

5th March 1940

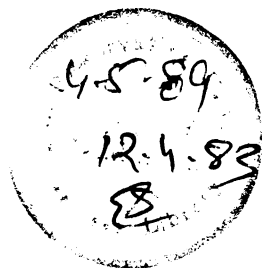
THE
LEGISLATIVE ASSEMBLY DEBATES

Official Report

Volume I, 1940

(6th February to 5th March, 1940)

ELEVENTH SESSION
OF THE
FIFTH LEGISLATIVE ASSEMBLY,
1940



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M2LAD

Legislative Assembly.

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THE HONOURABLE SIR ABDUR RAHIM, K.C.S.I.

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MR. N. M. JOSHI, M.L.A.

SIR ABDUL HALIM GHUZNAVY, M.L.A.

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LEGISLATIVE ASSEMBLY.

Tuesday, 5th March, 1940.

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.

MEMBER SWORN.

Mr. Douglas Colin Campbell, M.L.A. (Government of India: Nominated Official).

STARRED QUESTIONS AND ANSWERS.

(a) ORAL ANSWERS.

†254*—264*.

GRANT OF A WAR ALLOWANCE TO GOVERNMENT SERVANTS.

265. *Mr. J. Ramsay Scott (on behalf of Lieut.-Colonel Sir Henry Gidney): Will the Honourable the Finance Member please state whether Government propose to grant a war allowance of ten per cent. of their salaries to Government servants in view of the enhanced cost of commodities? If not, why not?

The Honourable Sir Jeremy Raisman: No. The attention of the Honourable Member is invited to the speech of the Honourable the Railway Member introducing the Railway Budget for 1940-41, particularly to paragraphs 23—25 and 30 which are of general application.

RESCISSION OF ORDER REQUIRING GOVERNMENT SERVANTS TO PAY TO GOVERNMENT ONE-THIRD OF INCOME EARNED BY THEM IN PRIVATE EMPLOYMENT.

266. *Mr. J. Ramsay Scott (on behalf of Lieut.-Colonel Sir Henry Gidney): Will the Honourable the Finance Member please state whether Government propose to rescind the order which requires Government servants to pay to Government one-third of the income earned by them in private employment during their spare time? If not, why not?

The Honourable Sir Jeremy Raisman: No. It has long been recognised that Government have a right to a share of such fees. The relevant rule provides, however, for exemptions in special cases and Government consider that this is sufficient safeguard against its too rigid application.

Dr. Sir Ziauddin Ahmad: Will this one-third be deducted from their allowance and the expenditure will thus be reduced, or will it be supposed to be a contribution to general revenues?

The Honourable Sir Jeremy Raisman: It forms a contribution to general revenues.

† For these questions and answers, see pages 991 to 999 of these debates.

PAYMENT BY GOVERNMENT SERVANTS OF THE ENTIRE AMOUNT EARNED BY THEM IN PRIVATE EMPLOYMENT.

267. *Mr. J. Ramsay Scott (on behalf of Lieut.-Colonel Sir Henry Gidney): (a) Will the Honourable the Finance Member please state whether it is a fact that Government servants are asked to pay into the Government treasury the entire emoluments earned by them in private employment during their spare time and that Government subsequently refund two thirds, retaining one-third?

(b) In view of the hardship entailed by the present procedure involving considerable delay, do Government propose to allow Government servants to retain two thirds of such emoluments and pay into the Government treasury one third? If not, why not?

The Honourable Sir Jeremy Raisman: (a) and (b): Where a Government servant is permitted to retain the entire fee, no payment is made into the Government accounts. In other cases the fees are usually paid by private bodies to Government and not direct to the Government servant and in any case as the amount of the fees and the respective shares are not always known beforehand, the simplest procedure is for the fees to be paid into Government account first and the share of the Government servant to be paid out later. However, orders have recently been issued that where the amount of the fee and the amount of the Government share are prescribed only the Government share need be credited into the treasury and the balance may be paid to the Government servant direct.

MODEL HOUSING SCHEME IN THE ALLAHABAD CANTONMENT.

268. *Mr. Akhil Chandra Datta: (a) Will the Defence Secretary be pleased to state whether it is a fact that in the R. A. Bazar at Allahabad Cantonment a model housing scheme was prepared sometime ago and under that scheme the houses of poor people were resumed?

(b) Is it also a fact that the same land was given to a member of the Cantonment Board who constructed blocks of houses on it for purposes of renting out the same to the people?

(c) Is it a fact that the rent and premium charged from this member were less than those at which others are given land in Allahabad Cantonment?

(d) Is it also a fact that after the land was given over to this member, the so-called housing scheme was not adhered to?

(e) What steps do Government propose to take in the matter?

Mr. C. M. G. Ogilvie: (a) to (e). The information has been called for and a reply will be laid on the table of the House in due course.

NON-EXTENSION OF THE BENEFIT OF PROVIDENT FUND TO MENIAL SERVANTS OF THE CANTONMENT BOARDS.

269. *Mr. Akhil Chandra Datta: (a) Will the Defence Secretary be pleased to state whether it is a fact that in the Cantonment Fund Servants Rules framed by the Government of India, a distinction has been drawn between menial servants and other servants of the Cantonment Board?

(b) Is it a fact that the benefit of Provident Fund has not been extended to the menial servants?

(c) What steps do Government propose to take to remove this disparity?

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

(b) No; the benefit does extend to menial servants subject to the discretion of the Board.

(c) None.

ALLEGATIONS AGAINST THE HEALTH OFFICER OF THE AGRA CANTONMENT BOARD.

270. *Mr. Akhil Chandra Datta: (a) Will the Defence Secretary be pleased to state whether it is a fact that rules have been framed by the Agra Cantonment Board under which the Bazar Committee cannot transact any business unless the Health Officer is present?

(b) Is it a fact that the present Health Officer of Agra Cantonment Board has been dealing with the elected members in Cantonment in an insulting manner?

(c) Is it a fact that all the elected members of the Cantonment Board in Agra have resigned from all sub-committees of the Board except the Bazar Committee? If so, what steps do Government propose to take in the matter?

Mr. C. M. G. Oglvie: (a) No.

(b) Government have no reason to believe that this is so.

(c) They resigned last June but five out of the six withdrew their resignations three days later. I have not been able to find out whether the sixth also withdrew his resignation. The latter part of the question does not arise.

SYSTEM OF ARMY CONTRACTORS FOR THE SERVICE OF BRITISH TROOPS IN CANTONMENTS.

271. *Mr. Akhil Chandra Datta: (a) Will the Defence Secretary be pleased to state whether there exists in India a system of Army contractors for the service of British troops stationed in various cantonments in the country?

(b) How many firms are registered with the Quartermaster General in India as eligible for getting Army Institute contracts?

(c) How many of these firms are actually holding contracts, and how many are without any contracts at present?

(d) Are there any firms having more than one unit contracts? If so, what is the number of unit contracts held by various firms?

(e) Is it a fact that these Army Institute contractors pay a certain amount of rebate? If so, what is its rate, and how are the receipts accounted for?

(f) Is it a fact that membership of the Canteen Contractors Syndicate, Limited, is a compulsory qualification of Army contractors?

(g) Have Government contributed anything towards the share capital of the Syndicate?

(h) Do Government exercise any control over the activities of the Syndicate? If so, in what manner?

(i) Is the Managing Director of the Syndicate appointed by Government? If so, what is his pay and allowances?

(j) Is the pay and allowances of the Managing Director paid by Government? If so, from what funds?

(k) Has any Indian been appointed to the post of the Managing Director? If not, why not?

THE

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

(b) 148.

(c) 88 firms hold contracts, and 60 firms do not.

(d) Yes. 52 firms hold one contract. The remaining 81 firms hold on an average four contracts each.

(e) Yes. The rate of rebate is settled between the Commanding Officer of a unit and the contractor and it varies in each case. The receipts are accounted for in the "Institute Fund Account" of the units.

(f) Yes.

(g) No.

(h) Yes, general supervision relating to all matters connected with the institute.

(i) Yes. His consolidated pay is Rs. 3,000 per mensem.

(j) Yes. From Defence Services Estimates.

(k) No. So far there have been only two managing directors and the persons who were deemed best qualified for the post were not Indians.

PLACING OF THE BRITISH INFANTRY BAZAR OF ALLAHABAD CANTONMENT OUT OF BOUNDS FOR TROOPS.

272. ***Mr. Akhil Chandra Datta:** (a) Will the Defence Secretary be pleased to state whether it is a fact that the British Infantry Bazar of Allahabad Cantonment was placed out of bounds for troops in 1936 and continues to be so till to-day? If so, why?

(b) Is it also a fact that, as a result of the 'out of bounds' order, no soldier comes to the Bazar and the shopkeepers are deprived of their trade?

(c) Is it a fact that this order was issued because the father of a local congressman who hoists national flag at his house, has a shop in the Bazar?

Mr. C. M. G. Ogilvie: I am collecting the information and will lay it on the table in due course.

Mr. President (The Honourable Sir Abdur Rahim): The answers to the next two questions will be laid on the table as the quota of the Honourable Member has been exhausted.

MONOPOLY OF TRADE OF BRITISH UNITS HELD BY ARMY INSTITUTE CONTRACTORS.

†273. *Mr. Akhil Chandra Datta: (a) Will the Defence Secretary be pleased to state whether it is a fact that the Army Institute contractors hold a monopoly of trade of British Units?

(b) Is it a fact that in order to attract trade for the Institute contractors, civilian bazar areas are often placed out of bounds by the Military Officers Commanding?

(c) Is it, also a fact that by placing the civilian bazar out of bounds, practically no trade goes to bazar traders?

(d) Is it also a fact that a system of Blue Lights or credit coupons is enforced in some of the British Units in India?

(e) Is it a fact that on account of this system the Army Institute contractors practically get all the pay of the soldiers and nothing remains for them to spend outside?

Mr. C. M. G. Oglvie: (a) Institute contractors of British units are given a monopoly for the supply of certain goods required for consumption by the troops, to wit, all articles for messing for junior Non-Commissioned Officers and men except articles supplied by Royal Indian Army Service Corps, Military Farms Department and Contract Dairies. This is in accordance with Rule 46, Institute Rules, India, 1938.

(b) No.

(c) This does not arise.

(d) The system is in vogue in some units but it is not enforced. Where it is in use the value of the tickets is normally restricted to Rs. 3 per British other rank per week.

(e) No.

EMPLOYMENT OF SERVANTS THROUGH CONTRACTORS IN BRITISH UNITS.

†274. *Mr. Akhil Chandra Datta: (a) Will the Defence Secretary be pleased to state whether it is a fact that tailors, *mochis*, *dhobeas*, barbers and boot-boys are employed by the British Units in India through contractors, who are required to pay a certain amount of monthly rebate to the Regimental fund?

(b) Is he aware that the contractors through whom the various servants are employed charge big middle-man's profit from the workers like *mochis*, *dhobeas*, barbers and boot-boys?

(c) Is he also aware that, in order to obtain maximum profits, the contractors import various kinds of servants from outside to the detriment of cantonment residents?

(d) What steps do Government propose to take in the matter?

Mr. C. M. G. Oglvie: (a) to (d). I refer the Honourable Member to my answer to starred question No. 880 asked by Mr. Mohan Lal Saksena on the 14th February, 1939, on the same subject.

†Answer to this question laid on the table, the questioner having exhausted his quota.

PROMOTIONS TO ASSISTANT'S GRADE IN THE HOME DEPARTMENT.

275. *Mr. Umar Aly Shah: Will the Honourable the Home Member please state:

- (a) the total strength of the first, second and third division clerks, separately, in the Home Department as it stood on the 1st May, 1930;
- (b) the number of vacancies that occurred in the first division since 1st May, 1930;
- (c) the number of new posts that were created in the first division since 1st May, 1930;
- (d) the number of vacancies in the first division which were filled by promoting either second division or third division clerks;
- (e) the number of vacancies which were filled by appointing outsiders through the Public Service Commission or the Home Department, as the case may be; and
- (f) in how many cases a departure from the fifty-fifty per cent. rule was made in filling up the vacancies which occurred since the 1st May, 1930?

The Honourable Sir Reginald Maxwell: (a) 25, 27 and 11 respectively.

(b) Vacancies in 16 posts of which two were abolished.

(c) One.

(d) Ten.

(e) Five.

(f) Under the orders in force during the period 1st April, 1930, to 31st March, 1936, two-thirds of the vacancies in the First Division were filled by promotion. Thereafter, the fifty-fifty per cent. rule came into operation and has since been observed.

PROMOTIONS TO ASSISTANT'S GRADE IN THE FINANCE DEPARTMENT.

276. *Mr. Umar Aly Shah: Will the Honourable the Finance Member please state:

- (a) the total strength of the first, second and third division clerks, separately, in the Finance Department as it stood on the 1st May, 1930;
- (b) the number of vacancies that occurred in the first division since 1st May, 1930;
- (c) the number of new posts that were created in the first division since 1st May, 1930;
- (d) the number of vacancies in the first division which were filled by promoting either second division or third division clerks;
- (e) the number of vacancies which were filled by appointing outsiders through the Public Service Commission or the Home Department, as the case may be; and

- (f) In how many cases a departure from the fifty-fifty per cent. rule was made in filling up the vacancies which occurred since the 1st May, 1980?

The Honourable Sir Jeremy Raisman: (a) 36, 35 and 12 respectively;
 (b) 23;
 (c) 14 (two of these have not yet been filled);
 (d) six second division clerks;
 (e) eight;

(f) Finance Department was bound by the 50/50 rule referred to by the Honourable Member only up to October, 1986. In view of the highly specialised nature of Finance Department's work it was recognised that methods of recruitment considered suitable for other Departments were not necessarily appropriate for Finance Department. Since the above date, therefore, the 50/50 rule has no longer applied to Finance Department. While it was in force there was no departure therefrom.

PROMOTIONS TO ASSISTANT'S GRADE IN THE DEFENCE DEPARTMENT.

277. *Mr. Umar Aly Shah: Will the Defence Secretary please state:

- (a) the total strength of the first, second and third division clerks, separately, in the Defence Department as it stood on the 1st May, 1980;
 (b) the number of vacancies that occurred in the first division since 1st May, 1980;
 (c) the number of new posts that were created in the first division since 1st May, 1980;
 (d) the number of vacancies in the first division which were filled by promoting either second division or third division clerks;
 (e) the number of vacancies which were filled by appointing outsiders through the Public Service Commission or the Home Department, as the case may be; and
 (f) in how many cases a departure from the fifty-fifty per cent. rule was made in filling up the vacancies which occurred since the 1st May, 1980?

Mr. C. M. G. Ogilvie: (a) First Division—92.

Second Division—38.

Third Division—16.

(b) Nine.

(c) One on the scale of pay of Rs. 200—10—400.

(d) Four by promotion of Second Division clerks.

(e) Five filled by the Home Department.

(f) None.

RECRUITMENT OF MUSLIMS IN THE INTELLIGENCE BUREAU.

378. **MR. H. A. SATHAR H. BASHI SAJI** (on behalf of Khan Bahadur Nawab Siddique Ali Khan): (a) Will the Honourable the Home Member kindly state the total strength of the ministerial staff employed in the Intelligence Bureau?

(b) What is the present proportion of the Muslims in the different cadres including Superintendents in the Headquarters and in the subordinate offices in the Provinces?

(c) What was it before the 1st May, 1935?

(d) How many new appointments have been made in this office since May, 1935, and how many Muslims have been taken in different grades?

(e) How many departmental promotions have been made in this office since May, 1935, and how many Muslims have been promoted?

(f) Is it a fact that non-Muslims with inferior qualifications have been promoted and Muslims have been ignored? If so, why?

(g) Is it a fact that for the past seven or eight years no Muslim has been appointed in this office direct in the Assistant's grade? If so, why?

(h) Is the Honourable Member prepared to look into these matters of this office?

The Honourable Sir Reginald Maxwell: (a) 127.

(b) and (c). I lay on the table a statement giving the required information.

(d) 82. 21 Muslims were taken in different grades, namely, one as an assistant, 16 as third division clerks, and four as stenographers.

(e) 27. 7 Muslims were promoted.

(f) No.

(g) During the last eight years only one permanent and five temporary posts of assistant were filled by direct recruitment. A Muslim was appointed to one of the latter.

(h) The information furnished above indicates that the interests of the Muslims in the Intelligence Bureau are already adequately protected.

Statement showing the proportion of Muslims in the different cadres at the Headquarters and in the subordinate offices of the Intelligence Bureau.

(i) On 1st February, 1940—	Per cent.
Superintendents	Nil.
Assistants	25.9
Clerks, Second Division	30
Clerks, Third Division	34
Stenographers	31.8
(ii) On 30th April, 1935—	
Superintendents	Nil.
Assistants	27.8
Clerks, Second Division	21.4
Clerks, Third Division	33.3
Stenographers	20

WRITTEN ANSWERS.

RECRUITMENT OF STAFF AND PROMOTIONS IN THE SUPPLY DEPARTMENT.

254. *Maulvi Muhammad Abdul Ghani: (a) Will the Honourable the Leader of the House kindly state whether the Assistant Director (now Under Secretary) Administration, in the Supply Department has been reported upon as "communal-minded" in any of his previous reports?

(b) If the answer to part (a) be in the affirmative, will Government be pleased to state the circumstances under which he was placed in charge of recruitment?

(c) How many persons have been recruited in the various grades since he took up administration work and how many of them are Muslims?

(d) Has the attention of the Honourable Member been drawn to a ruling given by the Under Secretary (Administration) that the Government of India, Home Department, orders regarding communal representations apply to existing as well as fresh recruitments in the Supply Department and not to fresh recruitments separately? If so, is this ruling in conformity with the spirit of the original orders?

(e) Will the Honourable Member be pleased to state:

(i) the number of third or routine division men recruited in the Third Division and, subsequently, promoted to higher grades and how many of them are Muslims;

(ii) the number of clerks promoted as Assistants or taken direct as Assistants and how many of them are Muslims;

(iii) the number of clerks taken in as stenographers and how many of them are Muslims;

(iv) the number of Assistants taken as Assistants and how many of them are Muslims;

(v) the number of clerks or Assistants subsequently promoted as Superintendents or Assistants-in-charge and the dates from which such promotions have been sanctioned; and

(vi) the standard for promotions to higher grades?

(f) Will the Honourable Member be pleased to state if one of the conditions for recruitment to this Department was that a candidate must at least be a graduate? If so, will he please state the number of Assistants, stenographers and clerks recruited since the Assistant Director (now Under Secretary) took up recruitment charge and how many of them are graduates?

The Honourable Sir Muhammad Zafrollah Khan: (a), (b) and (c). It is not the practice of Government to disclose the information contained in confidential reports on officers. I may say, however, that there is no foundation in these reports for the imputation made, nor has the officer in question been placed in charge of recruitment.

(d) There is no such ruling.

†The meeting of the Assembly that was to be held on the 4th March, 1940, having been cancelled, the answers to starred questions for that day were, in pursuance of convention, laid on the table of the House today.—E. of D.

(e) (i) Five of whom two are Muslims.

(ii) Nineteen of whom three are Muslims.

(iii) Three of whom two are Muslims.

(iv) Four of whom one is a Muslim.

(v) Four with effect from the 16th September.

(vi) Promotions are by selection.

(f) The answer to the first part of the question is in the negative and the second part, therefore, does not arise.

APPLICATION OF RATES OF PAY RULES TO STAFF IN THE SUPPLY DEPARTMENT.

255. *Maulvi Muhammad Abdul Ghani: Will the Honourable the Leader of the House be pleased to state cases in the Supply Department in which exceptions in matters of applications of rates of pay rules were made? What special considerations were taken into account in granting old scales of pay to those who entered service after July 1931 or have had breaks in their service after that date?

The Honourable Sir Muhammad Zafrullah Khan: There are no cases in the Supply Department of the nature referred to.

ADVANCE INCREMENTS GRANTED TO STAFF IN THE SUPPLY DEPARTMENT.

256. *Maulvi Muhammad Abdul Ghani: Will the Honourable the Leader of the House be pleased to state the number of cases in which advance increments were granted in the case of staff joining the Supply Department, and special circumstances for the grant of such a treatment?

The Honourable Sir Muhammad Zafrullah Khan: There have been two such cases and a third is at present under consideration. In each case, the scale on which the assistant in question joined the Supply Department was different from the scale of the parent department, and was recruited because of special knowledge or experience. Advance increments were given, after consultation with the Finance Department, to safeguard the incumbent against existing or prospective loss in fitting him into the new scale.

SUSPECTED CASE OF LEAKAGE OF INFORMATION IN THE SUPPLY DEPARTMENT.

257. *Maulvi Muhammad Abdul Ghani: (a) Will the Honourable the Leader of the House be pleased to state if there was a suspected case of leakage of information in the Supply Department and the Government had to pay more due to fluctuations of market?

(b) If the reply to part (a) be in the affirmative, was that enquiry handed over to police for investigation? If not, why not?

(c) At what stage did the information in question reach the Assistant Director, Administration, and at what time the market went up?

(d) Do Government now propose to consider the proposal of instituting enquiries through police?

(e) What was the amount of losses caused to Government due to the said leakage?

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

(b), (c), (d) and (e). Do not arise.

ABSENCE OF MUSLIM OFFICERS IN THE DEPARTMENT OF EDUCATION, HEALTH AND LANDS.

258. *Mr. Nabi Baksh Ilaht Baksh Bhatti: (a) Will the Education Secretary kindly state whether it is a fact that no Muslim officer has been brought in the Department since April 1935, and that the only Muslim officer in the Department on that date, who has been transferred to another Department, has not been replaced by a Muslim?

(b) Is it a fact that in April 1939, the strength of officers, community-wise, in the Department was as under:

	Hindu.	Christian.	Muslim.	Total.
Honourable Member	1			1
Secretary	1			1
Joint Secretary	1			1
Deputy Secretary		1		1
Additional Deputy Secretary		1		1
Under Secretaries	2	1		3
Assistant Secretary	1			1
	6	3		9

(c) What are the reasons for the total elimination of Muslim officers from the Department? What steps do Government propose to take to give due share to Muslim officers in this Department?

Sir Girja Shankar Bajpai: (a) Yes.

(b) No; a correct statement is placed on the table of the House.

(c) Officers are appointed to the Government of India Secretariat by the Governor General in Council on the recommendation of the Selection Board. The rules for communal representation do not apply to these selections.

Statement showing the strength of Officers, communitywise, in the Department of Education, Health and Lands, in April 1939.

Designation of officers.	Hindus.	Muslim.	Europeans	Others.	Total.	Remarks.
Secretary	1	..	..	..	1	
Joint Secretary	1*				1	*Remained in this Department from the 27th April to the 30th June, 1939.
Educational Commissioner.			1		1	
Deputy Secretary			1		1	
Additional Deputy Secretary.			1		1	
Under Secretaries	1		1	1	3	
Assistant Secretary.	1†				1	†Retired on the 30th November, 1939.
	4	..	4	1	9	

ABSENCE OF MUSLIM OFFICERS IN THE ATTACHED OFFICES OF THE DEPARTMENT OF EDUCATION, HEALTH AND LANDS.

259. *Mr. N&M Baksh ~~Ilahi Baksh Shatto~~: (a) Will the Education Secretary kindly state if the following list of officers in the Attached Offices of the Department of Education, Health and Lands is correct? If it is not correct, will Government kindly give correct figures:

	Hindu.	Christian.	Muslim.	Total.
<i>Director General, Indian Medical Service—</i>				
Director General . . . . .	..	1	..	1
Public Health Commissioner . . . . .	..	1	..	1
Deputy Director General . . . . .	..	1	..	1
Assistant Director General	1	..	..	1
Deputy Public Health Commissioner	1	..	..	1
Assistant Public Health Commissioner	1	..	..	1
Officer on Special Duty	1	..	..	1
Officer Supervisor	1	..	..	1
Assistant Secretary, Indian Research Fund Association	1	..	..	1
	<hr/> 6	<hr/> 3	<hr/> ..	<hr/> 9
<i>Archæology—</i>				
Director General	1	..	..	1
Deputy Director General	1	..	..	1
	<hr/> 2	<hr/> ..	<hr/> ..	<hr/> 2
<i>Agricultural Research Council (Imperial Council of Agricultural Research)—</i>				
Chairman	1	..	..	1
Vice-Chairman . . . . .	..	Parsi 1	..	1
Secretary	1	..	..	1
Animal Husbandry Commissioner . . . . .	..	1	..	1
Assistant Animal Husbandry Commissioner	1	..	..	1
Agricultural Commissioner . . . . .	..	1	..	1
Assistant Agricultural Commissioner	1	..	..	1
Statistician	1	..	..	1
	<hr/> 5	<hr/> 1	<hr/> 2	<hr/> ..
	<hr/> 5	<hr/> 1	<hr/> ..	<hr/> 5

(b) Is it a fact that in place of the European Agricultural Marketing Adviser, a Hindu was appointed?

(c) Is it a fact that in place of a Christian Superintendent of Education, Delhi and Ajmer, a Hindu was appointed?

(d) Is it a fact that in place of the Muslim Keeper of Records a Hindu has been permanently appointed?

(e) What are the reasons for the elimination of Muslims in the Attached Offices of this Department? What steps do Government propose to give due share to Muslim Officers in the Attached Offices of the Department of Education, Health and Lands?

Sir Ganga Shankar Bajpai: (a). A statement giving the correct designation and communities of the officers is laid on the table.

(b) In 1938 the senior most available Provincial Director of Agriculture, a Hindu, was appointed for a period of about 3½ months during the absence on leave of the permanent incumbent of the post of Agricultural Marketing Adviser who is a European.

(c) Yes, in an officiating capacity for about seven months in 1939 during the absence on leave of the permanent incumbent.

(d) A Hindu has been appointed on contract for five years. He was selected by the Federal Public Service Commission.

(e) It is not possible to apply a communal ratio to posts requiring special and technical qualifications. In making appointments to such posts, however, the desirability of maintaining a balance between the communities is invariably borne in mind.

Statement giving the number of officers, communitywise in the offices attached to the Department of Education, Health and Lands, in February, 1940.

Designation.	Hindus.	Euro-peans.	Mus-lims.	Others.	Total.	Remarks.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>Office of the Director General, Indian Medical Service.</i>						
Director General Indian Medical Service.		1			1	Selection to these posts is made from the Indian Medical Service.
Public Health Commissioner with the Government of India.		1			1	
Deputy Director General, Indian Medical Service.		1			1	
Assistant Director General, Indian Medical Service.	1	..	..	..	1	
Deputy Public Health Commissioner.	1			..	1	Technical post.
Assistant Public Health Commissioner.	1	..	..	..	1	
Officer on Special Duty.	1			..	1	Temporary.
Officer Supervisor	1	..	..	..	1	
Total	5	3	..	..	8	

Statement giving the number of officers, communitywise in the offices attached to the Department of Education, Health and Lands, in February 1940.

Designation.	Hindus.	Euro- peans.	Mus- lims.	Others.	Total.	Remarks.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>Office of the Director General of Archaeology in India.</i>						
Director General	1	..	..	..	1	
Deputy Director General.	1	..	..	..	1	
Assistant Superintendent.	..	1	..	..	1	
Total	2	1	..	..	3	
<i>Office of the Imperial Council of Agricultural Research.</i>						
Vice-Chairman				1 (Parsi).	1	
Agricultural Commissioner with the Government of India.		1		..	1	The communal orders do not apply to the recruitment to these posts—
Animal Husbandry Commissioner with the Government of India.	..	1	..	..	1	The present incumbents of these posts were recruited prior to the conversion of
Secretary	1	..	..	..	1	Imperial Council of Agricultural Research as an
Assistant Agricultural Expert.	1	..	..	..	1	office attached to the Department of Education, Health and Lands.
Assistant Animal Husbandry Expert.	1	..	..	..	1	
Total	3	2	..	1 (Parsi).	6	
Agents in Colonies	3	1	..	..	4	

OFFICE HOURS OF THE INDIAN STORES DEPARTMENT.

260. *Khan Bahadur Shaikh Fazi-i-Haq Piracha: (a) Will the Honourable Member for Commerce please state if it is a fact that the office hours of the Indian Stores Department have been fixed at 9-30 A.M. to 5 P.M. and that the members of the staff are ordinarily putting in late hours, sitting up to 9 P.M. in some cases?

(b) Are Government prepared to take steps to lighten their burden by increasing the number of clerks, or issue orders that no member of the staff should stay after office hours unless specially asked to do so?

(c) Is it a fact that the staff in the Indian Stores Department get the same rates of pay as the people in other offices? If so, are Government prepared to arrange to suitably remunerate the Indian Stores Department staff in view of the late hours kept by them?

The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar: (a) I understand that office hours have been temporarily fixed between 9-30 A.M. to 5 P.M. and I am not aware that any one is required to work in office beyond office hours.

(b) The adequacy of staff in regard to the requirements of work is reviewed, as found necessary, by Government and I do not consider that orders are necessary for the purpose suggested by the Honourable Member.

(c) The scales of pay in the Indian Stores Department are generally similar to those applicable to similar appointments in other civil attached offices to the Government of India. The latter half of the question does not arise in view of what I have said in answer to parts (a) and (b) of the question.

PROMOTIONS IN THE INDIAN STORES DEPARTMENT.

261. *Khan Bahadur Shaikh Fazl-i-Haq Piracha: (a) Will the Honourable Member for Commerce please state whether it is a fact that wholesale promotions have taken place in the Indian Stores Department? Will Government please place on the table a list showing the number of the people promoted?

(b) Is it a fact that out of 40 men promoted to the First Division, only one is a Muslim and that out of 100 First Division posts, only four are held by Muslims? If so, are Government prepared to take steps to remove the grievances of the Muslim members of the Indian Stores Department staff and remove the paucity of Muslims in that Department?

The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar: (a) I place on the table a statement giving the information in regard to the Headquarters office of the Indian Stores Department which alone is readily available.

(b) Out of 30 promoted to the first division, two are Muslims, and out of 57 first division posts in all in the Headquarters office of the Indian Stores Department, five are held by Muslims. The Government of India's general orders regarding communal representation apply to direct appointments in the Indian Stores Department, not to promotions within the Department.

List showing the number of members of the staff of the Indian Stores Department (Headquarters Office) promoted since the 1st September 1939.

Class of officer.	No. promoted to a higher appointment.	Particulars of the posts to which promoted.	Remarks.
Gazetted Officers	4	To higher posts in the cadre.	
Superintendent	1	Granted a special pay of Rs. 100 per mensem.	
Assistants	4	To officiate as Superintendents.	
Clerks II Division	30	To officiate as Assistants.	
	1	To officiate as Stenographer.	
Clerks III Division	40	To officiate as II Division clerks.	
	1	To officiate as Stenographer.	
Inferior servants	12	To officiate as daffadars, jamadars and duffries.	

GRIEVANCES OF MUSLIMS IN THE DEPARTMENT OF EDUCATION, HEALTH AND LANDS.

282. *Maulvi Muhammad Abdul Ghani: (a) Will the Education Secretary kindly state if it is a fact that the Muslim Rights Protection Board, Lahore, pointed out to Government in appendix A to their representation that from 1925 to the date of the representation, 21 men were promoted or appointed to Division I in the Department of Education, Health and Lands, of whom only one is a Muslim? Are these figures correct? If not, what are the correct figures?

(b) Is it a fact that in appendix B to their representation, they gave other instances of differential treatment to members of different communities in the Education, Health and Lands Department? Are those instances correct? If not, which particular instance is wrong?

(c) Is it a fact that in appendix C the Board gave instances of supersessions of Muslims by Hindus in the matter of promotion to posts of Assistant Secretary, Superintendents, Assistants, etc.? If so, to what extent is the statement correct?

(d) Has any Muslim been promoted to any post superseding a Hindu? If so, what is the name of the post?

Sir Gija Shankar Bajpai: (a), (b) and (c). I would invite the Honourable Member's attention to the reply I gave to his starred question No. 225 on the 28th February, 1940. The representation was not addressed to this Department and I am not in a position to discuss its details.

(d) Yes, on several occasions. The posts concerned were those of Superintendent; Secretary, Central Advisory Board of Education; Assistant, upper time-scale, and Assistant, ordinary time-scale.

PROPORTION OF DIFFERENT COMMUNITIES IN THE DEPARTMENT OF EDUCATION, HEALTH AND LANDS.

283. *Maulvi Muhammad Abdul Ghani: (a) Will the Education Secretary please state if it is a fact that the Muslim Rights Protection Board, in their representation to Government last year stated that in April, 1934, the proportion of the different communities in the Department of Education, Health and Lands was as under:

	Per cent.
Hindus and Sikhs	52.5
Muslims	29.5
Christians	18.0

(b) Is it a fact that in June, 1937, the percentage was as under:

	Per cent.
Hindus and Sikhs	72
Muslims	23
Christians	5

(c) Is it a fact that between the period mentioned above, office promotions and recruitment of the various communities in the Department was as under:

	Per cent.
Hindus and Sikhs	71
Muslims	12
Christians	2

(d) If the above figures are not correct, will the Honourable Member kindly give correct figures in each case?

Sir Girja Shankar Bajpai: (a) I would invite the Honourable Member's attention to the reply just given by me to parts (a), (b) and (c) of his question No. 262.

(b) and (d). A statement showing the proportions of various communities in the ministerial staff of the Department of Education, Health and Lands in April, 1924, and June, 1937, is placed on the table of the House.

(c) The information required by the Honourable Member is being collected and will be supplied to the House as soon as it is available. As the Honourable Member will recognise, a great deal of time and labour is involved in collecting this information.

Statement showing the proportions of the various communities in the Department of Education, Health and Lands in April, 1924, and June, 1937.

Communities.	April, 1924.	June, 1937.
	Per cent.	Per cent.
Hindus	45.24	62.10
Muslims	27.38	25.26
Christians	21.43	6.32
Others	5.95	6.32

PARTIAL TREATMENT OF MUSLIMS IN THE DEPARTMENT OF EDUCATION, HEALTH AND LANDS AND ITS ATTACHED OFFICES.

264. *Maulvi Muhammad Abdul Gham: (a) Will the Education Secretary kindly state how the assurance of His Excellency the Viceroy to Mr. Jinnah that Government were fully alive to the necessity for safeguarding the legitimate interests of minorities, is proposed to be applied to the employees in the Department of Education, Health and Lands and its attached offices?

(b) Do Government propose to set up an inquiry committee with non-official majority to inquire into the instances of partial treatment brought to the notice of Government by the Muslim Rights Protection Board?

Sir Girja Shankar Bajpai: (a) The Department of Education, Health and Lands and its attached offices observe the instructions issued by the Government of India in 1934 relating to communal representation in services.

(b) The Honourable Member's attention is invited to the reply I gave to Mr. M. Ghiasuddin's starred question No. 968 on the 10th March, 1939.

POSTS AND TELEGRAPHS APPROPRIATION ACCOUNTS.

The Honourable Sir Jeremy Raisman (Finance Member): Sir, I lay on the table a copy* of the Appropriation Accounts (Posts and Telegraphs) 1938-39 and the Audit Report 1939.

BILL PASSED BY THE COUNCIL OF STATE.

Secretary of the Assembly: Sir, in accordance with the provisions of rule 25 of the Indian Legislative Rules, I lay on the table a copy of a Bill to amend the Parsi Marriage and Divorce Act, 1936, which was passed by the Council of State at its meeting held on the 4th March, 1940.

THE GENERAL BUDGET—GENERAL DISCUSSION.

FIRST STAGE.

Mr. President (The Honourable Sir Abdur Rahim): The Chair understands, Mr. Aney has some suggestion to make in regard to the general discussion of the General Budget.

Mr. M. S. Aney (Berar: Non-Muhammadan): Sir, I wish to make a submission, and it is this. Usually the number of days allotted for general discussion on the Budget is two, but this year they have been cut down to one. I can understand why the Government thought it necessary to curtail the number of days from two to one, but I think it will be better to stick to the usual practice of having two days, because the general discussion on the Budget is generally taken as an occasion by all Members of the House to refer to various administrative matters which cannot be brought up for discussion in this House on any other occasion, and, therefore, a number of important questions are left untouched. In my humble opinion, therefore, curtailment of the number of days from two to one is somewhat injurious to the free and frank discussion of the entire administration of the Central Government on this occasion. I, therefore, submit that the Honourable the Leader of the House may again reconsider the matter and accept our suggestion that the general discussion instead of being confined to one day, should be extended to two days as usual.

Sir Muhammad Yamin Khan (Agra Division: Muhammadan Rural): Sir, I welcome the suggestion, and my Party whole-heartedly supports it. Some Members of my Party had already approached the Government on this matter. Even in the past when two days were allotted, some of us could hardly cover the entire field within the 15 minutes time limit, but on this occasion when the speech of the Honourable the Finance Member lasted for over 1½ hours, it will hardly be possible to do full justice within 15 minutes

The Honourable Sir Muhammad Zafrullah Khan (Leader of the House): Today there will be more than three quarters of an hour extra because the whole of the questions hour has not been taken up by questions.

*Not printed in these debates. Copy has been placed in the Library.—E. of D.

Sir Muhammad Yamin Khan: It will not be possible to do full justice within 15 minutes

Mr. President (The Honourable Sir Abdur Rahim): The Chair allowed 15 minutes last year, when the Congress Party Members attended, to all Members, and 20 minutes for Leaders of Parties.

Sir Muhammad Yamin Khan: Yes, but this was too short, and it was agreed to because there was no other way out. But this year since the Congress Party is not attending, there is no reason why the number of days should be curtailed from two to one. Simply because a certain Party has thought it proper not to attend the meetings of the Assembly, it is not right to curtail the number of days for general discussion of the budget from two to one.

Mr. A. Aikman (Bengal: European): Sir, we have no objection to having two days for general discussion.

The Honourable Sir Muhammad Zafrullah Khan: Sir, it is all very well for Honourable Members to say that because more than half, I believe, of the elected Members are not present in the House it should make no difference to the allotment of the days

Mr. N. M. Joshi (Nominated Non-Official): Nominated Members have as good a right to speak

The Honourable Sir Muhammad Zafrullah Khan: I have not denied that. On the other hand, on the Government side very few speakers intervene in the debate

Mr. M. S. Aney: We are sorry for that. More Members ought to intervene.

The Honourable Sir Muhammad Zafrullah Khan: Will the Honourable Member permit me to go on? The usual practice is that very few departments come under criticism, and, therefore, the time is generally allotted between Non-Official Members, and having regard to the absence of such a large number of Members, on the average the number of speakers on the non-official Benches will have more time this year than in previous years, and I do not think really there will be any hardship; also considering the fact which I intimated when Sir Muhammad Yamin Khan was speaking, there is today three quarters of an hour extra, over and above the usual time because when the full House is in attendance the whole of the question hour is taken up by questions. I may also submit that this question was considered, and Government came to the conclusion that the allotment of one day on this occasion would, on the average, afford Parties and Members more time than they have had in the past for general discussion of the Budget.

Dr. Sir Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, I should like to make only one suggestion . . .

Mr. President (The Honourable Sir Abdur Rahim): The Chair cannot allow it. The Chair has to fix the time, and following the precedent of

[Mr. President.]

previous years, the Chair fixes fifteen minutes time limit for Party Members, and, in the case of Leaders of Parties, 20 minutes, and, in the case of reply by the Honourable the Finance Member, he will have one hour—the Chair does not know if he requires more than that,—or 1½ hour if he requires it.

Mr. F. E. James (Madras European): Before you proceed with the ordinary business, may I ask whether you wish me to raise the matter in connection with which I have already addressed a communication to you this morning at this stage or on a later occasion?

Mr. President (The Honourable Sir Abdur Rahim): Tomorrow, the Chair thinks, will be more convenient.

Mr. A. Aikman: Sir, before I comment upon the Budget proposals laid before this House a few days ago, I should like to take this opportunity to congratulate the Honourable the Finance Member on his able and lucid review of the financial position of the country. It has been his misfortune to take over his present responsibility at a time of great difficulty and uncertainty; but it is India's good fortune that at so critical a time her finances should be in charge of a man who has so early in his tenure of office shown not only a masterful grip of the ramifications of the work of his important office but also a sympathetic understanding of the difficulties and requirements of industry and commerce.

Every budget has to be judged from two points of view, namely, from the point of view of the needs of the Government in all its activities and also from the point of view of the effect of taxation upon the tax payers in general and upon the development of trade and industry in particular.

At no time is it more important to examine a budget from both these angles than during a time of war since great as may be the financial needs of Government, the effect of heavy taxation, hastily imposed, may, in such circumstances, be far greater than it is at any other time. In the financial year now drawing to a close, India is in a position in which she is fortunate if not indeed unique among all countries in the world today, for we close this year with a prospect of a substantial surplus. There we are at the end of a year, during seven months of which the Empire has been engaged in a deadly struggle the consequences of which no man can foresee! nevertheless, India is in a strong financial position, a fact that is the most eloquent testimony we can have as to the inherent strength of her financial policy. It is a complete justification of the wisdom of the financial policy pursued since 1932. That policy I know has been the subject of constant criticism but time has shown that it has been far-sighted and the surplus with which the current year is expected to close is proof of the most tangible kind in support of what I have just said.

In this connection, Sir, I would draw attention to the steps recently announced to secure the repatriation of a substantial amount of India's sterling debt. The scheme which has been fully explained by the Honourable the Finance Member is in line with the policy that has been pursued over a number of years and needs no further comment from me, though I should like to say that the feeble attempt made by a section of the press to criticise the method by which it is proposed to give effect to these further steps for the repatriation of sterling debt seems to me entirely misconceived. Perhaps it is put forward simply for reasons of blind and

obstinate opposition to Government. The more we examine our financial position, the more is one convinced that it is second to none in strength and I would call the attention of the House to the high level of prices of the Government of India's securities which is proof that financial circles in the country share this view.

The Finance Member has warned us that the present European war is not likely to be short. I share this opinion. It is the opinion that has been expressed by Sir Neville Henderson whose particular position as His Majesty's Ambassador in Germany in regard to this problem commands more than ordinary attention with his views. Whatever may be the strain that this war will eventually place upon the finance of this country it must be a matter of satisfaction that we commence the war period in such a strong financial position. The additional taxation to be imposed in respect of the coming year is estimated to be approximately Rs. 7½ crores though the Honourable the Finance Member has warned the House that circumstances may arise in which further taxation will be necessary.

In this connection I think I may say that all Parties will congratulate the Finance Member on the success he has achieved in reaching a settlement with His Majesty's Government on the principles to be followed for allocating between Indian revenues and the revenues of His Majesty's Government the expenditure arising from India as a result of the war.

Under the terms of that settlement India is to bear certain charges. These are:

- (1) a fixed annual sum representing the normal net effective costs of the Army in India under peace conditions (and in this expression 'Army in India' I take it is included the Air Force and the Royal Indian Navy).
- (2) an addition to allow for rises in prices, *plus*
- (3) the cost of such war measures as can be regarded as purely Indian liabilities by reason of their having been undertaken by India in her own interests, and
- (4) a lump sum payment of one crore of rupees towards the extra cost of maintaining India's External Defence Troops overseas.

It will be remembered that the Chatfield proposals stipulated that in certain circumstances India must accept a share of the cost of her external defence, and in arriving at its conclusions the Chatfield Committee were to bear in mind India's ability to pay.

Under the agreement arrived at, this important consideration would appear to have been fully borne in mind, for it means that so far as the prosecution of the war is concerned India's contribution will be an annual lump sum of one crore of rupees—a figure it will be considered, I believe, well within the capacity of the country.

The importance of the arrangement will not, I hope, be lost upon those who had reiterated so often the charge that the army in India is maintained solely for Imperial purposes. No one, I think, will question the truth of the statement that if the Allies should lose this war, the calamity for India will be no less than for other parts of the British Empire. In such circumstances the arrangement so successfully concluded

[Mr. A. Aikman.]

with His Majesty's Government in the matter of the allocation of defence expenditure is, in our opinion, generous. More especially is this the case when one considers the large financial contributions towards the Empire's war efforts now being made by the great Dominions.

These countries' contributions are proportionately very much greater than that at present suggested for this country, even after having taken into consideration the fact that India's defence charges bulk so largely in comparison even with her combined central and provincial revenues—for the amount of the proposed increase is something like four per cent. of these combined revenues. This generous agreement is further evidence of the partnership which exists between Great Britain and India on the problem of latter's defence.

So far as new taxation is concerned the position as revealed by the Honourable the Finance Member makes it amply clear that the appropriation by the State of a substantial part of excess profits arising as a result of war conditions as proposed in the Excess Profits Tax Bill is sound and reasonable. I do not propose to say much on this point now, for the House will have an opportunity later to discuss this Bill; but I may say that with the added study which I have given to this matter as a member of the Select Committee I cannot agree with those critics who say that the estimate of the proceeds of the tax for the year 1940-41 is undeniably low.

The taxation with which the Finance Member has proposed to meet the deficiency, namely, the increased excise on sugar and motor spirit, are burdens that in the circumstances command our full support. In this connection, I feel it necessary to enter a caveat against the danger involved in recurrent increases in existing excise. It cannot be forgotten that there comes a point when, if the tax imposed on any commodity becomes unduly heavy, the law of diminishing return will begin to operate. In the case of motor spirit, the level of taxation now imposed must be dangerously near that limit and in the case of the new sugar duties, it must be remembered that the sugar industry has to bear not only heavy central taxation but also taxation by Provincial Governments. This is true of course also of motor spirit, but there, at least, the industry itself is highly organised whereas the same certainly cannot be said of the sugar industry. That industry as a result partially of conflicting policies adopted over the last ten years can hardly be described as being in a healthy state. It seems to me, therefore, that there is a case where close co-operation between the Central and Provincial Governments is essential. The problem of co-ordination in the matter of taxation between these Governments faces all Federal States and is one to which my Group drew special attention last year. I have no doubt the Honourable the Finance Member has the point closely in mind himself but I should like to have his assurance that in this as in other matters where the Provinces too are concerned he will pursue a policy of close co-operation with Provincial Finance Ministers, and Finance Members.

The tax-payers throughout the country will be grateful to the Honourable the Finance Member for his decision not to increase other direct or indirect taxation this year, but he has quite rightly warned this House that the necessity for further increases in both direct and indirect taxation may arise later.

Finally, Sir, I should like to say a word about control of expenditure. Since the abolition of the Standing Finance Committee this House has to some extent lost such opportunity as it had for anything like a detailed examination of estimates of annual expenditure. Last year the Honourable the Finance Member's predecessor suggested that in place of the old Standing Finance Committee there should be an Estimates Committee. Unfortunately, that offer was not accepted by one or two Parties and the proposal was not proceeded with. I feel this was a mistake and I should like to ask the Honourable the Finance Member if he is prepared to renew his predecessor's offer. Members of this House and our constituents in the country are anxious—especially at this time when expenditure is inevitably rising—to ensure that a strict watch is maintained over all expenditure. I wish to make the very strongest plea for the re-establishment of control by a Committee of this House. The setting up of an Estimates Committee on the lines suggested by Sir James Grigg would, I believe, give general satisfaction. I hope my Honourable friend will see his way to accept this suggestion.

Mr. Akhil Chandra Datta (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Sir, I am sorry I shall have to speak in a different strain from that of my Honourable friend, Mr. Aikman. It appears to me that for some years more, at least, Europeans in India and Indians will not see eye to eye with regard to many vital matters. I hope the time is coming when we shall agree but it appears to me that that time is not yet. Sir, in discussing the Budget the very first question I want to examine is this: what is the scheme, what is the policy of this Budget, and, in the second place, what is the foundation in fact of that policy and of that scheme? Now, the answers to both these questions we have got in the very opening paragraph of the Budget speech. Sir, my Honourable friend, Sir Jeremy Raisman, is a truthful man

The Honourable Sir Jeremy Raisman (Finance Member): Thank you.

Mr. Akhil Chandra Datta: . . . and, with very refreshing candour he has made one statement in the opening paragraph of his speech which gives a clue to the whole policy of this Budget. He has said that "the *full* utilization of India's material resources is an important element in ensuring the victory of that cause on which alone rests the hope of *our* civilization". The italics are mine. He has used the word "utilization", he did not use the word "exploitation". That gives an insight,—the key to the whole position. That is his view about the utilization of the resources of India for winning a victory in the great war that is raging. Now, in answer to that, I shall only quote the words of the Patna resolution passed the other day by the Working Committee of the Indian National Congress. They have said that "the exploitation of India's resources in this war is an affront to them which no self-respect and freedom-loving people can accept or tolerate". That resolution further says:

"Great Britain is carrying on the war fundamentally for imperialistic ends and for the preservation and strengthening of her Empire which is based on the exploitation of the people of India. . . ."

Now, Sir, that being the policy of the Budget, that policy has inevitably led to all these taxation proposals—the excess profits tax, first of all, then the increase of rates and fares then the duty on sugar, then the

[Mr. Akhil Chandra Datta.]

duty on petrol. Now what is the foundation of that scheme? About that, I will again refer to the first paragraph of the Budget speech where my Honourable friend, the Finance Member, has talked about the economic position of India just before the outbreak of war. He has said:

"a modestly improving rate of economic progress, restrained by fear of the consequences of an actual outbreak of war, was succeeded by what was almost a tide of war prosperity."

Now, my complaint is that that is not a correct description of the state of affairs, and in fact this is contradicted by the Governor of the Reserve Bank of India in the report of the Central Board of Directors for the year ending 31st December, 1939, in the following words:

"In India, as in Great Britain, the growing tension in the international situation militated against any sustained recovery."

The Honourable Sir Jeremy Raisman: "Sustained recovery".

Mr. Akhil Chandra Datta: Yes,

"any sustained recovery in the first eight months of the year and the nervousness which it engendered dominated the financial markets generally and almost nullified the effect of other favourable factors such as a slight improvement in the foreign trade position and a rise in the prices of certain commodities such as jute and sugar. To this was added the depression in the prices of wheat and cotton and the difficulties of the cotton textile industry, which has been experiencing one of its worst slumps owing, among other reasons, to overproduction and the increased cost of labour."

That, I say, is a wrong angle of vision from which has emanated all these taxation proposals. Now, the question is—is this a deficit Budget or really a surplus Budget? It has been presented to us under the mask of a deficit Budget. The figures disclosed however show that this should have been a surplus Budget. A surplus Budget has been converted into a deficit Budget by the under-estimation of revenue. Now that has almost become a chronic disease of the Government. Year after year there is under-estimation of revenue. Revenue was under-estimated in 1934-35, 1935-36, 1937-38, and 1939-40, but still this incurable disease has not yet been got rid of. I cannot go into details. As regards revenue, in spite of the revised estimates of the current year being about 88 crores and in spite of the amount expected from the railway contribution, still it is shown as 85 crores as the estimated revenue of the next year. This is certainly an under-estimation. The reasons given by the Finance Member in his speech (pages 12 and 13) are not at all convincing; this estimate is not at all warranted by the improved returns of the last year and the last two months.

I am sorry the limited time at my disposal does not permit me to substantiate my proposition. Supposing, however, that the deficit is real, the question is what is the remedy for it? To the Communications Member, the obvious remedy was an increase in rates and fares. To the Honourable the Finance Member, the obvious remedy is an increase in taxation. Can't you think of any other way than this? Why not resort to economy and retrenchment? Why not abolish the Lee concessions? Why don't you tax yourself? Your own fat salaries are sacrosanct: they cannot be touched. You put your hands into the pockets of other people. This is a bad habit. You must first put your hand into your own pockets and afterwards make a raid on other people's pockets.

Now, Sir, it would be a very interesting study to find out what was the standard income of these gentlemen before they accepted office. If an excess profits tax is imposed upon the excess profits that they had been having all these years, I do not know how they will feel about it. Supposing again that the deficit is real and is unavoidable, then we must remember it is not a normal deficit. That being so, the question is how to meet it? It is a fundamentally wrong policy to try to balance a war budget by normal methods of taxation. An abnormal situation needs an abnormal solution and not ordinary taxation. If it is a war budget and if you require extra 20 crores of rupees, then you cannot call it a deficit budget in the ordinary sense of the expression and you should not try to balance it by taxing industry and commerce. Conceding for a moment that additional taxation is necessary, the further question arises whether there is any justification or necessity for all the taxes which have been proposed? They have fired as many as five shots; Excess Profit Tax, Rates, Fares, Sugar and Petrol, from which they hope to get about twelve crores. They are all inter-dependent sections of the same taxing statute. In fact, they are different chapters of the same tragic drama. Now, Sir, the Excess Profits Tax yield is estimated to be three crores. In 1919, we were told that it was over nine crores. You must remember that the industries have been by this time doubled if not trebled and the number of assesseees is very much larger now and you will have got both the super-tax and the Excess Profits Tax. My submission, therefore, is that the Excess Profits Tax alone should have been sufficient to meet the deficit. After the Excess Profits Tax, there is no justification for the increase of rates and fares. It is a vicious lead for profiteering and a vicious example for inflation. As the *Statesman* remarked, "it may be the beginning of a major disaster to the whole country".

As regards the sugar industry, we have had repeated attacks upon this industry for some time past and I do not know if this will be the last straw on the camel's back. Sugar is sweet but the sugar duty is not. Petrol duty will hit the road transport industry. This is another instance of the step-motherly attitude of the Government towards this industry.

Now, Sir, another important feature of this Budget is the raid on the provinces. The amendment of the Niemeyer award has resulted in the reduction of the shares of the provinces. I think I can without much exaggeration say that this Budget is a raid on the provinces, a raid on industry, trade, commerce, and agriculture and also upon the masses.

Mr. M. S. Aney: Except the Government servants, everybody else is crushed.

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

Mr. Akhil Chandra Datta: I want to say one word about the Posts and Telegraphs Department. We have one grievance about the recent changes in the telephone rates. The half rate is practically abolished and the introduction of the system of urgent calls has nullified all facilities. May I suggest that in view of the prosperous condition of that Department, the old system may be revived?

Sir Muhammad Yamin Khan: Sir, I was wondering whether to congratulate the Honourable the Finance Member for surplus Budget or to sympathise with him over the deficit Budget which the irony of fate has compelled him to present during the very first year of his office. I agree with my friend, the Deputy President of the Assembly, that it is not a deficit Budget but it is really a surplus Budget, if we carefully examine its provisions. It may be that we have to provide some money on account of certain conditions. If we take into account the extraordinary expenditure which we have to meet on account of the war, then, of course, it becomes a deficit Budget. But the general taxpayer may think that the contribution which this country has to make on account of the war is only a crore of rupees, but that figure is 17 times less than what this country is actually going to incur. The normal Budget for the defence of the country is 36 crores and 77 lakhs and now we are asked to pay 53 crores and 52 lakhs.

The Honourable Sir Jeremy Raisman: No, Sir. The Honourable Member has excluded the non-effective charges from the normal Budget; they are part of the normal Budget. The normal Budget was 45 crores and 18 lakhs.

Sir Muhammad Yamin Khan: If eight crores are taken out of these 17 crores, even then nine crores are extra. Nine crores, in round figures, are the extra expenditure which this House is called upon to vote, which it will do shortly. The deficit is something like six crores. That means really if we do not meet this extra expenditure, we would still be saving three crores in our hands by this budget.

The Honourable Sir Jeremy Raisman: A big 'if'.

Sir Muhammad Yamin Khan: The Honourable the Finance Member has at least given us one hope that the arrangement to which he has come with the British Government is final and that we will not be called upon to pay more money in the coming year than what has been put down in this budget. I understand the arrangement is final, that is, we will contribute one crore more in lump sum. Whatever the figures he has given, they will not exceed on account of the war. If that is the position, then India can say that her finances are quite sound with the present budget. But if we are called upon to vote for something extra as the Honourable the Finance Member has given us a hint of the possibility on some future date on account of circumstances which he does not see now, if he means by that that the expenses will increase, then he ought to have made it clear to this House. If, on the contrary, he means that the income he has put down might decrease and the expenses remain at the present level, that is a different point. We would like the Honourable the Finance Member to make clear to the House his intention.

Another point which requires careful consideration from the Finance Member is this. He says that the receipts from customs and excise combined will fall from 50 crores seven lakhs as in this year to 46 crores. That means a decrease of four crores and seven lakhs. He has put down this for the combined items of customs and excise. He has explained to the House that he expects from the excise duty on account of these two new taxes which he is bringing about 8½ crores. That means that the customs duty will bring about seven crores less in the coming year. If our income on account of customs is going to decrease by seven crores, that is a very serious thing to be taken into consideration.

This means that trade in India in the shape of supply of goods to the Supply Department will continue; but on account of less imports which are to be represented by seven crores decrease in customs duty the commerce of this country will diminish. Although it may be very good for India to avail of this particular opportunity in order to develop her industries, especially in these lines where there is a considerable fall in imports, yet, as far as the taxpayers are concerned, this seven crores will represent a huge figure in the shape of extra taxation. I would like the Honourable the Finance Member to throw some more light on this point to the House and to the general public whether he wants trade and industry of India to increase and develop in order to take full advantage of the opportunity which is presented to her today.

The Honourable Member is proposing two new taxes besides the Excess Profits Duty Bill which the House is considering. On motor spirits he has increased two annas. But two annas is not the only thing. Four pies per gallon were introduced as a tax on account of increase in railway freight. The effect of this increase of four pies per gallon in the city was—I stand corrected if I am wrong—to increase the price of petrol in many places by one anna per gallon and in some places by half anna per gallon. This rise of four pies by Government has put into the pockets of my Honourable friend, Mr. Buss, two pies more in some places and eight pies more in some other places. All these have to come from the consumers' pockets.

An Honourable Member: What about the years in which there was no increase.

Sir Muhammad Yamin Khan: By the rise of two annas in the duty, the net result, as far as Delhi is concerned, is that the price of petrol has gone up by about three annas over the price which prevailed about two weeks ago. I know that the price in Delhi used to be Rs. 1-9-0 sometime ago; then it went up to Rs. 1-11-0 and now it is Rs. 1-13-6. Within a very short period we have seen that the price has gone up from Rs. 1-5-0 to Rs. 1-13-6. The consumer is thus called upon to pay Rs. 0-8-6 more than what he used to pay last year. This is a great demand. I submit that even a little rise in the price of petrol requires careful consideration on the part of those who control the prices. The Government should see to it that whatever price prevailed before the war should not be increased, beyond the duty which has been increased by Government. The price should be uniform in all places; it must be on the same level *plus* the duty now proposed by the Government.

As far as sugar is concerned, many Honourable Members will bear me out when I say that on the evening of the 29th February
12 Noon. when the Finance Member made his budget speech the price was at a certain figure and he proposed an excise duty of about one pie a seer.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has two minutes more.

Sir Muhammad Yamin Khan: Next day the price in the market rose by one anna a seer. So if on account of this excise duty the price rises four times, it is the duty of Government to see that this kind of abuse does not occur.

[Sir Muhammad Yamin Khan.]

Sir, I only want to make one further observation and that is with regard to the army. Everybody wants that India should be defended and should make a proper contribution for defence, whether internal or external, so that the enemy may be kept at a long distance. At the same time we desire that the House should be taken into full confidence and matters should be explained in greater detail than is done now, in order to enlist the sympathy of the House.

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

Mr. N. M. Joshi: Sir, the outstanding feature of this budget is naturally the additional expenditure of 8½ crores and almost a corresponding deficit of about that figure which is to be met by additional taxation. We, Indians, would have cheerfully borne the additional expenditure and the additional burden if we had been free people. This war has been started without our consent and even this Legislature was not consulted when India was made a participant in this war. I, therefore, feel that if there is any danger to India out of this war it is the duty of Great Britain to defend India. India has not got self-government to maintain nor has she got democracy to protect. In these circumstances I feel that the additional expenditure should have been found wholly by Great Britain. As I have said, if India had self-government we would have cheerfully borne the additional burden. Not only has India got no self-government, but in defence it is not an army controlled by Indians which has to defend India. The whole public of India has been asking that the Indian Army should be Indianised and the officers of the army should be Indian and not British. We know that the efforts made by the Government of India, so far, are such that one of the Defence Secretaries was forced to admit in this House that if the Indian Army was to be Indianised at the rate proposed by the Government of India, the Indian Army would never be Indianised. Sir, some time ago the Government of India appointed a committee to consider the question of Indianising the army. One naturally thought that when the war was on and every Britisher wanted to go to his country to defend her the pace of Indianisation would be accelerated. But instead of that the Government of India thought it fit perhaps not to disband that committee but to suspend all the operations of that committee. Recently a new theory is being propounded after the Chatfield report and even some time before that that the defence of India is a joint responsibility between Great Britain and India. If India becomes self-governing, India will not have joint responsibility but she will bear the whole responsibility of defending this country. I do not agree that there should be joint responsibility between Great Britain and India. Let Great Britain take the whole responsibility or let India take the whole responsibility. If the Indian Army is not to be Indianised and if there is to be joint responsibility between India and Great Britain as regards the defence of India, I have no doubt that India will remain a permanent vassal of Great Britain. Sir, I am not willing to tolerate that position. I, therefore, feel that Indians cannot cheerfully bear the additional burden required for the additional expenditure due to this war.

Now, Sir, I should like to make a few remarks regarding the economic situation as envisaged by the Honourable the Finance Member in his speech. He stated that just before the war the Indian economic position

was improving and India was making modest progress. Then he said that after the war India is going through a tide of prosperity. He has also very correctly stated that since the war the prices of export commodities are rising and he also very truly says that the prices of articles of internal consumption are keeping in unison with the rise of prices of export articles.

The Honourable Sir Jeremy Raisman: I said that was the trend.

Mr. N. M. Joshi: I am also talking of the trend; neither the Honourable Member nor I can talk of these things definitely. Sir, after the war the Government of India started a policy of price control. So far as articles of export are concerned I do not know why we should have any price control. During this war India is entitled to make as much profit as she can by exporting the articles at whatever prices we can command in the open market. The Government of India have recently established a Supply Department and that Supply Department indirectly controls the prices of articles of export. I feel the Government of India, instead of doing anything to prevent India getting the fullest benefit of this war, should make a conscious effort to gain the markets of the world at this time. I would also suggest to the Government of India that this is the time when they should also make a conscious effort and a very big effort to develop industries in this country. I hope the Government of India will not do anything which will prevent the growth of Indian industries at this time and will do everything in their power to develop the economic and industrial position of our country. I would like to say a word about the rise of prices of articles of internal consumption. Here I have great pleasure in supporting the policy which the Government of India have started of controlling prices: I know there is a section of Indian opinion in this country which is not in favour of controlling prices here. I do not share that view. I feel that it is the duty of the Government to control prices which are abnormally rising on account of war conditions. I have no doubt in my mind that there is a section of the population which benefits by abnormal rise in prices. It is said that if the prices of grains increase, the primary producer in this country, the agriculturist, will benefit. In one of my previous speeches—I think it was on the Railway Budget—I made it clear that the primary producers who benefit by the rise in prices are the parasite class of landlords and a few honest but very lucky cultivators. The largest mass of agricultural population in this country, the agricultural wage-earners, the agricultural tenants and the very small cultivators do not benefit by the rise in prices. The agricultural economy in this country is a deficit economy. No agriculturist can maintain himself during the whole year by cultivating the small piece of land which he owns or hires as a tenant or on which he works as a hired labourer. From the point of view of the agricultural masses the rise in prices is not beneficial. Similarly, take the case of the industrial workers. I agree that if there is a rise in prices there will be more employment; but it is well-known that the wages of industrial workers do not keep pace with the rise in prices

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has two minutes more.

Mr. N. M. Joshi: I shall not take up the time of the House longer now, because I know I shall have another opportunity to speak at a little greater length on this question.

[Mr. N. M. Joshi.]

Before I sit down I would like to say a word about the financial policy of the Government of India both as regards war expenditure and ordinary expenditure. I agree with the proposal made by the Honourable the Leader of the European Group that there should be a strong committee of this House to scrutinise the war expenditure of the Government of India. It is not enough that the Finance Department should scrutinise that expenditure as they do the other ordinary expenditure. The war expenditure has to be incurred in abnormal circumstances, and, moreover, if the country has to bear a large burden of additional taxation it is necessary that the representatives of the people should have some opportunity of scrutinising the war expenditure. I, therefore, hope, that the Government of India should have no objection to appoint a committee to scrutinise the war expenditure as a help to themselves.

I shall say only one word before I sit down. The Honourable the Finance Member has stated in his speech that the Supply Department is very economically managed. We Members of this Legislature as well as the public have grave doubts about the economical management of this Department;

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

Mr. N. M. Joshi: and I would suggest to the Government of India that they should appoint a committee to examine this item of expenditure.

Sir Abdul Halim Ghuznavi (Dacca *cum* Mymensingh: Muhammadan Rural): Sir, we realise that we have not got a great financier like Today Mal, who was Akbar's finance minister: we also realise that we have not got another great financier who came to India in 1859, Mr. James Wilson, who in ten months' time set right the finances of India. The first thing he did was the curtailment of expenditure. Those days are gone. All that is now done is to find ways and means of putting taxes after taxes and balancing one's budget. Sir, we have started this discussion today with my Honourable friend, the Leader of the European Group, who gave us an approved speech. I am sure not one of the elected Members who will follow me will support my friend, the Leader of the European Group, in what he has said. In the short space of fifteen minutes, it is difficult for any one to make any long statements, but as the Congress Members are not here, we shall have our full say during the discussion of the Finance Bill on all the points that I want to raise. I will only enumerate the points today, which I shall then get time to discuss: Excess Profits Tax, increase of Excise Duty on Sugar, Defence, the Bengali Regiment—I want to fight Hitlerism

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member need not read out the entire list: he will have plenty of time to discuss what he wants later.

Sir Abdul Halim Ghuznavi: Posts and Telegraphs, Director General of Supply, appointments of controllers and liaison officers, Haj traffic (Bengal pilgrims were stranded), the conversion of the Moghul Line into

a so-called Muslim company, the Calcutta Haj Committee, reopening of the port of Calcutta, Income-tax Department, Indian Railways; the Mudie Committee, Shortage of Wagons, Wagon Pool.

Now, Sir, the Honourable the Finance Member wanted money

The Honourable Sir Jeremy Raisman: No, no, never!

Sir Abdul Halim Ghuznavi: He wanted money for the prosecution of the war, otherwise his Budget would have been a balanced Budget without these additional taxes. He has our support to fight this war, to fight Hitlerism, to fight Stanlinism, but he has not our support to impose additional burdens by way of taxation. Of course, he will have our support to find the money by raising a loan. Now, what happened in 1914, when the prosperity of the country was by far greater than today? Sir William Meyer had to frame his first war Budget in the last European war. I will just read to this Honourable House a portion of his speech. Those Finance Members are no longer existing. We want Finance Members who will find the money without imposing taxations on the people. What did Sir William Meyer say.

Sir Syed Raza Ali (Cities of the United Provinces: Muhammadan Urban): Is it your complaint that he is dead?

Sir Abdul Halim Ghuznavi: My complaint is that the present Finance Member should have framed his budget in the same way as Sir William Meyer did. Now, what did Sir William Meyer say then? This is what he said, while budgeting for a deficit of four crores for the year 1915-16:

"We do not propose to raise any money by increasing taxation on this occasion. We should not hesitate to do so to meet a deficiency in revenue which promises to be more or less of an abiding character, but the present circumstances are altogether peculiar. We have come to the conclusion that we ought not to add to the existing taxation unless it is absolutely necessary."

This is what he said, and he borrowed the money for conducting the last war. Now, Sir, let us come to the present times. What is the opinion of the Indian Chambers? In the first place, the unanimous opinion of all the Indian Chambers is that extra profit tax should not be levied, that the Honourable the Finance Member could have found the money by retrenchment, that this money could be found by taxing.

The Honourable Sir Jeremy Raisman: the other people.

Sir Abdul Halim Ghuznavi: Not the other people, but the articles of luxury. But the Government officials should first make a sacrifice by a cut in their salaries to find the money, and if after that the amount was not forthcoming, the Honourable the Finance Member could have come before this House with other proposals

Mr. Akhil Chandra Datta: Charity never begins at home.

Sir Abdul Halim Ghuznavi: My friend, the Leader of the European Group, said, in his speech: 'Oh the criticism of the press that three crores from the Excess Profits Tax is an under-estimate

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has two minutes more.

Sir Abdul Halim Ghuznavi: I will try to finish within two minutes, Sir. Does my friend forget what happened in 1919 and 1920?

An Honourable Member: Rowlatt Act.

Sir Abdul Halim Ghuznavi: Perhaps he has no recollection.

Mr. A. Aikman: I have not forgotten.

Sir Abdul Halim Ghuznavi: When the Excess Profits Bill came before the House in 1919 the standard period laid down was after the war was over. So there was not much excess profit and Government could only get a small share which even amounted to 11 crores; this time money has not been made yet; we had all through a series of lean years and for the purpose of calculating the tax the Finance Member has taken these lean years as his standard period. India has just begun to recover from a period of depression which started some ten years ago, and now he comes forward with a bombshell

Mr. Akhil Chandra Datta: Time-shell is coming.

Sir Abdul Halim Ghuznavi: He comes forward with a bombshell and overnight he almost kills the industries of India. He is imposing a heavy burden on the people. With empty Benches

Mr. M. S. Aney: It is imposed already.

Sir Abdul Halim Ghuznavi: So this is a post-mortem examination, because it is already imposed

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

Sir Abdul Halim Ghuznavi: Very well, Sir, I will not say more now.

Dr. Sir Ziauddin Ahmad: I congratulate the Honourable the Finance Member on his having presented his budget in a lucid form and I sympathise with him that he had to make his first budget speech at a time when it is full of uncertainties, but I am glad that in spite of war conditions and abnormal times he has maintained moderation in expenditure and moderation in his proposals for new taxation. He is more fortunate than the Finance Members of most of the other countries, and we are confident that his wisdom will avoid, as far as possible, additional fresh burdens on the people of this country.

Sir, at the outset I congratulate him on initiating a policy, for which accidentally favourable circumstances have developed, and that is the changing of the sterling liabilities into rupee liabilities. The advantages of this policy may not be evident during the war period, but they will be highly appreciated by future generations. Our sterling commitments

which are in the neighbourhood of 51 crores of rupees or 88 million pounds per annum will be reduced by 16 million pounds if the sterling securities are changed into rupee securities and this will automatically help to solve the exchange problem on which we had pitched fights on two occasions, once in 1926 and again in 1934. The task is eased at the present time on account of the fact that rupee at present is stronger in the world market than sterling. As a corollary of this new policy, which will be welcomed by every one interested in the financial stability of the country, I would like to make one suggestion and that is that he should seriously consider whether it would not be desirable to transfer his paper currency reserve from sterling to gold. At present we have got in the paper currency reserve 114 million in sterling securities and on account of war conditions it is very desirable that sterling securities should, to a certain extent, be changed into gold because during the war time gold is the only currency which is recognised by the world. We have got 44 millions worth of gold, but I think it is desirable that this should be increased on account of the war conditions. The Reserve Bank should purchase the gold available for export.

There are one or two other things which I want to mention. One is that we have given, since the separation of railway finance from general finance, something like 29 crores of rupees to the strategic lines. I do not want to discuss it, at length but I do think that this fact should have been noted somewhere in the memorandum which has been submitted to us.

The next point to which I wish to draw attention is the position of the Post Office Cash Certificates. The official rate allowed on these certificates is $2\frac{1}{4}$ per cent., but, in actual practice, it is about three-fourths per cent. less than the official rate, because some of these interests are not paid. I made calculation sometime ago, but I could not for want of figures come to any accurate conclusion, but I think I am very nearly correct when I say that the actual payment is about three-fourths per cent. less than the official allowance. I advocate that the rate of interest on cash certificates ought to be increased to $3\frac{1}{4}$ per cent. real and the nominal rate should work out to be $4\frac{1}{4}$ per cent. The value of Rs. 100 certificates should be lowered to Rs. 77-8-0. There are two advantages in doing so. One is that you have got a large number of investors who approach only the Post Office for investing their money and they will never invest their money in any industry or in a bank. It is desirable that we should try to create in them an interest in the maintenance of the security of the country and the financial stability of our land. Secondly, the money so accumulated from the small investors may be utilised to finance such industries as the building of locomotives, the building of ships and the building of motor cars, whose creation is now becoming so important.

After having dealt with the ways and means position, I now come to the taxation proposals of my Honourable friend. Sir Basil Blackett, in his speech on the 24th September, 1924, said very clearly on the floor of this House, "taxation on communication is a bad taxation. It is a taxation which falls both on the consumer and on the producer." The Leader of the Opposition, if he had been here, would have presented this motto to our present Member for Communications. Unfortunately, this bad taxation has now been levied upon us. Since it is there, the Finance Member can get his Rs. 7-16 crores, which is the deficit, entirely from the railways if we but follow the legitimate policy. I have said on the

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last occasion that there is no need and it is wrong to deposit Rs. 2-00 crores in the reserve fund without fulfilling the obligations to general revenues, and I also made out a case then that it is not correct to put down another sum of Rs. 4-12 crores in another reserve under the false name of Depreciation Fund. Therefore, from these two sources he could get Rs. 7-10 crores all right. No further taxation is necessary. This suggestion of mine is better than the suggestion put forward by my Honourable friend, Sir Abdul Halim Ghuznavi, when he said that the deficits ought to be met by borrowing. Had I been an examiner in accountancy and finance I would immediately give a zero to a candidate who advocated that theory and I would always pity the person who will manage the deficits of his household necessities by borrowing every month.

Now, coming to the proposed taxation, if we follow the suggestion that I have made, then no taxation would be necessary and, therefore, there would be no Excess Profits Tax, there would be no tax of any kind. But if my theory is not accepted, if the Honourable the Finance Member is not willing to take this money from the railways which I suggest he can legitimately do, then the best form of taxation will be taxation on persons who have been specially benefited by war conditions. Of course, other people will have to pay their quota, but those people who have been benefited, specially by the war conditions, ought to pay more comparatively than those who have not been benefited by the war conditions.

I now come to sugar. I shall discuss it at length, when we come to the Finance Bill. I have always advocated on the floor of the House that the sugar duty ought to be made a little higher and I thought that the protection they are enjoying was very great, but recently things have changed. The Local Governments of United Provinces and Bihar have put on special duties on sugarcane and the consumers are really between the Central Government on the one side and the Provincial Governments on the other, and the industry is in a very bad condition and I doubt very much whether it will flourish if by chance the protection is withdrawn. It may perhaps collapse like a lump of sugar in a cup of tea. So, it is desirable that we should be more careful in handling this particular industry.

The next point is about the petrol tax. I think that about half an anna of this tax ought to be paid for the development of roads. It is very desirable and very equitable. The other thing which I will press when the time comes is that the incidence of the taxation should not fall on the consumers but it should fall on the middlemen and this I will develop later on. Now, we have already suggested three methods,—a loan, as suggested by Sir Abdul Halim Ghuznavi, appropriation of Railway reserves advocated by myself; fresh taxation proposed by Finance Member, and now I suggest a fourth method for equalizing the income and the expenditure and that is—have a greater control over your expenditure by cutting it down. It has been pointed out by several speakers, there is a very great room for saving by exercising greater control over your expenditure. There is a great scope for economy in our purchasing Departments and especially in the Supply Department. Whatever the opinion of the Members of the Treasury Benches may be, I think this is the unanimous opinion of all non-official Members that that Department requires very serious consideration and we will discuss these things in greater detail when the time comes.

One thing more I should suggest as regards the needs of the Finance Committee which should immediately be set up. This Finance Committee will be a source of very great strength to the Honourable the Finance Member and also of great satisfaction to the non-official Members, but I would rather like the old Finance Committee in preference to the Estimates Committee.

Mr. N. M. Joshi: No, no, an Estimates Committee is much better.

Dr. Sir Ziauddin Ahmad: We should have some kind of a Committee to scrutinize the Budget, and I prefer Finance Committee each time. It is really a source of strength to the Finance Member for this reason that he can always take shelter behind the Finance Committee for all the proposals for fresh expenditure brought forward by his Colleagues and which, in some cases, he may find it impolite to refuse. The second thing is that it will give satisfaction to us, because we will be able to judge for ourselves whether any particular permission is given in a *bona fide* manner. I would prefer the old Finance Committee to the proposed Committee for estimates.

Now, in the end, I should say that I realize that the times are very hard at present and it should be the duty of all of us in India to see that the war comes to a successful issue, and I think all of us should be prepared to give our quota of contribution. With these words, I resume my seat.

Dr. P. N. Banerjee (Calcutta Suburbs: Non-Muhammadan Urban): Sir, this Budget has been called the first War Budget but it is in reality the third taxation measure of the year. The burden which these taxation measures will impose on the people will be very great. If we try to measure this burden, it will appear that according to the calculations of the Government it will amount to 11 crores and 55 lakhs but according to my own estimate it will amount to fifteen to twenty crores, as I shall point out later on.

Now, on whom will this huge burden fall? This burden will fall not merely on the taxpayer but also on the trade and industry of the country. The trade and industry of the country will be affected in various ways. They will be affected more or less by all the measures which have been so far proposed and, in particular, by the measures which are under consideration just at the present moment. The sugar industry will have a very difficult time in the future. We all remember that it was as a result of protection granted in 1931 that a flourishing sugar industry was established in this country. In 1934 an excise duty was placed on this industry and in 1937 Sir James Grigg increased the rate of excise duty and diminished the quantum of protection. The result of this was that the sugar industry, which was flourishing at one time, is in a very precarious plight at the present moment. In 1938, Sir James Grigg went further and by altering the definition of the term "factory" he dealt another blow to that industry. Sir James Grigg was an anti-protectionist and a free trader and the steps which he took were consistent with the creed which he professed. With the callousness which was worthy of him alone, he remarked . . .

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member ought not to use that sort of epithet about a Member who has retired.

Dr. P. N. Banerjea: I will not refer to him in that way. He suggested that those measures would benefit the sugar industry as well as the cultivator. But we all know that the cultivator has been very hard hit and the sugar industry is going nearly to collapse. Is it desirable, Sir, to impose another burden on the sugar industry? It may be said that the excise duty is counterbalanced by an import duty of an equivalent amount. But it is well-known that the sugar industry at the present moment is in a very sorry plight, that a large amount of sugar is already in the factories unsold. With the price of sugar increased, this sugar industry will be hit further, and the result will be that the sugar industry will not be able to regain its position and there is every likelihood of its being crushed down altogether. Sir, in proof of this proposition I may refer to the estimate which was made by Sir James Grigg. He said that the proceeds from the import duty would amount to twenty lakhs of rupees.

The Honourable Sir Jeremy Raisman: No, no. He did not say that.

Dr. P. N. Banerjea: Did he not say that the import duty would almost disappear?

The Honourable Sir Jeremy Raisman: No, Sir. He carefully explained that he was taking a total figure of 420 lakhs for both excise and customs duty and that he was not attempting to make any real distribution. He took a nominal figure of twenty lakhs for customs and four hundred lakhs for excise, but he did not attach any importance to that figure.

Dr. P. N. Banerjea: It is not denied that he took a nominal figure of twenty lakhs. But why did he take such a figure? Was it a joke? He thought that that would be the amount that would be realized from customs revenue.

The Honourable Sir Jeremy Raisman: No, no.

Mr. N. M. Joshi: It was a token figure.

Dr. P. N. Banerjea: What do you mean by that? There is no sense in it.

The Honourable Sir Jeremy Raisman: He did not want to commit himself to a forecast of the probable imports of sugar.

Dr. P. N. Banerjea: He did not want to put in an exact figure of twenty lakhs but that figure he bore in mind, and he took that as a probable figure. What is the result? We find that that estimate has been entirely belied and the customs revenue is far greater than it was expected to be. This shows that Java has now regained her position in the Indian market and the Indian industry is going to the wail.

Mr. N. M. Joshi: It is due to the sugar manufacturer.

Dr. P. N. Banerjee: Not due to the sugar manufacturer but to the taxation policy of the Government of India as well as the taxation policy of the Provincial Governments.

The Honourable Sir Jeremy Raisman: It was only due to a short sugarcane crop and nothing else.

Dr. P. N. Banerjee: Then, as regards the petrol duty, it will fall not only on the consumer but also on an important industry, namely, motor transport.

But these are not the only measures which the Government have adopted or are going to adopt. They are robbing the provinces of their dues by changing the Niemeyer proposals. In this connection, I want to enter an emphatic protest against the attitude which has been taken up by the Government of India. It may be said that the Niemeyer proposals have been altered by an Order-in-Council, but that has been done at the instance of the Government of India. It is a great wrong inflicted on the Provincial Governments.

Now the question is, has a case been made out for further taxation? I say, no. No case has been made out for further taxation because there has been an under-estimate for the coming year not only in the customs and excise revenue but also in regard to the yield of the Excess Profits Duty. The reasons which have been advanced by the Honourable the Finance Member with regard to his low estimate of customs and excess revenue are not at all convincing. As to the reasons which have been advanced in favour of the three crores yield of the Excess Profits Duty, the less said about it the better. In fact, in both these cases there has been an under-estimate, and the under-estimate has been so gross that it may be called a juggling with figures. I have been acquainted with the financial history of India for a long time past, and I do not know that this financial history affords another example of such a jugglery with figures.

Now I come to another aspect of the question. Supposing, for argument's sake, there is a likely deficit in the coming year's budget, what is the best way to meet this deficit? We can meet this deficit by adopting a policy of economy and retrenchment. But not a word is said in the Budget speech about economy or retrenchment. On the other hand, the civil estimates have been greatly increased. A few lakhs have been given to some worthy purposes, such as the Delhi University, but the large increase in civil expenditure is certainly unjustifiable.

What is the purpose for which this huge additional burden is being thrown on the country? It is the war, as the Finance Member said. But what is India's relation to this war? India has been dragged into the war without her consent and without even her knowledge. The position of India in this respect is not the same as that of South Africa and the other Dominions. General Smuts said the other day that it was in her own interests and it was in exercise of her sovereign rights that South Africa entered the war. Can that be said with regard to India? The answer is an emphatic 'no'. In spite of all this, India, true to her ancient traditions, showed her sympathy and good-will to Britain and France at the outbreak of the war, and in the course of the last six months she has given considerable support to Britain and France in the prosecution of the war. But this one-sided arrangement cannot last for ever. India has demanded to be told what the war aims are and what

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India's position is in relation to these war aims. No satisfactory reply has as yet been given. The only reply that has been given is some indefinite promise with regard to Dominion Status at some distant date. That is not satisfactory.

I am not one of those who would be afraid of contributing to the expenses of the war. But you should make it worth India's while to make that contribution. So long as you do not do that, you have no right to ask for additional sums from India for war expenditure. And what is the burden of this additional expenditure? It is over eight crores and there are many other hidden items of expenditure in various places.

Sir, the budget is so bad that it deserves to be thrown out.

Seth Haji Sir Abdoola Haroon (Sind: Muhammadan Rural): Sir, since this morning the debate has been going on on the Budget and there is already much criticism on it all over the country both in the press and in various Associations. I do not want to say much about that because the people of the country have already raised opposition for fresh taxes. What I find is that whenever the Government of India want to raise some taxes, they show their revenue to be much less, so that they may be justified in raising the taxes. I will give you only one illustration from this year's Budget. As the House knows, the duty on motor spirit has been raised from ten annas to twelve annas. Now, look at the figures of income? The income of last year was shown to be five crores and 19 lakhs, but the income of this year is shown to be only five crores and 75 lakhs notwithstanding the increase of 20 per cent. in the petrol tax.

The Honourable Sir Jeremy Raisman: That figure is on the basis of the existing taxation. That figure does not take into account the Budget increases.

Seth Haji Sir Abdoola Haroon: Thank you very much. Then, it means that the revenue not only with regard to motor spirit but also with regard to sugar and many other things can be increased by several crores. According to my calculations, the income from motor spirits must go up to 7½ crores instead of six crores. If you look to the excise duty on motor spirit in that year, the income was 105 lakhs, whereas this time you have showed 265 lakhs income. The Government have got more revenue than they budgeted for. Therefore, this House is entitled to ask that the taxes should be reduced in some way.

Now, I come to sugar excise duty about which several Honourable
1 P.M. Members have already complained. This is one of the industries in India which is most heavily taxed by the Government. Every year, the Government have increased the burden on this industry. Whenever the Government require money, they jump on sugar. Under the circumstances, I do not know whether I can call this a protected industry. There are many industries in India which are protected, such as iron and steel, cotton textiles; I can mention about a dozen industries which are protected in India. Yet the excise duty has always fallen heavily on sugar. There are both protected and unprotected industries in India, but the Government always strike a blow against sugar. Besides the duty

imposed upon sugar by the Government of India, the Provincial Governments also take their share of taxes from sugar. The Provincial Governments have increased the price of cane, and also the cess on the cane by about two pies, which gives the sugar factories nearly eight annas per cwt. It is for the Government of India to consider whether this industry can continue to bear this burden any longer. This policy on the part of the Government might force the sugar industrialists to abandon this industry and take to some other industry.

An Honourable Member: The whole capital invested in the industry will be thus lost.

Seth Haji Sir Abdoola Haroon: Now, Sir, a word about interest payments. I find on page 14 that Government of India are getting five crores and 24 lakhs interest from the Provincial Governments, out of which more than one crore and 20 lakhs are recovered from Sind, on account of Sukkur barrage. I want to say something about this barrage on the floor of the House.

An Honourable Member: What about Alla Bux Ministry?

Seth Haji Sir Abdoola Haroon: Alla Bux is safely seated on his saddle.

If you go into the history of Sukkur barrage, you will find that this scheme was scrutinised by the Bombay Government in 1920-21, it was confirmed by the Government of India experts in that year and then it received the sanction of the Secretary of State. At that time Sind was under the Bombay Presidency. Sind had very little voice in approving the scheme.

An Honourable Member: You had very much water in the Indus.

Seth Haji Sir Abdoola Haroon: We now have very little water and very little money.

As I was submitting, Sir, the scheme was finally sanctioned by the Secretary of State for India. That scheme was considered a commercial proposition. The framers of the scheme worked out that after spending so much capital, a lot of income would be derived by the sale of lands under the Sukkur barrage and by cultivating more lands the Government would stand to gain enormously. Unfortunately, all calculations proved wrong.

Mr. M. S. Aney: Even the separation of Sind was wrong.

Seth Haji Sir Abdoola Haroon: In this way everything went wrong. Now, I am talking from a business point of view and not from a political point of view. In spite of the fact that the whole proposition went wrong commercially, the Government of India are still charging interest from the province of Sind. I ask whether it is justifiable or advisable to take the whole interest from Sind? Should it not be that the framers of the scheme who pronounced the scheme to be a sound commercial proposition ought to be held responsible for this failure? In my opinion certainly Sind is not responsible for the failure of this scheme.

The Honourable Sir Jeremy Raisman: She is more sinned against than sinning.

Seth Haji Sir Abdoola Haroon: Take off the burden from Sind then.

Sardar Sant Singh (West Punjab: Sikh): Apply to the Debt Conciliation Board of Chhottu Ram. Your debts will be wiped out.

Seth Haji Sir Abdoola Haroon: Whether you ask us to go to Chhottu Ram or whether you ask us to go to the Federal Court to file an affidavit for liquidation, we are unable to pay the debt.

The Honourable Sir Jeremy Raisman: Refuse the subvention too!

Seth Haji Sir Abdoola Haroon: Subvention is merely in name. We are paying more than you are allowing by way of subvention.

Therefore, I appeal to the Honourable the Finance Member to take note of this and go through my suggestions carefully. Otherwise you may keep in your accounts as much debts as you like against Sind. The Prime Minister of Sind has said very clearly that Sind is unable to pay according to the agreement.

Mr. M. S. Aney: Then repudiate the debts.

Seth Haji Sir Abdoola Haroon: I think the time has come when the Government of India should look into this question and either appoint a committee or themselves go into the matter. We have done our utmost; we have even enhanced the land revenue taxes but we are still unable to make both ends meet. And on account of this interest of 115 lakhs every year we are unable to improve the nation-building departments in Sind. I, therefore, appeal to the Government of India to look into the matter.

Mian Ghulam Kadir Muhammad Shahban (Sind Jagirdars and Zamindars: Landholders): Sir, public finance is supposed to be an abstruse subject, and, as Disraeli once said, it has made more people mad than love. Owing to war conditions this Honourable House was undoubtedly prepared to expect unpleasant surprises from the current year's budget estimates and proposals. But it is no exaggeration to say that the budget, as presented by the Honourable the Finance Member, has caused more relief than anxiety. The Indian taxpayer has so far been spared the burden to which the taxpayer in the belligerent and neutral countries has already been subjected. The future is uncertain but so far as immediate prospects are concerned I think the Honourable the Finance Member deserves to be congratulated on the manner in which he has handled our budgetary problems during a difficult period. I think the great sense of relief which the country will feel will be at the absence of any increase in direct taxation. Whatever increase there has been in indirect taxation will be progressive in its effect and it will weigh more heavily on the upper classes of society. In so far as the enhanced tax on sugar and petrol satisfy the canons of equality of sacrifice, they need not cause much anxiety, but it is a principle of sound taxation that what the consumer pays by way of taxation should not exceed what Government receives.

It would seem that this principle both in the case of sugar and petrol will be, as it has always been, violated. The increase in the retail prices of these commodities has been greater than the amount of additional taxation. This indicates the necessity of strict price control to save consumers from being penalised by profiteering middlemen. The consumer, while it may be his duty to bear additional burdens, has at the same time a right to command protection against illegitimate taxation by the middlemen. In the matter of price control we are still backward and still half-hearted in our efforts and it is not too much to say that the willingness with which the taxpayer will bear increased burdens will depend upon the protection which he receives against rise in prices in excess of enhanced taxes. To congratulate the Honourable the Finance Member on presenting a reasonable budget and thank him for sparing this Honourable House from any unpleasant surprises is not necessarily to forego the right of constructive criticism. My greatest surprise has been not what has been done but what has not been done.

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

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

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

Mian Ghulam Kadir Muhammad Shahban: Sir, I was saying, when the Assembly adjourned for lunch, that my greatest surprise has been not what has been done but what has not been done. I cannot believe that a very fruitful source of additional revenue has escaped the notice of the Honourable Member. I refer to the export duty on jute. In 1917-18 this duty was doubled. May I ask why it has been left untouched at the present time,—the best time for raising extra money because the demand for jute has been and continues to be particularly brisk? To the extent that the Honourable the Finance Member has taken the public into confidence in presenting his budget in all frankness, the effect has been partly weakened by raising some suspicion in the public mind that the export duty on jute has been left untouched in the interests of the foreigner but at the expense of the Indian taxpayer. In peace and in war, but particularly in war, the Finance Ministers make hay while the sun shines, by taxing exports the demand for which is inelastic. For jute, and in course of time for some other commodities, the foreign demand will be highly inelastic and I cannot resist making this obvious suggestion that advantage should be taken of these opportunities before the Indian taxpayer is further burdened.

While it is a matter of great satisfaction to note that India's financial liability in the present war is limited by an agreement recently arrived at between the Government of India and His Majesty's Government in England, the country stands in need of an assurance that it will not be subjected to the extraordinarily heavy burden to which it was subjected during the last war. It may be recalled that in 1917-18 and 1918-19 India was

[Mian Ghulam Kadir Muhammad Shabban]

made to contribute something like £140 millions by way of war contributions to His Majesty's Government. Such a contribution will be at present, as it was then, an unreasonable burden on a poor country like India.

The Honourable the Finance Member in his speech said with reference to the joint responsibility of Government with His Majesty's Government that it was stipulated that wherever circumstances should make it necessary to employ the whole or any portion of India's external defence forces, outside Indian limits in the discharge of India's joint responsibility for her external defence, India should accept some share of the cost in doing so. This stipulation is so vague as to create some doubts in one's mind as to the extent of liability to which India will ultimately be subject. It will be well to remove these doubts about our war-time obligations as early as possible. Not only that, but the country must be assured that the military expenditure during the war will be so directed as to make India more self-supporting in the matters of defence than it has been hitherto. Unfortunately, the steps taken towards the forming of an Indian Air Force, for instance, have been so half-hearted and meagre as compared with the requirements of the country. The assistance of 25 lakhs per annum for the next seven years is not sufficient for the requirements of the country and the immediate need of its development. Sir, the taxable capacity of a people depends to a considerable extent upon the spirit with which people pay taxes. This spirit can be brought in by removing the doubts which I have pointed out during the course of my remarks.

Mr. Muhammad Ashar Ali (Lucknow and Fyzabad Divisions: Muhammadan Rural): Sir, I would also join to give my quota of praise for the well-written and well-explained speech of the Honourable the Finance Member. We had our complaint last year about the budget that it was not so very fully explanatory, and I am glad that this is not the case this year. But I know the reason for it, and the reason is that this year's budget has been presented by an old experienced I.C.S. officer who has been in this country for very very long and I should say practically the whole of his life; and the chief reason is that the officer knows that we Indians want and are always for search after truth and we also want a full explanation and correct representation of facts. Wherever it is not, we are ready to criticise and to tell the plain truth that we do not believe the facts you have given us. This is our justification for always objecting to your importing experts from foreign countries. Sir, today I stand here to give credit to the Honourable the Finance Member for the able manner in which he has presented his Budget, because he has spent practically the whole of his life in India and he is an experienced and trained administrator.

Having said this much, Sir, I cannot shut my eyes to one or two important facts. One fact is that India is saddled with very heavy burdens by way of taxation of all possible kinds owing to war and I think that the Government have not been rightly advised yet to impose such heavy burdens on this occasion. On the one hand, the Honourable the Finance Member asks the public, through this House, that every one of us should make a sacrifice, but before he asks the people to make a sacrifice on account of the war, we have to consider how far he is justified in making that demand, for if the Honourable the Finance Member and other high officials of the Government had come forward with sacrifices, then, certainly, he would have had a strong case to put before the public

and ask them to make a sacrifice. But what do we find? There is not a single proposal for cuts or retrenchment in any branch of the administration, and, therefore, there can be no justification for the Honourable the Finance Member to come before this House and ask the country to make a sacrifice. If the Government had set an example by making sacrifices themselves, then I am sure the public would have voluntarily come forward and followed their example and helped the Government. As my friend, Mr. Joshi, has pointed out, the Government have declared the war without the consent of this House or of this country, and, therefore, it is really very difficult to expect any voluntary offers of help from the country. Was it not possible for the Government to come before this House again for extra money at some later stage? I know the Government case is that the money is wanted more for the prosecution of the war, and but for the war the Budget would have been a surplus budget, but could not the Government, I ask, make sacrifices themselves in the first instance? Could not the Government have imposed taxes on luxuries like wines and other things? Where was the hurry to impose this additional burden now? It is not merely hurry, but I might call it a scare. The Benches on this side are depleted, and so the Government can extract from us as much as they can, because they thought this was the proper occasion for imposing additional burdens. Government could very easily have got the necessary amount from the Excess Profits Tax, and they have also got lots of money from the Railways. Therefore, where was the hurry for Government to come forward and ask the country to make further sacrifices only to get three crores? Could not the Government have waited till the war conditions made it obligatory on them to impose additional burdens on the people? Therefore, my point is, if the war had been declared with the consent of this House, there would have been some justification to raise additional money by way of additional taxation and to ask the people to make sacrifices for the successful prosecution of the war, but as things stand, I feel, Sir, there is not the least justification for imposing these heavy burdens on the poor people of this country.

Now, Sir, the two items which have been taxed are sugar and petrol. With regard to sugar, I must point out that this commodity cannot bear any further burdens. Only this morning I read in the papers that the United Provinces Government have reduced the price of sugarcane, and what will be the result? Of course, you will get the money all right, but the poor agriculturist will not get the full price for his cane. You should look at these facts squarely in the face. You want to have your pound of flesh from sugar, because there is nothing more left in it now. The case for sugar was very ably put forward this morning by my friend, Sir Abdulla Haroon and others and so I shall not say more about it.

Then, the other item which has been taxed heavily is petrol. May I remind the House that both petrol and sugar affect the masses of this country very heavily? By imposing a tax on petrol, the price of petrol will go up, with the result that bus owners will increase their fares which will adversely affect the poor people who generally travel by buses in the country parts. The Railways have increased their fares and you have compelled the bus owners and transport carriers to increase their fares by increasing the petrol tax, and who is to suffer? It is the poor travelling public, because whether they travel by rail or by road, they will have to pay heavier fares. Therefore, the result of these two items of taxation

[Mr. Muhammad Azhar Ali] ...

will fall only on the poorer masses. The rich man will not be affected so much as the poor man. You may say that the increase is only by one anna or by a few pice, but to the poor man even this slight increase will affect immensely. You should remember that those who travel through your kindness whether by rail or by buses are mostly half starved or naked, they have not got enough to eat nor to buy their seeds or cattle. You find that there is famine going on next door in Ajmer. These are the conditions in which India is at present, and for you to tax the masses, I submit, is not the right method for you to do so. You could very easily get your five crores from excess profits tax and the Railways.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member has got two minutes more.

Mr. Muhammad Azhar Ali: I have only one or two points more to deal with. The first is that you think that the poor people will be able to, and specially the ryot in the villages or the cultivators, will be able to bear all these burdens. I am sorry there is not sufficient time before me; otherwise, I would have shown from the speech of the Honourable Member himself where he says at the end of page 1 and the first four lines of page 2 that the high prices will benefit the poor people. It is a wrong notion that the high prices will benefit the cultivator. The cultivator is not benefited, it is the *haniya* who will be benefited. He is the one who stores all this corn, he is the one who stores all these materials, he sells them to Government and exports them outside. But the conditions now to him also are not reassuring. There are no shipping agencies to work for Indians or to take their cargoes outside. The facilities are bound to be restricted. The war is bound to restrict shipping. Moreover, you also do not give subsidies to build or construct ships. That is another difficulty. Again, when you circulate small notes or small coins, in villages and in the interior—I am not talking of the cities—these *haniyas* won't accept a small note or a big note if it has got even a small hole or if it is a little dirty, and never gives silver in exchange for notes.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member's time is up.

Mr. Muhammad Azhar Ali: With these remarks, I resume my seat.

Pandit Krishna Kant Malaviya (Benares and Gorakhpur Divisions: Non-Muhammadan Rural): The Honourable the Finance Member began his speech by reminding us of the proverb that no man is a prophet in his own country. He thereby claimed to be one of our own countrymen. and, naturally, raised hopes in my heart that his budget would be a surplus budget, that he would provide plenty for our people, that he would provide facilities for the military training of our youths, and that he would make a provision for giving a fillip to new industries in this land. He further told us that the greater part of his adult life had been spent in this country and that all his working career was spent in this country. He thus strengthened my hopes that something substantial he was going to give and that our country would become a more prosperous and happy land. But it was not to be. I listened to his speech with a fervent hope, but when he had finished I found that he became a countryman

of ours simply for the purpose of taxation. I would like to assure him that we do not attribute unusual qualities to a new comer. Talents we have enough and to spare in our own country. As a matter of fact, we have no voice in the matter of appointments and we have no choice so far as these appointments are concerned. We prefer a new comer, not because he brings in new talents to bear upon the questions of the day here, but because we hope that he might be able to bring a fresher and broader outlook and might be able to tackle big questions here with a more liberal view. But, whether a new comer or an old sinner, our experience is that his one aim in life is to see that the administrative machinery is well oiled, that it is kept in perfect trim and is running smoothly. The interests of the country, the interests of the poor, do not worry him, for there is always the silvery voice of the policy of British domination ringing in his ears—the saying of Tennyson's brook, "Men may come and men may go, but I go on for ever".

The Honourable the Finance Member has grown grey in the service of this country. He is linked up with the past, he is bred in traditions and has lived in old groves, and, naturally, he cannot chalk out a path of his own or run to fields and pastures new. I assure him that he has all the talents for the job that he has on hand. He need not have also forgotten that he belongs to the reputed high born service, the members of which are reputed, or at least known to be, "Masters of all trades and Jacks of none". An I. C. S. can be a customs officer, an I. C. S. can be a collector, an I. C. S. can be a revenue commissioner, he can be a judge, he can be a Home Member, Commerce Member, Railway Member, and even a Governor. There is only one thing that he cannot do, and that is, that he cannot adorn the Viceregal Gaddi, because his Masters stand at the gate of the Viceregal Lodge and say, "thus far and no further". I am, however, sorry that I cannot congratulate the Honourable the Finance Member on his budget. All the same, I do congratulate him on the lucidity of his speech; it was simply worded and delivered admirably well. More than this I cannot say. The whole of his budget speech and all his proposals have been conceived with one object in view, and that object is to collect as much as he can and win the war,—a war in the declaration of which we had no voice, a war for which we are not trained, a war in which we remain only helpless spectators of our own exploitation. Our markets are governed in the interests of the war, our prices are controlled in the interests of the war, our export trade is restricted in the interests of the war. On every side we feel we are hedged in in the name of winning the war.

If we had been a neutral country. I am sure, simply by exporting our goods at our will we could have amassed fortunes. We could have developed our industries. We could have started new industries. We know, Sir, that England, even when this life and death struggle is going on, is keen on capturing all the markets of the world. I want to know why is it that the Indian Government have not thought it proper to see that we are also capable of capturing new markets in the world. But, as it is, every thing is controlled here, and it seems the idea is to have India as a Depot for the supply of raw produce. They say that they do not allow the prices to rise in the interests of the consumers but, really, the purpose is to keep the prices low in order that our masters may be able to export our produce to their own country at a

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cheaper price. We have been assured in connection with the present Budget proposals that the additional taxation will bear least oppressively on the poor. I am sorry I cannot agree with the Finance Member. Every single proposal, barring, of course, the Excess Profits Tax, will largely entail burdens only on the poor. But the main question is—whether there is really any deficit in the Budget. As it stands, according to his own estimation there is only a deficit of 7.16 crores, and I want to know whether it was not possible for the Finance Member to find seven crores to meet an imaginary deficit in his Budget, in times of emergency.

The Honourable Sir Jeremy Raisman: They have found it.

Pandit Krishna Kant Malaviya: By taxing us, not by taxing yourselves. I know why this Budget is a deficit Budget; it should have been a surplus Budget. Every single item on the income and receipt side has been under-estimated.

The Honourable Sir Jeremy Raisman: No, no.

Pandit Krishna Kant Malaviya: I challenge the Honourable Member.

The Honourable Sir Jeremy Raisman: I challenge you.

Dr. P. N. Banerjee: Time will show.

Pandit Krishna Kant Malaviya: I accept the challenge and I ask the Honourable Member to declare that if at the end of the year it is found that he had under-estimated the income, then he will refund the tax that he has raised and refund the money that he has collected

Mr. M. S. Aney: Or earmark it for industrial progress.

Pandit Krishna Kant Malaviya: Or earmark it, as suggested by my Honourable Leader, for the industrial development of the country. Is the Honourable Member prepared to accept this challenge? He has estimated, Sir, that out of the Excess Profits Tax he is going to collect only about three lakhs.

An Honourable Member: Three crores.

Pandit Krishna Kant Malaviya: I am afraid I was following his example and underestimating the yield—yes, three crores. When such a tax was levied during the last war, the Government of the day then estimated that it would amount to about eight crores, whereas it was found that the yield was eleven or twelve crores.

The Honourable Sir Jeremy Raisman: Nine crores.

Pandit Krishna Kant Malaviya: I am not far wrong, and if we could collect nine crores, then, there is no reason why we should not be getting even five crores now.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member has got two minutes more.

Pandit Krishna Kant Malaviya: Then I will leave all this high finance and plead for the petty clerks, poor chaprassis and duffries of this place. Sir, The Honourable the Finance Member has provided for the increase in the prices of commodities by forty per cent. so far as the purchases of the Government of India are concerned. I want to know if there is any provision in the Budget for giving a dearness allowance or higher salaries to these poorly-paid peons, petty clerks, chaprassis and duffries who serve the Government of India? How are they going to meet their expenditure when the prices of commodities are going to rise by forty per cent.? My Honourable friend has not provided for the development of our industries. He has not provided for the military training of our youths although he wants to win the war. He does not want us to win the war, he wants to win the war himself, but he wants that we should pay him for the winning of the war. England, Canada, Australia, South Africa, will manufacture aeroplanes, munitions, arms, armaments, their youths will ply machine guns and rifles, National Volunteer Corps will be raised in all these countries, we should stand aside as taxpayers only and supply the silver bullets. He proposes to do nothing even to train our youths to defend our country. And there is no provision in the Budget for an increase in the salaries of the petty clerks or those who are poor and who are in the service of the Government of India. I want to know why is it that there is no such provision in the Budget. So far as sugar is concerned, if the unanimous verdict of this House means anything or has any value in his eyes, he ought to see that the increase in sugar duty has been condemned by everybody as it will cripple the sugar industry. The Leader of the European Group, my Honourable friend, Sir Abdoola Haroon and every Member who has spoken up till now has condemned the sugar excise duty. I hope, Sir, he will, therefore, reconsider his proposal. I hope, Sir, although it might be hoping against hope that he will withdraw his proposal so far as the increase in the sugar excise is concerned. I would go further and hope, and that is only proper, if he accepts my challenge, that he will withdraw all his taxation proposals. . . .

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member's time is up.

Pandit Krishna Kant Malaviya: All right.

Dr. B. D. Dalal (Nominated Non-Official): Mr. Deputy President, every twelve months at this time of the year the people of India are on the tip-toe of expectation for some relief in taxation if the Budget reveals a surplus, but if the Budget reveals a deficit, they stand in dread of taxation being increased. The Budget that has been presented to the House is, in my opinion, the best that could have been presented in the present circumstances. Heavy fall in the Customs yield resulting directly from the war and war organizations have seriously upset the financial equilibrium of India. The Budget of an agricultural country like India is particularly sensitive to economic fluctuations, while the world at large, on which India depends for her export markets, is in a state of great disturbance owing

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to war conditions. In presenting his Budget the Honourable the Finance Member has shown a commendable sense of realities, and has revealed his determination to maintain the credit of India; and I would like to congratulate the Honourable the Finance Member on the very illuminating survey he has made of the financial position of the country. In view of Indian financial history, I am not at all surprised at the estimated deficit of seven crores and sixteen lakhs. Be it remembered that deficits more or less have been the characteristic of Indian finance,—not today, not yesterday, but for the last fifty years.

An Honourable Member: Why?

Dr. R. D. Dalal: The number of years in which we have had some surplus have been few, but the number of years of deficit have been many. As regards the general nature of the proposed taxation, I must acknowledge the great ability, vision and foresight with which the Honourable the Finance Member has performed this duty.

We are passing through most terrible times, and I think it is the patriotic duty of every loyal citizen to refrain from destructive criticism and to support Government in this state of trial and difficulty. This is a time when we must all make sacrifices, bear, suffer and carry the burdens. Viewed, as a whole, Sir Jeremy Raisman's first budget should make an appeal to all those who are willing to allow their judgment to be kept free from political bias. All in all, it is an achievement which reflects great credit on the Honourable the Finance Member.

Sir, I rejoice that Government have decided to go on with the decennial census operations. It is forecast that by 1941, when the next decennial census will be taken, the population of India would probably reach the figure of 400 millions. This increase in population has a very definite bearing on the economic question. If the population of India continues to grow at the present rate and if the increase in the food supply is not markedly stimulated, this rise of population on the subsistence margin must reduce the standard of living. The population problem is deserving of serious study because of the possible expansions of improved agricultural practice and the possible application of new scientific discoveries. The low standard of living and the steadily growing population constitute a very disquieting combination. So, we should adopt an agricultural policy which would enable us to aim at a very large increase in the area of land under tillage and to thus increase the foodstuffs largely.

Now, Sir, I pass to the question of military expenditure. Sir, some Honourable Members year in and year out refer to the high military expenditure, and they press for a reduction in the present strength of armed forces in India, but I submit that the scale on which the military forces in India are maintained is no greater than what is required for the defence of India and the maintenance of internal security. Let us consider the defence expenditure in India in relation to the population factor. It is a fact that before the outbreak of war, the incidence of defence expenditure in India was Rs. 1-8-0 per head, whereas in Great Britain it was Rs. 30, in the Dominions between Rs. 3-8-0 and Rs. 8, in France Rs. 20-8-0, in the United States of America Rs. 18-8-0 and in Japan Rs. 6-8-0. The

most outstanding military incident has, of course, been the war between Great Britain and France on one side and Germany on the other. Honourable Members will admit the cardinal importance of making the Indian Army as fit for its task as the application of the latest results, whether of military invention or of experience in the field, renders possible. The military expenditure is not higher than the cardinal necessities demand. The army must be equipped in the manner best adapted to secure the defence of the country. For this purpose the army must be efficient as a whole, and not efficient alone but as highly efficient as it is possible to make it. It must possess the latest armaments. It must be adequately officered: its superior officers must be scientifically trained. Above all, the maximum available force must be capable of being directed to the vulnerable point at the moment of danger. Generous measure of help has been extended to India by His Majesty's Government in England by the acceptance of the conclusions of Lord Chatfield's Committee, and the country, as a whole, has gratefully welcomed this gift of 45 crores—38 crores as a free gift and about 12 crores advanced free of interest for a period of five years. His Majesty's Government have thus borne a part of the military expenditure of this country. This decision of His Majesty's Government on the report of Lord Chatfield's Committee has resulted in substantial sums being made available to bring India's defence forces up to modern standards; and the necessity of laying heavy additional burdens on the Indian tax-payer has thus been avoided. In this connection, I would point out that the Government of India are protecting the Frontier not only for British India but also for the Indian Princes and Chiefs. So, it would not, in my opinion, be inopportune if the Indian States are asked to bear a part of the military expenditure in India—as also a part of the loss on strategic railways in India.

Handsome savings will accrue from the absence of the Indian troops in France. The entire expenses of the Indian troops in France, while they are out of India, from embarkation to return will be borne by His Majesty's Government in England. Now that the war has broken out, Honourable Members must have been convinced that the military expenditure in India has not been a waste. The army is required to make India safe; and in the event of an invasion, say, by Russia, the theorists, who denounce any attempt to make Indian Army more efficient that costs money, would be the first to run round and to take shelter under the armaments whose expansion they had resisted. If the military protection of India against the perils by which she may be menaced requires that this or that expenditure should be incurred, the Government of India should not flinch from undertaking it, inasmuch as it will be to save 400 millions of people from the perils of disorder, anarchy and chaos that might ensue, were the British arms in India, on or beyond the frontiers of India, at any time to experience a serious disaster. Let not anyone carry away the idea that because India has been able to spare a part of her army for service in France, Egypt, Singapore and elsewhere, the army in India can be permanently reduced by that amount. Let no one be taken in by this sort of argument. There can be no more complete or foolish illusion. May I be allowed to illustrate what I mean. Because a man lends for a night the watch dog that guards his house to a neighbour who is being attacked by robbers, does it, therefore, follow that his own house will be able to get on in future without protection? Sir, I

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must confess that there is always some risk in denuding India of any considerable portion of her army, but it has been done in the interests of the Empire, with whose stability India's own is intimately bound up; and if India has been helpful to the Empire without detriment to the true interests of this country, I earnestly hope that Honourable Members will be willing to endorse and even to share the responsibility of the Government of India. I am confident that the part played by India in the Imperial system and the services rendered in this time of trouble will not be forgotten by the British Nation, and that when the occasion arises, India will reap her reward in reciprocal generosity, goodwill and help.

Maulvi Abdur Rasheed Chaudhury (Assam: Muhammadan): Mr. Deputy President, the more I read this budget the more I come to the conclusion that it is not only an unusual budget but also an unnatural budget. I will explain later on why it is an unnatural budget. Let me first of all explain why I call it an unusual budget. I call it unusual, because this budget has little interest in so far as improvement of this country is concerned. In presenting the budget the Honourable the Finance Member touches on important internal matters as well as the external relations of the country. The Honourable the Finance Member has given the explanation why he did not tell us much about external relations. It was on account of war. He remained satisfied with that. We do not grudge about that. So far as the internal administration of the country is concerned, the country expected to hear many things.

The Honourable Sir Jeremy Raisman: I spoke for over one and half hours.

Maulvi Abdur Rasheed Chaudhury: The Honourable the Finance Member no doubt took 1½ hours, but he talked of things in which we are not interested. What do we find in this House? We find half the House lying vacant for more than two Sessions. What is the reason? The Honourable the Finance Member did not tell us why that deadlock has been going on?

The Honourable Sir Jeremy Raisman: Will you tell us now?

Maulvi Abdur Rasheed Chaudhury: The Congress Members absented themselves from the House as a protest against taking away the Indian Army beyond the borders of India without consulting this House. From the Government side, we have not heard any explanation. From this side, we find that the Congress Members have been asking the British Government to declare their war aims and peace aims so far as India was concerned. The Government are keeping silent. I say, on the authority of the Premier of England and other high officials, that Britain has gone to this war to uphold the principle of independence for smaller and weaker nations. It is, therefore, quite natural for India to ask the British Government what their peace aims are so far as India is concerned. The Government are not speaking anything about that. It is only natural that this question should agitate the minds of people in this country.

There are other things like the Hindu-Muslim differences. The Government owed a duty to this country to see that this deadlock comes to an end. We all expected that the Honourable the Finance Member will give some indication as to how this deadlock can be ended. But we were surprised to find that although he spoke for over 1½ hours he did not touch on this subject.

Then, there is the other question which is worrying the Muslims of this country and that is the question of Waziristan. Warlike operations are still going on in that country for years and crores have been spent on these operations. But peace is not in sight even now. The aim of the Government seems to be to incorporate that country in British India and occupy the same. We all thought that Government would follow some set principles in their war operations. As I have said just now, the European war is said to be waged for securing the independence of smaller and weaker nations. Applying that principle, why should the Government wage a war against the Waziristan? Is it to trample their independence under foot? Simply because the Government want to occupy the borderland of India, they are crushing the tribes and want them to bring under subjection. These tribes do not want British wealth, they do not want British bayonets, they do not want British civilisation, they do not want to come under British influence, they do not want British culture such as women and wealth and wine. They only want to be free in their own country. But the Government are not allowing even that also. The country expected the Finance Member to say something about this subject in his speech. These are some of the interesting points on which no information is forthcoming. The whole thing has been utter disappointment.

Now, I come to the budget. What do we find? A most daring innovation, in which the country is most vitally interested, has been made behind our back. This House has not been consulted, the provinces were not consulted in this matter. A few years ago, the Government brought Otto Niemeyer to this country for formulating the principles governing expenditure so far as the provinces were concerned. Now, Sir, this renowned gentleman formulated the principles regarding the distribution of some items of central money between the centre and the provinces. According to this, a surplus of railway income and a good portion of income-tax was to go to the provinces. This year, according to the principles formulated by Otto Niemeyer, the provinces would have got something like 12 crores. But, Sir, the Centre is not going to tolerate so much money going to the provinces. All of a sudden without asking the provinces, without bringing forward any proposal before this Assembly for its approval, the Government made some changes under some 'Order-in-Council'. The result is that in place of the huge amount which the provinces should get under the formula of Otto Niemeyer, they have to be satisfied with just two crores 97 lakhs. This is the very unkindest cut so far as the provinces are concerned. The provinces entertained very high hopes that with the prosperity of railway budget and with increased earnings under income-tax, they will get their full share and that they will be able to supplement their income for nation-building departments. But all this has gone under. All of a sudden the Government of India without consulting any one changed the whole thing and said, "you will get this much and no more".

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The next important change made behind our backs is what is called the Chatfield arrangement. Last year when we were discussing the Chatfield Report in this House we were under the impression that the British Government were making a free gift of 45 crores to India for the improvement and mechanisation of the Indian Army. We, however, soon learnt that it was not a free gift but a conditional one and India must share the cost of her external defence with Britain. What is this external defence? If there is any attack from the North or South of India we can say it is a question of India's defence. But we find that when war is going on in Poland and Finland, India has still got to bear a cost of her external defence. So, wherever there is war in which Britain is engaged, India will have her external defence there,—whether it is Venezuela or Alaska or anywhere else. And the question whether this external defence is India's duty or of anybody else is to be decided not by India but by Whitehall.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member has got two minutes more.

Maulvi Abdur Rasheed Chaudhury: Coming to the taxation proposals, the Finance Member has selected sugar and petrol. The principle seems to be that once you show signs of limping you must be made lame. Sugar has already been limping on account of high taxes on it and even the Finance Member admitted in his speech that last year there was less production of sugar than in previous years and a portion had to be imported from abroad. In spite of that he is going to burden the industry with 50 per cent. new taxation this year. That shows that he has no solicitude for the sugar industry. It is wrong to tax sugar because that industry is already showing signs of weakness and the result of this heavy burden will be that in future you will get nothing further from this source. I also do not know what actuated the Honourable Member to increase the petrol duty by two annas. From ten annas it has been raised to twelve annas, which means an increase of 20 per cent.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member's time is up.

Mr. Muhammad Nauman (Patna and Chota Nagpur *cum* Orissa: Muhammadan): Sir, it is always difficult to agree to any proposal of taxation but for Government to be able to function, funds have to be provided and taxes have to be collected. I am glad that the deficit here has not been very big although there were speculations that on account of the increase in defence expenditure the deficit might have been larger. As a matter of fact there is no deficit except 8 crores and 29 lakhs due to defence; and in the emergency conditions in which we are living it is nothing unexpected. I think we are far better placed than other countries like Germany, France or England, where even rations like meat and butter have been fixed. I do not want to enter into the merits of this war at all because that question does not concern us, but indirectly it has something to do with Indian defence. I think the addition of 8 crores and 29 lakhs more to the usual military expenses may prove too small a sum for the

defence of India and we may require more before we are fully secure. Some Honourable Members said that we are not willing partners in this war. That question is immaterial for the purpose of our defence because when other people invade India they will not ask our consent and take our views into consideration or give sufficient time for preparation.

With regard to the budget I feel that the proposed burdens on sugar and petrol are heavy but there is no use opposing them unless I can have strength to oppose and unless I make some alternative suggestions. It is easy to criticise but you feel the burden when it falls on your own head, to prepare the Budget. It was not long ago that some of the provincial Premiers and Finance Members were Members of this House or some other legislatures and they always vehemently criticised the proposals of budget; but in their own official positions they produced much worse budgets and brought in "employment tax" and "agricultural tax" and "Petrol tax" and so on. Even in the House in 1936 the proposal to allocate one crore of rupees to the rural uplift was opposed by a section of this House, the Congress Group. We cannot oppose everywhere, but we must do it where opposition is due. I have said that the popular view is that sugar and petrol have not enough capacity to bear the burden and an alternative should have been found out and I hope the Finance Member will explain why he chose these two unfortunate commodities for taxation. My own suggestion is and the same was pointed out by Pandit Malaviya, that the higher classes of officers should have made some sacrifice by way of salary cuts and some money should have been found in that way.

It is popularly believed that the yield from the Excess Profits Tax has been estimated at a very low figure. Rumour has it that it should yield about nine to ten crores, as it did in 1914. Circumstances now are more favourable than in 1914. The year for comparison then was 1919 which was a boom year, when people had made large profits out of the war; but now the comparable years are three, i.e., 1938, 1937 and 1936, two of which are depression years and one a year of silver lining, certainly not a boom year in any case. Our idea is that the profit tax will bring about nine crores and even if it is seven crores, the budget could be balanced easily. I heard that one firm alone—the Tatas—might pay about 1½ crores—I have nothing to do with it directly, but this is the rumour as their excess profit is over three crores. I feel, therefore, that there should have been a reasonable scrutiny of other circumstances and of other commodities before sugar and petrol were chosen to be the victims. I might perhaps be courting unpopularity by suggesting an excise duty on cotton goods in this country and also cement. There has been practically no competition and there has been a sympathetic rise in the price of cotton and cement. The consumer has to pay in any case; and we have to see whether things of convenience are to be taxed first or things of primary necessity. Sugar is certainly one of primary necessity whereas cloth is of the nature of conventional necessity as compared with sugar. Petrol, of course, does not touch the poor man; directly perhaps, as Mr. Azhar Ali said, it might touch the poor man in this way that lorries will become more expensive; and perhaps this has been done to support the action of Sir Andrew Clow in raising freights by 12½ per cent. and fares of passengers by 6½ per cent. as petrol would not allow lorries a cheaper competition. This might have compelled the Finance Member

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to choose petrol as his victim; but petrol has already been taxed higher than it has been taxed in any country—at least that is my impression. But I think they could have got this amount of, say, about one crore by increasing by 25 per cent. the tax on foreign liquor and tobacco. Those are absolutely luxury commodities and cannot be classed even under conventional necessities

The Honourable Sir Jeremy Raisman: Provided it goes on being consumed at the same rate!

Mr. Muhammad Nauman: If war conditions continue, prosperity will continue and people will take to luxury and they will require more smokes and more drinks. I say this alternative should have been considered before sugar and petrol were touched. It is certainly a burden on the poor to tax sugar, which comes next to salt.

An Honourable Member: No.

Mr. Muhammad Nauman: Perhaps in your speech you might tell us what led to these two articles being taxed further.

As regards expenditure, I would only say that I agree with the Leader of the European Group 'that there should be a committee of this House to examine and scrutinise and advise on the question of accounts', and specially on defence matters. If you want to spend Indian money naturally, you ought to take this House, that is, the people's representatives into your confidence. If you want to say 'I am going to defend your house' you must make them believe that you are defending their house and get their sanction for expending their money. We also feel that more elaborate arrangements should be made and our people should be trained for defence on a larger scale.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member has two minutes more.

Mr. Muhammad Nauman: We should also be taken more into the confidence of Government which claim to safeguard us and we should have a voice in these matters also. You must, therefore, take representatives of the people in this House into confidence as advisers or members of any committee which may be appointed. I hope the Government will consider the point. As regards other points, I have neither the time nor the materials required to produce a parallel budget or an alternative budget; and unless I am in a position to do that it does not look very nice to go on criticising all the proposals made. With these few remarks I resume my seat.

Sardar Sant Singh: Sir, this is a year of a succession of Finance Bills in one form or the other. When the Session started the Honourable the Finance Member started with his Excess Profits Tax Bill. Later on, came the budget in a different form, in shape of the Railway Budget. There, fares and freights were raised and the poor man was asked to pay more. Thirdly, we have here this general budget in which we are asked

to pay much more than we have paid during the last several years together. At this stage I would like to remind the Honourable the Finance Member that before he laid his hand upon fresh taxation he should have given us—and I think the country expects always, which we find very rarely in the budget speeches—what is the taxable capacity of the people to pay, whether it has increased during the past years or whether that capacity has gone down. We have never been given from those Benches what the per capita income of Indians is and whether it has been deteriorating or whether it has been increasing every year. We know only this much, that during the last ten years the reserve of India which was in the shape of gold, and which is the real reserve of a country, has left the shores of this country to the extent of 300 crores. When the question was raised in regard to putting on an embargo upon the export of gold, we were told that it was the reserve of the country and the reserve was to be drawn upon in such lean times. I am sure Honourable Members of this House will remember that such gold was characterised as 'distress gold'. Now, all that gold has gone out. Is it not fair and just to the country itself that that gold should be allowed to come back in order to complete the exhausted reserve before imposing fresh taxation? Sir, we have had lean years for a long time. The people have been impoverished to a very great extent by the continuous succession of depression in India. In equity and fairness, I think it was expected that the country would be allowed to make up for its old losses when the balance of trade was in favour of India before the profits were taxed again. The scare of profiteering is certainly such that it will frighten many people. But the question is, what is the production of wealth in this country? Why is the country not allowed to get rich enough before it is again burdened and impoverished by fresh taxation.

Then, the second point which I wish to deal with in this connection is this. Since the Excess Profits Bill has been introduced, there has been a sort of panic in all the mercantile communities. The agriculturists were about to gain by the rise in prices of their agricultural products. The prices would have risen if they had been allowed to remain at the level to which they rose during the last two months till the new crop had come in and till the agriculturists had sold those crops and gained thereby. But before the new crops came in, the Excess Profits Bill created such a panic in the country that the prices at once dropped. So far as wheat is concerned, the price dropped by 12 annas per maund. The harvest was about to come in, but just before that, the prices were depressed by the introduction of this legislation. I will say more about it when that measure comes before the House for discussion. At present I only want to draw the attention of the Government of India to the fact that the agriculturists do expect and rightly expect and they are justified in expecting that the prices of agricultural commodities shall be allowed to rise to such levels that there may be some margin of profit left to the agriculturist after paying the Government dues and demands. Sir, in the Punjab I can safely say that there was absolutely no margin left to the agriculturists during the last ten years since 1931, and it was just the time when the agriculturist would have come into his own if the prices had been allowed to rise to double the price they had been getting during the last ten years.

Then, Sir, the next point I want to deal with is the question of defence. That is a subject which swallows up a large portion of the revenues of this country. In this connection may I ask by what canons of morality is it

[Sardar Sant Singh.]

just and fair to ask us to vote,—in fact most of the items are non-voted,—to the extent of nine crores more this year when we are furnished with a 6 pages book on the defence estimates? Now, here is the book. In previous years the defence volume extended to something like 200 or 250 pages. I know the war is on, an economy is being practised in printing. That is the only reason I can assign for this small paged book, or the other reason would be that the House cannot be taken into confidence on account of the existence of the war. There may be something in that argument, and I quite appreciate it

The Honourable Sir Jeremy Raisman: The main reason was given in my Budget speech. None of those mentioned by the Honourable Member are the reasons.

Sardar Sant Singh: The main reason is given in the Budget speech, but that does not satisfy us. We are to bear this burden; we are to go to the country and tell the people what justification there is for the additional nine crores to be raised from the people on the defence head. Sir, if the position of Members of Parliament in England is compared with that of Members of this House, one will find that there is no comparison. Members of Parliament are given an insight into the working of their Government, they are associated with the Executive Government in many ways, in committees and in various other matters.

An Honourable Member: In secret sessions.

Sardar Sant Singh: Yes, even in secret sessions. The Members of Parliament are taken into confidence, but what is the position here? There is no enlightenment, no light is thrown on any matter connected with the war; we are always kept in the dark. Under these circumstances we cannot be expected to go to our constituencies and tell them that the money which is collected from them by way of taxes is being appropriated to a good cause or it is being spent with our knowledge, after taking us into confidence.

Now, Sir, I want to make a suggestion, and that I made at the beginning of the war. It is this, that a Consultative Committee should be appointed, and it should be associated with the Defence Department, so that some Members of this House may be taken into confidence and they may know how the money is being spent so far as the defence is concerned. I cannot understand why this demand was refused by Government. When you ask us for more money, we naturally ask you for more information, and unless you furnish us with that information, we will not be justified in giving you our willing support to spend such large amounts.

Then the other point I want to advert to is the breach of the convention of consulting Leaders of the Parties before sending Indian troops beyond the borders of India. No doubt a consultation was held in one or two instances previously, but when armies were sent abroad in large numbers, I don't think there was any consultation held even with the Leaders of Parties. May I just remind the Honourable the Finance Member, assuming that he can put pressure on the Defence Department, to tell them that it is very hard to get the money out of the House at the willing vote of the House if even the small convention which was established after so much struggle is not respected.

The third point is the question of the normal expenses of India's **4 P.M.** defence. It is claimed that the troops that have been sent abroad to the countries which are on the borders of India—that is a normal expenditure for the defence of India. So far as military strategy is concerned, it may be true or it may not be quite accurate, I have nothing to say on that. But may I ask if it is not a grievance, a real grievance that the Chatfield Committee's report was not published and this House was not taken into confidence about the recommendations of that Committee? Gossip says that according to that report the British Empire was divided into four zones, one up to Gibraltar, second up to Suez, third up to Aden and the fourth up to Singapore. It is for you to correct me if I am wrong, because, after all, my information is not authoritative

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member has two minutes more.

Sardar Sant Singh: The burden of this was entirely laid upon the British Exchequer. If it is an imperial proposition I fail to see how it is that India has to pay for the troops that have gone overseas. In this connection I want to draw attention to the discriminatory treatment that is being meted out to the Indian troops and to the Indian officers who have been sent out. While the British officers are paid overseas allowance, I understand that the troops that have been sent to Singapore, Hongkong and other places—their officers are offered a sea allowance of six annas a day. This is a ridiculously low sum. Either do not pay it, or pay at the ordinary scale which is being enjoyed by the British officers. The next point I want to bring to the notice of the House is the working of the Defence of India Act. Assurance after assurance was given to us that the Defence of India Act would be worked only for the purpose of successful prosecution of the war. But when I wanted information as to how it was being worked information was withheld, or no information was given to me, rather the shelter was taken behind the plea that it was not the duty of the Central Government. But I understand in answer to a question put in the Parliament it was given out that the Central Government was responsible for the working of the Defence of India Act.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member's time is up.

Sardar Sant Singh: I request for only one minute. In that connection I wish to say that the withholding of this information makes us more suspicious. I ask the Government of India not to take shelter behind the technicalities of law, but to keep this House informed if they really want the help and care for the moral support of this House in this war.

The Honourable Sir Jeremy Baisman: I cannot pretend to be other than gratified at the reception which my first budget has had not only in this House but in the country, and I trust that I shall not be accused of complacency if I say that it is not merely the commendatory remarks which have been made in this House but it is the criticisms which reinforce me in the feeling that there is nothing very seriously wrong with the proposals which I put before the House in my budget speech. I will, however, Sir, endeavour to deal with the criticisms which have been made.

[Sir Jeremy Raisman.]

First of all, I shall deal with the old, old argument that in the circumstances of the time a deficit in the revenue or a gap between revenue and expenditure should be met, not by raising additional taxation, but by borrowing; in other words, it should not be met at all, for we must not delude ourselves with words. If we spend more than our income and borrow money, we promise to pay it another day; we do not solve the problem. Now, it has been said, why should India alone of all belligerent countries aspire to such heights of financial purism, and why should India alone pay every anna of its way in such abnormal times? The answer is quite simple. The answer is that at the present moment and in the present circumstances India is able to pay her way. The only justification which has ever convinced me, the only justification for putting the cost of war or war operations on to a succeeding generation is that it is quite impossible to meet that cost at the time. At the stage which India has reached and on the scale in which she has been involved in war expenditure I say that, having regard to the economic condition of the country, it would be the plain duty of anybody in my position to meet that expenditure from current revenue. If he were not to do so in the present circumstances of the country, then I cannot imagine for what more favourable day he is waiting or on what shoulders he proposes to lay the burden which he puts off today. I do not say that that will always be so. Obviously, it is possible that military expenditure might reach a figure which was beyond the taxable capacity of this country to meet. I hope that that will not happen, but I have had to allude to possibilities of that kind in my budget speech, because the budget is based not on an attempt to forecast the military developments of the next twelve months, but on actual commitments in respect of defence which we have already undertaken. Sir, that brings me to the second point which is prominent in the criticisms of the budget, namely, that the revenue has been grossly underestimated.

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

Several Honourable Members have lightly thrown out challenges at me, they have been prepared to wager that my estimates in customs or excise, and particularly in regard to Excess Profits Tax are very much on the low side. I should like to ask them to give me an undertaking. Will they assure me that the expenditure on India's defence for which we shall become liable in the course of the next twelve months will not exceed the figure which I have had to take for the purposes of the budget?

Mr. M. S. Aney: The cat is out of the bag, in that case.

The Honourable Sir Jeremy Raisman: The cat was out of the bag in my Budget speech. I pointed out in my Budget speech that the uncertainties which faced us in the course of the coming year were such that it was impossible and exceedingly unsafe to take a more optimistic view than I had done of our revenues. I am not talking at this moment of the Excess Profits Tax; I shall come to that in a moment. I am dealing with the estimates of the customs and excise: and if it is letting the cat out of the bag to say that, in framing those estimates, I had to have regard to the possible contingencies of the coming year, then the cat was well out of the

bag on the evening of February the 29th. I think, Sir, I must quote my own words in order to clear that point:

"For the moment, we face a situation in which the probabilities are heavily weighted on the side of additional expenditure on the defence of India whilst at the same time many sinister contingencies also threaten our revenues. It has no doubt been possible at this particular juncture of time to base a fairly encouraging view on our actual recent experience, but the plain fact which we have to recognise is that all changes in our position are more likely to be for the worse than for the better."

That, Sir, is my answer to the charge of under-estimation of revenue. The estimation of revenue is always in a sense a gamble. You have a bracket, so to speak. You may do as well as A, you may do as badly as B, but the gap between A and B may be a very wide one and you have to go somewhere in the middle of that bracket so as to minimise the possible error, and that, Sir, is what I have attempted to do. What I did emphasize and what I must repeat now is that the uncertainties of the present time are so great that the gap, that the possibilities of error were particularly large, and, therefore, I was bound to take a view which took into account those possibilities.

Now, Sir, I do not wish to anticipate what I shall have to say when we come to discuss the Excess Profits Tax Bill, but since the charge of under-estimation is being so freely bandied about, I must draw attention to two or three important facts which bear on the forecast of the yield of a tax of that kind. In the first place, it must be remembered that the trading periods that will come under assessment in the course of the next year, will not normally be completed years but will be broken periods. We do not expect to assess, in the course of the coming year, more than fragments of a year. In the second place, the procedure and machinery which it will be necessary to set up for the collection of that tax is such, and the periods of time which must be given at each stage will be found to be such, that many of the assessments which are taken up in the course of the year will not be capable of completion before the end of the Budget year. In the third place, I would point out that I took the estimate of three crores as the net additional revenue after allowing for the effect of income-tax and super-tax. Now, so far as we can judge, that effect would be of the order of one crore. Therefore, in order to realize a net three crores, the gross assessment of Excess Profits Tax would be of the order of four crores. In other words, the total excess profits which should be brought under assessment in order to yield a net additional three crores are eight crores of rupees. Now, when it is realized that we shall probably only be dealing with fragments of a year, then I claim, with confidence, that the estimate of a net additional three crores of rupees, to be collected in the course of the year 1940-41, is by no means an under-estimate.

Mr. M. S. Aney: May I just put one question? What will be the likely additional cost of collection?

The Honourable Sir Jeremy Raisman: I regret I cannot answer that question without preparation because I have not yet been able to deal in any detail with the machinery that will be required. It may be said—if three crores was only, so to speak, a fragmentary estimate, why did I not put before the House the normal yield of one full year, as is usually done when new taxes are introduced? The answer is that the estimation of the yield of this tax was a matter of great uncertainty and that I thought it.

[Sir Jeremy Raisman.]

best to confine myself for the time being to the smaller problem. If I were to multiply that forecast by a figure to give the yield in a full year, I should also be multiplying the margin of error, and I thought that before I next come to present a forecast of the yield of that tax, I should have a great deal more information on which to base our estimate. I should have a finally enacted measure, I should have a certain amount of experience of its working, and I should have been able to watch the progress of collections during the year 1940-41.

I pass, Sir, to another point, a point of criticism which has figured both in the speeches in this House and in the comments made in the Press, and that is the amendment of the Niemeyer Order in Council. It has been repeated in certain quarters that this was a most extraordinary and unwarranted step and that it was in a manner a cheating of the Provinces of their legitimate expectations. Now, Sir, I should like to take the House back for a moment to the general frame-work of the constitution in this respect. Under the Government of India Act and the Order-in-Council it is provided that in a period which shall not be less than ten years the Centre shall devolve to the Provinces one-half of the divisible income-tax, or rather that one-half of the income-tax shall be provincial revenue, but that the Centre shall retain the whole or part of the provincial share for a period which cannot be less than ten years. Now that ten years is again broken into two periods of five years. In respect of the second five years, the Act provides for a gradual diminution of the amount retained by the Centre until the Provinces are receiving their full 50 per cent. of the income-tax. That is a fairly straightforward proposition. There are only two features to which I should like to draw attention. One is that the Act provides that by no amendment of the Order-in-Council can the period be shortened, i.e., neither the first five nor the second five years. In other words, the Constitution gave a full ten years to the Centre to adjust itself to this devolution of revenue. The second point is that it is provided in the Act that if an emergency should arise during the period of the second quinquennium, then the Governor General in his discretion had power to arrest for a year the further devolution of the income-tax. In other words, the second quinquennium could be extended to a longer period in case of emergency. These provisions of the Act reveal a very natural anxiety on the part of the framers of the Constitution to safeguard the financial stability of the Centre whilst it was executing this very important devolution of revenue, for it must be remembered that the amounts conceived to be at stake were of the order of eight or nine per cent. of the total revenues of the Centre.

I now come to the first quinquennium, the first five years of the period of ten years. In regard to that, what the Act provided was that the Centre would retain of the provincial share such sum as may be prescribed. That is all. In other words, the Centre could retain the whole if so prescribed or it could retain a prescribed part. When Sir Otto Niemeyer came out to make his inquiry, one of his most important functions was to recommend what should be the sum prescribed for retention by the Centre in the first period. Now, he proceeded on the basis that in accordance with the spirit of the Constitution it was necessary to see that the financial stability of the Centre was maintained during this adjustment and he came to the conclusion that in the first five years, the Centre should only be asked to give up such portion as it could afford to give up without damage to its existing position. Now, he looked at the financial situation as it then existed and he observed that the most striking feature was that whereas the

Railways had some years before made regular contributions to general revenues, they had not done so for a number of years. He saw no immediate prospect of railways resuming those contributions but he naturally thought that if the Railways could resume part of the contributions which they used to make, then, if the circumstances of the Centre remained otherwise unchanged, they would obviously to that extent be better off. He took the probable yield of the divisible income-tax in a period of reasonable prosperity to be something approaching to 13 crores and he, in effect, devised a formula which said: When the Railways make a contribution, you should spare that for the provinces, so that you can retain 13 crores of income-tax plus whatever railway contribution is necessary to bring the income-tax up to 13 crores when it falls short of that figure. Now, Sir, the circumstances have changed completely and I claim that they have changed in a manner which Sir Otto Niemeyer could not be expected to have foreseen or rather, if he foresaw them, he naturally assumed that in a contingency such as war, we would deal with the circumstances as they arose and would not necessarily adhere to a formula such as he had put forward. For, remember this formula was merely one to regulate the distribution of income-tax in the first five years whilst fitting into a framework of devolution over a period of ten years or more.

Now, what happened when the war broke out? Apart from serious threat of deterioration in our customs revenues and very important increase in our defence expenditure, the earnings of Railways began to move up sharply, and owing to the economic prosperity, which many Members have denied but which, nevertheless, will be reflected in increased collections of income-tax, the prospective yield of income-tax began to move up. We were faced with a situation in which it was by no means impossible that on the Niemeyer formula one-half of the total divisible income-tax would fall to be distributed to the provinces from the third or fourth year of the ten year period and that the whole scheme which the framers of the Constitution had drawn up in order to enable the Centre to adjust itself to the devolution of income-tax was to be swept away in the course of a few months. I claim, Sir, that that is a situation which, on any reasonable view, was bound to be corrected and, moreover, I claim that the manner in which it has been corrected is one which has done no injustice whatever to the provinces and that, on the contrary, they will still be in a position of having benefited by the change which has taken place. I do not mean that they will receive the amounts which they would have received by a blind application of the Niemeyer formula. That, I have attempted to show, was unreasonable and impossible. But if you take the period involved, namely, not less than ten years, and if you reckon that within the period of ten years the provinces were to work up to a total of 6½ or 7 crores, and if you bear in mind that they started with a distribution of about a crore and a third (and that, too, a fortunate development which had not been expected), if you imagine that they ought to progress more or less steadily from that beginning to a final distribution of 6½ or 7 crores, then you will see that since in the present year they are to receive something of the order of 240 lakhs and in the next year, which is only the fourth of the 10 years, they are to receive payments of the order of 300 lakhs, they are being guaranteed a steady and very satisfactory progression towards the end which the Constitution had in view, namely, that by the termination of a period of ten years and not less, they should be in possession of one-half of the divisible income-tax.

[Sir Jeremy Raisman.]

The next point which I have to deal with is the question of control of expenditure which was mentioned in several quarters of the House. The suggestions made on this subject were not very precise and I cannot say that I have received a very definite impression of what is desired. I pointed out the other day, in answer to questions, that there were obvious-
 serious limitations on the extent to which any committee, whether a committee of businessmen or a committee of this House could be associated with the day to day control of emergency expenditure. I may say that that is a problem which has caused me a good deal of anxiety, that I have had to call more and more on the resources of personnel at my disposal and that I have constantly had to see where experienced officers should be placed in various new branches of spending departments in order that they might effectively control the volume of spending, without dangerously holding up the activities of executive departments. Obviously if this is a matter which is extremely difficult to arrange even on the level of administration and of executive machinery, I say it is a matter which would be extremely difficult for any non-official element to participate in. But I understand the feeling that this House has that in recent years it got out of touch with Government expenditure and that it has not for sometime enjoyed even those facilities which it enjoyed in the past. I am, therefore, prepared to renew the offer which was made by my predecessor. I am prepared either to move for the election of a Standing Finance Committee or, if the House should prefer that course, take steps for the establishment of an Estimates Committee of this House.

Dr. Sir Ziauddin Ahmad: The first one would be better.

Mr. Muhammad Nauman: Do you propose to have both or only one?

The Honourable Sir Jeremy Raisman: I was prepared to accept either of these and I do not think that there is room, particularly at the present time, for both. After all officers of the Government have to appear before these committees and a good deal of time is taken up in preparing materials and I think that if the House is associated with the expenditure of Government in either of these ways, it should be adequate.

Mr. M. S. Aney: The old committee will be better.

The Honourable Sir Jeremy Raisman: I shall endeavour in the course of the next week or two to ascertain what are the desires of Parties on this subject.

In conclusion, I would again ask the House to realise that a budget framed on this occasion cannot possibly pretend to take into account what contingencies may arise in the course of the next twelve or thirteen months and I would impress upon the House the importance of viewing the budget in the background which I carefully placed before them at the end of my budget speech.

Mr. President (The Honourable Sir Abdur Rahim): Before adjourning the Assembly, the Chair would remind Honourable Members that voting on Demands for Grants commences on Friday, the 8th March.

In view of the previous practice, the Chair would ask the Leaders of Parties and of various Groups to come to the necessary arrangements about discussion of cut motions.

Dr. Sir Ziauddin Ahmad: We have already come to an arrangement and intimated the same to the Assembly Office.

Mr. President (The Honourable Sir Abdur Rahim): 'The House will now adjourn.

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 6th March, 1940.