Zafrullah Khan: Why I had to re-consider the matter and study afresh the relevant provision of the Trade Regulation Order was that the consideration of this matter was likely to take a little longer than I had originally anticipated. There are so many matters to be looked into and having regard to the time limit which I mistakenly thought was imposed upon us, I was worried, but nevertheless, the consideration of the matter is being pushed forward as quickly as possible.

Seth Govind Das: By what time does the Honourable Member expect to come to a decision?

The Honourable Sir Muhammad Zafrullah Khan: As early as possible.

Seth Govind Das: Will it be before the termination of this Session?

The Honourable Sir Muhammad Zafrullah Khan: I cannot specify any particular date, but there will be no avoidable delay.

CONCLUSIONS ON THE REPORT ON IMMIGRATION INTO CEYLON.

1204. ***Mr. S. Satyamurti:** Will the Secretary for Education, Health and Lands please state:

- (a) whether the Government of India have any information as to the conclusion of the Board of Ministers of Ceylon on the report of Sir Edward Jackson on immigration into Ceylon;
- (b) whether it is a fact that the Board of Ministers have decided that no person should be allowed to remain in Ceylon for more than six months, if he is engaged in any profession or employment in respect of which it is considered that Ceylonese are available who can be employed efficiently in his place;
- (c) whether they have also decided that every immigrant should have a passport or identity card and should present himself to the proper authority as and when necessary;

(d) whether it is a fact that they have also recommended that quotas of Ceylonese employees be imposed in the case of all businesses in Ceylon employing labour other than estates; and

(e) whether Government propose to take up this and other connected matters in connection with trade negotiations between India and Ceylon?

Sir Girja Shankar Bajpai: (a) to (d). Government have no definite information but the Agent in Ceylon is watching developments.

(e) I would refer the Honourable Member to the replies given by the Honourable the Commerce Member to his starred questions Nos. 874 and 1298 on the 9th September, 1938, and the 17th November, 1938, respectively.

Mr. S. Satyamurti: With reference to part (e), may I know whether the position is that Government have decided as regards the date of starting these negotiations with Ceylon and as part of the negotiations they will consider all these matters and others connected with the status of Indians in Ceylon?

Sir Girja Shankar Bajpai: The latter part of the question, I can answer. The Honourable the Commerce Member made it clear in the replies to which I have referred that the scope of the negotiations will not be limited to purely commercial matters. As regards the date of the discussions so far as I know no date has yet been settled.

Mr. S. Satyamurti: With reference to parts (c) and (d), may I know whether Government, if they have no information, will ascertain as early as possible from their Agent as to the allegations contained therein, namely, that every immigrant should have a passport or identity card and that quotas of Ceylonese employees should be imposed on businesses in Ceylon employing labour other than estates?

Sir Girja Shankar Bajpai: I would inform my Honourable friend that apart from the press report to this effect, we had a representation recently on this subject from one of the Indian Associations in Ceylon. Both the press reports and the representation have been referred to our Agent for enquiry and necessary action and report to us thereafter.

Mr. T. S. Avinashilingam Chettiar: May I know whether Government have seen a press report that all the people now under the employ of Ceylon Government will be sent out and Ceylonese will be employed in their stead?

Sir Girja Shankar Bajpai: I submit strictly speaking that question does not arise.

Mr. K. Santhanam: May I know whether, when the trade negotiations are started, the Department of the Honourable Member will be associated with these negotiations?

Sir Girja Shankar Bajpai: I do not think that stage has yet been reached to settle the personnel of the Indian delegation, but I have no doubt whatsoever that necessary consultations will take place.

Mr. K. Santhanam: May I know whether the Honourable Member has made it certain that a member of his department will be included in the delegation so that these matters may get proper consideration?

Sir Girja Shankar Bajpai: I do not think my Honourable friend can insist upon knowing how the Government of India are going to adjust their own representation?

Mr. T. S. Avinashlingam Chettiar: May I point out, Sir, that my question which I just now asked does arise? Part (b) of this question reads:

"whether it is a fact that the Board of Ministers have decided that no person should be allowed to remain in Ceylon for more than six months, if he is engaged in any profession or employment in respect of which it is considered that Ceylonese are available who can be employed efficiently in his place."

My question was whether the Honourable Member is aware of a press report to the effect that the Government of Ceylon are contemplating a measure by which Indians employed in Ceylon services will be sent out of service?

Sir Girja Shankar Bajpai: I still submit that this question relates to certain intentions of the Government of Ceylon with regard to immigration. The whole thing arises out of the report of Sir Edward Jackson which relates to the question of immigration, but in order to prevent further supplementaries I can inform my Honourable friend that I have had a representation to that effect and enquiries have been made.

COAL DEPOSIT AT NAMCHICK IN THE LAKHIMPUR FRONTIER TRACTS IN ASSAM.

1205. *Mr. Kuladhar Chaliha: (a) Will the Honourable Member for Labour please state if there is a large and rich coal deposit at Namchick in the Lakhimpur Frontier Tracts in Assam, about 20 miles from Digboi?

(b) Have Government given the lease to anybody, and what are the conditions of the lease?

The Honourable Sir Muhammad Zafrullah Khan: (a) It is believed so.

(b) The Government of India have no information as the development of mineral resources is a provincial concern.

Mr. Brojendra Narayan Chaudhury: What is the estimated quantity of coal?

The Honourable Sir Muhammad Zafrullah Khan: It is very difficult to give exact information.

Mr. Brojendra Narayan Ohaudhury: Whether the Burrows Coal Committee took into consideration the large and rich coal deposit at Namchick when they estimated the total quantity of coal available in India and the necessity for coal conservation.

The Honourable Sir Muhammad Zafrullah Khan: That, I am obviously unable to say.

Mr. Kuladhar Ohalaha: May I know whether in the northern part of Assam there has been a large geological survey recently?

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

APPOINTMENTS IN CERTAIN IMPERIAL SERVICES IN THE PROVINCES.

1206. *Mr. Kuladhar Ohalaha: Will the Education Secretary please state:

- (a) the number of appointments in the
 - (i) Indian Veterinary Service,
 - (ii) Indian Educational Service,
 - (iii) Indian Agricultural Service,
 - (iv) Indian Forest Service,
 - (v) Indian Forest Engineering Service, and
 - (vi) Indian Medical Service,
 in the different Provinces of India. (Please show separately Province by Province);
- (b) the number of appointments held by the people of the Province;
- (c) the number of appointments held by Indians from outside the Province;
- (d) the number held by Europeans;
- (e) the number of such appointments held by Indians and Europeans from the Provincial Services by promotion; and
- (f) whether there is any quota for different Provinces provided other test conditions are satisfied?

Sir Girja Shankar Bajpai: (a) to (e). A statement containing the information is laid on the table of the House.

(f) No.

Statements regarding appointments in certain Services.

Service.	Province.	No. of appointments.	No. of appointments held by the people of the Province.	No. of appointments held by Indians from outside the Province.	No. held by Europeans.	No. of posts held by Indians and Europeans from the provincial services by promotion	Remarks.
1	2	3	4	5	6	7	8
<i>Indian Veterinary Service.</i>	Madras . . .	2	2	...	Information for columns 4 and 5 is not available but one post is held by an Indian.
	Bombay . . .	1	...	...	1	...
	Bengal . . .	1	...	...	1	...
	U. P. . . .	1	...	...	1	...
	Punjab . . .	3*	...	...	2	...
	Bihar . . .	1	...	...	1	...
	Sind	1	...	...	1	...
Total		10			9	...	*Includes one officer on leave preparatory to retirement. On leave preparatory to retirement.
<i>Indian Educational Service (Men's Branch).</i>	Madras . . .	14	4	3	3	2	4 posts are vacant. 4 posts are vacant. 1 post is vacant.
	Bombay . . .	20	9	2	5	3	
	Bengal . . .	9	3	3	3	1	
	U. P. . . .	8	1	4	3	...	
	Punjab . . .	8	3	2	3	1	
	Bihar . . .	9	2	4	2	2	
	Orissa . . .	2	1	1	...	...
	C. P. & Berar .	7	...	1	6	...	
	Assam . . .	4	1	1	2	1	
	N.-W. F. Province.	1	...	...	1	...
Total		82	24	21	28	10	
<i>Indian Educational Service (Women's Branch).</i>	Madras . . .	5	1	...	3	1	1 post is vacant.
	Bombay . . .	1	...	...	1	1
	C. P. & Berar .	1	...	...	1	...
	N.-W. F. Province.	1	...	...	1	1
	Total		8	1	...	6		3
<i>Indian Agricultural Service.</i>	Madras . . .	10	4	2	2 posts are vacant. 1 post is vacant. 1 post is vacant. 1 post is vacant. 1 post is vacant. 1 post is vacant. 1 post is vacant.
	Bombay . . .	7	...	...	3	2
	Bengal . . .	3	...	...	2	...
	United Provinces.	8	...	...	3	...
	Punjab . . .	9	...	...	3	...
	Bihar . . .	3	...	...	2	...
	Central Provinces.	6	...	...	3	1
	Assam . . .	2	...	...	...	...
Total		48	...	...	20	5

Information for columns 4 and 5 is not available, but 23 posts are held by Indians.

Statement regarding appointments in certain Services—contd.

Service.	Province.	No. of appointments.	No. of appointments held by the people of the Province.	No. of appointments held by Indians from outside the Province.	No. held by Europeans.	No. of posts held by Indians and Europeans from the provincial services by promotion.	Remarks.
1	2	3	4	5	6	7	8
Indian Forest Service.	Madras (including Coorg).	47	13	9	22	2	3 posts are vacant.
Combined cadre.	Bombay	18	1	3	14	1	
	Sind	2	...	...	2	...	
	Bengal	22	5	1	12	...	4 posts are vacant.
Combined cadre.	United Provinces.	38	5	5	18	5	10 posts are in abeyance.
	Punjab	28	11	2	11	3	1 post is vacant.
	N.-W. F. Province.						
Combined cadre.	Bihar	18	1	5	5	1	
	Orissa						...	3	4	1
	Central Provinces.	26	2	10	14	2	
	Assam	15	1	6	4	1	4 posts are vacant.
	Total	214	32	44	109	16	
Indian Forest Engineering Service.	Madras	1	...	...	...	...	Post vacant.
	Bombay	1	...	...	1	...	
	Punjab	1	...	...	1	...	
	Total	3	...	...	2	...	
Indian Medical Service.	Madras	34	...	...	21	...	Information for columns 4 and 5 is not available but 85 posts are held by Indians.
	Bombay	24	...	...	16	...	
	Bengal	36	...	...	21	...	
	United Provinces.	26	...	...	16	...	
	Punjab	33	...	...	17	...	Officers of the Provincial Medical Services are not eligible for promotion to the Indian Medical Service.
	Bihar	20	...	...	11	...	
	Central Provinces.	18	...	...	7	...	
	Assam	12	...	...	8	...	
	N.-W. F. Province.	9	...	...	6	...	
	Sind	3	...	...	3	...	
	Orissa	3	...	...	2	...	
Total	213	...	...	128	...		
GRAND TOTAL	578	...	238	...	302	34	28 posts are vacant and 10 in abeyance.

Recruitment to the Indian Educational Service, Indian Agricultural Service and Indian Veterinary Service has ceased since 1924 and the Indian Forest Service and Indian Forest Engineering Service since 1931.

Note.—The figures in column 7 are included in the figures in columns 4-6.

Mr. Abdul Qaiyum: With reference to clause (d) of the question, may I know what percentage of these posts were filled up by Europeans?

Sir Girja Shankar Bajpai: As my Honourable friend will see, the question relates to six services and I cannot give information about them all.

Mr. Abdul Qaiyum: I want the total for these services and the total number of Europeans.

Mr. President (The Honourable Sir Abdur Rahim): That is not the original question. The Honourable Member can make up the total.

Mr. Brojendra Narayan Chaudhury: Is the Honourable Member aware that there is dissatisfaction in the different provinces, particularly in Assam, that the province is not adequately represented in these services?

Sir Girja Shankar Bajpai: My Honourable friend perhaps knows, and if he does not know I may inform him, that with the exception of the Indian Medical Service recruitment to all these services has ceased.

Maulvi Abdur Rasheed Chaudhury: May I know whether there is any Assamese in the Indian Agricultural Service?

Sir Girja Shankar Bajpai: My Honourable friend should read the statement for himself, but speaking from memory I will say that there are only two services in which there are Assamese.

INJUSTICE TO INDIANS IN MALAYA.

†1207. ***Mr. K. S. Gupta:** (a) Will the Secretary for Education, Health and Lands please state if it is a fact that Indians in Malaya have no equitable assignment of a certain proportion of jobs in the services for such of them who are otherwise equally qualified with Malaya and Chinese? If so, why not?

(b) Is the Honourable Member aware that the Chinese who are not British born or British subjects, obtain more favourable treatment than Indians? If so, what is being done by the Government of India to put a stop to such injustice to Indians?

(c) How many Indians are there on the numerous Legislative Council and public bodies of Malaya? If none, why not?

(d) Is the Honourable Member aware that there is an impression in Malayan circle that if India does not restore the *status quo* as a result of the present negotiations with the Malayan Delegation, they can either replace the Indians with Chinese population or hold such of the permanently resident Indians in Malaya as hostages for the future good behaviour of the Government of India and Madras? If so, what is the action taken or proposed to be taken to thwart such an idea?

Sir Girja Shankar Bajpai: (a) Appointments in the Malayan public services are not allotted in proportion to racial populations.

(b) No.

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

(c) One each on the Straits Settlements Legislative Council, the Federal Council and the Nagri Sembilan State Council.

(d) I must ask the Honourable Member to wait till the present negotiations with the Malayan Governments are completed. Government have no information on the point mentioned in the first part of his question.

DISABILITIES OF INDIANS IN BRITISH GUIANA.

†1208. ***Mr. K. S. Gupta:** (a) Will the Education Secretary please state whether it is a fact that agriculturist Jews are allowed to settle in one-ninth of the total land surface of British Guiana?

(b) If so, is it a fact that any idea of settling Indians on the land in the interior is to be permanently shut out?

(c) Is it a fact that Indians in British Guiana today are unable to fetch an economic price for their produce?

(d) Will a Jewish ghetto be created in British Guiana also? If so, how do the Government of India propose to protect the Indian professionals?

(e) Are Government contemplating to put an end to further emigration from this country to foreign lands, until Indians overseas obtain their civic, economic and political rights? If not, why not?

Sir Girja Shankar Bajpai: (a), (b) and (d). Government understand that no definite scheme has been formulated. Certain areas are to be surveyed with a view to ascertaining their suitability for refugee settlement. Government have asked to be kept informed of any concrete proposals that may emerge from these surveys; when this information is available they will consider whether legitimate Indian rights or interests are likely to be affected and take such action as may be necessary in the light of that consideration.

(c) Government understand that, as elsewhere, the prices of the agricultural products of this Colony have fallen in recent years: this fall affects Indians as well as others.

(e) There is no large-scale emigration at present to any colony. There is no practical need, therefore, for the sort of action suggested by the Honourable Member.

APPOINTMENT OF A NON-OFFICIAL INDIAN AS AGENT IN BURMA.

†1209. ***Mr. K. S. Gupta:** (a) Will the Education Secretary please state how long the present Agent in Burma is to continue?

(b) Is there any likelihood of an Indian non-official to be sent to Burma as India's Agent? If not, why not?

(c) Is it a fact that the committee of Federation of Indian Chambers of Commerce and Industry recommended an Indian non-official as the Government of India's Agent in Burma? If so, what is the decision of Government in the matter?

(d) Is the Honourable Member aware that recent events in Burma have created an impression in the minds of Indians in Burma, that the Indian Government are helpless in securing an effective assurance from

the Government of Burma regarding the safety of life and property of Indians in that country? If so, what measures were taken by the Government of India, subsequent to the recent recrudescence of anti-Indian activities culminating in the burning of an Indian cotton mill and the looting of Indian shops, to safeguard the Indian interests in Burma?

Sir Girja Shankar Bajpai: (a) and (b). The attention of the Honourable Member is invited to the reply given by me to Sardar Mangal Singh's starred question No. 710 on the 24th February, 1939.

(c) Yes. The matter is under consideration.

(d) The first part is a matter of opinion. As regards the second part, the measures taken by the Government of India from time to time have been explained to the House previously.

INDO-BRITISH TRADE AGREEMENT.

1210. *Mr. S. Satyamurti: Will the Honourable the Commerce Member please state:

(a) whether his attention has been drawn to the statement of the British Premier wherein he says:

"..... the President of the Board of Trade has more than once stated that the Government would not be prepared to accept any new trade agreement with India unless it gave a satisfactory deal to the Lancashire cotton trade";

(b) whether the Government of India have equally made it clear to His Majesty's Government that they will not accept any trade agreement with England unless it gave a satisfactory deal to Indian industry and trade as a whole; and

(c) if so, when and how?

The Honourable Sir Muhammad Zafrullah Khan: (a) Government have seen press reports to that effect.

(b) and (c). Yes, in the course of negotiations.

Mr. S. Satyamurti: Have Government seen any result of their representation as suggested in clause (b) that they will not accept any trade agreement with England unless it gave a satisfactory deal to Indian trade and industry as a whole? Are they satisfied that they have got a fair deal to Indian trade and industry?

The Honourable Sir Muhammad Zafrullah Khan: Government would not have come to an agreement if they were not so satisfied.

Mr. S. Satyamurti: May I take it that they will abide by the verdict of this House as to the agreement being satisfactory or otherwise to Indian trade and industry?

The Honourable Sir Muhammad Zafrullah Khan: I have answered that on several occasions before.

Mr. Manu Subedar: What were the reasons which induced Government to differ from the views of their un-official advisers on this matter?

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

Mr. Manu Subedar: Sir, when it is a question of satisfactory deal

Mr. President (The Honourable Sir Abdur Rahim): That cannot arise on this question.

Mr. S. Satyamurti: How did Government satisfy themselves that it will satisfy Indians? These unofficial advisers were not elected by the House or anybody else but were appointed by Government, and they have differed from them. I want to know what are the considerations on which they are satisfied that it is satisfactory to India, when they differ from their own selected unofficial advisers.

The Honourable Sir Muhammad Zafrullah Khan: First, as I have said, it does not arise out of this question. Secondly, the Honourable Member is aware, as the whole House is aware, that there is going to be a debate on this subject next week.

INSTRUMENT OF ACCESSION.

1211. ***Mr. S. Satyamurti:** Will the Honourable the Leader of the House please state:

- (a) whether any time limit has been fixed before which the Princes to whom Instruments of Accession have been sent should send their replies;
- (b) whether the attention of the Government of India has been drawn to the speech of His Highness the Maharaja of Jaipur on the 28th February at the banquet given in honour of His Excellency the Viceroy, in which he referred to the time limit before which the Princes have to reply to the Instruments of Accession which have been sent to them;
- (c) whether any revised Instruments of Accession have been received by the Government of India; if so, from whom; and
- (d) whether any correspondence is going on between the Government of India and the Princes or the Governor General and the Princes in respect of these instruments of accession?

The Honourable Sir Nripendra Sircar: (a) Yes, Sir.

(b) The Government of India have seen reports in the Press of the speech referred to.

(c) and (d). No, Sir.

Mr. S. Satyamurti: With reference to clause (a) of the question, may I know whether a six months' limit has been fixed?

The Honourable Sir Nripendra Sircar: So far as I recollect, these communications were sent some time about the 27th or 28th January (approximately) and they have been given six months which I presume will run from the date of receipt of the communication. It will take us to the end of July or thereabouts.

Mr. S. Satyamurti: With reference to clause (d) of the question, may I know whether there is no correspondence at all going on between Government or the Governor General and the Princes in respect of these Instruments of Accession?

The Honourable Sir Nripendra Sircar: That I am unable to disclose.

Mr. S. Satyamurti: May I take it then that, so far as the Government of India are concerned, there is no correspondence going on between them and the Princes?

The Honourable Sir Nripendra Sircar: My Honourable friend can take it in any way he pleases but I cannot give any information.

Mr. S. Satyamurti: My Honourable friend answered the question in two parts. I am taking the answer to the latter part, and I am asking for an answer to the former part of the question.

The Honourable Sir Nripendra Sircar: To the former part the answer is that I cannot give any information.

APPOINTMENT OF AN INDIAN AS VICE-CHAIRMAN OF THE IMPERIAL COUNCIL OF AGRICULTURAL RESEARCH.

1212. ***Mr. O. N. Muthuranga Mudaliar:** Will the Secretary for Education, Health and Lands be pleased to state:

- (a) whether Sir Bryce Burt, Vice-Chairman of the Imperial Council of Agricultural Research, is going on leave preparatory to retirement;
- (b) whether a vacancy will be caused thereby on the 1st April, 1939; and
- (c) whether it is contemplated to appoint a non-Indian in the vacancy; if so, why an Indian is not selected for the post?

Sir Girja Shankar Bajpai: (a) and (b). Yes.

(c) An Indian has been appointed.

Mr. S. Satyamurti: Who is he?

Sir Girja Shankar Bajpai: Mr. Kharegat.

GRIEVANCES OF INDIANS IN JAMAICA.

1213. ***Mr. O. N. Muthuranga Mudaliar:** (a) Will the Secretary for Education, Health and Lands be pleased to state whether the attention of Government has been drawn to an article in the *Hindustan Times* of the 6th February, 1939?

(b) What steps, if any, have Government taken to redress the grievances of Indian resident in Jamaica?

(c) Do Government propose to call for a report from Mr. J. D. Tyson to whom the Indians of Jamaica have presented a memorandum?

Sir Girja Shankar Bajpai: (a) Yes.

(b) I would invite the attention of the Honourable Member to the reply given by me on the 17th of this month, to parts (c) and (e) of Mr. S. Satyamurti's starred question No. 1121.

(c) Government will consider the suggestion.

AMENDMENT OF THE GOVERNMENT OF INDIA ACT, 1935.

1214. *Mr. T. S. Avinashilingam Chettiar: Will the Honourable the Leader of the House state:

(a) whether Government are aware of the news published in the *Hindustan Times*, dated the 4th March, 1939, that the Government of India Act, 1935, is going to be amended by Parliament;

(b) whether it is true, and if so, in what particulars; and

(c) whether the Government of India have been consulted in the matter?

The Honourable Sir Nripendra Sircar: (a) Yes.

(b) and (c). I lay on the table copy of a question asked in the House of Lords on the 2nd March, 1939, regarding the proposed legislation to amend the Government of India Act, 1935, and of the reply given by the Secretary of State. I have nothing more to add to the information contained in the Secretary of State's reply.

HOUSE OF LORDS.

Thursday, 2nd March, 1939.

GOVERNMENT OF INDIA AND GOVERNMENT OF BURMA ACTS.

Lord Snell: My Lords, I beg to ask the noble Marquess, the Secretary of State for India, the Question which stands on the Paper in my name.

[The Question was as follows: To ask whether it is the case that His Majesty's Government contemplate early legislation with the object of amending the Government of India and Government of Burma Acts, 1935, and, if so, whether they can give any indication of the scope and purpose of the contemplated Bill.]

The Secretary of State for India (The Marquess of Zetland): My Lords, the reply to the noble Lord's Question is as follows: It is the case that His Majesty's Government contemplate the introduction at an early date of a Bill to amend the Government of India Act, and they hope to secure its passage before Parliament rises for the summer recess. The object of the Bill is to remedy certain defects which practical experience has disclosed in the working of the Act, the remedying of which is a matter of some urgency. It is not surprising that an enactment of the length and complication of the Government of India Act should, when put to the practical test of administration, be found capable of improvement in a number of respects. But the contents of the proposed Bill have been intentionally confined to cases in which the Act, if unchanged, will lead to serious practical inconvenience. The amendments proposed in no case raise any new question of principle, or will alter in any material respect what are believed to have been the intentions of Parliament when the Act was passed, but I should perhaps add that the proposed amendments include one which is designed to remove, in the event of war, serious deficiencies which the preparation of drafts of the emergency legislation which might then be required has disclosed in the powers intended to be made available by Section 102 of the Act to the Central Government.

In two instances the amendments proposed affect provisions which appear in the same terms in the Government of Burma Act, and in those instances proposals for amendment of that Act will also be made.

Viscount Samuel : My Lords, I should like to ask the noble Marquess two questions. I gather from what he has said that the Bill will not touch in any important particular the question of the establishment of a Federal Constitution in India, but perhaps in order to prevent misapprehension in India the noble Marquess will say a word on that. The second question I should like to ask is whether we are to understand that the Bill will be introduced in your Lordships' House.

The Marquess of Zetland : My Lords, I think I can assure the noble Viscount that it will not in any way affect the Federal provisions of the Act. With regard to the House in which the Bill will be introduced, I am not at the moment in a position to give the noble Viscount the information for which he asks.

Mr. T. S. Avinashilingam Chettiar : What are the subjects in which amendment is sought to be made?

The Honourable Sir Nripendra Sircar : As I said, the Honourable Member will find that from the statement of the Secretary of State which I have laid on the table and I can neither add nor subtract so far as that statement is concerned.

Mr. President (The Honourable Sir Abdur Rahim) : As the statement was made elsewhere, the Honourable Member might read out that statement or give a gist of it if it is too long.

The Honourable Sir Nripendra Sircar : No, Sir; I would rather read the statement. (Reads.)

Mr. T. S. Avinashilingam Chettiar : May I know whether the Government of India were consulted in this matter of the amending Bill?

The Honourable Sir Nripendra Sircar : Certainly.

Mr. T. S. Avinashilingam Chettiar : May I know whether this Bill was introduced on the initiative of the Government of India or on the initiative of His Majesty's Government?

The Honourable Sir Nripendra Sircar : It has not been introduced.

Prof. N. G. Ranga : May I know whether the Government of India have advised the Government in England through the Secretary of State that there is a need for amending this Government of India Act in regard to the creation of new linguistic provinces and also the abolition of these excluded areas?

The Honourable Sir Nripendra Sircar : I am afraid I cannot disclose the communications between the Government of India and the Secretary of State.

Mr. K. Santhanam : Will the Government of India give an opportunity to this House to express its opinion on the Amending Bill which is proposed to be introduced in the Houses of Parliament?

The Honourable Sir Nripendra Sircar : No.

Mr. K. Santhanam : May I know if the Government of India accept it as reasonable and just that the constitution of this country should be decided even without consultation of the people of this country?

Mr. President (The Honourable Sir Abdur Rahim): That is a matter of opinion.

Seth Govind Das: Is the Amending Bill going to be exactly of the nature as the Government of India have suggested?

The Honourable Sir Nripendra Sircar: I am afraid I cannot give an answer to that question.

PROSECUTION OF RAILWAY ADMINISTRATIONS FOR DELAYED PAYMENTS MADE TO RAILWAY STAFF.

†1215. ***Mr. Muhammad Azhar AH:** Will the Honourable Member for Labour please state:

- (a) whether the Inspector appointed under the Payment of Wages Act for Railways ever prosecuted the Railway Administrations for delayed payments made to the Railway staff under Rs. 200; if not, why not; and
- (b) whether he will lay on the table a list of offices inspected by that Inspector since 1st April, 1937, together with the results of those inspections?

The Honourable Sir Muhammad Zafrullah Khan: (a) No. I would refer the Honourable Member to the answer I gave to Mr. N. M. Joshi's question No. 878 on the 9th September, 1938.

(b) The number of offices inspected by him personally was 156. I do not think that any useful purpose will be served in printing a list of them in the proceedings of the House. I am, however, prepared to supply a copy to the Honourable Member if he desires. The irregularities detected were brought to the notice of the Railway Administrations for necessary action.

EXPERIMENT TO MANUFACTURE CATTLE FEED FROM MOLASSES.

1216. ***Prof. N. G. Ranga:** Will the Education Secretary be pleased to state:

- (a) at what stage is the experiment to manufacture cattle feed from molasses;
- (b) what is the estimate of the value of cattle feed which can be manufactured out of a maund of molasses;
- (c) when is it expected that the experiment will reach a commercial stage;
- (d) what work is being turned out by the Statistical Section of the Bureau of Agricultural Intelligence;
- (e) whether it has published any bulletins or books and if so, what they are; and
- (f) whether any of its publications are available for the public and whether they will be supplied to members of the House?

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

Sir Girja Shankar Bajpai: (a) Reports have been received from five out of twelve stations where experiments with molasses and bagasse as a cattle feed are being conducted. Tentative conclusions arrived at as a result of these experiments seem to show that:

- (i) the feeds containing molasses and bagasse are not as efficient in nutrition as other common but more expensive Indian feeds; and
- (ii) that they are less palatable and are refused until animals become accustomed to them.
- (iii) such feeds have been successfully fed to cattle however and further experiments are in progress.

(b) No definite information is available at present.

(c) It cannot be stated definitely whether, and, if so, when the manufacture of cattle feed from molasses will reach a commercial stage. Further experiments are in progress at the Imperial Institute of Sugar Technology and at various Agricultural and Veterinary Research Institutes.

(d) The principal work of the Statistician of the Imperial Council of Agricultural Research is to aid in the planning and interpretation of field experiments and other biological experiments. He is not concerned with the compilation of agricultural statistics.

(e) A list of published papers is laid on the table.

(f) These publications are available to the public. Some have been published in scientific journals. Copies of all the publications are available in the Library of the House.

List of publications of the Imperial Council of Agricultural Research (Statistical Section).

(1) Analysis of manurial experiments in India published by the Imperial Council of Agricultural Research (3 Volumes).

(2) The Statistical basis of the total production of a crop published in *Agriculture and Livestock 1932*.

(3) The method of covariance applicable to the utilisation of previous crop records for judging the improved precision of experiments—published in *Indian Journal of Agricultural Science—1934*.

(4) Application of statistics to field technique in Agriculture by Rao Bahadur M. Vaidyanathan, published in *Current Science*, January, 1936.

(5) Size and shape of Sugarcane Experimental Plots based upon Tonnage Experiments with Co. 205 and Co. 213 conducted in Pusa, by Wynne Sayer, M. Vaidyanathan and S. S. Iyer, published in the *Indian Journal of Agricultural Science*, 1936.

(6) Two new statistical tables based on Fisher's 't', by Rao Bahadur M. Vaidyanathan, published as *Miscellaneous Bulletin No. 13* of the Imperial Council of Agricultural Research.

(7) A Review of the 'Principles and Practice of Field Experimentation', by Wishart and Sanders, published in the *Current Science*, September, 1936.

(8) Sampling methods in cotton experiments.—Cotton statistics paper No. 2, Conference of Scientific Research Workers on cotton in India, 1937.

USE OF AYURVEDIC MEDICINES FOR CATTLE.

1217. *Prof. N. G. Ranga: Will the Education Secretary be pleased to state:

- (a) if any attempt is being made by the Veterinary Investigation officers in different Provinces, who are financed by the Imperial Council of Agricultural Research grants, to ascertain the utility and extent of actual use of Ayurvedic medicines for cattle;
- (b) if so, in which Provinces and to what extent and in what direction;
- (c) whether he is aware of the work of the Andhra Ayurvedic Veterinary College at Angalur in the Kistna District;
- (d) whether he knows that there are a large number of Ayurvedic Veterinary Dispensaries, organised and run by those peasants who were trained in that college and that the local board give them some grants;
- (e) whether he is prepared to see that the Madras Veterinary Investigation Officer is asked to conduct researches into the applicability and utility of Ayurvedic medicines for cattle; and
- (f) whether Government are prepared to supply free all their literature on cattle and agriculture to this college in order to enable it to be in touch with what is being done by Government?

Sir Girja Shankar Bajpai: (a) and (b). The Veterinary Investigation Officer, Madras, is to co-operate in a scientific study of indigenous drugs likely to be of therapeutic value in veterinary practice. In addition, an Officer of the Madras Veterinary Department has been selected for an investigation into the efficacy of indigenous systems of treatment of cattle in India and the collection of relevant literature.

(c) and (d). No.

(e) I have already stated that the Veterinary Investigation Officer, Madras, will co-operate in a scientific study of indigenous drugs, likely to be of therapeutic value. The question whether, in this work, he can be of any assistance to the College named by the Honourable Member will be referred to the Officer for consideration.

(f) The Imperial Council of Agricultural Research will be prepared to consider a free supply of veterinary and agricultural publications to the Andhra Ayurvedic Veterinary College if the Principal of the College will indicate the type of literature required by him.

ENQUIRIES REGARDING CATTLE AND PRODUCTION AND CONSUMPTION OF MILK.

1218. *Prof. N. G. Ranga: Will the Education Secretary be pleased to state:

- (a) if the village enquiries regarding cattle and production and consumption of milk have been completed;
- (b) if so, whether any report (final or interim) has been issued thereon;

- (c) if so, whether that report will be supplied to Members of the House;
- (d) what are the main conclusions of the investigations;
- (e) whether any annual report of the work on studying and supervising the work of grading stations for agricultural produce is issued; and
- (f) if so, whether it will be placed on the table of the House?

Sir Girja Shankar Bajpai: (a) to (d). The attention of the Honourable Member is invited to the Report on a village enquiry regarding cattle and the production and consumption of milk in seven breeding tracts of India issued by the Imperial Council of Agricultural Research, copies of which are available in the Library of the House.

(e) and (f). The attention of the Honourable Member is invited to the Annual Reports of the Agricultural Marketing Adviser, copies of which also are available in the Library of the House.

Prof. N. G. Ranga: Will copies of these reports be supplied to Members of this House?

Sir Girja Shankar Bajpai: No. I do not think that all Honourable Members are interested in what was after all a technical investigation.

Mr. Manu Subedar: Will it be supplied to those Members who are interested and who ask for it?

Sir Girja Shankar Bajpai: If Honourable Members who are interested will approach me in the matter, I shall see what I can do to oblige them.

INDIA'S MEMBERSHIP OF THE INTERNATIONAL INSTITUTE OF AGRICULTURE, ROME, AND IMPERIAL AGRICULTURAL BUREAU.

1219. *Prof. N. G. Ranga: Will the Education Secretary be pleased to state:

- (a) what special advantages are sought to be derived by India's membership of (i) the International Institute of Agriculture, Rome and (ii) Imperial Agricultural Bureau;
- (b) whether the Rome Institute serves the whole world and costs us only Rs. 14,123/5/4, per annum, and our membership of the Imperial Bureau costs us Rs. 27,825; and
- (c) if Government are prepared to drop their membership of the latter, and if not, what are the reasons therefor and whether Government propose to ask for a reduction in their contribution to the Imperial Bureau?

Sir Girja Shankar Bajpai: (a) and (c). The main object of the International Institute of Agriculture, Rome, is the collection, study and publication of statistical, technical and economic information in regard to agriculture and the provision of facilities for the study of all questions bearing on agriculture; the work of the Imperial Agricultural Bureaux is essentially scientific and not statistical, more specialised and more definitely directed to the study of particular subjects of importance to agricultural research workers. The organisations are complementary and

membership of both is of advantage to India. As the Imperial Agricultural Bureaux are financed on a co-operative basis by the participating Governments, no reduction in the present contribution is feasible.

(b) Yes.

Prof. N. G. Ranga: Can the Honourable Member indicate any direction in which so far India has been benefitted by this membership of this Imperial Agricultural Bureaux?

Sir Girja Shankar Bajpai: It is not possible for me to indicate that in the compass of an answer to supplementary questions. I gather that the literature produced by the eight bureaux which are working is of very great value to people engaged in scientific research in this country.

†1220‡.

POSTPONED QUESTION AND ANSWER.

COST OF MILITARY SENT TO CUTTACK FOR THE MAINTENANCE OF LAW AND ORDER IN ORISSA STATES.

965. *Mr. T. S. Avinashilingam Chettiar: Will the Honourable the Leader of the House state:

- (a) what has been the cost of military forces that have been sent to Cuttack for the maintenance of law and order in the Orissa States (reference starred question No. 845, dated the 13th February, 1939);
- (b) whether the cost has been allocated between the States and the Government of India;
- (c) if so, in what proportions; and
- (d) what are the principles which govern this allocation of cost?

The Honourable Sir Nripendra Sircar: (a) The cost is still being worked out.

(b), (c) and (d). For a full reply on these points I would invite the Honourable Member's attention to the reply to question No. 974 by Mr. Mohan Lal Saksena given on the 10th March, 1939. In the particular case now under consideration no allocation has yet been made between the Government of India and the Crown Representative.

Mr. K. Santhanam: May I know whether any general principles have been accepted by the Government of India as to the distribution of cost in such cases?

The Honourable Sir Nripendra Sircar: Neither any general nor any particular principles have been laid down. As I have said in my last answer, the matter is left to the discretion of a particular individual and he has got to exercise his discretion, not necessarily on the same principles in every case.

†Cancelled.

‡Vide page 1890 of these debates.

Mr. K. Santhanam: May I know whether that individual has intimated to the Government of India that he proposes to act on any general principles in this matter?

The Honourable Sir Nripendra Sircar: My last answer implied that there cannot be any general principles.

Mr. T. S. Avinashilingam Chettiar: May I know whether the discretion invested in the Crown Representative is not only to supply the troops, but to supply troops free of cost? Are there any rules governing the allocation of cost?

The Honourable Sir Nripendra Sircar: Every matter is included in his discretion.

Mr. Badri Dutt Pande: Is it a fact that a new cantonment is to be created among the Orissa States?

The Honourable Sir Nripendra Sircar: I do not think that arises out of this question and I cannot satisfy the Honourable Member's curiosity: I have no information myself.

Mr. K. S. Gupta: I am sorry, Sir, I was unavoidably late. May I ask the questions in my name, which were passed over?

Mr. President (The Honourable Sir Abdur Rahim): No. The Honourable Member ought to have been in his place.

THE INDIAN FINANCE BILL—*contd.*

Mr. President (The Honourable Sir Abdur Rahim): The House will now resume consideration of the motion moved by the Honourable Sir James Grigg, that the Finance Bill be taken into consideration.

Mr. S. Satyamurti (Madras City: Non-Muhammadan Urban): Sir, this is the fifth and last year of the Honourable Sir James Grigg's stewardship of the finances of this country, and I think, Sir, I am doing no injustice to him, if I ask the House to consider and pronounce its verdict on his five years' stewardship of the finances of a great country, and I think, Sir, I am not unfair to him either, when I lay down the following tests, and I ask the House to judge of his stewardship from those tests. Are the people now, five years after he took charge of his great office, more prosperous than they were before he took charge? Has the purchasing power of the millions of this country increased to any appreciable extent, and, last but not least, to apply his own test which he laid down in the concluding sentence of his speech,—have the standards of life of the people of this country been raised? It does seem to me that the Honourable the Finance Member must abide by the verdict of this House on these questions, because, in season and more often out of season, he has professed very loudly his concern for the agricultural masses of this country, the "consumers" as he calls them. I should like to know what he has done for them. I venture to suggest that the people of this country have not become more prosperous at the end of these five years,—that their purchasing power has not increased

Prof. N. G. Ranga (Guntur *cum* Nellore: Non-Muhammadan Rural): It has gone down.

Mr. S. Satyamurti: . . . and that their standards of life have not risen, and, as my friend, Professor Ranga, reminds me,—thanks to the general fall in the prices of primary products in the world and in this country,—their purchasing power has even become lower.

And what has he done for the teeming millions of this country for whom his heart bleeds, whenever he thinks of the big industrialists of this country? Only one gesture was made by him in making a grant of a crore or more for rural uplift in villages, and, I believe, then he had a lot of money to play about with. Mahatma Gandhi had then started the work of the All-India Village Industries Association; the Congress was going to the villages, and so my friend, the Honourable Sir James Grigg, had to try to do one whit better than Mahatma Gandhi. He also gave a crore or more to the Provincial Governments for rural development, and he has stopped it now, but the Gandhian Association is growing from strength to strength, and if anything has been done for the villagers in this country, it has been done by Provincial Governments, and mostly by Congress Provincial Governments which are introducing the policy of prohibition regardless of the cost to their own income. I do not know what the Finance Member's reaction, personal and financial, is to the doctrine of prohibition but, Sir, I believe so far as the financial aspects of it are concerned, he must be very angry. Roughly to the tune of 20 crores, the Provincial Governments are going to sacrifice revenue out of this vice of drink, and so long as the Congress Governments remain in office,—and I think there is no chance of any alternative Government being in the offing in the near future,—this prohibition policy will be in force. Does the Honourable the Finance Member approve of it, and if so, has he taken notice of this, which is a very important matter to the future of Provincial Finance *versus* Indian finance?

Then, Sir, the Provincial Governments, both Congress and non-Congress, have done something striking to benefit the masses by their administrative and legislative acts for scaling down rural indebtedness. What has the Honourable the Finance Member done? What has the Reserve Bank done? The Reserve Bank was heralded forth as a great institution which will deal with agricultural credit, which will make money available to these people on easy terms, and relieve them of their unbearable burdens, but what has it done? Nothing. Question after question is asked, and no answer, no satisfactory answer, is forthcoming.

Then, Sir, the second test which I want the House to apply to the Honourable the Finance Member's stewardship of this country for the last five years is,—what is the position of India's foreign trade? Where is her favourable balance of trade? Some years before he took charge, our balance of trade was highly favourable. It went down very rapidly later. There has been some rise since, but whether it is a permanent one, or whether our balance of trade is going to be increasingly favourable to us, is a matter on which no prophecy is possible, and it does seem to me that to this country more than to any other, with her annual Home charges of about 60 crores, the retention and the expansion of a favourable balance of trade for India should be the first concern of any conscientious Finance Member. I ask the Honourable Sir James Grigg what steps he has

taken, during all these five years, 'to see to it that our balance of trade remains favourable and becomes increasingly favourable? I suggest, Sir, that he has done nothing.

Then, the third test is, whether the Honourable the Finance Member has been able to introduce retrenchment in expenditure. The first year when he had money with him,—3.89 crores,—he restored the cut in salaries, a very foolish act to have done. I am sure he himself realises, now that vested interests are up against any further cuts being introduced, what a mistake he made when he restored the cut, and lost money to the tune of two crores for both the Railways and the General Budget. I agree, Mr. President, that during last year he has wielded retrenchment with some strength and made a saving of more than a crore, but that is grossly inadequate, and I should like to ask him what his own position is with regard to cuts in salaries of these highly paid servants of this country? He may perhaps share his disappointment with us and tell us that while he fought for cuts in salaries, vested interests were too powerful for him. I invite him to make that confession. Moreover, Sir, apart from high salaries, there are too many highly paid appointments in this country. We do not want such a highly paid or such a highly numerous bureaucracy. We must reduce their number and their salaries, but I do suggest that the Honourable the Finance Member has failed to produce any effective or permanent retrenchment. So far as defence expenditure is concerned, he has been absolutely helpless. It seems to me, Sir, that no Finance Member can be congratulated on his stewardship, unless he is able to stand up to the Defence Department and say,—we cannot afford this ruinous annual expenditure of nearly 50 crores, because that is the figure and it works out more than 22 per cent of the entire revenue of this country. And I say, judged by all these three tests, the Finance Member has failed.

But beyond and above all this, Mr. President, I suggest there are specific failures in certain specific matters which I want to bring home to him through this House. On the Rupee ratio question, Sir, I think his only contribution to the discussion of that subject is the coining and circulating of a phrase—"no monkeying with the ratio",—and I believe I am right in saying that Sir Osborne Smith, the first Governor of the Reserve Bank, was asked to go Home, because he would not agree with the Finance Member on the need for the present ratio; and, Sir, with an obstinacy worthy of a better cause, the Honourable Sir James Grigg has never cared to take the House or the public of this country into confidence and discuss with them the reasons why the ratio should be kept up and not reduced. I am not one of those who feel like dictating or saying something final about this ratio, but it does seem to me, Sir, that there is a case for an objective examination of this ratio. They have an economic adviser. Why should not the Honourable the Finance Member take the House and the public into confidence and lay all the cards on the table and convince us that the present ratio is right? He says—"I know the ratio is right; if you do not know it, it is the worse for you,—I am for the present an autocrat, and, therefore, I will maintain the present ratio". Does he suggest that all people in this country are selfish, that all of them are speculators, all of them are foolish, and, therefore, do not and cannot appreciate his arguments? It does seem to me that on this question of ratio, he has shown more obstinacy than statesmanship or wisdom.

Then, Sir, he set forth in his first Budget speech that the revenue tariff in this country is too high, too complicated, and acts, often as a restraint

[Mr. S. Satyamurti.]

on trade and industry. Has he been able to do anything in this direction? Five years are not a short period in any Finance Member's life, and he has spent this period here, and at the end of it he goes back to a congenial office in his own country where he will be discussing other things, and forgetting all about India,—and yet, he has not been able to carry out his own set purpose which he laid down in his first Budget speech, that he was going to have a revision of the revenue tariff in the downward direction.

Then, Sir, I remember that in the meetings of the Public Accounts Committee he showed his anger against the unsatisfactory state of railway finance, and his anger was so real, and so potent, that I believed he was honestly angry with railway finances, and he laid down that we must get the railways to pay their way, to pay the interest charges, and to pay something more to general revenues. We wanted an expert. The Wedgwood Committee was the result, a gross failure. They re-echoed their "Master's Voice" of the Railway Board, and the railways are making no payments whatever to the general revenues. My own feeling, Mr. President, is that the Indian railways, considering the money invested in them, considering that they pay no income-tax whatever, considering that they pay very low local rates and considering the fact that they received land and other things at nominal prices—the Indian railways cannot be said to work satisfactorily, financially, unless they pay, over and above their working expenses, depreciation fund and interest charges, at least three crores more a year, which is now set apart for the avoidance and reduction of debt, year after year. It seems to me that on that matter also, the Honourable Sir James Grigg has failed. He has left it to his successor to introduce a new convention on railway finance to replace the separation convention of 1924. Five years he has stayed here and he has not had the time, energy or the inclination to tackle this problem of railway finance, on which the general finance of this country is also based. If we get three crores from the railways a year, that will go to the credit of the general taxpayer in this country. On that, he has not satisfied this House that he has applied his mind at all to this problem, and railway finance remains in the same parlous condition, in which it was when he took charge of it.

Then, the *London Times* congratulates Sir James Grigg on having inaugurated Provincial Autonomy on an even keel. The keel may have been even, I doubt it, but it is no longer even, and his failure to summon the annual Conference of Finance Ministers this year, on the ground that he had no time, seems to me remarkably like his running away from a very difficult and delicate problem. It is not fair to his successor, it is not fair to the Provincial Governments, it is not fair to the House, or to the Government of India or to the country, that after five years of accumulated experience and knowledge, he should run away from the one problem which any Finance Member ought to face or try to solve. Why does he not summon the annual Conference? He says, on account of his preoccupations. Yes, you are always preoccupied, I agree, but it seems to me that it is a count on which he ought to be charged, that he has run away from a problem to the solution of which he ought to have contributed his best. My Honourable friend quoted a paragraph from the judgment of the Federal Court on the sales-tax. Sir James Grigg said:

"So far as excises are concerned a delicate situation has been created by the judgment of the Federal Court, which amounts to saying that there is concurrent power in the realm of internal indirect taxation. The full implications of this judgment

are not yet apparent to me but one of the most important of them has been pointed out by the Chief Justice himself *viz.*, the need for mutual forbearance in this sphere lest the taxing authorities should by the simultaneous exercise of their powers raise the price of the article taxed to a height at which consumption is seriously curtailed. There is also the reminder of the Chief Justice that, in the absence of this mutual forbearance, the ability of the Centre to continue to make or to make new devolutions under section 140 of the Government of India Act will be jeopardised."

The only answer that the House could get from the Honourable the Finance Member on this very important subject is that the Government have not yet made up their minds whether to accept the advice of the Federal Court or not! and they are also leaving the whole questions covered by sections 137, 138 and 140 of the Government of India Act, which touch very intimately and very directly on the question of provincial as related to federal finance, wholly untackled and certainly unsolved. He has done nothing to promote a spirit of "mutual forbearance" between the Centre and the Provinces. I submit that, on that also, he is a failure.

Then, on this question of defence expenditure, Sir James Grigg patted himself on his back and said, in the course of his speech, that there is no other country in the world which has not increased its defence expenditure, and, therefore, we ought to be happy that our defence expenditure has not increased. But I want to give him one set of figures. The defence budget in 1935-36 was 44.98 crores; it is now 45.18 crores. The difference is small, but small as it is, it is an increase of defence expenditure in the period of five years of his office, and it is in addition, Mr. President, to the three items for which we ought to have been given credit. I refer to page 8 of his printed speech. The Government of India received an addition of £500,000 to the Garran contribution, four British battalions have been transferred to the British Exchequer, and he has drawn on the sinking fund to the extent of 49 lakhs of rupees. Therefore, the increase is much greater, and it seems to me that, not only has the defence expenditure absolutely increased but it has had the benefit of all those concessions, which taken together, would amount to more than two crores. Then, if you take credit for the loss on the strategic railways, concessions to military passengers and luggage and all other indirect expenditure including ecclesiastical, I suggest that the expenditure on the defence of this country is nearer 50 crores than 45 crores. But comparing it with the expenditure of other countries on social services, I would quote for the information of the House what Lord Halifax, once a Viceroy of this country, said in a speech in England recently:

"The figures of British rearmament are so formidable and have received such sensational publicity that they have sometimes obscured the huge sums which are each year devoted to social services. Of the total current Budget, defence accounted for 26.8 per cent. and social services for a percentage of 29.6. Of the total expenditure in the Budget at a time of unexampled expenditure on armaments, social services are still substantially ahead in the Government's apportionment of money available; and even in the estimated figures for next year's Budget, the amount actually allocated to social services will be £28 millions more than the amount, loans apart, which was proposed to be devoted to the rearmament programme."

The Honourable Sir James Grigg (Finance Member): Loans apart. They are 300 millions.

Mr. S. Satyamurti: I confine myself to current revenues. What is the money spent on social services in this country? A former Governor General of this country, the Foreign Secretary of his own country, says they are spending 28 millions more on social services than on defence expenditure out

[Mr. S. Satyamurti.]

of current revenues. It does seem to me that to say no other country is spending so much on defence services is a very small part of a very big argument. After all, we also read newspapers, we know what is happening in other countries. The defence expenditure of this country is wholly out of proportion to the money spent on social services and, therefore, is criminal.

What about the banking and credit structure of this country? There was recently a serious banking crisis in South India, and opinion in this House and outside has been insistent that Government ought to undertake a comprehensive banking legislation so as to place Indian banking on a sound basis and give it a chance of development, but nothing has been done. And the position of the scheduled banks *vis-a-vis* the Reserve Bank remains more or less the same, that is, very difficult. So, I suggest, Mr. President, that, judging him from any of these points of view, he has, on the whole, been a failure, and he has not developed or put into practice any striking, or original, policy, or a policy of lasting benefit to the country. In his first budget, he had a revenue of 90.19 crores and expenditure was 88.69 crores. He had a surplus of 1.50 crores and a non-recurring balance of 3.89 crores. Today, he leaves this country on his own showing, with a deficit of 50 lakhs. Then, Sir, when he had that money he not only restored the cut in salaries but he did the equally foolish act, for which he has now made amends, of removing the surcharge on income-tax. It does seem to me that at the time of his first budget, he was not showing any of his latter-day socialist tendencies. On the other hand, he was benefiting the rich at the expense of the poor. I shall comment in a minute on this later conversion.

That year, when he had this non-recurring surplus of 3.89 crores or a revenue surplus of one crore and a half, he might have reduced the salt duty. He might have given the poor man of this country a half anna post-card, or increased his grant for rural development. He did none of these things, and, therefore, I say, he started by framing that budget more with a view to benefit the rich than to serve the poor. On the question of the provision for the reduction or avoidance of debt, he has now put down three crores a year. It may be too high or too low, but I suggest, as I have said before, that whatever amount is set aside for reduction or avoidance of debt in the annual budget, must come more or less completely out of the railway surplus. So far as the future of the railways is concerned, it does seem to me it is very dreary in view of the bankruptcy of policy on the part of the Honourable the Finance Member in respect of railways. I must incidentally, Mr. President, point out one of the characteristics of the Honourable the Finance Member, and I know it from intimate knowledge—*viz.*, his impatience of audit and audit criticism. I quite agree that, in a fully responsible Government where the Government can be turned out for any major financial mistake, audit may well confine itself within the limits which the Honourable the Finance Member envisages, but let me tell the House from my experience that today audit is about the only control of the waste and extravagance on the part of the Government; and yet, the Honourable the Finance Member is notoriously impatient of audit, and he has entered into a concordat with the Auditor General of the consequences of which I am genuinely afraid—a concordat which will have the

effect of brow-beating the Auditor General into admitting the Finance Member's mistakes as no mistakes at all. I wish to make a public appeal to the Auditor General that, in spite of this concordat, he will stand up to the Finance Member and his tribe and show them their place and point out all mistakes leading to waste and extravagance or want of sanction on the part of the Government, in respect of expenditure.

Then, Sir, his first act in the first budget was to remove the additional import duty on salt. Then his heart was bleeding for Bengal. Bengal is not manufacturing salt and outsiders were coming. But today Bengal wants to manufacture her salt. The Government of Bengal want to do it. Surely, there are Indians who will do it and yet, he will not restore the additional import duty. Then, Sir, on the question of the deficit many Honourable Members have addressed the House. I do suggest one comment. There will be more expenditure on defence forces this year than he has budgeted for—at least one crore of rupees more. There will be more expenditure on the North-West Frontier but I venture to suggest there will be no deficit at all because some money is coming to him under income-tax. I do not know whether it is bashfulness or shyness or desire to be told afterwards that he is less optimistic than he might have been; but I have no doubt in my own mind that the Government is going to get more money from income-tax than he has budgeted for; and as for sugar, I want to read to this House a few sentences from his speech, which excels almost anything I have read as to its power to conceal thoughts behind words :

“On a careful review of the various conflicting and indeterminate factors in the problem I have come to the conclusion that I should not be justified in assuming a total revenue from both Excise and Customs duties on sugar of more than 4,20 lakhs. I have not made any attempt at a precise apportionment of the revenue to these two heads; the figures under Excise and under Customs are alike nominal.”

Why, Sir, may I know? Why should not the Finance Member take this House into his confidence and say “I expect so and so from excise and I expect so much from import duties”? That is because the Government of India have been trifling with the sugar industry of this country. The Government have not done anything yet to implement the recommendations of the Tariff Board, and the Honourable the Finance Member, therefore, puts before the House an intriguing situation; and, I say, even there he has grossly under-estimated revenue. Therefore, there is not going to be any deficit. Assuming he is right and I am wrong, what is the financial unorthodoxy in leaving a deficit of 50 lakhs in a budget of hundred crores unprovided for? Deficits are not, after all, unknown to the world and a deficit of 50 lakhs would not have upset the credit of this country or of the Government of India. Therefore, he wants to levy a duty on the import of raw cotton by doubling it. I suggest that it is a dilemma. If the revenue is going to remain stationary, the Indian agriculturist will get no benefit out of it. It will take several years for the Indian cultivator to get the benefit of it, but, in the meantime, as has been pointed out this is a present by the Honourable the Finance Member with his left hand behind the back of the Indo-British trade negotiations, to his countrymen and their Japanese cousins of a preference on yarn to about six or seven per cent. and of cloth to four per cent. I do not know whether the Honourable the Commerce Member agreed to this. I do now know how the Executive Council agreed to this and how the Indian Members agreed to this. Is this intended to promote a fair consideration of the Indo-British Trade Agreement at all, by making a present in advance, knowing it to be a

[Mr. S. Satyamurti.]

present? It is a present which will last for at least one year, unless this House is able to throw out this duty altogether. I appeal to my Indian friends who somehow think that the Indian cultivators are going to benefit by it. I am entirely agreeable to the duty being doubled, if Indian cotton can be substituted today, if it is grown here and if Indian mills can consume them. It is merely a gesture which will not benefit our countrymen for four or five years. I would say to you: 'Levy this duty by all means if you want to', but there are sufficiently patriotic Indians and I appeal to their patriotism to see that these higher counts of yarn and of cloth are not consumed in this country; and, in any case, it seems to me that the Honourable the Finance Member was thinking more of doing something for Lancashire before he left this country and something also for Japan than of benefiting the Indian agriculturist. In a rhetorical mood which my friend rarely indulges in, he said, the other day, when we were absent, that Lancashire sold 2,000 million yards some time ago and now it is only 200, and that if the Government want to do something for them, they would have done most. Can they compel us to buy Lancashire cloth at the point of the bayonet? I warn the Finance Member that his attempt will fail. I put it to my friend: If you want to help the Indian agriculturist and not harm the Indian industry, why not put a countervailing duty on British import of yarn and cloth of those counts? What is your answer? It does seem to me that you cannot walk away by saying that you want to help the agriculturist. The truth is that he wants to help his own countrymen.

He claimed in his budget speech that he will see that Provincial Autonomy is inaugurated under beneficent circumstances. So, it has been, and in spite of difficulties it is working, but I venture to prophesy one thing, that this Provincial Autonomy is going to break on the rock of finance, and not on any other rock. There is no money in the provinces. They have taxed to the uttermost in spite of "unpopularity", and the Congress Governments are foremost in this direction; but there is no help coming from the Government of India and it does seem to me that no Indian Finance Member can ever be acquitted of responsibility for the failure of Provincial Autonomy, which is bound to come, unless the financial problem is satisfactorily solved, unless he reduces the defence expenditure by half, and distributes them among the provinces according to their population and taxation. I, therefore, think that that problem has not been tackled by the Honourable the Finance Member. He claimed that his alone was the path of prudence, and he made the further triumphant claim that he would give further alleviations to the taxpayers. I would leave it to my Honourable friend, the Leader of the European Group, to answer whether there has been a further alleviation to taxpayers. So far as we are concerned, take income-tax for example, we are entirely in favour of taxing the rich, but what for?—for serving the poor. What do you do in this country? You tax the rich in order to benefit the richer. You take this money and you spend forty-five to fifty crores on Indian defence, so-called, which is the defence of British imperialism. In this country, you pay yourselves fanciful salaries, and the bulk of the expenditure is spent on defence charges, high salaries, interest charges, debt charges, the cost of collections and pensions, all non-votable; and barely ten to twelve crores are available for real expenditure of any kind for the service of the nation.

Moreover, the question of the future sources of revenue has not been tackled by the Honourable the Finance Member. It depends on 12 Noon. customs and now on Central excise duties, but if this country is to become industrially more and more self-sufficient, at least to the extent that these duties are protective, they must yield less in return, and also to the extent to which we are compelled to have provincial taxes on the present basis of the Federal Court Judgment, the scope of Central excise taxation becomes also limited; and now I want to know how the future resources of the Central Government are going to be tackled. And there has been no consultation, and no opinion has been given to this House as regards the financial part of the negotiations between the Government of India and the Princes in respect of federation. How much is being given away to these Princes by way of financial resources or financial receipts, and what will be the results to the federal finances after these negotiations go through?

Then, Sir, the other thing which my Honourable friend will leave behind as a permanent legacy behind him, I hope only as a memory, is his well-known antipathy to protection to Indian industries,—and, Sir, his heart bleeds—I repeat that sentence—for the consumers of this country. But may I ask him what is his conception of the future of this country,—*vis.*, that we should all become hewers of wood and the drawers of water, that we should export all our raw materials to his country and to Japan, that they must manufacture the goods and dump them on us? I want to know whether, in that case, we shall have the purchasing power to buy even his own country's goods. Sir, it does seem to me that we, in this House, must stand up to this challenge to our industrial development. We are in favour of a few large industries and a very large number of small industries and cottage industries and this country must have a proper economy to reconcile the claims of both of these. While undoubtedly we shall tax our Indian industrialists, protect the interests of the consumers, and of the wage-earners, and all relevant interests, we are not going to be a party to this new theory of free trade,—which his own country does not accept, which nobody else in the world accepts, but which my Honourable friend hugs to himself as a delusion.

An Honourable Member: Only for India!

Mr. S. Satyamurti: I want to know whether even from the point of view of the agriculturist, they have done anything to give effect to the Gandhian ideal of the revival of villages on the basis of cottage and village industries. They have so far not shown any great anxiety to co-operate with the Planning Committee of the Indian National Congress. We shall plan it, but so far as the Finance Member is concerned, except for this antipathy to Indian industry, he has no constructive contribution to make towards the industrial development of this country, either on a small or on a large scale.

Moreover, the tariff policy of this country today is decided by *ad hoc* Tariff Boards, composed mostly of politicians who have lost their occupation or are friends of the bureaucracy, and who send down reports to them to suit their own pre-conceived notions. Sir, I represent the sense of all sober and sane-minded people in this country when we say that we ought to have a permanent Tariff Board, composed of men of the status of High Court Judges, in whose impartiality and integrity the country can have absolute confidence, and not of those friends of the Government, who just send in reports to suit their own pre-conceived

[Mr. S. Satyamurti.]

notions. The country is quite willing to pay even for this, though the inquiries are few and far between. The Fiscal Commission's report is now out-of-date, and we must have a re-examination of the entire tariff policy of this country, but nothing has been done. Moreover, under the high protective wall, foreigners are now coming and squatting in this country and swamping the so-called Indian companies, the bulk of whose capital, whose direction, and whose profits are earned here but are spent in other countries. Sir, the External Capital Committee made a report on this, that has got to be re-examined, and we must compel the Government to have a law which shall prohibit the development of foreign companies here, except on conditions of a minimum Indian directorate and capital, and a guarantee for the bulk of the profits to be spent or retained in this country.

There is one other matter,—the Posts and Telegraphs Department. My friend has no policy even there. The Telegraphs are the spoilt children of this Government. The Posts and Telephones earn but spend it on the Telegraph Department. I should like to know why there is no retrenchment in this Department. Sir, it is a joke in the Government of India that some Departments of Government are called "commercial Departments"—like the Railways and even the Posts and Telegraphs,—but they are 'commercial' whenever they want to spend what they like; when, however, it comes to retrenchment they are not commercial Departments but Government Departments. Sir, it does seem to me that there should be a retrenchment in the Telegraph Department, and we should earmark such surplus as we can earn in the Postal Department for the reduction of the postcard. On Broadcasting and Civil Aviation, I merely want to say one word. These Departments are not being Indianized as rapidly as they ought to be. There is a great future for both these Departments, but only provided they are completely Indianized.

I will now say a few words on the Departments administered by other Honourable Members, colleagues of the Honourable the Finance Member. The Honourable the Law Member is leaving this House shortly, and I hope he will find the quiet that he deserves in his own province, but on the question of the life of this Assembly we are not told anything. They will not make up their minds, and they refer us again and again to the astrologer whose existence it is now for other astrologers to tell us about. And it seems to me that so far as the future Federation with Indian States is concerned, the less said in this House the better, because we get nothing, no change, out of this Government, and I want to say on the floor of this House that the Government of India as a Government have ceased to exist. There is no Government of India at all. The Secretaries run the Departments, the Members do not discuss any major problems, the Council meetings are held, occasionally, for discussing certain pieces of legislation, and the Government of India, as such, have ceased to have a mind of their own. Once they had a mind, but such a thing has now ceased to exist.

There is another point. I shall merely content myself with saying on that matter that we are optimistic in spite of them and we feel that satisfactory and lasting solutions of the problems of Federation and of Indian States will soon be found. As for my Honourable friend, the Commerce Member, he has given us a night present of the Indo-British Trade

Agreement. As we shall discuss it next week, I shall say nothing about it, except this that he has chosen to differ from his own selected non-official advisers and this House is not going to tolerate that nonsense. He has not been able to proceed with his inquiry into the minor industries which are competed with by Japan, he has not been able to negotiate bilateral agreements with other countries, and, on the question of Indian shipping, he is as helpless as we. Questions are asked almost every morning, and he refers us to the British vested interests of shipping.

As for my Honourable friend, the Communications Member, I have said enough about his Departments, but I will only now say this that he is leaving the Railways in the hands of another Member very soon, and so far as the Indian Railways are concerned, the Federal Railway Authority is not coming, but they act as if they are already not controllable by us, or responsible to us.

As for my Honourable friend, the Home Member, it seems to me that there is no need really for a Home Department of the Government of India now. "Law and order" now is an entirely provincial subject, and what is my Honourable friend doing here? He is not even here, but what is the Department which he administers.—law and order in Delhi, Ajmer-Merwara and Coorg! And yet his Department has not been retrenched, and its expenditure is not cut down. I want to know why it is kept up. I want to ask him one or two questions. Why is the Department of my Honourable friend still having the Criminal Intelligence Department in the various provinces? To whom are they responsible? Do they report to the Ministers or through the Ministers? This is a matter which wholly concerns Provincial Autonomy, and I hope the House will have some information on this matter. On the question of books being proscribed, the Home Member has no policy of his own. I suggest that there are no educated men and women who read these books. Some half-educated men, who know some such words as socialism, communism, fascism, look at the covers of these books and they reject them. I do suggest that if these books are to be proscribed we ought to have better educated men to deal with the matter. Then, as regards these Centrally Administered Areas, they are costly and they give us nothing. Therefore, they ought to go. They ought to be absorbed in some province or the other.

As for External Affairs, we have no policy of our own. We are tied to the chariot wheels of Mr. Chamberlain, who was tied till yesterday to Herr Hitler's chariot wheels. Thanks to God, they are now waking up. I hope this awakening is permanent. Even a worm will turn, and I do hope that this turning is not of a temporary nature. But, so far as we are concerned, we refuse to have anything to do with this supine, spineless, indifferent, and undignified foreign policy which is really dictated by others, because he has really no foreign policy of his own. As for ourselves, we have no enemies, we have no territorial ambitions, and we want to conquer no country. We only want to be economically and politically free and self-sufficient. We shall export what we must, and we shall import what we must in exchange. Let us keep alliance with all our neighbours and a free India will set an example as to how to establish peace on earth and goodwill to all men.

As for my friend, the Defence Secretary, the other day he indulged in an eloquence which we did not suspect he was playing the part of Anthony, in Shakespeare's Julius Caesar who used to repeat after every

[Mr. S. Satyamurti.]

sentence "They are all, all honourable men". He said: "Your ramshackle Empire must go: therefore, co-operate with us. We won't trust you: therefore, co-operate with us." But, while he was talking in that vein and in spite of himself, a grim truth came out, namely, that the Defence Department has not and will not take us into its confidence. That is a natural inference of his long wail: they will not take us into their confidence. He said, "you cannot defend yourself." That is, I think, a true epitaph on British rule in this country. For a century and a half, you have taken the blood out of us, taxed us to the utmost capacity, and more, and fed yourselves with handsome salaries and now, when the time has come for you to quit, you say: 'You cannot defend yourselves.' No, my friends, we can defend ourselves. When we have seen the last of you, we will be able to defend ourselves. Four hundred million Indians, men, women and children, with their stout hearts and their patriotism will defend this country against all external aggressors, when we cease to be attached to you.

Then, Sir, I come to the Department of Education, Health and Lands. I think the name of the department ought to be cut down to something shorter. Let there be retrenchment at least in name. I suggest that the position of Indians in South Africa, in Kenya, in Burma, and in Ceylon will serve as an acid test of the powers of this Government. The position there, as my Leader said the other day quite correctly, has seriously deteriorated. They say they are doing their best. I am reminded of a German pianist on the top of whose piano was written: "He is doing his best, please do not shoot him". I do suggest that this 'doing their best' by the Government of India leads us nowhere, and I think this House has a right to say that they have not done as much as they ought to have done, by Indians overseas.

Turning to the provisions of the Finance Bill itself, I want to ask on the income-tax provisions one question. Will not the removal of the entire exemption of company-tax adversely affect all smaller companies? That is a matter which this House ought to consider seriously. Then, the putting of the duty on *Khandsuri* sugar, in all places where it is manufactured, will affect the cottage industries wholly disproportionately. These are the points which I desire to make on the Honourable the Finance Member's last Finance Bill.

I will conclude on this note. I am glad Sir James Grigg met Mahatma Gandhi, not once, but twice. I am reminded of a great meeting between two great men as it is depicted in Ramayana. When Visvamitra went to see sage Vasishtha and was received by him and given all the bounties of this earth and of the next, he wanted the cow—the Kamadhenu, the giver of all. Even so, the Englishman came into this country, and we gave him all that he wanted. But he wants the Kamadhenu also. He was refused the cow by Vasishtha and he fought Vasishtha. Vasishtha resisted simply placing his Brahmadandi before Visvamitra's arrows and weapons. Then, Visvamitra was defeated and said:

"Brahma tejo balam balam, dhik Kshatriya balam balam."

"Fie on mere material power! The power of the Brahman is much greater than that of the Kshatriya."

So, I think that Sir James Grigg will be able to say before Gandhi one day, if he meets him again: "Fie on the material strength of England, and of such military nations;—Yours is the greatest strength". But perhaps he has met him too late, and I do not think there is any immediate prospect of any such conversion. If there were any such prospect of his conversion, he would have withdrawn the Finance Bill this morning and said: "I do not want all this money. I will deduct 25 crores from the defence expenditure, and I will reduce all the salaries by 50 per cent. I will remove the salt duty and I will reduce the price of the postcard to half an anna. I will also have no duty on *khandsari* sugar manufactured in small cottages". But, Sir, he has not done that, and, therefore, this House ought to reject this Finance Bill, which is the Bill of a British Imperialist, who merely wants to exploit this country as long as he can. But I must say in fairness to him, if I may, that, after all, the system is as much to blame as he himself. He knows the future of this Bill. We shall finish the speeches today, and we shall begin moving the amendments tomorrow, and the next three or four days. When we have carried any or all of our amendments, this is what he will say: "Sir, I do not want to make my motion of the third reading of the Bill." He knows, too, that he will go to a building, not very far off where the form is already ready, and then the Bill will come to us in a recommended form. We will then carry another amendment and reject the recommended Bill. Then, he will take it to another place and get it passed and will have a certified Bill. But if my Honourable friend did not have this power in his hand, he would be a different man. He would be more amenable to the wishes and the sense of this House. In that case, he would have gone home earlier. But it does seem to me that if he has this power, this House cannot, simply because he has this reserve power over the head of this House, give support to this Finance Bill. It is only when we have real responsible Government in this country, a real responsible Minister, that we can have a real Finance Bill which will be based on the ancient principle of Kalidasa:

*"Prajanameva bhutyartham sa taryo,
Balim agrahit."*

The King has a right to collect taxes from his subjects only for the material welfare of the people who pay the tax. That principle is conspicuous by its absence in this Bill. Therefore, I suggest that this House should reject this Bill. We can do so merely as a gesture, but this gesture will be one of the few last gestures. The hour is the darkest before dawn.

This country will soon have Purna Swaraj, complete independence, and when that time comes, we shall pass the Finance Bill of a real responsible Finance Minister of a Sovereign Government in this country interested in the welfare, the happiness and the prosperity of this country. Let us reject this last and the fifth Finance Bill of Sir James Grigg, and let him go back home to think over his past and to make some reparation for all his wrongs to this country, by getting the War Office to reduce our defence expenditure.

Mr. A. Aikman (Bengal: European): Sir, as has been pointed out by a previous speaker in the course of this debate, the general discussion on the Finance Bill affords an opportunity for discussing not only the country's finances, but the whole range of the Government's activities and as far as I can see for their lack of activity also.

[Mr. A. Aikman.]

I do not, however, propose to take up the time of the House on matters only remotely connected with finance but I would like to take advantage of the occasion to make a brief, a very brief, survey of the general financial position, particularly as we have almost reached a not unimportant milestone—one which I gather many Honourable Members are not unpleased to see coming nearer—a milestone that marks the close of a Finance Member's term of office,—a term of office, Sir, that is outstanding and always will be outstanding in the country's history, for, during it, we have seen the finances of India during one of the most difficult periods of her existence re-established on absolutely sound foundations.

The finance policy that has been followed during the last five years and for which the Honourable Sir James Grigg's great ability and experience are largely responsible is one for which, no matter what they say, even his greatest critics, in their hearts, cannot but have sincere admiration and respect.

In my speech on the budget I commented on certain aspects of finance policy and showed how the Honourable the Finance Member had been successful in achieving what he set out to do at the beginning of his term of office. I also dealt with the great importance of a balanced central budget and with certain other matters notably the close inter-relationship of Central and Provincial finances. And here I would like to quote an epigram of the Finance Member's—with which I completely agree. He said that the Provincial finances may be unsound while the Central finance is sound, but no Province can be sound financially if the Centre is financially unsound.

I do not propose again to go over the ground I did a few days ago but it is obvious to all of us that the finance policy of every Government is the foundation upon which all its policies are based. Looked at from almost any angle it is evident that at no period since the Great War has the Central Government been on so sound a financial footing as it is today, nor has its general policy in other directions given a greater feeling of confidence. It is, of course, recognised that the general level of taxation is much higher than it was 20 years ago but against that we must not forget the very large sums distributed to the provinces, for example, the subsidies to Sind, Orissa, the North-West Frontier Province and 1½ crores for rural development.

Over and above the large contributions now being made to Provincial Governments, under the Niemeyer award, we should remember the financial effect on Central revenues of the separation of Burma, and the surrender by the Centre to the three jute growing provinces of 62½ per cent. of the proceeds of the jute export duties. During the general discussion on the budget reference was made to the increase that has taken place in Central taxation and some critics sought to make political capital out of this.

In fairness to the Government, therefore, it must be stated that there is no great country in the world in which taxation has not enormously increased since the Great War, and increased in most cases to a far greater extent than has been the case in India. Nevertheless, increase of taxation is never welcome to those who have to pay it even though they may recognise how necessary the payment of the tax may be. It is the duty, therefore, of those who represent the taxpayers to scrutinise with greatest care those policies of Government that are based upon its general scheme

of taxation. It is also their duty to remind Government that the burden on the taxpayer ought not to be greater than he can bear or heavier than the circumstances of the case demand.

And this brings me to the Finance Bill itself. I remember, when I was a small boy, reading a book in which occurred a phrase which has stuck in my memory ever since and which I think is applicable no less to the framer of a budget and a Finance Bill than to many other active individuals. The book was entitled "Letters of a self-made merchant to his son" and the phrase which so struck me was this: "When a boy's face shines with soap, look behind his ears". Well, Sir, the boy I am concerned with is called 'Bill',—Finance Bill. His face has many admirable features but I propose now and then to take a peep behind his ears.

First of all, Sir, the boy has been accused of having more in his pockets than he says he has. The Leader of the Opposition has accused the Finance Member of under-estimating. He argued this in some detail and arrived at the conclusion that with a cut in salaries of two crores, next year's result would show a surplus of six crores, that is four crores without the cut. Now, I think, he has left out a lot of factors, but I have no doubt he believes what he says—he indicated in his speech that he must not be accused of misunderstanding finance matters. But I imagine that the result of next year's working, on the basis of the Finance Bill before the House, will produce a result that will be nearer breaking even than a surplus of 25 lakhs.

I suppose the Leader of the Opposition will say I am hopelessly wrong. What then are the odds against my being right, if his arguments are so sound—50 to 1, I suppose.

I trust my Honourable friend will be prepared to support his opinions in the usual way in a proper place.

Mr. S. Satyamurti: Not here.

Mr. A. Aikman: To return to an examination of the composition of the present heavy burden of taxation we must remember that during the financial crisis, in 1931, certain emergency taxes were imposed. Almost all these taxes have continued, at least in some part, until this day and there can, I think, be little doubt that the budget is based today on a level of taxation that is high. The decision of my Honourable friend, the Finance Member, to adopt the slab system and the scale of rates shown in Appendix II of the Income-Tax Enquiry Report of 1936 has had an effect that may broadly be summed up as follows:

The income-tax to be paid by those with incomes of less than Rs. 12,000 per annum will, in almost all cases, be less than this class of taxpayer has paid during the last two financial years, and the reduction is roughly equivalent to the removal of the surcharge on incomes below that figure. To that extent, therefore, the Government of India have now redeemed their pledge to remove the emergency surcharge on income-tax as soon as it felt that the immediate financial crisis had passed. The relief will be welcome to a large body of taxpayers and the fact that this has been done is one of various indications that go to prove the general soundness of the finance policy pursued during recent years. On the other hand the balance of the surcharge has, in effect, been incorporated in the new rates to be applied to all incomes of over Rs. 12,000, while in

[Mr. A. Aikman.]

the case of the higher incomes the rates on income-tax and super-tax now to be paid are higher than they were last year. This will fulfil the ambition to which the Honourable Member has given expression, on more than one occasion, namely, to increase the taxation upon the richer class in this country. Certainly no one will quarrel with the argument that all classes should pay in accordance with their capacity but, at the same time, I cannot let pass without comment the tendency to impose a high level of taxation and maintain it.

When all is said and done it is from the more well to do class of the community that capital has to come for the development of trade and industry, and if this class are mulcted, unduly, for the purpose of the State they will not be able to provide as much as they otherwise could for productive purposes. Their present burden is onerous in the extreme and if it were not for the dangerous international outlook which has imposed such great demands for Defence expenditure, I feel that there are many who would protest most vigorously against the scale of rates for income-tax and super-tax that Government now seek to impose.

The retiring President of the Bengal Chamber of Commerce speaking at the Annual Meeting on the 2nd of March said in this connection:

"In years to come it may be necessary to remind the Government that at a time of reasonable prosperity in India they perpetuated the levy of an emergency tax and, therefore, the strongest protests might have to be made if there were proposals to necessitate further the so-called emergency taxation".

Apparently, the Chamber President considered the last year a reasonably prosperous one, but the Finance Member may prefer to budget according to his ideas of what the next year is to bring. Nevertheless, I hope, he will favour me with a dictum dealing with this declaration.

Before I leave the subject of income-tax, I should like to refer to the removal of the exemption from company super-tax of the first 50,000 rupees of the income of companies. While it is no doubt true that the system under which only income in excess of 50,000 was liable to pay such tax gave rise to some abuse, it must also frankly be recognised that the abolition of the free minimum will be a definite burden to many small companies. When the Income-tax Amendment Bill was under consideration we pressed upon the Government the suggestion that as in the case of Excess Profit Duty and the National Defence Contribution tax in the United Kingdom, so a corporation-tax, as this tax has now become, should be allowed as a charge against the profits of a company, prior to assessment for income-tax purposes. I trust the Government of India will reconsider the proposal that company super-tax now being a corporation-tax should be allowed as a charge against the incomes, profits and gains of a company for income-tax purposes.

This tax has always been a heavy burden on industry and the tendency everywhere at this time is to increase this burden. Certain Provincial Governments now seem to think that there is scarcely any limit to the extent to which they can increase the already heavy taxation borne by industries. It is clear that this tendency if not checked is bound to react sooner, rather than later, to the detriment of the industrial development of this country upon which this House has laid such stress during the last two decades or more.

The reduction in the excise on *khandsari* sugar is welcome and it is satisfactory to note that in future this tax will be paid, as it was intended that it should be paid, by all sugar of this class manufactured by factories. As the Honourable the Finance Member has already explained it is not proposed that the tax should be paid by any except factory-made *khandsari* and it will not hurt the very small sugar maker.

After giving effect to these proposals for dealing with the taxation of income and broadening the scope of sugar excise at a lower rate there remains a deficit which the Government propose to make up by doubling the duty on the imports of raw cotton. It has been suggested that the new duty will prove a serious burden to the cotton textile industry. The pros and cons have been fully discussed and nothing is to be gained by going over the ground again, but it is obvious that any new taxation must inevitably place some additional burden on those who have to pay it.

We, on these Benches, consider it of paramount importance that the Central Budget should be balanced. This is imperative in the interests of the Provinces as well as the Centre. In these circumstances we are prepared to accept the proposed duty as a method of achieving that object.

At a time when there is so much uncertainty in the world and so much cause for anxiety over the difficulties and burdens that confront Indian industry, it is a matter for satisfaction that India's credit is so good and that the securities of the Government of India rank as high as they do in the investing world. Surely, it is in the interests of every Member of this House to support the finance policy designed to maintain that highly satisfactory state of affairs.

Sir Muhammad Yamin Khan (Agra Division: Muhammadan Rural): Sir, I am not going to review the Finance Member's work for the past five years as my Honourable friends on my right have done, but I would confine myself to a few remarks which are necessary on this occasion.

When the budget is passed and certain amounts sanctioned, the necessary corollary is that the income side should also be voted upon. But we have also to see whether or not the whole budget has been passed by the House. If the budget has been passed as a whole by the vote of this House then it cannot consistently refuse to pass the Finance Bill because, disallowing the income would hardly be consistent with sanctioning the expenditure. But this House has no power on the large sums of the budget which are provided therein and they can make no change in that. Therefore, the responsibility of this House to sanction the income, on the basis of having sanctioned the expenditure, does not arise. But most of the items in the budget are such as the House has nothing to do with them and, therefore, this House can only indirectly exercise its power by rejecting the further income of Government or stopping expenditure on items over which they have no power. That is the constitutional position and I must say it is a very bad position, because, the House may feel some expenditure to be unjustified but not having the power of vote on that it cannot express any resentment or any opinion except by refusing supplies in other ways. That is the critical position in which the House has been placed by this constitution. It may be argued that this House was responsible at least to this extent that the votable expenditure has not been curtailed to any substantial extent: that this House wasted about

[Sir Muhammad Yamin Khan.]

four days in cutting down the Demands for Grants to the extent of Rs. 600 or Rs. 700. All the labour of those four days achieved only this result: that petty sums of Rs. 100 here or there have been cut down and this may probably be sanctioned by the Governor General in exercise of his powers. But this House, instead of exerting its collective influence to see that substantial reductions are made, has chosen for the past several years to attack on questions of policy. We could have decided to set apart one or two days out of the four to discuss general questions of policy, but we have never paid any attention to making any substantial reductions in expenditure. The House ought to have adopted that policy, and the Government ought to have taken the House into confidence in making retrenchments. What are we faced with today? Our expenses exceed our revenues by Rs. 55 lakhs, and this is sought to be made up by new duties. If the House had exerted its influence, this 55 lakhs could have been got by reduction in expenditure instead of by an increase in the cotton duty. That would have been something beneficial, but the House, as it is constituted, has got no co-operation among those who do not belong to the Government Benches. If there had been only two Parties—Government and the Opposition—that result could easily have been achieved; but, unfortunately, we find that though there is one Opposition, there are many other Members who do not form part of the Opposition because the Opposition does not want them to be in the Opposition unless they merge themselves and their ideas along with them. No point can be gained in this House until and unless all the other Parties become one, though different in name, and become as one united, as different human beings are united into one party. This is the only possible course, but, unfortunately, the majority Party, which has got the largest number, calls itself the Opposition and ignores the duties of the Opposition and does not require the help of those who have not merged themselves with them. As long as this continues, it will be useless wailing of my friend, Mr. Satyamurti, that this or that has not been achieved. Instead of approaching the Government to be good, we should all unite ourselves into one party. Unity cannot come by forcing other persons to go along with you but by showing the way and the method of how they can join hands with you. The only possible way is to extend the hand of friendship and make compromises with others so that we can unite together. That is the only possible way, if we are to take ourselves seriously and achieve some good for our country, instead of abusing and accusing the Government: the Government certainly takes advantage of that position of disunity in the House as much as they can. A minority Government must live on the existence of discord and disunion amongst the majority who could, otherwise, keep them under control. This is what I have to reply to the long and brilliant speech my friend, Mr. Satyamurti, has made. I would request him not to make this speech to the Government, who are not going to listen to him, but to try and convince his own followers to act accordingly and to have the co-operation of all sections of the House. Others will never refuse their hands if your hands are extended sincerely, seriously, honestly and properly.

Let us now see what are the budget figures. I would have liked that some kind of retrenchment had been made by the Parties. But when they have failed to do so, if the Government had appointed a Retrenchment Committee then we will join hands. Some friends have said that this duty on cotton is going to help Lancashire. I feel myself that it is going

to do so. I have no doubt, in fact, that it will. But I have to see also whether it will benefit me or not. If Lancashire benefits while I also benefit, I shall bear no grudge. But if Lancashire benefits at my expense, then, certainly, I have grounds for grievance against Lancashire. I find that Mr. Satyamurti and others have laid it down that it will not benefit the Indian cotton grower immediately and that, therefore, this duty should not have been imposed, at least this year. I suppose it means that full warning should have been given to the cotton growers, at least a year beforehand, that this duty is going to be brought in a year later and they should start growing long staple cotton now so that it may be available in the market later. I say that thing would have been absolutely impossible. No Finance Member can ever do that. What he has done now will certainly help the cotton grower in India to grow long staple cotton for his own benefit: and he will start growing that cotton and it will give an impetus to that. It may be said that it will hit hard somewhat the mill-owners of this country who compete with Lancashire. I have no doubt that it will do so, but the creed of my friend, Mr. Satyamurti, is not the mills, it is the *charkha*

Mr. S. Satyamurti: Both.

Sir Muhammad Yamin Khan: *Charkha* is the only effective weapon which can defeat the mills, and, therefore, *Charkha* also must come in. That will afford employment to thousands of people who have got no work to do, and as my friend said, a lot of work will be found for people in the villages and the villagers will also be taught to use the hand-made goods in preference to millmade articles. In this connection, I may point out, Sir, that the Indian millowners have so far failed to make use of Indian cotton, and to that extent we cannot sympathise with them. Although all the clothes that I am wearing at this time are of foreign material,—not a single thing that I have on me is made in India.

Mr. S. Satyamurti: What a shame!

Sir Muhammad Yamin Khan: Although all my clothes which I have on me are of foreign manufacture, still I shall be happy to see the Indian markets flooded with Indian made goods, and I look forward to the day when that will be the case. My friends come here and advocate things which are self-contradictory,—they want the handloom industry as well as the mill industry to exist, side by side. That cannot happen. The two things cannot co-exist. But when I am asked to extend sympathy for the millowner at the expense of the cotton grower, I cannot agree there, and refuse it. Why should you injure the cotton grower in order to benefit the millowner?

Mr. S. Satyamurti: Where is the injury?

Sir Muhammad Yamin Khan: The injury is this. Cotton that is grown in this country is not used by the mill industry, and by raising the price of foreign cotton, it will give an impetus to the cotton grower to grow long staple cotton

Mr. S. Satyamurti: Five years hence!

Sir Muhammad Yamin Khan: It will come next year. I think, if the Congress Governments are vigilant enough and if they discharge their duties properly and see that this long staple cotton is encouraged, then India will become absolutely independent of Lancashire before very long. Even at the risk of losing the customs duty, they must encourage the growth of this cotton

Mr. S. Satyamurti: Will Sir Sikandar do it in the Punjab?

Sir Muhammad Yamin Khan: Of course, he will do it, but I want to know what my Honourable friend's colleagues in the provinces are going to do. Sir Sikandar will take full advantage of the opportunity which is afforded by this taxation

Then, Sir so far as the income from *khandsari* sugar is concerned, I think it should be welcomed by everybody and I do not think that any Member of this House would oppose the reduction in the excise duty on *khandsari* sugar. I shall go into this question more carefully when we come to deal with the clauses and say what the definition of a factory should be. We do not want to deprive a large number of people who are engaged in this industry, but we will examine the position later on.

With regard to the question of income-tax, I have heard that only those who have an income of over a lakh of rupees have a grievance. I find that the first Rs. 5,000 are to be taxed in one particular way, but there also allowance will be given for the first Rs. 1,500, then the next Rs. 5,000 will be taxed a little more, then the next Rs. 5,000 will be taxed a little bit more, but then comes a sudden jump of Rs. 70,000. I think, Sir, it is preposterous for the Government to have proposed such a long jump. That should have been done gradually and in proper grades. I think my friend, Mr. Aikman, said that if this scale of taxation is kept on, there will be no rich people left in this country who can do some good to the poor people. I do not want that my country should consist only of labourers and no people with substantial incomes to patronise the arts and industries or to develop them. There must be rich people in every country because it is they who feed a lot of poor people by giving them sufficient work. But I do not think that those rich people whose incomes exceed a lakh and fifty thousand should have any cause to grumble to pay seven annas in the rupee.

Then, Sir, my friend, the Leader of the Opposition, said that 6½ per cent. of the income would be taken away, but he forgot to mention the fact that the 6½ per cent. will come, not out of the assets, but, out of the income which is over and above a certain sum which is left to him as his net profits. Therefore, his arguments in this matter do not appeal to us. I think, on the whole, the income-tax proposals are quite sound, except for the big jumps which have been shown. There ought to have been smaller slabs shown in the beginning so that the assesses may be charged equitably. It is not fair to charge the poor people and then jump up all of a sudden to Rs. 70,000 income.

Then, Sir, as regards salt, this question has become a hardy annual. I have heard it in this House since 1922. It was not so much discussed in 1921, but since 1922 it has been discussed almost every year. I remember once my friend, Mr. Neogy, quoted my speech of 1922 when I had opposed the salt duty. Certainly, I had opposed it, because, the salt duty had

been raised to Rs. 2-8-0 a maund, and so I had to oppose such a heavy increase in salt duty, but the present rate is quite satisfactory and there need be no cause for any kind of grievance.

Then, my friend, Dr. Sir Ziauddin Ahmad, said, he would like to examine the figures before he was satisfied that a reduction in the price of the postcard would not neutralise the effects of the loss or gains. If the loss will be equal to the gain or something approaching to it, then the reduction must be made, but if the loss by reducing the price of the postcard is going to be considerable, then we should not think of reducing the price of the postcard from nine pies to six pies. But if the loss is a great deal and cannot be made up in any other way, then I think nine pies postcard is not causing much hardship to the poor people as is alleged. It is causing hardship mostly to those merchants who send in their advertisements and use postcards in very large numbers. In the villages there is hardly one letter a year which the villager one out of a hundred writes. He writes only on marriage occasions, or when they have some relation or other working somewhere else. But that is very, very occasional. So, I think it is mostly sentimental, and, probably, some people who want to benefit themselves want to come in the garb of benefiting the villager, but really the intention is to benefit themselves. So I do not agree. If people cry because they have to pay large amounts of income-tax it is their own fault. When the zemindars were taxed heavily, they never made common cause with them, they tried to shift the burden on to the poor zemindar with the result that now, whatever losses have to be made up, they have to be made up from income-tax because the zemindar has no more to give. If in the beginning they had shown some sympathy towards the zemindars and did not shift the burden on to them they would not have found themselves in this unhappy position in which they find themselves today or will find in future. I warn my friends of the European Group that they will find themselves in a worse position within a few years' time if they go on showing this attitude. When they require help they come to us and when we go to them for help they refuse it. Mutual help will come only if it is generously given by each other when the occasion arises, but help will not be forthcoming, in future, to those who do not help others in times of need. Therefore, they must not take things as lightly as they are doing now. They found that they had a sympathetic Finance Member and they benefited, but the future is not so bright as they may think.

I agree with my Honourable friend, Mr. Satyamurti, that the policy which has been adopted in respect of the Tariff Board is absolutely wrong. We must have a permanent Tariff Board of the type advocated by Mr. Satyamurti so that it may give proper attention to the development of Indian industry and it should not be composed of people who may have to be provided for somehow or other. I think the Tariff Board policy is wrong and that a proper kind of Tariff Board should be appointed.

I have taken more time of the House than I had intended to take, but I will conclude my speech with this that, although we do not agree with any and every kind of taxation, in this particular case, as the cotton duty is bringing some benefit to the country, I, at least,—I am not talking on behalf of my Party, because on this question we cannot give our decision today (Interruption.) I have always said I, and I will say this that at least for me it is a good duty which has been imposed and I

[Sir Muhammad Yamin Khan.]

have got no objection to supporting that duty personally. As the Finance Member will be soon leaving us I wish him all joy and happiness in the new post which he is going to take up in London very shortly for which I congratulate him, and I hope that he won't be obstructed in proceeding to London by any war which may come before he leaves this country.

Mr. N. V. Gadgil (Bombay Central Division: Non-Muhammadan Rural): Sir, in the course of the last three days, this House has been listening to criticisms of the present Finance Bill as well as criticisms of the general administration, ranging from military policy in future to the other extreme, the Archaeological Department which concerns with the past. The Finance Member, I am sure, will not grudge if, after five years of his stewardship, this House is going to take a review of what he has done, for he will agree with me that it is in no sense a personal matter, but in every essential particular, if he is criticised, he is criticised as representing the system of government which has been here in this country for the last 150 years.

My Honourable friend, Mr. Santhanam, laid down certain tests whereby the budget may be judged, and some more tests were laid down by the Deputy Leader of my Party, Mr. Satyamurti. We may lay down any tests. Those tests are good if the budget is moved in a sovereign legislature. Unfortunately, this Legislature is not a sovereign legislature, and it is a wrong approach to the whole discussion if we judge this budget by canons which are available in other countries. For my part, I will not blame the Finance Member if he budgets more for the military expenditure and less and less every year for social services, because I am certain, and it will be very difficult for him to contradict this proposition, that all his ideas about managing India's economic and financial matters proceed from one and only one consideration. His object is, and quite naturally it has always been and will continue to be, whoever follows him, hereafter, how to perpetuate the economic domination of Britain over India. Political domination of one country by another is hard in itself. One can understand it, but the economic dominance of one country by another is harder still. Not only does it affect the top but it pervades every walk of public life and all private and economic concerns. If you go carefully through all the proposals of taxation which the Honourable the Finance Member has made in the course of the last five years, you will find that all of them have been integrated to one common objective and that is how to advance the industrial cause of Britain and how to cripple the industrial advance of this country. It is not as it were in a fit of absent-mindedness that he has doubled the cotton duty. No, Sir. It is wrong to say that the present Finance Member has no plan. There is a plan and it is not a new plan which we have seen during the last five years, but it is a plan as old as the existence of the British people in this country. It is there for the last 250 years, from the time the first Britisher put his foot on the sacred soil of this country. In the course of the last five years, it has been the persistent effort of the present Finance Member to remove as many advantages as he could, which, according to him, were calculated to advance the industries of this country.

The one industry that, in the course of the last 60 years, after great sacrifices on the part of the consumers, was built up by the efforts of

pioneers was to be destroyed. It was one of the greatest industries which stood in the way of England's economic domination of this country. The history of the textile industry in this country is a history of which India may be proud but about which, at the same time, England will have to hang its head in shame. Early in the 80's of the last century, when this industry was first started, for nearly 30 years it was running at a loss and when it started making some profits it was a curious thing to find that an excise duty was levied on textile goods manufactured in India. There was no parallel to this sort of duty anywhere under the Sun. Why was this duty levied? In the beginning of the 19th century, we have read in history that the Bengal weavers were made to cut their thumbs, so that they might not manufacture or prepare goods which would stand competition with similar goods produced in England. You will be surprised to learn that similar prohibitions and restrictions were also placed so far as building ships beyond a certain measurement was concerned.

Very recently, Sir P. C. Ray has published his autobiography and you will find in it that in one of the issues of the *Calcutta Gazette* a notification was issued that no builder should build a craft or a ship beyond a certain measure, and if he did, the punishment was thirty stripes. That was the ancient method of preventing India's industry. The modern method is the excise duty, and the Griggian method is to double the duty on raw cotton in the year of grace, 1939. The form may change, but the spirit remains.

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

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

Mr. N. V. Gadgil: Mr. Deputy President, when the House adjourned for Lunch, I was making the point that all the legislative activities of the present Finance Member were directed from one point of view, *viz.*, how to perpetuate the economic dominance of England over India, and from that point of view it would be worth-while to examine the proposals which have been embodied in the present Finance Bill.

So far as the income-tax proposals are concerned, you will find that the anxiety is not so much to tax the rich as the anxiety is to tax that portion of the profits or wealth which would otherwise have gone to the expansion of industrial finance, and it was that fear, Sir, which some of us entertained while the Income-tax Amending Bill was being discussed in the House. I was one of those who then said that there was absolutely no desire on the part of some of us not to tax the rich so that there would be a more equitable distribution of wealth, but that, situated industrially as this country was, it was necessary to see, at the same time, that that portion of the profits or that portion of wealth should not be taxed which would go and which would be utilised for the industrial expansion of this country. But we find, Sir, in the Finance Bill that has been introduced in this House this time that the limit for super-tax has been so reduced that the small industries will have to pay that tax, with the result that during the course of the last ten years, in several places in this country, where there has been a considerable growth of small industries, that

[Mr. N. V. Gadgil.]

growth will be seriously hampered. I may tell this House, Sir, that I have received a number of letters from Bombay and from other towns in my provinces including letters from the Secretaries of the Mahratha and the Maharashtra Chambers of Commerce, that this proposal of taxing the smaller companies is sure to hamper the growth of the small industrial concerns. I want to say, Sir, that this is exactly what the Finance Member wants to do. I cannot absolve him of this intention, because a man is presumed to intend the consequences which naturally follow from his acts. It could not have been absent from his mind, when he framed these taxation proposals and embodied them in the present Finance Bill, that such a thing was sure to hamper the industrial growth in this country. I put it to him, that if that was not his intention, then, surely, he should make a declaration that these portions of the Finance Bill will be taken out.

Then take the cotton duties which have been doubled, and we have been told that the apparent object of this extra levy of duty, on cotton imported from abroad, was to encourage the growth of the long-staple cotton in India. I do not think that this is a commodity which can grow so quickly as the ideas of the Finance Member seem to grow. It will take a long time. I will formulate another proposition for him, firstly, that if he wants to show that this duty has not been levied for the benefit of the Lancashire industry, he should agree to a corresponding counter-vailing duty. Secondly, it has been represented by the persons concerned in this industry that in the course of the last few years Indian mills have been manufacturing textiles of higher counts with the cotton imported from abroad, not merely for the use of the Indian people, but they have been able to some extent to export these finer textile goods, outside India, and that portion of the world's market which is being steadily captured by the Indian textile interest will disappear. If the Finance Member is really sincere, he can show his sincerity by another way which I may suggest to him, *viz.*, that the textile exports from India of the higher and finer counts should be given a rebate so as to neutralize the effects of the extra duty which he proposes to impose here. One more argument in connection with the cotton duty. I think that the agreement, the text of which was circulated to us only last evening, will seriously affect the prospects of the textile industry in India. I am not concerned so much with those who have shares and who run or control the industry concerned. But I am concerned more in the welfare of the labourers concerned. Very recently, I think since eight months ago, the Bombay mills had to accept an increase of twelve and a half per cent. in the wages of labourers and a Committee was appointed which made an *ad interim* recommendation to that effect. The same Committee is still in session and is collecting further statistics and taking further evidence and has been asked to make permanent recommendations and, if possible, lay down a minimum standard of wage. I do not know what will be the reactions, but if the Lancashire goods are to be given such preferential treatment in terms of the proposed agreement, it will be only proper to conclude that it will affect the prices of the textile goods in India, with the result that the labourers will be asked to lose even what they have been given so far: and that means that the lives of nearly six lakhs of people will be affected. Sir, as I stated, this industry has always been

the eye-sore of English industrialists. They did their best, from every point of view, to cripple it and yet their exports to India decreased to such an extent that we were told, two years ago, that they did not go beyond two hundred and fifty million yards. It is only a natural consequence when India is trying to find its feet in the industrial sphere and I think it is wrong for anybody to try to cripple further not only this industry but other industries. Sir, as I have stated, it has been the persistent object of the present Finance Member, for, as soon as he arrived here, he made it plain that he stood for free trade—a doctrine which no longer held any place in his own country, but it seems nowadays that even certain principles, like prophets, are not honoured in the land in which they are first mooted. Of course, during the last five years, in spite of his repeated expression about the love for free trade, he has not been able to do much towards the scaling down of tariff. As a parting present he has been able to do something and in such a manner that I am reminded of the story of a village officer in my province. He had quarrels with three villages and he committed suicide on the borders of all the three villages so that all the three villages might be involved in the investigations which were sure to follow after his death. So, at the eleventh hour, in fact, at the twelfth hour, when he is about to go

Mr. Badri Dutt Pande (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): Where has he committed suicide?

Mr. N. V. Gadgil: You follow the point of similitude. Although you are a hill man, you can do it. He has done it at such a time that he has prejudiced a fair consideration of the Indo-British pact. He has given such a blow—I do not say a death-blow—to the textile industry and he has given such a blow, which is almost direct, to the labour interests in my province. Anyway, there will be more trouble for us, for Mr. Joshi and for those who are interested in labour, because, as a result of this, I am sure the wages will be reduced. If he was really anxious to do good to India, there were many opportunities for him to lessen the burden, but, as I said, the predominant note was to perpetuate the economic dominance of England.

In the course of the last five years, a reference to the bank rate will show that the money was cheap, yet what has he done towards the conversion of national debts? It was possible for him to advise the purchase of railways from the private companies. The contracts of some of them expired, during the course of the last five years. But he did nothing of the sort. There are many sins of commission and omission of the Finance Member and if I were to detail them, to borrow a Sanskrit simile, then, even if you take the whole surface of the earth as paper, all the bamboos in the world as pens and the water of the ocean as ink, it will not be possible to exhaust them. And yet we have to deal with them. Another question that I would like to mention relates to the exchange ratio. When all the eight Finance Ministers from the Congress Provinces represented that the ratio should be restored to 1s. 4d. and every time that this subject was mooted out, out came a Government communique that it was not in the best interests of the country and that the trade balance was favourable. A closer analysis will convince that this policy of having the exchange at 1s. 6d. has resulted in immense harm, both to

[Mr. N. V. Gadgil.]

the trade and to the agriculturist. In the first place, it has meant 12½ per cent. preference to English manufactured imports in this country. If the Finance Member is so anxious to show that any return to the former exchange ratio was likely to benefit the money speculator, there are ways and ways to circumscribe it and to prevent it. But because a certain policy is likely to benefit a few more along with benefiting the many, it is no argument to say that it should not be followed. In the Government communique that was published on the 15th of January, it was stated therein that the balance of trade was steadily increasing. But the real point is not the balance of trade in that particular month or months. We have to take the entire course of the balance of trade from the time when this exchange ratio was fixed a few years ago and we have to read it in terms of the falling prices as they have been evident during the course of these few years also. On this point the Finance Member seems to be adamant and naturally. He said, as I have stated, that the balance of trade is in favour of India. I want to know what will be the result of the proposed trade agreement? Will not the balance of trade be affected in favour of England more than in favour of India? But, Sir, as I have stated, reason and argument have no value with our present Finance Member. He is wedded to one doctrine, the doctrine of a partisan and a patriot. He cannot judge any question by the mere and absolute standards of right, justice and equity. He must judge them by the only standard by which an Englishman is supposed to judge, whether it is beneficial for his own country or not. If it is beneficial, then it is just, proper, equitable and good and it is in the interests even of those against whom it really operates. My submission is that he has richly illustrated this trait of the Englishman.

Then, it was possible for him to decrease the salaries and to reduce the effects of the Lee-lout concessions. It was possible for him to save two crores of rupees but he has not done it. Sir, there are other aspects of his stewardship which deserve more condemnation than he has actually got during the course of the last five years. The Deputy Leader of our Party referred to the grant of one crore for the first two years, 1935-36 and 1936-37 and my Deputy Leader suggested that there was a rivalry between Mahatma Gandhi and the present Government of India to win the confidence of the masses. I do not think he is entirely right and I most respectfully beg to differ from him. The real object was to show that the Government of India was more anxious so that in the general elections that took place, in February of 1937, the Congress might not be returned in majority. The moment the election results went against the wishes of the powers that be, quietly, in the budget presented for 1937-38, that grant of one crore of rupees was omitted.

It seems now, after the inauguration of Provincial Autonomy, that the conception of the Government of India seems to be that the State is a mere police State. There is no obligation on the part of the Government of India to spend anything on social services. If we analyse the figures, which I do not want to do in greater detail for want of time, we are told, that nearly fifty crores are consumed by the military department, and yet, are we getting all that we wanted? Sir, on one occasion I made a calculation about the cost which the Government of India had to incur in connection with their policy in the tribal area and, from the

various Government reports, I calculated the figure that in the course of the last fifty years, the Government spent more than 400 crores over their military expeditions in the tribal areas and the country adjoining those areas. If, instead of spending these 400 crores in mere smoke and noise, if they had utilised even one-tenth of this big amount in a more constructive manner, I am certain that that area would have been more happy and peaceful. During the course of the last two or three years and especially in the course of the last few months, you cannot but find that every week there are raids, looting of shops, kidnapping of persons both Hindus and Muslims, loss of life and property and yet crores are being spent. The tribesmen are not even so well armed as the Germans were and we are told that the Government of India are unable to put them down. In the first place, I do not justify this policy. In the second place, assuming that that policy was correct, what is the result of this policy? No life is safe, no property is secure. I do not want to discriminate between Hindu and Muslim life or between Hindu property and Muslim property. You are spending nearly a third of the military budget for putting down the tribal revolt or uprising, whatever you might like to call it, and even today's papers say there are raids and lootings, and you are able to do nothing in spite of that heavy military expenditure. Is that a proof that your army is being utilised to the best advantage? If it is not, if you have failed in the course of the last 20 years to establish peace and goodwill on the frontier, will you not consider for a while that, after all, you may be wrong in following the policy which you are doing? You may consider the whole world to be in the wrong for some time, you may consider some people to be wrong for all the time to come, but you cannot consider the whole world to be wrong for all times. It is just possible that you may be wrong in your policy, you may be radically wrong and the time has now come when you ought to change that policy. If you change that policy the result will be that there will be a good deal of saving in expenditure in the military department. There are ways and ways in which, if you want really to do good to the country, you can do. But your predominant policy has always been to perpetuate the economic dominance of England and for that you must have an army of occupation in such proportions as to make that thing perfectly safe. Where is the necessity of maintaining 50,000 British troops here? You can replace them by Indian rank and file and officers and you will be able to effect a saving of 13 crores, according to the findings of the Capitation Tribunal which consisted of Justice Shadi Lal and others. If you really want to do that, then there is nothing to prevent it. As I said in the beginning of my speech, the whole policy is dominated by one consideration, by one objective, one note and that is how to secure and how to perpetuate the economic domination of the British nation. I remember, Sir, one of the Lieutenant Governors stated before the Simon Commission that the economic existence of the British people in India was the first concern and their political existence was merely secondary and ancillary and I think that correctly describes the entire position. This has been their general policy throughout. This has also been the policy during the last five years of the present Finance Member's stewardship. I will not judge him by the test laid down by some of my Honourable friends here: whether the purchasing power has increased? It can never increase. To believe for one moment that the purchasing power of the Indian ryot can increase, so long as the British people are following here the same policy which

[Mr. N. V. Gadgil.]

they have followed during the past 150 years, is a contradiction in terms. The ryots will be happy when the Englishman leaves the shores of India; unemployment will go when the English bureaucracy will leave India. Indian industries will flourish when the English industrialist ceases to have any voice in the tariff management of the country. This is a perfect equation and those who do not understand it do not understand the essentials of Indian situation. During the course of the last five years all that he has done is—apart from the general considerations I have just laid down before this House—merely to follow a policy of living from hand to mouth. Has he laid down the principles of any long range policy? Has it ever occurred to him that in view of the fact that the old village economy in India has been completely destroyed, that as my Honourable friend, Mr. Santhanam, has said, that in his own village no house has been built in the course of the last twenty years, has it ever occurred to him that the villages are becoming a matter of disgrace to this country, that there are nearly five crores of unemployed here in this land, and has it ever occurred to him that something must be done towards setting matters right? If that was so he would have entered on a policy of planned economics. He would have borrowed a leaf from the books of U.S.S.R. where they have successfully run two five-year plans.

Sir, I do not want to take up the time of the House. I will only conclude that when the Honourable the Finance Member came to India the Indian people were under-fed and under-clad and utterly uneducated and, when he is leaving India, there has been no change. He has not been able to add one morsel more to their food, one inch of cloth more to their clothing and one letter to their knowledge. I submit his stewardship has been a complete failure. I am not casting any personal aspersions on him because he tried to follow the policy of the Government of which he is part and parcel. In his speech he made an appeal for political reconciliation. It would be a joke, Sir, if in the course of the discussion of the Finance Bill, he does not implement it by agreeing to some of our proposals and by that test his sincerity will be judged.

Mr. M. S. Aney (Berar: Non-Muhammadan): Sir, we have been discussing the Finance Bill and the general situation and administration of this country during the last three days. ^{3 P. M.} The discussion on the Finance Bill gives generally a considerable latitude to the speakers and we do take advantage of that to bring to the notice of the Government many points which otherwise remain almost untouched. My Honourable friend to my right began his speech with a homily to the Congress Members. My Honourable friend, the Deputy Leader of the Congress Party, was not present when he opened his speech. In the course of his speech, he regretted that the discussion on the budget generally turns upon discussions of policy and no substantial advantage is derived by the people on account of want of co-operation between the Congress Benches and his own Group. I really do not know what exactly was in the mind of my Honourable friend when he made that complaint. He probably is under the impression that any effective cut that he would suggest on the merits to the demands for grants would not be supported by the Congress Party. If that is his idea I think he is quite wrong.

Sir Muhammad Yamin Khan: That was never my idea.

Mr. M. S. Aney: If that was not his idea then I really do not know where the ground for complaint is that there is no mutual co-operation among us in dealing with the demands for grants. The demands for grants are there and if they are not considered on the merits it is because of the general knowledge that they are put in there for the sake of being carried as they are. Even when you move a cut on the merits and get it reduced next time when they come before you it will be restored in the proper way. I can assure my friend that it has taken place like that before. So, it comes to this, that we do not generally enter into the merits of any particular demand but we want to give the other side an impression or a repetition of certain important views which the Opposition holds as regards policies. We think that that is a more effective way of reminding them of the urgency of changing their policies on certain important and vital matters than to tinker with small grants here and small advantages there. It is because of that that the Congress Party does not take that line of action. But I can assure my Honourable friend that if any of my Honourable friends really had any cut on the merits of any one of the demands, not only the Congress Party but the other Parties also,—I cannot speak of my Honourable friends on the European Benches,—would have willingly supported it if it could be properly supported on the merits and there would be no want of co-operation so far as that was concerned.

Sir, the Finance Bill, as I have already stated, is generally intended to secure for Government the money that they want for the expenditure of the year and it generally comes up after the budget demands are passed by the House. But this is also an occasion for us to consider the whole aspect and the general nature of the stewardship of the country by the Treasury Benches. If we look at the thing from that point of view and consider the amount of capacity shown by the Treasury Benches in dealing with Indian affairs, there are one or two tests which would be of some use to us in judging them. There are certain departments, as my Honourable friend, the Deputy Leader of the Congress Party, has shown, which are known as commercial departments. I take that as a test of a man's capacity for managership.

Leaving aside the other departments, those departments which are known as the commercial departments can be certainly taken as affording a proper test for knowing the capacity for efficient management of those who are in charge of it. What has been the position of these two important departments? We know that the Railway Department and the Posts and Telegraphs Department and the Irrigation Department have been described as commercial departments in our budgets and we also get their accounts kept in the commercial manner with working expenses, balance-sheets, and so on. But what do we find? We find that these commercial departments are not being run at a profit at all. For some years they were being run at a profit, particularly, the Railway Department, but during the last three or four years we find the whole thing has changed and the concern is being run at a loss. All the reserves have been swallowed up and the other funds have been spent up. Moratoriums have been asked for in regard to all debts and we find that these departments, the Railway Department at any rate, are not being run successfully at all. If there is a manager of a particular company, who, at the end of the year, presents a balance-sheet showing a loss and no profit, and if this state of affairs goes on year after year, either that commercial concern would be wound up or the manager would be dismissed. But the railways are an:

[Mr. M. S. Aney.]

important national asset and, of course, the question of winding them up cannot arise; but the managers deserve to be dismissed. And now the remedy which they have found out is this that they are going to keep it and hand it over to a manager who shall no longer be responsible to this House in any form at all. That is the solution that they have devised in order to get rid of the necessity of rendering any accounts to this House in this matter. So, also in the case of the Posts and Telegraphs Department, a department that is running at a loss is being linked on to a branch which is running at a profit. Why is it not possible for the Postal Department to make the Telegraph Department successful? What stands in the way of the Postal Department changing their schedules and the rates at which telegrams are charged and so on, so as not to allow them to remain a permanent liability on the Postal Department and deprive a large number of customers of the advantages which they are entitled to get on account of the profits which the Postal Department is actually making? But somehow or other we find that though the postal and the other branches of the department are really running at a profit, the total result, at the end, is one of loss, and that dead loss is due to the costly manner in which the Telegraph Department is being run. I submit, Sir, that as good managers they ought to see that this costly department is self-sufficient and is no longer a liability on the other branches of the Postal Department. This point mainly strikes me as important for this reason that the charges as regards cards and envelopes, etc., having once increased there is no tendency to bring them down to a reasonable level. That is a requirement of the poor man. It was wrong on the part of my Honourable friend here to say that the postcard is a thing which is not used by the villagers. It is not used by the villager because he cannot afford it, and it is necessary that it should be brought down to a level which is within his means. If he is sending one postcard now, at the end of the year he will be sending two; and you can imagine a poor man living in Bombay or elsewhere sending two cards in the course of one year to his distant relative. It means a good deal of more happiness to the people living separate from them than to compel them to send one card only. For these unhappy and miserable people, who live in distant villages under the most pitiable conditions, to receive two letters from their relatives in the year, instead of one, would mean doubling their happiness. Why do you deny them that happiness? Is he not entitled to it? He is certainly entitled to that. When we are thinking of doing some service to the poor villagers, let us not forget that this is one of the ways in which the conditions of these persons can be made a little bit better. This is one social service you can really render. I look upon the postal department as a social service department more than a commercial department; and I think, if my Honourable friend, Mr. Bewoor, and the Honourable Member whom he has to serve, will look at the problem from this point of view, they will certainly see the immediate necessity of doing something in this direction, in spite of the pleading that this will mean a good deal of loss to the revenues and, therefore, beyond the capacity of the department to think in that direction: I hope that they will try to find out some ways to give effect to some of the suggestions so that the postal cards can be had more cheaply by the people than now.

Another thing which I want to suggest, when I am discussing this general administration, is the peculiar tendency of the present Finance Member during his career of five years. If it can be characterised in

any way, I would say that it has been a retrograde tendency to undemocratise the finances of this country. What I mean is this: the degree of control which this House used to have over the finances has been consistently reduced during the period of his stewardship. For that purpose, if we take the voted and non-voted items we shall certainly find that, excluding the working expenses of the Railways and the Irrigation and Posts and Telegraphs, out of a total expenditure of 104 crores, about 75 crores are non-voted and about 25 odd crores are voted. I really feel that to place only 25 crores before this House for voting, out of a total of 104 crores, is really to deny the House any effective voice as regards three-fourths of the expenditure incurred in this country. That is a thing which has always struck me as one of the most objectionable features of the Indian financial system that exists at present. The second thing is that there used to be a Standing Finance Committee working ever since the Montford Reforms came into force, which was associated with the Finance Department, and matters of new expenditure used to be placed before that committee and their opinions were taken thereon before being formally incorporated in the budget. For some reason or another the present Finance Member found that it was not a proper committee and its functions were not according to his ideas and he thought of replacing the Committee by something else: and he wanted to substitute for it a sort of committee that nobody wanted to have, and thus, for the last two years, it has gone on like that and this is the second budget which has come before the House without any assistance of this House being taken in its preparation. Thus, even the little control which this House used to exercise, in the preparation of the annual budget, particularly in the matter of new expenditure, has been removed, and now it is solely a matter within the discretion of the Honourable the Finance Member to prepare the budget as he likes. If nothing else, the mere fact that the degree of control which this House used to have, the degree of association which was sought by his predecessors in the matter of making financial arrangements for the year no longer exists; and, in fact, he never thought it to be a useful arrangement and, ultimately, succeeded in getting the entire control in his own hands so far as the preparation of the financial statement is concerned. That is the second service or disservice, whatever you may call it, that he has done.

Coming to the Finance Bill, I shall not deal with the points which have been very ably dealt with by the Honourable the Leader of the Opposition and also by many friends as to the estimates of receipts and so on. I agree almost entirely with him in thinking that the receipts have been underestimated. I feel like that; but leaving aside that question, we have to come to the point of the specific suggestions or provisions made in the Finance Bill. In that connection the only new provision or new duty which he has imposed on cotton, naturally figures very prominently. He himself has placed it before us as a purely revenue measure; and he casually suggested that it may be of some help to the cotton growers in the development of long staple cotton cultivation in this country. That is a pious hope. In the first place, let me assure him that if he really wants to do anything in that direction, a mere revenue duty of this kind will not be of much use because there ought to be a consistent policy, at least for a number of years, before the cultivators of this country can think of taking advantage of it. There is also the difficulty that the Provincial Governments may make use of this thing with a view to the development of this kind of cultivation in any particular part of India. A

[Mr. M. S. Aney.]

revenue duty which is intended to cover a particular deficit may disappear in the next year and nobody is going to risk anything on a mere flimsy assurance of that nature. From that point of view I do not give any serious attention to that suggestion at all; but, at the same time, I want to bring a few facts to the notice of this House and also of the Government of India. I am not going to deal with the bigger question which the new trade agreement raises. There will be proper time to have a full dress debate over the agreements with regard to which certain papers have been supplied to us—I am not going to deal with them now; but I want this House as well as the Government of India to consider seriously the position which has arisen with regard to cotton cultivation in this country.

In the first place, it is not a question confined to a few people here and a few people there. It is a question in which lakhs and lakhs of the population in certain provinces are engaged and we find that the sort of cotton that they grow is having no demand because one of our best customers is practically going out of competition. The total amount of cotton grown in India is about 60 lakhs of bales, including long staple and short staple. Of that amount, about 40 or 45 lakhs is short staple the other qualities are known as long staple, although there are certain varieties which are medium quality; and the long staple properly called does not go beyond nine lakhs of bales if we do not include the varieties which are not classed as long staple by certain industrialists. Of this total of 40 or 45 lakh bales of short staple cotton, annually produced in this country, about 25 lakhs of bales used to be exported to Japan. That was the position before. Now Japan's demands have fallen down to the extent—it is admitted even in the papers—of more than 35 per cent. That is the position. What is to be done to the cotton that is being grown? I press this question, because, I feel that those who are engaged in the Indian textile industry as well as the Government of India ought to seriously consider the problem. It is no use telling those growers that that kind of cotton, which they are producing now, is no good and that they should replace it by something else. Sir, this is an industry in which millions and millions of people are engaged in a number of provinces, and if they grow that particular quality of cotton, something has to be done to see that the raw produce that they produce is properly consumed and it finds a suitable market somewhere else. It is an important point to be considered. I do not want that a market should be found for it at the cost of our national industry, but that is a problem which even those who are engaged in the textile industry ought to take into serious consideration. In this connection, I should like to bring to the attention of the House one point. Japan purchases this very cotton, and all that quantity is used by them for various purposes. Why is it that the Indian industrialist cannot think of the various uses to which the Japanese put this short staple cotton? Sir, when I discussed this question with the Delegation that came out from Lancashire here last time, I brought to their notice certain passages from the reports of the Central Cotton Committee and other text books to prove that it is possible for England to consume something like 13 lakhs of bales of Indian short staple cotton, because, so many are the uses to which this very cotton is put by Japan, but their complaint was that they had no suitable machinery and so on. My point is, that if steps are taken, even the short staple cotton can be used for producing better and finer cloth. This is a point to which the Indian industrialist has not, unfortunately,

paid any attention so far. Still today the Indian mills are our best customers, because, about 27 lakhs of bales are consumed by them, but, thereby, you cannot solve the whole problem. There is the question of surplus, and if there is surplus, it will lie idle in the godowns of India and there will be no consumer at all, with the result that the fate of those who are engaged in producing this short staple cotton will be entirely hopeless. In fact, those who know the present condition of the Indian cultivator in those tracts which mainly depend upon cotton growing, particularly, the cotton growing tracts of the Central Provinces, Berar and Khandesh, with which I am fully familiar, cannot but admit that no peasantry is hit so hard today as the cultivators in these parts. For them various kinds of laws are enacted by the Provincial Governments to relieve them from indebtedness, and yet one-third of their land has actually gone out of their hands owing to their inability to pay the Government arrears and their debts during the last few years. Nearly one-third of the land in one district has already gone out of the hands of the cultivators, and the position is really very precarious. You have to deal with a problem in which millions of Indian cultivators are involved, and it is no use sitting ostrich-like completely callous and indifferent to the actual state of affairs. Although I may not be able to accept the proposals that may be made, I do not think that the present cotton duty is going to deal with the problem effectively, and so I shall oppose it. But it is a problem to which my friends who are fortunately circumstanced and engaged in the textile industry of India, the Governments of the various provinces as well as the Government of India should pay their immediate attention, otherwise it will create a situation of unemployment unparalleled in the annals of this country. Today the situation has become almost hopeless. I do not want to enter into further details and statistics in regard to this matter, because, I think the whole subject will be discussed one day before this House, when I shall deal with it exhaustively, but it is a problem of urgent importance to which this House and the Government of India as well as the Provincial Governments ought to pay immediate attention. The Government of India should not say that it is a provincial matter. It is not a provincial matter. The fate of the cotton grower is a matter of Imperial and national concern and if the Government of India treat it as a provincial concern it is really very wrong because if the trade is ruined, if the cultivators are ruined, we shall be dealing a death blow to one of the greatest national industries of this country, with the result that the serious problem of unemployment in India will arise and Government will have to face it, which will be a national calamity.

Then, Sir, I shall come to another question which is more or less of a local nature. Many Honourable Members have tried to press the claims of their own provinces.—and I also wish to press the claims of my own province,—the Central Provinces and Berar. If Berar is taken out of the Central Provinces,—and the Central Provinces has got 14 districts,—and if the Central Provinces Government are called upon to carry on their own administration without the Berars, then take it from me that they will not be able to run the administration even for one day, because, it will have to face a deficit of 25 or 30 lakhs of rupees! It is because of the revenues of the Berar, they are able to show the surplus budgets and they are able to carry on their administration somehow. If there is severe famine, drought

[Mr. M. S. Aney.]

or some such calamity in Berar, then the Central Provinces administration will have to produce a deficit budget or the needs of the Berar people will remain uncomplied. This difficulty was already known to the Government of India, and, therefore, there is some responsibility placed upon the Governor there to look after the special claims of Berar. We do not want the Governor to interfere with our affairs at all, but the question which the Government of India have to consider is this. Berar allowed their surpluses which come to the tune of 40 or 50 lakhs per year from the year 1908 up to the year 1939, a period of over 35 years, to be used by the Central Provinces Government without any return to her at all. What is the result? This drain has told upon the people of Berar, and now, as soon as you find a series of years with failure of crops, there will be absolutely no power of resistance left in those people and they will go to the wall. In these circumstances, if the local administration is to do any justice to the people of Berar and also to the cultivators of the Central Provinces; then the Government of India ought to run to the rescue of the Central Provinces Government. The point is that the claims of the Central Provinces must be considered more liberally by the Government of India than is done today. I am sorry that the Government of the Central Provinces stated to the Government of India that they had a surplus budget forgetting the fact that these were artificial surpluses, were more or less due to the surplus produced by Berar revenues, and the Central Provinces Government also forgot the fact that the position of Berar was going from bad to worse every year. This being the case, I warn the Government to consider very seriously the fact that there is no possibility of expansion of any kind of revenue in the Central Provinces hereafter. With great difficulty they have tried to tap three or four sources this year and have been able to find about nine lakhs so as to make both ends meet, and they have shown a surplus of half a lakh or a lakh in this year's budget. The *Times of India*, Sir, has a very proper criticism on it. Therefore, I want to emphasise the point that if the Central Provinces Government were to maintain its proper standard of administration and carry on the work of nation building efficiently and help the people in the onward march of progress, it will be necessary for the Government of India to go to their rescue and give them a grant or subsidy or subvention of not less than 25 lakhs annually; unless some such arrangement is made, I do not think it will be possible for the Central Provinces Government to carry on their administration efficiently hereafter. Of course, a hint to that effect has already been thrown out by the Finance Member of the Central Provinces, but he has couched it in a different language. I feel he should have called upon the Government of India to give them a proper subsidy just as the Governments of Orissa or Sind are getting in this matter. Those are also miserable provinces, impoverished provinces, but the conditions in the Central Provinces cannot be said to be better than those in Orissa and Sind.

Now, Sir, having tried to press the claims of my little province, and as I find that most of the other points which I wanted to touch upon have already been dealt with by my other friends, I do not wish to waste the time of the House by repeating those things again, and I think it will be only proper for us to allow the Honourable Member in charge also sufficient time to give a reply to a debate which has gone over three days. 1½ hours would not be too long for him. So I want to tell him that his

financial administration will be remembered as having placed Indian finances, not on a very sure footing or a sound footing as has been characterised by some of my Honourable friends, but as having placed them on a very slender and very deceptive foundation. That is my reading of it. If I prove a false prophet I shall be very glad, but I am afraid the finances of this country have come to such a position where it is no longer possible for the Government of India to rest content with the idea that we have got strong and sound finances and whatever danger may come, we are prepared to meet it. If they remain in that confidence, they will be faced with a calamity the nature of which I cannot describe today. With these few remarks, I oppose the Finance Bill.

Sir Abdul Halim Ghuznavi (Dacca cum Mymensingh: Muhammadan Rural): This morning I listened with great attention to the indictment of my Honourable friend, Mr. Satyamurti, against the Honourable the Finance Member. Sir, it reminded me of what had happened some years ago. My political *Guru*, Mr. (afterwards Sir) Surendra Nath Banerjee, used to say, "I would do this, I would do that, I would bring milk and honey to Bengal and to India if I had the Government in my hands." Government came into his hands, and he became a Minister. I went to him and enquired: "Sir Surendra Nath, now the Government is in your hands. Where is the milk and honey? Where are the promises that you made that you would do this, would do that, and the other?" He replied: "My dear Ghuznavi, it cannot be done." As soon as my friend, Mr. Satyamurti, would be on the Treasury Benches, and my friend, the Finance Member, would be on the Opposition.

An Honourable Member: He won't be here.

Sir Abdul Halim Ghuznavi: I would advise him to come back here and be elected through the European Constituency. Then, he would make the same sort of indictment against my friend, Mr. Satyamurti. Not that I say that he does not deserve some sort of indictment, but the indictment that my friend made is not appropriate to the purpose. During the five years of his service as Finance Member in this country, he has, if I may say so, in adjusting his finances, always taken the interests of the United Kingdom first.

Mr. S. Satyamurti: That is not an indictment! I can say no more, I have said no more.

Sir Abdul Halim Ghuznavi: I feel that the interests of the United Kingdom were his first consideration.

Mr. S. Satyamurti: *Et tu Brutus!* Then, fall, Caesar!

Sir Abdul Halim Ghuznavi: If he had got the interest of India at heart and attempted to solve the financial difficulties of this country, the economic problems of India, he would have gone back to his country with the blessings of India. One of his last acts was the amendment of the Indian Income-tax Act. He got it through.....(Interruption).....for the benefit of England, as I shall explain presently. He got that Bill through

[Sir Abdul Halim Ghuznavi.]

through the kind efforts of the Congress Benches. The Leader of the Opposition, discussing this Finance Bill, said, as reported in the *Hindustan Times* :

"He has not merely made up the lost income by being the protector of the poor and taxing the rich, but has taxed the rich to an extent for which the only plea he can put forward is—'All of it I am not going to get, a part of it is going to the provinces'.

Sir James Grigg : All of it.

Mr. Bhulabhai J. Desai : Except the corporation tax, and I shall come to it presently—but I quite agree that, except the corporation tax, all of it will go to the provinces, but whether he did it as a friend of the provinces (*mark the words*) or whether he did it in order that the industries of the country might well bear the strain a little more, he had a choice of two arguments."

This is somewhat strange coming from my Honourable friend, the Leader of the Opposition, who, against our opposition, gave the Honourable the Finance Member all possible support. I say that Sir James did not do it in the interests of the provinces; he did it in the interests of the United Kingdom. The Indian businesses abroad will be strangled by this heavy taxation. Taxation on accrual basis was introduced in England in 1932 long after England had firmly established its business all over the world. England gave every encouragement for establishing its business throughout the world, and then came the accrual basis. But what about India? We are still in a stage of infancy in the matter of business, and you are strangling it. Which Indian would go outside to risk his life and his money and make a profit, of which 50 per cent. will be taken over by the Government for doing nothing at all, for giving no help at all for safeguarding their interests abroad. My Honourable friend says, I have given relief to the poor. But how can the poor go on unless the rich are there to help the poor with money? The poor have no money to carry on trade abroad, unless the rich people give them money, and you have killed the rich. No rich men will now go to foreign countries or put in their money there, 90 per cent. of which is always lost, and when they make a profit, the Finance Member here wants 50 or 75 per cent. or the whole of the amount that he makes. That is not done in the interests of India,—in any event. Surely, it is in the interests of the United Kingdom. Again, going through the Finance Bill, what do we find? The smaller companies will be absolutely hard hit. In the case of an individual up to Rs. 2,000, there is no income-tax, but in the case of a company, it is not so.

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

In these days of unemployment, in these days when we advise our friends and relations to go into business, it will be cruel to tax their very small income without any exception and exemption. If individually I make two thousand rupees, I pay no tax at all. If it is a case of two poor fellows who want to pool their resources together and start a limited liability concern, in order to earn their livelihood, they are immediately liable to income-tax. Not being content with 4½ pies, the Honourable the Finance Member increases it to 2 annas 6 pies. I ask—is it fair that these poor companies, of whom 9,700 are in existence, should be taxed in this way? Many of them will collapse. This is not solving unemployment or encouraging enterprise. I say, these small businesses ought to get a certain reduction up to a certain amount. Give relief up to Rs. 2,000, and then you can tax the rest. I can quite understand if Tatas, who make 5 crores and 75 lakhs profit, do not get any remission. In their

case, you can tax from one rupee upwards. But in the case of smaller companies, it will be a great hardship if you tax them on the same basis as Tatas, and I would ask the Finance Member to seriously consider whether he cannot give some relief to these poorer companies.

The next point I want to raise and on which a considerable amount of attack was made on the Finance Member was in regard to the doubling of the duty on raw cotton. Yesterday, when my friend, Sir Abdoola Haroon, was making his speech, my Honourable friend, Sir Cowasji Jehangir, interjected that the kind of cotton imported was not grown in India. It was said that it would take years before the cotton in question will be available in India. I say that cotton is grown and available.

An Honourable Member: No.

Sir Abdul Halim Ghuznavi: I am quoting authority on the subject. Mr. Thakersey, Chairman of the Millowners Association, made a statement only the other day during the Annual Meeting. This is what he said. The Chairman referred to the Central Budget where provision is made for a new tax on raw cotton, and said that the new taxation is an indirect subsidy to Japan and Lancashire. Now, whatever taxation will be brought by the Finance Member, some sinister motive will be attributed to him. It will be said that he is doing something to help somebody and that this is an indirect *baksheesh* to Lancashire and Japan. Poor fellow, whenever he does anything, he is told he is helping Lancashire or Japan. Now, it is said that this indirect subsidy to Japan and Lancashire will be of no immediate assistance to the cotton growers of this country for the reason that the types of cotton on which the duty is imposed are not available in sufficient quantity in this country.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): May I interrupt the Honourable Member. I think the Honourable Member did not hear me or understand me. I gave figures to prove what quantities were grown in India and what quantities were suitable for the lower and higher counts. Either the Honourable Member did not listen to me or did not understand me.

Sir Abdul Halim Ghuznavi: It is available in this country, but not in the quantity that the mills require. This duty will help the cultivators to grow them even next year. So you will have it in abundance. I have got another strong circumstance in my support. When the first duty of half an anna a pound was imposed in 1932, the quantity of long staple cotton grown in the Punjab and Sind was in the neighbourhood of 20 thousand bales. Last year, it reached 4½ lakhs of bales. This is practically conclusive. Undoubtedly the import duty will help in this development, and very soon too.

Now, Sir, I shall turn to another matter and ask what have the Government done about the protection of our Indian shipping.

An Honourable Member: Select Committee.

Sir Abdul Halim Ghuznavi: The share of foreign interests in the passenger line is 92 per cent. and the share of Indians is 8 per cent. In cargo lines, foreign interest is 80 per cent. and Indian interests 20 per cent.

An Honourable Member: Whose figures are these?

Sir Abdul Halim Ghuznavi: This is Mahatma Gandhi's statement about the national shipping in this country. My friend, Mr. Satyamurti, after his great indictment of the Finance Member for all his sins of omission and commission during the last five years, forgives him because he has seen Mahatma Gandhi,—not once, but twice. He concluded by saying "You are a good boy. You have seen Mahatma Gandhi,—not once, but twice."

Mr. S. Satyamurti: I said nothing of the kind.

Sir Abdul Halim Ghuznavi: If he had paid the visit once every year, perhaps this indictment would not have taken place.

An Honourable Member: He would then have been a different Finance Member.

Sir Abdul Halim Ghuznavi: Sir, I have shown that the Government have taken no steps whatsoever in the matter of the Indian shipping as against British shipping. Then, again, there is the Defence Secretary with fifty crores of rupees for "the defence of India". What has he done? Nothing at all to help the building up of the Indian Navy, the Indian Mercantile Marine, which is the second line of Naval Defence, the Indian Aircraft, the Indian Territorial Army and the Indianisation of the officers in the Army. The rate-wars in coastal and Haj traffic are going on. Even the Haj traffic is not immune from attack.

Rate cutting has gone on between Indian companies and a so-called Indian company which is not an Indian company at all. They call it "the Mughal line". The joke of it is that there is no existence of "Mughal" at all; it was a "Mughal" line years ago. But the "Mughal" was strangled and taken over by the British interest. It being a Haj line, the name has to be kept so as to deceive the Hajis that perhaps it is a Muslim company, this Mughal line. What is the Mughal line? What happened only the other day? They circulated that "we shall carry Hajis from the ports of Karachi and Bombay for Rs. 40", and thirteen hundred Hajis, after the last Scindia boat had left for the Haj, got stranded in Bombay and Karachi:

Mr. B. E. T. Greer (Bombay: European): I challenge the accuracy of that statement.

Sir Abdul Halim Ghuznavi: They sent in petition after petition to the Ministers in Bombay and Karachi, and ultimately they had to make arrangements, not for all, because they had not the money, and at a higher rate they had to go. What have the Government done to stop this rate-cutting and not put this Indian company into liquidation which the Asiatic line wants to? Sir, eight crores of Indian capital has been lost in the Indian shipping and ninety-three and a half lakhs of the capital of the "Scindia" has been sunk owing to the British competition. Where there was a freight of Rs. 18, it was reduced by the "British India" to Rs. 8, and there went on competition for years and years, and all these eight crores of money and the companies have been wiped out. Sir, Government have done nothing.

What is the position of our nationals in Burma? A very serious one. What have the Government of India done to safeguard the Indians in Burma? Here is a pathetic story. Sir, I have received letter after letter from Burma and from Madras showing what has been happening in Burma. Here is one:

"I am enclosing herewith a cutting from the *Hindu* of the 28th February, giving a heart-breaking account of the wanton destruction by fire of seventy Indian houses by Burmese mobs. It is most unfortunate that the Government of India should be so callous about the interests of the Indian nationals abroad. Nice, polite, unoffending speeches seem to be the order of the day even in such matters of life and death. How one wishes that the Government of India shake off their supineness and indifference for once and take a bold line of action. We are, I am afraid, having the first fruits of separation; probably worse is in store. One's blood literally boils at this wanton and inhuman destruction of Indian life and property which is becoming almost a daily occurrence there."

Then comes a report, which I need not read out, as that would unnecessarily take up the time of the House: "Indian Houses attacked. Incendiarism in Shwebo. Police open fire on Burmese mob", and then we find "loss of life and loss of property enormous". Still, sweet words are heard in this House, and nothing is done. Sir, when Burma was being separated, I opposed it and my Leader also took the same view; but, of course, it was separated. After the separation, there was not the Governor General's Agent there till last year in September. The separation took place long ago, but they did not even then send a representative of the Governor General there to look to the interests of the Indians,—and who are the Indians? Muslims 70 per cent., and Hindus 30 per cent., coming from various provinces, but particularly from Bengal and Madras. Nothing is being done. They come to us, and all that we can do is to come before this House—which also will not be possible in a few days' time—and then they go on looting and shooting all these Indians in Burma! That is the position.

Sir, coming to the Communications Department, they give all sorts of concessions to travellers during the Pujas, Easter, Christmas, Holi, and so on but there is no concession for the Muslim travelling public who go in such large numbers to the Haj. There is no return ticket and there are no concessions for them although hundreds and thousands go to the Haj, and nobody takes any notice of them. There is the Muharram, then the Bakr-Id, there are the Muslim ceremonies at Ajmere Dargah, and so on, but there are no concessions given. I ask the Communications Member, before he goes, kindly to look into this matter as that will certainly help the Railways to earn more money as it will attract many Muslims to go and see these shrines all over India and abroad if such concessions are given.

Sir, the Honourable the Leader of the House was not present when Mr. Satyamurti was making his speech. He said: "When are we going to have the Federation?" The Law Member says: "Consult an astrologer, I cannot say". Well, I am going to tell Mr. Satyamurti that I have consulted an astrologer, and the astrologer says: "You will have no Federation".

An Honourable Member: What is the name of the astrologer?

Sir Abdul Halim Ghuznavi: Then, my friend, Mr. James, said the other day: "The British prestige is far more today than what it was before".

An Honourable Member: Now it has changed.

Sir Abdul Halim Ghuznavi: Sir, the day that he was making that statement on the floor of this House, Czechoslovakia was being occupied by Germany. That is the British prestige!

An Honourable Member: Rumania next.

Sir Abdul Halim Ghuznavi: Sir, the British prestige is finished once for all!

An Honourable Member from the European Group: No, no.

Sir Abdul Halim Ghuznavi: You have lost everywhere.

An Honourable Member: Oh, oh.

Sir Abdul Halim Ghuznavi: Just wait and see. Your action in not taking any action in Abyssinia has destroyed your prestige. Sir, my Honourable friends take it as a joke—that was a serious matter. Sir, talking of the League of Nations, it is a sort of bunkum. You advised France not to help Czechoslovakia, and you prevented her from going to their help.

Mr. President (The Honourable Sir Abdur Rahim): It has nothing to do with the Government of India at all.

The Honourable Sir James Grigg: Nor has it anything to do with the Finance Bill.

Sir Abdul Halim Ghuznavi: Then, Sir, they have not behaved properly towards the Arabs in Palestine, and you will find that the
4 P. M. Mussalmans are united not only in India, but throughout the world to accept any challenge on their behalf. Even now you can do something to get our sympathy as you promised during the Great War. But the difficulty is this that you are treating all your pledges, statements and promises as mere scraps of paper. Sir, it is now 4 o'clock, and I do not think I shall be justified in taking any further time of the House.

The Honourable Sir James Grigg: Sir, a number of Honourable Members were good enough to give me their good wishes and their compliments on my impending departure—Mr. Aikman, Sir Muhammad Yamin Khan and Sir Cowasji Jehangir. Mr. Satyamurti and some of his friends were good enough to wish me a good riddance. I take both kinds of wish as compliments, and I am grateful for both.

The Leader of the Opposition told us, perhaps unnecessarily, that he was not a financier. He went on to tell us that he was one of that higher order of beings who take the work of mere financiers and accountants and transmute the dross by the touchstone of their forensic skill into pure gold for the delectation of judge and jury. If he would allow me to say so respectfully or as respectfully as I can, I should assume from the fact that he has a very large practice and I presume an enormous income, that his addresses in the courts are framed with more care and with more regard to facts than was the case with the address he delivered last Friday. I propose to devote some little time to analysing his address. Perhaps I might say with respect or with as much respect as I can, that the brief on which he worked was the manifesto on the budget issued by the Federation of Indian Chambers of Commerce and Industry. Here I would like to digress for a minute or two and refer to the accusation of Dr. Banerjee when he said that my references to—"His Master's Voice" were in bad

taste. I am sorry Dr. Banerjea is not here because I propose to rebut that charge with some warmth. The learned professor was surely a little unreasonable because he is one of those Members of this House who give themselves a good deal of latitude in these matters. For instance, he made the kindly suggestion in the debate on the Hazaribagh accident that the disaster was due to the fact that the driver of the locomotive was drunk.

Mr. M. S. Aney: That was only his guess.

The Honourable Sir James Grigg: I have said that it was his suggestion. Surely, he is the last person in the world to run about whimpering if he and his friends get a few knocks, and not very hard knocks, in the course of the rough and tumble of the debate. After all, it is he and his like, who by continually preaching in season and out of season their gospel of racial hatred, embitter relations and, surely, he should be prepared to take a dose of his own medicine, especially when it was a very small dose and when it was not he who was called upon to drink it. Luckily, Dr. Banerjea is a disappearing phenomenon for if I may be permitted to make the observation—this time with real respect—nothing has struck me during the five years I have been in this House more than the growing willingness of political Indians to take as well as to give hard knocks in good temper. I apologise for being drawn aside to deal with Dr. Banerjea, especially in his absence, and I return to Mr. Desai's gramophone record.

One side of it, as I have said, represented the views of the Federation of Indian Chambers of Commerce and Industry. In the interest of brevity, I will use the word Federation in future without the tail. But there must have been some scratches on this side of the record, for at intervals the instrument emitted echoes or perhaps I should say anticipations of the tune played by Sir Cowasji Jehangir—Pity the poor rich—especially those who have more than four lakhs a year. The other side of the record was new and it was all Mr. Desai's own. The motif of the Federation was simply this: If you had estimated your revenue properly, you would not have had a deficit and there would have been no need to impose a duty on raw cotton at all and you need not have imposed such large increases of super-tax on the very rich. But this is not good enough for the Leader of the Opposition. He saw the danger of appearing too blantly as the mouth-piece of big business and so he carried the process of wishful thinking a good deal further and by a series of calculations, which I shall examine in detail in a minute or two, he arrived at a surplus of six crores and this, of course, gives him a basis for all the vote-catching amendments we are going to have during the next four days with regard to postcard, salt, super-tax on the smaller companies,—and, though I am not sure about him yet—the super-tax on the very rich man. And even when he has done all that, he leaves enough money over to make the deserts of India blossom like the rose and to create a citizen army of some crores as well. If my friends of the Muslim League are prepared to swallow all this there is almost nothing that they cannot be asked to digest. Let us take this process of the Leader of the Opposition a little further. Why not repudiate the debt and get another 12 crores? With that you can have plenty of money for the proper representation of the Muslims and the Sikhs in Government services. However, it is too easy to ridicule Mr. Desai's thesis in general terms. I must now come and subject it to dispassionate examination in detail.

[Sir James Grigg.]

The first count in the charge of under-estimating is, of course, the duty on sugar. The Leader of the Opposition took the Federation figures of 750 thousand tons of indigenous production and 150 thousand tons of imports and on this basis he arrives at an under-estimate of a crore and a half in revenue. He assumes that next year's budget is concerned with the present crushing season only, whereas the fact is that the next crushing season is at least as important. But points of that sort do not matter to people who not only want to make out a case for less taxation on the rich but also wish to prepare the ground for an argument in favour of keeping up the enormously high taxation on the consumer of sugar. I have seen and heard a large number of guesses at the imports of Java sugar in the coming months. They range from 50,000 tons to 300,000 tons and the intervening figures are 60,000, 70,000, 100,000 and the Federation figure of 150,000 tons. With an excisable production of 750,000 tons and an import of 50,000 tons the total revenue will be some 30 lakhs less than the amount I have provided in the budget. I would remind the House that the 50,000 tons was the figure given by Mr. Bajoria, and who am I to differ from one who unlike Mr. Bhulabhai Desai is a real financier? The budget estimates are about right with an import of 70 thousand tons. With an import of 100,000 tons and assuming 750,000 tons of indigenous production my figures are 50 or 60 lakhs too low. I am not going any further than this because I simply do not believe in the import of 150,000 tons of sugar with prices at their present level, not even if I am told it by Sir Abdoola Haroon as well as the Federation. Incidentally, I have not been able to get very complete information, but as regards what Sir Abdoola Haroon told us about vast imports being already not only been arranged, but shipped and placed in bond in Karachi and Bombay, I can give some interesting figures to the House. As far as I can make out the quantities of imported sugar which have paid duty in the three main ports, Bombay, Calcutta and Karachi since 1st January in round figures are: under 2,500 tons at Bombay, 1,500 tons at Calcutta and 4,500 tons at Karachi and the duty collected is under 15 lakhs. In contrast to the vast 80,000 or 90,000 tons which are said by Sir Abdoola to be in bond ready to be cleared as soon as the people have got the money to pay the duty, the actual figures are 200 tons at Calcutta, seven tons at Bombay and seven tons at Karachi. The further quantity expected, before the end of the financial year, are: 3,000 tons at Bombay, 250 tons at Calcutta and 3,500 tons at Karachi. That will produce, I suppose, another ten or twelve lakhs. Well, there you are. There are the 80,000 or 90,000 tons on which Sir Abdoola Haroon builds up his huge figure of 800,000 tons. I need not say anything more on this except that I still see no reason to believe in the figure of 150,000 tons advanced by the Federation. The furthest that I would be prepared to go would be to a figure of 100,000 tons at which figure we should get 50 or 60 lakhs more than I have provided in the budget.

Mr. S. Satyamurti: That exactly wipes out your deficit.

The Honourable Sir James Grigg: Wait a minute. I shall come to you in a minute.

Now, let us come to income-tax. Again, we had almost a verbal recital of the case put forward by the Federation. Mr. Bhulabhai Desai quoted all the clauses of the new income-tax Act which were designed to

bring in more money, but he carefully did not mention the clauses which made concessions to the taxpayers. Moreover, he carefully ignored all the alterations of the machinery clauses which were forced upon me in the Assembly and then he says, 'your estimate of 50 lakhs yield for the first year's working of the new Act plus the withdrawal of the exemption for leave pay is ludicrous'. Sir Cowasji Jehangir took the opposite line. "I always told you that you would not get big money and that you had better leave the poor millionaire alone." In my view both are wrong. In course of time I am sure we shall get much more than 50 lakhs a year from the working of the Act. But the penalty provisions do not come into full operation for eight years and it is no good, therefore, counting on the full yield in the first year. I repeat what I said on an earlier occasion, namely, that in this respect I shall be interested to see whether the Provincial Governments will write up their estimates of income-tax receipts at the invitation of the Federation and the Leader of the Congress Party in this House. Here, I might perhaps deal with Sir Cowasji Jehangir's point about the ordinary income-tax estimates, that is the estimate on the basis of the existing rates. Of course he got it all wrong. He said that my assumption of a decline of 81 lakhs, because of a fall in trade, profits, was unjustifiable. The argument is that the accounts are based on the calendar year 1938 and that only a few months of that year were bad ones. In short that the year 1938 was certainly no worse than 1937 and so it would be quite legitimate to repeat for 1939-40 the income-tax figures for 1938-39. But to me it is amazing that Sir Cowasji Jehangir can get up and say that most of the calendar year 1938 was prosperous. That may have been so for the unusually fortunate mill industry with which he is best acquainted and it certainly would be true to say this generally of the year 1937, for India only began to feel the effects of the trade depression on its revenue at the very end of 1937. But the first signs of recovery did not appear until half way through the calendar year 1938 and, even now, recovery is very limited and halting, which I am bound to say is no wonder when we remember all that has taken and is now taking place in Europe. The Leader of the Opposition also used this argument and so perhaps I may be forgiven for quoting again what I actually said in the budget speech which I think Sir Cowasji Jehangir at any rate misinterpreted:

"There are signs, notably the revival of confidence in the stock and commodity markets that took place last June, and the improvement in the foreign trade position that has continued since then, that the present depression will not be so prolonged as the last and should in the ordinary course give way to a general trade revival. On the other hand there is the continued uncertainty of the international political situation and it would perhaps be unduly optimistic to count on any marked revival in time to affect materially the accounts of next year."

I was talking about the customs then. Now in the paragraph relating to income-tax estimates:

"The preceding year has been on the whole a prosperous one, that is 1937-38, and the decline in trade did not appear until the last few months of it."

Of course, Sir Cowasji Jehangir was dealing with the calendar year which he said was the basis of the accounting year of trading concerns and my budget speech naturally dealt with financial years. "As I pointed out the trade recession which then set in was sharp" I do not think he can find in those two paragraphs anything that justified him in saying that my view was that the calendar year 1938 was a good one or at least that it was as good as the calendar year 1937.

[Sir James Grigg.]

But if it is any consolation to the Honourable the Baronet from Bombay I will expose one of the secrets of the prison house to him to the extent of telling him that so far from deliberately under-estimating the receipts from income-tax I, in fact, put up the departmental estimates in order to avoid a charge of under-estimating, but alas I have not succeeded! Before I close on the subject of income-tax estimates, I will again remind the House that, even if I have under-estimated, which I deny, every penny of the excess will go to the provinces and is not available for any central purpose such as reducing taxation or meeting deficits or giving away to the rich or the poor.

Now, Sir, I might say a word on Sir Cowasji Jehangir's assertion that customs have been under-estimated by at least a crore. The only specific signs of change here, to which I can refer you, are the following. I now believe that Lancashire piece goods have been over-estimated by at least 25 lakhs. That is on the basis of the existing duties, for the year about to close. The figure for jute export duty which I put at 420 lakhs is almost certainly ten lakhs too high and the returns of railway traffic for the first ten days of March are very disturbing indeed as an indication of the present state of trade. I have not got the exact figures with me but I think, my Honourable colleague will confirm that the returns for the first ten days of March show a decline of 47 lakhs as compared with the corresponding period of the year before. And if that is a good indicator of booming trade and booming Customs receipts I should like to know what a bad one is. Then we have to add to these specific indications the general effects of the disturbances in the western world and I say, without hesitation, that Sir Cowasji's desire to push up the figures has no basis whatever in fact. Incidentally, I might refer him to Mr. Ananthasayanam Ayyangar who said that Customs revenue was bound to show a continuous decline, however much we may try to arrest the process by wicked Griggian policies of smashing Indian industries and encouraging Lancashire and Japanese industries. I do not agree with him any more than I agree with Sir Cowasji Jehangir. But I would point out that there are one or two specific items which are bound to show a decline and a continuous decline and this year there is a new one. I again remind the House that on the basis of the introduction of the programme of prohibition put forward by the Finance Minister of Bombay we shall lose this year 30 lakhs and in a full year 40 lakhs of Customs revenue from this cause alone.

I now come to the expenditure side of the budget and first to defence. Not even the Leader of the Opposition accused me of over-estimating here nor can he very well do so. Indeed, as Sir Cowasji Jehangir pointed out, I have drawn on sinking funds to find money which I ought, if I had retained the full measure of my orthodoxy, to have found out of current revenue. And Sir Cowasji prophesied a rising defence budget, which seems a pretty natural conclusion to draw in the light of current events. But the Leader of the Opposition did say in general terms that defence can be cut so as to produce a large saving. And as he said so let me say at once that in the present state of world affairs it would be the height of folly to expect an actual reduction in defence expenditure. I hope we may avoid an increase but the prospects are not too favourable. The main requirement to produce this end is a successful outcome of the consideration by His Majesty's Government of the report of the Chatfield

Committee. As to this I am sorry I am not in a position, at the present moment, to say anything but I do not by any means despair of a successful outcome. On the other hand there is Waziristan. Mr. Abdul Qaiyum says we shall have to spend two crores there. This I believe to be fantastic. But we are very near to the 1st April and the operations are still going on. To the extent that these continue into the new year more money will be required, and I confess that I have made no provision for it. So far then from there being a margin here the exact reverse is the case.

Now, I come to the question of a pay cut and I ask the particular attention of Honourable Members here, because there is a good deal of rather wild talk going on on this subject. The Leader of the Opposition said that if the Resolution of this House had been given effect to, 200 lakhs a year would have been saved. Now, what are the facts? The Resolution proposed to exempt from the cut all people with less than Rs. 200 a month. That makes an enormous difference to the figures. The cut imposed in 1931 went much lower. Here, again, I speak from memory, but I believe that in fact it went down to remunerations of Rs. 40 a month in the railways and Rs. 30 in Posts and Telegraphs or even lower than that. I now understand from Mr. Bewoor that there was no lower limit for the cut in the Posts and Telegraphs Department. The cut of 1931 produced a saving of something like two crores a year on the railways and something over a crore in the Posts and Telegraphs Department and the rest of the Civil Departments. The greater part of the saving disappears if we exempt everybody up to Rs. 200 a month, and, indeed, I should put the figures at 80 lakhs a year for railways and 40 lakhs a year for the Posts and Telegraphs Department and the rest of the Civil Departments. Now the 80 lakhs from the railways goes straight to the provinces under the Niemeyer award and, therefore, is not available for any central purpose. The Centre will thus get only 40 lakhs, less the income-tax on 80 plus 40, i.e., 120 lakhs, or rather less than 80 lakhs in all. So that the two crores comes down to something less than 80 lakhs. But apart from that the considered view of the Government of India is that there is no justification for breaking a contract, whether that contract is explicit or implicit, with its own servants. It was authoritatively stated in Parliament, in 1931, that such a cut can only be justified as a temporary measure to meet a grave national emergency; and when a budget can be balanced with no more than 50 lakhs of extra taxation it is impossible to postulate the existence of such an emergency. So that, even the 80 lakhs disappears. What then is the result of all this? On sugar something or nothing of the figure of 150 lakhs given by the Federation and the Leader of the Opposition; on income-tax probably nothing, and if there is it goes to the provinces; on military expenditure we may have to provide more and we certainly shall not have to provide less. Even if we impose a pay cut, which we have no intention of doing, the Centre would gain a few tens of lakhs only. On the other hand Customs revenue has almost certainly,—in fact I will say certainly,—been over-estimated, specially taking into account the continuing decline in imports from Lancashire and the Bombay prohibition measures. Altogether, so far from there being six crores of margin to play with there is almost certainly no margin at all, and, certainly, not enough to enable us to do without the increased super-tax and the extra duty on raw cotton. But I really do not know why I should have bothered with all this analysis.

[Sir James Grigg.]

I need only have quoted Mr. Satyamurti in the *Tribune* of Lahore of the 9th March last:

"But I claim that this deficit of 50 lakhs of rupees is an artificial one and, indeed, that the deficit is very much higher. The extra expenditure which the Defence Department incurred last year of rupees one crore and more, over and above the budget provision, is bound to be repeated this year. Therefore, the deficit is bound to be increased at least by one crore of rupees."

I was going to warn Mr. Satyamurti that he had better be careful or he would very soon find himself on the mat. Surely he ought to know better than to give his opinion on the budget without consulting the Federation beforehand; but his speech this morning shows that the warning was unnecessary. He has already made amends, and more than amends. Indeed he has kissed the rod of the Federation in what seemed to me to be a particularly grovelling manner. However, I think I am entitled to appeal,—lest he should think that I am trying to insult him, I am only quoting from his own remarks about myself,—I think I am entitled to appeal from Philip drunk to Philip sober. As a result of all this I think we may agree with Mr. Desai's modest claim that he is no financier.

Now, Sir, I come to the specific items of new taxation. First of all, income-tax and super-tax.

I confess that I was surprised to hear the Leader of the Opposition and Sir Cowasji Jehangir join together in a dirge for the poor super-tax payer. It put me in mind of a well-known Labour Member in the House of Commons interrupting a millionaire who was weeping about the weight of taxation: "Give me the income and I'll pay the tax". The Leader of the Opposition called me a socialist. I can see that after Tripuri it is safe and even appropriate for the Honourable gentleman to use this as the worst term of abuse he can think of. Anyhow if to be sceptical about the hardships of the rich is to be a socialist, the socialists in the country must be in a very large majority. The pair of heavenly twins from Bombay said that I had promised to raise no more out of the slab system than we had hitherto raised out of the step system. I challenged them to produce a single statement which can possibly bear this meaning. They have not even attempted to do so and, therefore, I do not feel called upon to answer that allegation at all.

Next, the Leader of the Opposition pointed out that from the top slice of income we are taking as much as 9½ annas in the rupee. Quite right. The corresponding figure in England is 11 annas, and the slice begins lower down. But as I said when I interrupted him in his speech it is misleading anyhow; so I think I will give the House two specimen cases of incomes of what I may call comparatively rich men—one with four lakhs a year and the other with eight lakhs a year. On their whole incomes, these two comparatively rich men would pay Rs. 1.62 lakhs and Rs. 3.93 lakhs respectively, or 6.48 annas and 7.86 annas in the rupee. So, it is no good trying to throw dust in our eyes by quoting the rate on the top slice, which, anyhow, does not begin till a man has got at least five lakhs of rupees a year. Moreover, I would remind the House that these two comparatively rich men would pay just under nine annas and ten annas, respectively, in the rupee if they happen to live in England.

Then, Sir Cowasji Jehangir went on to argue that there were fewer millionaires in India than in the United Kingdom and, therefore, they

ought to be subject to a lower rate of taxation. The figures I have given show that they are, even after I have done my worst. But capacity to pay is of course measured not only by the absolute level of the income, but partly also by its relation to the general income-level of the country as a whole; and on this basis the scale of super-tax in India surely ought to be steeper than it is in the United Kingdom, whereas, even if or after the present Finance Bill becomes law, the exact reverse will be the case. For the present I shall only just mention the question of super-tax on small companies because I have no doubt we shall hear more of that when we come to the clause; but in passing I want to say one thing. In talking of a reduction of six per cent. in profits the Leader of the Opposition was, of course, literally correct: and yet it seemed to me—I do not know how it struck the other Members of the House—that his words were capable of conveying a misleading impression. Let us take eight per cent. on capital as quite a good rate of profit: in fact I should think that in present circumstances it is an extremely good rate of profit. Then of course a reduction of six per cent. in that figure, making it two, reduces the profit to very small dimensions indeed; and that was the meaning which, it seemed to me, was capable of being drawn from the Leader or the Opposition's remarks. Of course the reduction is six per cent. of eight per cent., or half per cent., and the concern is still left with a profit of $7\frac{1}{2}$ per cent., which is quite a different story. Or, taking a figure of profit of Rs. 20,000 we propose to take Rs. 1,250 of this, whereas, quite true, nothing has been taken at all hitherto. In the case of the small income, quoted by Sir Abdul Halim Ghuznavi, with no more than Rs. 2,000 a year of profits, the amount that is abstracted is Rs. 125. I think it is very difficult to base a case of ruination on figures of that magnitude.

Similarly, I propose to leave over the question of *khandsari* sugar until we come to the clauses. But in order to provide the proper background for the consideration of this question I would like to read to the House a description taken from an actual case of a typical cottage industry producing this type of sugar. It is a factory which has two centrifugals and it produces 11,000 maunds of sugar a year. The number of people working the centrifugals is 12, and the centrifugals are in a building on one side of the road. Almost exactly opposite the rest of the cottage is situated, and in that cottage or extra cottage or part of a cottage across the road, where there is no machinery, the number of people employed is 50: so that in this cottage there is produced 11,000 maunds of sugar a year and there are employed 62 men. I am bound to say, if I were allowed to describe that kind of cottage in slang terms I should say that it is some cottage.

Mr. Badri Dutt Pande: Whose account is this? Who has sent this account?

The Honourable Sir James Grigg: The excise inspector who visited it.

Mr. Badri Dutt Pande: He is a subordinate.

The Honourable Sir James Grigg: The Honourable Member obviously has a good knowledge of the methods adopted in his own organisation. He had better not, without proof, assume too freely that those methods apply else where at any rate he had better not do it outside the House.

[Sir James Grigg.]

Finally, I come to raw cotton. In doubling the duty on this, I have as I prophesied brought a regular storm about my ears. Some people like Sir Cowasji Jehangir have made their case forcefully it is true and quite reasonably, but not, as I shall presently prove, entirely accurately. Others have been quite different and I should like on what is possibly about the last considerable speech I shall have to make in India to repeat a protest which I have already made in this House in another connection. Wherever in India big business interests are asked to give up some part of the undue privileges which by whatever means or for whatever time they have come to enjoy, they have one invariable technique for combating it. They scream that I or whoever else it happens to be have been suborned by British Imperialist or British business interests and am concerned only to cut the throat of these indigenous enterprises who are so bravely—and incidentally so profitably to themselves—keeping aloft the flag of Indian nationalism. Now, this is a usual if not very creditable method adopted by big business, in whatever country, for getting a free hand to exploit the needs of their own countrymen without the necessary check in the shape of cheap goods from outside. But the results in India have been rather terrible. As I say, without fear of contradiction, a very large part of the racial hatred which today exists in India has been stirred up by these same interests for their own commercial ends. As a matter of fact, I think that this canker is one which, if it is not checked, will ultimately destroy capitalism. The Honourable the Leader of the Opposition accused me of being a socialist. I am not a socialist. Economically I believe in private enterprise but whether a system which lends itself to the stirring up of hatred, strife, ultra-nationalism, communalism and all that sort of things for no other purpose than private gain is morally tolerable is another question. After my five years in India nothing that some of the big interests can do surprises me,—I do not wish to imply that what I am saying now applies generally or even for the greater part of business,—nothing that some of the big interests can do surprises me,—but what does surprise me, quite frankly, is, that the Congress Party with its creed of truth and non-violence can so easily be got to back up their nefarious designs. Take Mr. Sham Lal,—I do not think he is here,.....

An Honourable Member: He is here.

The Honourable Sir James Grigg: Mr. Sham Lal, with his usual stream of poison gas, said that by this one measure I am ruining the textile industry in India for the sake of pleasing Lancashire. Then, we have the spectacle of,—perhaps I am not inaccurate in describing him as an urban *bania*—Mr. Sami Vencatachalam Chetty warning his *kisan* and labourer friends and constituents (Professor Ranga will note this) about that wicked fellow Grigg who wants to ruin the industries of India. Then I noticed that Mr. Gadgil devoted the whole of his speech to the same text. But really, if I may say so, with not too much respect, this really is about the silliest nonsense I have ever heard, and to rebut it I only have to repeat the figures I gave to the House the other day. In the middle twenties Lancashire sent to India nearly 3,000 million yards of cloth. The figure today is barely 200 million yards. As a matter of fact, among responsible exponents of the millowners' case, it is freely said that this increase in duty will not help Lancashire at all, but it will

really only help Japan. Well, I mind being called a friend of Japan even less than I mind being called an agent of Lancashire, but I will come back to that presently.

In some ways I think I have made a mistake in allowing myself to be dragged off the ground I took up in presenting the Budget, where, though I was very careful to anticipate and rebut in advance the accusation that my motive was to damage indigenous industry, and I also said incidentally that what I was doing, might do something to promote the growing of larger staples of cotton in India, I based my proposal entirely on the need of money and supplying this need with as little pain as possible.

The millowners say that the increase of duty will do no good to the cotton growers and that India can't possibly grow long staple cotton. Well, Sir Abdoola Haroon yesterday told us that India could. Sir William Roberts, the largest single grower of cotton in India, wrote to the papers and said that the increase will do good, and lest you should wish to reject his testimony on racial grounds, I will quote two authorities who are above reproach on such grounds. I am quoting two extracts from the *Statesman* of the 1st March:

"Mr. Aney welcomed the levy of duty on foreign cotton and hoped that cotton growers would take advantage of it in cultivating more long staple in India."

Mr. M. S. Aney: Read the whole of it.

The Honourable Sir James Grigg: I am going to read the whole of it:

"He, however, did not like the advantage to take the form of a revenue duty which could be taken off at the fancy of any Finance Member without giving adequate notice to the interests concerned."

I rather understood Mr. Aney today to hedge, and I have no doubt that, before the clause comes up he too will have kissed the rod but today I tell him that I think that in his case first thoughts are always best.

I quote, again, from the *Statesman* of the 1st March, Prof. Ranga:

"I welcome the reduction in the excise duty on *khandsari* sugar and also the import duty on cotton. But our *kisans* want an embargo on all cotton imports and the shifting of the total incidence of sugar excise duty on to the manufacturers, or its abolition, since it today falls on the cane growers."

I do not think I need say anything more about that aspect of the question, except to read a short passage from yesterday's *Statesman* from an article headed "Punjab Cotton":

"Premiums for 4 "F" have been well maintained, and are inclined to harden. There has been a further advance in the 289 F basis. Bombay mills have shown more interest in this type of cotton and the recent legislation whereby the duty on foreign cotton was doubled is making itself increasingly felt in the prices asked for indigenous long staple cotton."

As regards Sir Cowasji Jehangir's characterisation of my four points as rubbish, I am bound to say that I am quite impenitent, and I have found ample confirmation of my ascertions in a re-reading of the Bombay Textile Labour Inquiry Report. The constitution of that Committee was such that it is bound to command the respect of my friends opposite.....

Sir H. P. Mody (Bombay Millowners' Association: Indian Commerce): Adversity makes strange bed-fellows.

The Honourable Sir James Grigg: Perhaps the House will bear with me while I read one passage on the question of the substitutability of

[Sir James Grigg.]

foreign cotton by Indian cotton:

"The estimates of additional profit due to the fall in the price of cotton will vary from centre to centre in proportion to the consumption of Indian and foreign cotton in the preceding years."

I am not trying to make from this passage any point except that there is a range over which Indian and imported cotton are substitutable

Mr. S. Satyamurti: When? How soon?

The Honourable Sir James Grigg: Let me read the paragraph. I mean from day to day. I am sorry if I misunderstood the Honourable Member's question,—the demand shifts from Indian to American from day to day in accordance with the parity. It is not a question of planting new crops.

"The estimates of additional profit due to the fall in the price of raw cotton will vary from centre to centre in proportion to the consumption of Indian and foreign cotton in the preceding years. We deliberately say preceding years, because any substitution of foreign cotton for Indian during the current year will be the result not so much of the needs of production as of the price relationship in favour of foreign cotton. More American cotton may be bought not because the character of the production requires it (this is evidenced by the small consumption of American cotton in the last two or three years) but because the advantage to be obtained from its purchase is even greater than the advantage obtained from the purchase, as in former years, of Indian cotton. Purchases of American cotton may thus be said to represent even an extra source of profit, which, however, we shall ignore."

If Honourable Members want to know something about the question of cloth prices and of Sir Cowasji Jehangir's rebuttal of my contentions in this respect, they can read the very next paragraph in the Bombay Textile Labour Inquiry Report, paragraph 116, and they will get a good deal of very interesting and relevant material. This and other passages of that report, which I could quote if I had time, would establish clearly my case as to the profitability of the industry. I said in an earlier speech that the effect of this duty on the cost of production in the case of mills using entirely imported cotton was an increase of three per cent. The Leader of the Opposition says four per cent. I think my figure is nearer, but I am not going to quarrel with him about a single digit. Now, it seems to me idle to argue that even a four per cent. increase in the cost of production of a section of the industry which, anyhow, covers only about one-fourth of the output and which enjoys a protection of 20 to 25 per cent. against Lancashire and of 50 per cent. *plus* a very rigid quota against Japan will cause complete ruin. As I have already pointed out, the receipts from the duty on imported Lancashire goods during my term of office have fallen from 287 lakhs to under 100 lakhs, and that, in spite of a reduction in the duty of five per cent. And, as regards Japan I shall quote another sentence or two from paragraph 77 of the Textile Labour Report:

"Firstly, a country exporting goods under a quota restriction has ordinarily no an incentive to depress prices unduly. Secondly, though the imports from Japan reached an unusually high level in October, 1937, they do not yet seem to have had any depressing effect on the prices of cloth in India."

Anyhow, if there is an increase in Japanese imports, it can only be as a consequence of increased purchases of Indian cotton, and that will more than compensate the grower for any slight damage to the millowner. On the other hand, the millowner who is to bear the pain has no feeling for the pleasure or advantage of the cotton grower. The truth is that there is an incurable absence of logic and consistency from the case of the mill-owners. "We shall be ruined by Lancashire. No, we shall not—we shall be ruined by Japan". "It is unpatriotic to buy foreign cloth—it

is an act of the highest patriotism to buy foreign cotton" and so on. Perhaps, the millowners will allow me, in conclusion, to offer them one piece of advice, and that is, not to shout quite so much about the impossibility of growing long staple cotton in India. One of the general conditions laid down—and I am quite aware that one of the Tariff Boards gave reasons which appeared to me to be completely unconvincing for making an exception in the case of the cotton textile industry—one of the conditions laid down generally by the Fiscal Commission for the grant of protection was that there should be an abundant supply of raw materials available in India. If a certain section of the industry maintains so very stridently that they cannot get their raw material in India, they must expect the riposte—then you are not entitled to protection at all—and protection of 50 per cent. *plus* a quota is a very high level indeed.

Finally, I come to Mr. Satyamurti's speech. He blamed me for a great many sins of omission, including the omission to give an account of my stewardship. Some of the things he said I ought to have done, I certainly have not done. For example, I can imagine no financial policy which will turn a dishonest or an incompetent banker into an honest or a competent one; nor can I think of a financial policy by which I could have changed the policy of Herr Hitler or even His Majesty's Government's reaction towards it. Equally, if I am to argue in this vein, I cannot think of a financial system which will create communal unity in India, nor one which will make the Ganges run backwards. But in a few points Mr. Satyamurti did impinge on reality and I will try to answer him in regard to these. He asked, has India's balance of trade improved during my term of office? Here are the figures.

An Honourable Member: Merchandise.

The Honourable Sir James Grigg: Merchandise I will give. I had every intention of giving only merchandise. In 1934-35 the favourable balance was 23 crores. I ought to have said that I am taking the figures for India and Burma together, for only by that means can I get a true basis of comparison. The figures for India alone were not compiled before the separation. In 1934-35 favourable balance 23 crores; 1935-36, 30 crores; 1936-37, 78 crores. I may point out that this was an abnormal year for two reasons. There was an abnormal demand for or what I may call a heavy stoking up by Japan with Indian cotton that year, and also it was the peak year of prices before they fell. The favourable balance in 1937-38 was 42 crores, and in the eleven months of 1938-39 which have passed and for which figures are available, 41 crores.

Again, Mr. Satyamurti asked whether the prices of primary products have gone up or down in my time. I will give him the figures. I take the two dates, the 7th April, 1934, and the 18th March, 1939. The standard is 19th September, 1931, the date on which the United Kingdom left the gold standard, and that is the basis of 100. 7th April, 1934, and 18th March, 1939, two sets of figures:

Rice—81 and 99.

Wheat—112 and 143.

Ground nuts—63 and 84.

Cotton—cotton is the one case where the figures are very bad. Cotton 136 and 111.

Jute—92 and 143.

Linseed—110 and 125.

[Sir James Grigg.]

The answer to Mr. Satyamurti's question is there. I do not claim that the improvement is as great as could be wished. Events in the outside world have clearly prevented that, but I do say that things are definitely better and that they would be much better still but for internal and external unrest and disturbances. He has again cast an accusation against me personally that I have done nothing whatever to raise the standard of social services expenditure or to enable the provinces to do so. In proof of this, he instanced the cessation of the rural development grant after two years, and Mr. Gadgil was good enough to attribute a much more blame-worthy motive for the cessation of these grants. But Mr. Satyamurti at any rate knows, and Mr. Gadgil ought to know because it has been said often enough, that the reason for the cessation of these grants was simply that under the new constitution, even more than under the old, the responsibility for nation building rests upon provinces, and that I abandoned the idea of annual grants specifically for rural development and concentrated on starting the provincial finances off on an even keel. This Mr. Satyamurti admits that I have done, and the House knows that this very budget contains in one shape or another ten or twelve crores which have been given or surrendered to the provinces. But Mr. Satyamurti says they are not on an even keel now. The Centre is, at any rate, doing its best. We have still to provide 5½ crores a year more under the scheme of devolution of income-tax laid down by Sir Otto Niemeyer, and I hope that in course of time the new Income-tax Bill will go a very long way to enable us to do this smoothly and without new burdensome taxation at the Centre. What are the provinces doing? Mr. Satyamurti says they are surrendering and must surrender 20 crores of revenue over their prohibition policy. All right, but do not blame me for that. Quite frankly, it is beyond the power of the Centre to pay for this policy, and I think it is a little unreasonable to expect that we should do so.

Perhaps, in conclusion, I might be allowed to give Mr. Satyamurti a word of friendly warning, and he will forgive me, because people on their deathbeds are allowed a certain amount of latitude. He from his position of freedom is very apt to throw about condemnations, because results are not achieved quickly in the social service sphere. Is he not giving for himself and his friends in the Provinces hostages to fortune? Let him remember that "with what judgement ye judge, ye shall be judged". And it is the Provincial Governments who are now entrusted with the task. Let me end with one example. Both Mr. Satyamurti and his Leader sneered at the Home Member and invited him to take himself off, now that the Provinces are responsible for law and order. Dare one in this connection mention Cawnpore, Budaon, Benares? Dare one mention Dera Ismail Khan? "With what measure ye mete, it shall be measured to you again"!

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

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

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock, on Wednesday, the 22nd March, 1930.