

Wednesday, 10th March, 1943

COUNCIL OF STATE DEBATES

(OFFICIAL REPORT)

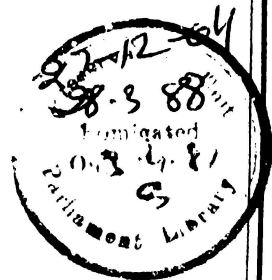
VOLUME I, 1943

(15th February to 3rd April, 1943)

THIRTEENTH SESSION

OF THE

FOURTH COUNCIL OF STATE, 1943



PUBLISHED BY THE MANAGER OF PUBLICATIONS, DELHI
PRINTED BY THE MANAGER, GOVERNMENT OF INDIA PRESS, NEW DELHI
1943

INDEX

	PAGE(#).		PAGE
Monday, 15th February, 1943—		Wednesday, 24th February, 1943—contd.	
Members Sworn	1	Resolution <i>re</i> Foodstuffs—Moved	159—1
Questions and Answers	1—9	Resolution <i>re</i> Vesting of control over Governors of Provinces in the Governor General in Council— Negatived	160—1
Notices of Motions for Adjournment Statements, etc., laid on the table	9—13 13—22		
Messages from His Excellency the Governor General	22	Saturday, 27th February, 1943—	
Committee on Petitions	22—23	Bills passed by the Legislative Assembly laid on the table	1
Congratulations to His Excellency the Commander-in-Chief on his promo- tion to Field Marshal	23	Presentation of the General Budget for 1943-44	175—11
Governor General's Assent to Bills	23		
Standing Committee for the Depart- ment of Information and Broad- casting	23—25 25—26	Tuesday, 2nd March, 1943—	
Death of Sir Muhammad Yakub	25—26	Member Sworn	1
Presentation of the Railway Budget for 1943-44	26—31	Questions and Answers	193—2
Motion for Adjournment <i>re</i> Uncon- ditional release of Mr. Gandhi	31—46	Notice of Motion for Adjournment	2
		Resolution <i>re</i> Foodstuffs—Negatived	204—2
		Resolution <i>re</i> Sterling resources and expansion of currency—Adjourned	231—2
		Statement of Business	21
Tuesday, 16th February, 1943—			
Questions and Answers	47—50	Saturday, 6th March, 1943—	
Notice of Motion for Adjournment	50	Questions and Answers	237—2
Allotment of quarters to Members of the Council of State	51—52	Statements, etc., laid on the table	243—2
Resolution <i>re</i> Excess Profits Tax Act, 1940—Negatived	52—59	Bills passed by the Legislative Assem- bly laid on the table	24
Resolution <i>re</i> Co-ordinated policy in respect of wheat and other food- stuffs— <i>To be continued</i>	59—76	General Discussion of the General Budget for 1943—44	245—26 & 261—27
Resolution <i>re</i> Ordinances promulgated since the outbreak of war—Moved	76—77	Standing Committee for the Depart- ment of Supply	24
Motion for Adjournment <i>re</i> Restric- tions imposed on the <i>Hindustan Times</i> —Negatived	77—85		
Appendix	86	Wednesday, 10th March, 1943—	
		Questions and Answers	277—2
Monday, 22nd February, 1943—		Resolution <i>re</i> Sterling resources and expansion of currency— <i>contd.</i> — Adopted	286—3
Protest by the Progressive Party against the policy of Government in connection with the fast of Mr. Gandhi	87	Indian Income-tax (Amendment) Bill— Introduced	31
Questions and Answers	87—104	Resolution <i>re</i> Rationing of paper— Withdrawn	303—31
Information promised in reply to questions laid on the table	104		
Statements, etc., laid on the table	115	Thursday, 11th March, 1943—	
Bills passed by the Legislative As- sembly	115	Statements, etc., laid on the table	33
Delhi Muslim Wakfs Bill—Presenta- tion of the Report of the Joint Committee	116	Standing Committee for Roads, 1943-44	3
Code of Criminal Procedure (Amend- ment) Bill—Petition laid on the table	116	Central Advisory Council for Railways Motor Vehicles (Amendment) Bill— Considered and passed	3 315—3
Statement <i>re</i> Quarters for members of the Council of State	116	Government Savings Banks (Amend- ment) Bill—Considered and passed	3
Standing Committee for the Depart- ment of Supply	116	Indian Railways (Amendment) Bill— Considered and passed	316—3
General Discussion of the Railway Budget, 1943-44	117—135	Aligarh Muslim University (Amend- ment) Bill—Considered and passed	3
Standing Committee for the Depart- ment of Information and Broad- casting	135	Code of Civil Procedure (Amend- ment) Bill—Considered and passed	3
Death of Sir James Taylor	135—136	Indian Penal Code (Amendment) Bill—Considered and passed	320—3
		Coffee Market Expansion (Amend- ment) Bill—Considered and passed	3
Tuesday, 24th February, 1943—		Delhi Muslim Wakfs Bill—Considered and passed as amended	325—3
Members Sworn	137	Statement of Business	31
Questions and Answers	137—141		
Resolution <i>re</i> Co-ordinated policy in respect of wheat and other food- stuffs— <i>contd.</i> —Adopted	141—143	Saturday, 20th March, 1943—	
Resolution <i>re</i> Number of Ordinances promulgated since the outbreak of war— <i>contd.</i> —Withdrawn	148—159	Bills passed by the Legislative Assembly laid on the table	32
		Statement of Business	32
		Wednesday, 24th March, 1943—	
		Members Sworn	33
		Questions and Answers	331—34
		Code of Criminal Procedure (Amend- ment) Bill—Presentation of the Report of the Committee on Petitions	34

	(PAGE(S)).
24th March 1943—contd.	
Annual Returns showing annual proportion of persons employed—Negatived	341—346
Uniformity of laws to alienation of agricultural land—Withdrawn	346—359
	&
	359—364
Standing Committee for Roads, 1943	359
Central Advisory Council for Railways	359
Postage Bill—Considered and passed	364—365
Resolution re Labour conditions on tea estates in Assam— <i>To be continued</i>	366—373
25th March, 1943—	
Resolution passed by the Legislative Assembly laid on the table	375
Resolutions, etc., laid on the table	375
Standing Committee for the Department of Posts and Air	375
Standing Committee for the Labour Department	375
Finance Consultative Committee	376
Standing Committee for the Department of Commerce	376
Standing Committee on Emigration	376
Indian Finance Bill—Motion to consider— <i>To be continued</i>	376—412
26th March, 1943—	
Members Sworn	413
Central Advisory Council for Railways	413
Indian Finance Bill— <i>contd.</i>	413
Resolution to consider	413—453
Resolution to pass	453—460
Standing Committee for the Labour Department	461
Finance Consultative Committee	461
Standing Committee for the Department of Commerce	461
Standing Committee on Emigration	461
Monday, 29th March, 1943—	
Message from the Legislative Assembly	463
Central Advisory Council for Railways	463
Questions and Answers	463—466
Central Committee of the Tuberculosis Association of India	467

	PAGE(S).
Monday, 29th March, 1943—contd.	
Standing Committee for the Civil Defence Department	467
	&
	473—474
Tobacco (Excise Duty) Bill—Considered and passed	467—473
	&
	474—484
Vegetable Product (Excise Duty) Bill—Considered and passed	484—486
Standing Committee for the Department of Posts and Air	487
Tuesday, 30th March, 1943—	
Statement laid on the table	487
Indian Tea Control (Amendment) Bill—Considered and passed	487—488
Resolution re Labour conditions on tea estates in Assam—Negatived	488—493
Resolution re Appointment of members of the Indian Legislature as non-official visitors to jails—Withdrawn	493—507
Standing Committee for the Civil Defence Department	507
Standing Committee of the Tuberculosis Association in India	507
Statement of Business	507
Thursday, 1st April, 1943—	
Short Notice Question and Answer	509
Bills passed by the Legislative Assembly laid on the table	509
Message from the Legislative Assembly	509
Hindu Code, Part I (Intestate Succession Bill)—Motion to refer to Joint Committee	509—526
Saturday, 3rd April, 1943—	
Members Sworn	527
Questions and Answers	527—533
Indian Army and Air Force (Military Prisons and Detention Barracks) Bill—Considered and passed	533—536
Trade Marks (Amendment) Bill—Considered and passed	536
Muslim Personal Law (<i>Shariat</i>) Application (Amendment) Bill—Considered and passed	536—537

COUNCIL OF STATE

Wednesday, 10th March, 1943.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

QUESTIONS AND ANSWERS.

NUMBER OF APPLICATIONS PENDING WITH THE COMMISSIONER OF INCOME-TAX, BOMBAY.

105. THE HONOURABLE SIR SHANTIDAS ASKURAN : (a) Are Government aware that a large number of applications for reference to the High Court under section 66(2) of the Income-tax Act are lying without any such action being taken for periods far in excess of 60 days in Bombay ? Will Government state the number of such applications, indicating how many are more than two months old, how many more than six months old and how many are over 12 months old ?

(b) Are Government aware of the inconvenience and hardships caused to the taxpayers because of such non-compliance with law, resulting in enormous delays in getting assessments finally disposed of by the High Court, especially as tax has been already collected from them ?

(c) Will Government state what steps they propose to take to ensure compliance with law and speedy disposal of such applications ?

THE HONOURABLE MR. C. E. JONES : (a) I take it that the Honourable Member is referring to applications for reference to the High Court under the old section 66 (2) of the Income-tax Act. The number of such applications pending with the Commissioner of Income-tax, Bombay, and the Commissioner of Income-tax (Central), Bombay, on the 31st January, 1943, were 68 and 10, respectively. They are all more than 12 months old.

(b) Yes. I may however mention that a number of these applications have been held up pending decision in cases which have already been, or are being referred to the High Court. Delays also arise in some cases due to the time taken by assesses or their solicitors in accepting the statement of the case prepared by the Commissioner for reference to the High Court.

(c) The Commissioners concerned have been asked to make every effort to dispose of the pending applications as early as possible.

THE HONOURABLE MR. HOSSAIN IMAM : The Honourable Member has not replied to the last part of paragraph (a) of the question about six months' and 12 months' old applications.

THE HONOURABLE MR. C. E. JONES : Excuse me, Sir ; but I said they are all more than 12 months' old.

INCOME-TAX AND EXCESS PROFITS TAX ASSESSMENTS PENDING IN BOMBAY CITY AND CALCUTTA.

106. THE HONOURABLE SIR SHANTIDAS ASKURAN : Will Government give the total number of Income-tax assessment cases for the past assessment year 1941-42 and each preceding year in respect of which Assessment Orders have not as yet been passed by Income-tax Officers (a) of Bombay City and (b) of Calcutta, and the probable amount of revenue involved in these cases ? Will Government also give similar information as regards the excess profits tax stating what steps they propose to take to avoid delays in the collection of tax for years together ?

THE HONOURABLE MR. C. E. JONES : I lay on the table a statement showing the total number of income-tax assessments for 1941-42 and each preceding year pending with Income-tax Officers in Bombay City and Calcutta on the 1st February, 1943. Similar information has been furnished as regards excess profits tax.

Information regarding the probable amount of revenue involved in these cases cannot be collected without a detailed examination of each case which would involve an expenditure of time and labour that would not be justifiable in wartime.

Additional staff has been and is being entertained for the purpose of bringing the assessment work up to date. The Central Board of Revenue have also instructed Commissioners of Income-tax to make every effort both this year and in the next to

N.B.—Questions against the Honourable Sir Shantidas Askuran were asked by the Honourable Mr. Hossain Imam.

complete all assessments—current and arrear—and to collect the tax. They have also called for fortnightly reports from all Income-tax Officers on the progress of assessment work with a view to speeding up the work where necessary.

THE HONOURABLE MR. HOSSAIN IMAM: Will the Honourable Member inform us of the possibility of avoiding these pending cases in future?

THE HONOURABLE MR. C. E. JONES: I cannot say more than I have said already, Sir.

Income-tax and excess profits tax assessments pending in Bombay City and Calcutta on the 1st February, 1948.

	Bombay City.		Calcutta.	
	C.I.T. Bombay.	Central Bombay.	C.I.T. Bengal.	Central Bengal.
<i>Income-tax.</i>				
1935-36		1	11	
1936-37		1	5	
1937-38		1		1*
1938-39	102	29	61	13
1939-40	425	123	313	63
1940-41	1,249	253	1,198	193
1941-42	3,171	411	595	272
Total	4,947	819	2,183	542
<i>Excess Profits Tax.</i>				
Chargeable accounting periods ending before—				
1st April, 1940	157	37	363†	32‡
1st April, 1941	259	79	558†	72‡
1st April, 1942	585	23	891†	97‡
Total	1,001	139	1,812	201

DECISION OF THE BOMBAY HIGH COURT IN A RECENT INCOME-TAX REFERENCE.

107. **THE HONOURABLE SIR SHANTIDAS ASKURAN:** (a) Has the attention of Government been drawn to the recent decision of the Bombay High Court in the matter of an Income-tax reference published on page 104 *et seq.* of I. T. Reports, Volume XI, particularly to the following passage:—

“The answer to question (8) very largely depends on the same consideration, that is:—‘whether in making the assessment under section 23 (4), the Income-tax Officer exercised his judgment and acted without caprice’.

I think we are bound to say that he did not exercise his judgment honestly and without caprice in making the best judgment assessment without giving any time to the assessee to produce their books.”

(b) Will Government state what action they propose to take in the matter, more particularly to restore the confidence of taxpayers in officers entrusted with Income-tax assessment work?

THE HONOURABLE MR. C. E. JONES: Yes. Government have seen the decision in question. They do not, however, propose to take any action in the matter as the Income-tax Officer concerned appears to have been under a genuine misapprehension in acting as he did. Government do not also consider that any special measures are required to restore the confidence of taxpayers in the Department as assessee are generally given ample opportunities for producing their books of account and appeals are now permitted against best judgment assessments made under section 23 (4) of the Income-tax Act.

THE HONOURABLE MR. HOSSAIN IMAM: May we know what was the ground which led the High Court to characterise it as capricious?

THE HONOURABLE THE PRESIDENT: You are supposed to know that if you ask that question.

THE HONOURABLE MR. HOSSAIN IMAM: The High Court made a remark and the Government has taken no action on that.

THE HONOURABLE THE PRESIDENT: I cannot allow that question.

* Concealment case.

† Include 144, 134 and 47 assessments, respectively, set aside as deficiency cases.

‡ Include 7, 12 and 3 assessments set aside as deficiency cases.

LEASE-LEND AID.

108. THE HONOURABLE SIR SHANTIDAS ASKURAN: Will Government state the exact arrangements made between India and the U.S.A. regarding reciprocal aid?

THE HONOURABLE MR. C. E. JONES: I would refer the Honourable Member to the answer to the Honourable Raja Yuveraj Dutta Singh's question No. 37 on the 22nd February, 1943, and to the Budget speech for the year 1943-44 delivered on the 27th February, 1943.

THE HONOURABLE MR. HOSSAIN IMAM: Is the statement made by the United States of America that they have given Lease-Lend aid of the amount of 290 million dollars correct?

THE HONOURABLE MR. C. E. JONES: I am sorry I cannot say, Sir.

INCREASE OF BROTHELS IN CALCUTTA.

109. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH: (a) With regard to complaints that brothels are being provided for the military in Calcutta, has the attention of Government been drawn to a statement of the Metropolitan of India, published in the *Hindustan Times*, dated the 18th February, 1943, in which he refutes the Government reply given in the other House on this question and states—

“With regard to pressure brought on respectable tenants to vacate their houses that they might be occupied by prostitutes for the military, I have in my possession written statements made by the tenants themselves giving the names of the police officials, who requested them to move elsewhere. To say that such requests were not made is contrary to the facts, of which I have the clearest first-hand evidence. I discussed the matter with the Commissioner of Police, who did not question the facts, which I laid before him”?

(b) Are Government aware that, as stated in the statement referred to in (a) above, the Metropolitan of India wrote to the Adjutant General in India, at General Headquarters, New Delhi, on the 27th January, 1943, on the subject of the increase of brothels in Calcutta in this connection but the Adjutant General had not the courtesy even to give an acknowledgment up to the 16th February, 1943, when the Metropolitan's statement was published in the papers? Was any reply given, and if so, on what date?

(c) Are Government aware that “the actual facts, with certified copies of the tenants' statements are in the possession of the military authorities”?

(d) Will Government make a statement on the subject, and the action, if any, taken in that connection?

GENERAL THE HONOURABLE SIR ALAN HARTLEY: (a) and (c). Government have seen the statement published by the Metropolitan. That statement has been sent to the Bengal Government for comments which are awaited. I must repeat that no brothels have been provided for the military in Calcutta or anywhere else. Government have also seen copies of privately collected statements attributing certain remarks to individual police officials.

(b) The letter was unfortunately mislaid owing to a routine error. It has since been acknowledged on the 19th February.

(d) On receipt of the Bengal Government's comments, the Government of India will consider whether any further action is required.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA: Government have not answered clause (c) of the question.

GENERAL THE HONOURABLE SIR ALAN HARTLEY: I think I have, Sir. I said that Government have also seen copies of privately collected statements attributing certain remarks to individual police officials.

GROWTH OF MUSHROOM HOTELS AND PUBLIC GAMBLING HOUSES IN DELHI.

110. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH: Has the attention of Government been drawn to a resolution of the Society for the Prevention of Anti-Social Practices (*vide* the *Hindustan Times*, dated the 18th February, 1943), relating to the growth of mushroom hotels in an alarmingly large number in the heart of the city of Delhi, which were being used as brothels, and also to the growth of public gambling houses in Delhi and Shahdara? What inquiry, if any, has been made into the matter and with what result?

THE HONOURABLE MR. E. CONRAN-SMITH : Government have seen a report of the resolution in the Press. They have no reason to believe that new brothels in the guise of hotels are coming into existence, or that gambling is on the increase ; but both the Municipal Committee and the Police are alive to the need for vigilance to check such abuses.

POSTS CREATED DURING 1942 AND THE PERSONS APPOINTED THERETO.

111. THE HONOURABLE MR. HOSSAIN IMAM : Will Government lay on the table the following information about the new appointments made by the Government of India to new posts created from 1st January, 1942 to 31st January, 1943:—(a) name, (b) nationality, (c) pay before appointment, (d) pay on 31st January, 1943, (e) designation, (f) whether post was advertised or not, (g) method of selection and (h) special qualifications ?

THE HONOURABLE MR. E. CONRAN-SMITH : The information asked for is not readily available and its collection would involve an amount of time and labour that would not be justifiable in wartime.

STERLING DEBT.

112. THE HONOURABLE MR. HOSSAIN IMAM : Will Government lay on the table a statement of sterling debts of the Central and Provincial Governments, public bodies and utility services outstanding at the end of January, 1943, giving (a) year of issue, (b) rate of interest, (c) amount outstanding and (d) the year when repayable ?

THE HONOURABLE MR. C. E. JONES : The Provincial Governments have no sterling debt.

The sterling debt of public bodies and utility services is not a direct concern of the Government of India. Precise information in regard to such debt can be obtained by the Honourable Member from the authorities concerned or from the various financial journals.

A statement of the outstanding sterling debt of the Central Government as at the end of January, 1943, is laid on the table.

Outstanding Sterling debt of the Central Government as at the end of January, 1943.

	£ million.
(1) Regular loans, terminable and non-terminable (details by loans not available)	12
(2) Last war contribution (in suspense)	15
(3) Railway annuities (capital portion)	27
(4) Railway debentures (including £8 million not a direct liability of Government)	31
Total	85

As item (2) is in suspense and a payment has been made in respect of item (3) to His Majesty's Government who will in future provide the necessary funds, the outstanding direct liability of the Government of India by the end of January, 1943, was £37 million.

Out of item (4) £20 millions was vested in January and £11 million will be redeemed in February, 1944, so that the only item not provided for is item (1) which represents such balance of the sterling loans as remains in the hands of persons not subject to the vesting orders.

SILVER TRANSACTIONS.

113. THE HONOURABLE MR. HOSSAIN IMAM : Will Government state the amount of silver sold by the Government of India in the year 1942 in England and India separately and the average sale rates ?

THE HONOURABLE MR. C. E. JONES : Information regarding the silver transactions of the Government of India both in India and in England is compiled together for the financial year and is published in the Central Appropriation Accounts (Civil), copies of which are supplied to Honourable Members. In conformity with their past practice in the matter Government are not prepared to disclose particulars of their recent silver transactions.

THE HONOURABLE MR. HOSSAIN IMAM : A supplementary question, Sir.

THE HONOURABLE THE PRESIDENT : We have got much work today. Please remember that.

THE HONOURABLE MR. HOSSAIN IMAM : Well, it is a very necessary question, Sir. Does the Appropriation Account give the prices realised per ounce ?

THE HONOURABLE MR. C. E. JONES : It states what the receipts are from sale of silver, Sir.

THE HONOURABLE MR. HOSSAIN IMAM : Does it mention the quantity sold ?
THE HONOURABLE MR. C. E. JONES : Certainly, Sir.

SILVER TRANSACTIONS.

114. THE HONOURABLE MR. HOSSAIN IMAM : Will Government state whether it is a fact that there is no Muslim Superintendent in the Office of the Director General, Posts and Telegraphs, and that there is a paucity of Muslims in that office in the grades of assistants, stenographers and accountants ? Will Government place on the table the following information in respect of that office :—

- (i) total number of superintendents, assistants, stenographers and accountants separately on the permanent and total strength as on 15th February, 1943, and
- (ii) number and percentage of Muslims in each of the above grades separately on the permanent and total strength as on the above date ?

THE HONOURABLE SIR MAHOMED USMAN : There is no Muslim Superintendent in the Office of the Director General, Posts and Telegraphs. The posts of Superintendents are filled entirely by promotion to which the communal regulations do not apply. There is some paucity of Muslims in the cadre of Assistants which in great part is due to the suspension of direct recruitment owing to the existence of supernumeraries. There is no paucity of Muslims in the cadre of stenographers. As regards Accountants, there is a paucity of Muslims in that cadre which is due to passed Accountants from that community not being available. The information asked for in the last part of the question is placed on the table.

THE HONOURABLE MR. HOSSAIN IMAM : Is it a fact that a Muslim Accountant who had been appointed and posted in another Department was refused re-employment in his own Department when he applied for it ?

THE HONOURABLE SIR MAHOMED USMAN : I must ask for notice of the question, Sir.

As on the 15th February, 1943.

	Strength.		No. and percentage of Muslim			
	Permanent.	Total including temporary.	Permanent.		Total including temporary and officiating	
			No.	Percentage	No.	Percentage.
Superintendents	13	19				
Assistants	48	55	6	12.5	11	20.0
Stenographers	9	17	1	11.0	5	29.4
Accountants	9	11	1	11.0	1	9.0

MUSLIMS IN THE OFFICE OF THE DIRECTOR GENERAL, POSTS AND TELEGRAPHS.

115. THE HONOURABLE MR. HOSSAIN IMAM : (i) Will Government state whether it is a fact that out of nine vacancies filled by promotion from the 3rd to the 2nd division in the Posts and Telegraphs Directorate at the time of reorganisation of that office in June, 1938 only one was given to a Muslim and that four senior Muslim clerks who were considered not only not unfit but definitely fit for promotion to the 2nd division were superseded by their junior non-Muslims ? Will Government place on the table the seniority list of all the 3rd division clerks from amongst whom the nine promoted officials were selected specifically indicating the positions which the superseded Muslims and the promoted officials occupied in that list ?

(ii) Is it a fact that the Selection Board which examined the cases of these officials did not include any Muslim member ?

THE HONOURABLE SIR MAHOMED USMAN : (i) At the time of reorganisation in 1938, the cases of all the 24 clerks in the 3rd division consisting of 16 Hindus, six Muslims, one Sikh and one Anglo-Indian were carefully examined and nine of them, viz., seven Hindus, one Muslim and one Anglo-Indian were found fit and promoted to the 2nd division. The remaining officials, that is, nine Hindus, five Muslims and one Sikh were not considered fit for promotion at that time. The seniority list is placed on the table.

(ii) The Selection Committee consisted of one Anglo-Indian officer on the Postal side, one European officer on the Telegraph side and one Hindu officer from the Finance Department.

Seniority List of 3rd division clerks at the time of reorganisation.

Serial No.	Name.	Community.
1	Mr. Joy Gopal Paul	H (No longer in Dept.)
2	Mr. Nand Kumar Mitra	H (No longer in Dept.)
3	Mr. Harish Chandra Sharma	H*
4	Mr. Tularam Manton	H*
5	Mr. S. Azadar Hussain Jafri	M (Since promoted.)
6	Mr. V. Subramanian	H*
7	Mr. N. K. Nair	H*
8	Mr. Gurdial Singh Dua	S (Since promoted.)
9	Mr. P. N. Vasudevan Nambisan	H*
10	Mr. K. S. Kalyanasundaram	H (No longer in Dept.)
11	Mr. K. Srinivasan	H (Since promoted.)
12	Mr. Abu Zafar	M (Since promoted.)
13	Mr. Mohd. Sharif Chughtai	M*
14	Mr. Prakash Rup Kaila	H*
15	Mr. V. I. Perrier	A.I.*
16	Mr. Sayyed Mohd. Sagheer	M (Since promoted.)
17	Mr. Mohd. Ramzan Bhutta	M (Since promoted.)
18	Mr. Vas Dev Chawla	H
19	Mr. Zia-ud-Din	M (Since left.)
20	Mr. Sachuram Sahnai	H (Since promoted.)
21	Mr. Ram Dhan Das	H* (Since promoted.)
22	Mr. Ram Murarilal Vaish	H*
23	Mr. R. B. Sharma	H (No longer in Dept.)
24	Mr. B. B. Dutta	H

NOTE.—Those marked with an asterisk were selected for promotion.

MUSLIMS IN THE OFFICE OF THE DIRECTOR GENERAL, POSTS AND TELEGRAPHS.

116. THE HONOURABLE MR. HOSSAIN IMAM: Will Government state whether it is a fact that the discriminatory treatment towards the four Muslim officials referred to in the preceding question has resulted, after they were ultimately promoted to the 2nd division, in their being relegated to the bottom of the seniority list of the 2nd division clerks? Will Government place on the table the current seniority list of the 2nd division clerks specifically indicating the seniority of the four Muslim clerks *vis-a-vis* the nine officials mentioned in the preceding question? Has any of them been promoted, permanently or temporarily, to the Assistants' cadre as yet? If not, why not? Do Government propose to ameliorate the lot of the four Muslim officials by giving them accelerated promotions to the Assistants' grade? If not, why not?

THE HONOURABLE SIR MAHOMED USMAN: There has been no discriminatory treatment as alleged. The four Muslim officials were, later considered as fit for promotion to the 2nd division and were promoted in subsequent vacancies and got their position in the seniority list accordingly. A copy of the current seniority list is placed on the table. None of these four officials has so far been promoted to the Assistants' cadre as such promotion is made on the basis of selection. The question of giving accelerated promotion on communal grounds does not, therefore, arise.

THE HONOURABLE MR. HOSSAIN IMAM: Is it a fact, Sir, that the Home Department has notified that mostly promotions should be on basis of seniority?

THE HONOURABLE SIR MAHOMED USMAN: In the Office Memorandum, dated the 4th September, of the Home Department of the Government of India on the subject of the representation of minority communities in posts filled up by promotion and the principles to be observed, they say that, except in certain classes of appointments which must be defined as open only to selection, seniority must as a general rule be given its due weight and good men should not be passed over by their juniors merely because the juniors might, other things being equal, be judged to be better than they. I may say, Sir, for the information of the House that the question of protecting the best interests of the Muslim and other minority communities in my Departments is under the active consideration of the Government.

THE HONOURABLE MR. HOSSAIN IMAM: Hear, hear. May I further request, Sir, that in view of this notification past injustices may be righted?

THE HONOURABLE SIR MAHOMED USMAN: Well, I cannot promise any such thing. All that I can say is that the question of protecting the best interests

of the Muslim and other minority communities in my Departments is under the active consideration of the Government.

Current Seniority List of 2nd division clerks.

1. Mr. Salahuddin	M	21. Mr. K. D. Srivastava	H.
2. Mr. I. P. Gupta	H.	22. Mr. S. A. A. Bilgrami	M.
3. Mr. Gopeshwar Nath	H.	23. Mr. S. Jagannadhan	H.
4. Mr. P. N. Nambisan*	H.	24. Mr. Enver Hossain	M.
5. Mr. M. S. Chugtai*	M.	25. Mr. G. V. Raju	H.
6. Mr. A. B. Ramchandran	H.	26. Mr. S. H. Naqvi	M.
7. Mr. M. K. Nair	H.	27. Mr. P. P. Iyer	H.
8. Mr. S. N. Johri	H.	28. Mr. M. L. Gupta	H.
9. Mr. K. N. Sharma	H.	29. Mr. S. M. T. Zaidi	M.
10. Mr. V. I. Perrier*	A.-I.	30. Mr. M. A. Majid	M.
11. Mr. R. M. L. Vaish*	H.	31. Mr. Rashid Ahmed	M.
12. Mr. Zahirul Hasan	M.	32. Mr. K. S. Aiyakutty	H.
13. Mr. Ishraque Ahmed	M.	33. Mr. G. R. Quereshi	M.
14. Mr. R. Subramanian	H.	34. Mr. Abu Zafar†	M.
15. Mr. D. K. Aggarwal	H.	35. Mr. K. Srinivasan	H.
16. Mr. G. P. Iyer	H.	36. Mr. S. M. Sagheer†	M.
17. Mr. S. A. H. Jafri†	M.	37. Mr. M. R. Bhutta†	M.
18. Mr. G. S. Dua	S.	38. Mr. S. R. Sahni	H.
19. Mr. S. S. Iyengar	H.	39. Mr. Ram Dhan Das	H.
20. Mr. Mohd. Hossain I	M.	40. Mr. Mohd. Hossain II	M.

*Out of the nine officials promoted in June, 1932 (1) Messrs. H. C. Sharma, T. R. Manton, V. Subramanian and N. K. Nair who were promoted from 3rd Division to 2nd Division cadre have since been promoted to the Assistants' cadre substantively; (2) Mr. P. R. Kaila, another promoted official has since left the 2nd division cadre; (3) only four officials marked * are now in the 2nd division cadre.

†3rd Division Muslims subsequently promoted to 2nd division.

MUSLIMS IN THE OFFICE OF THE DIRECTOR GENERAL, POSTS AND TELEGRAPHS.

117. **THE HONOURABLE MR. HOSSAIN IMAM:** (i) Will Government state whether it is a fact that in the Office of the Director General, Posts and Telegraphs, between 35 to 40 promotions, permanent and temporary, have been made from the 2nd Division to the Assistants' grade since May, 1939, that only five Muslims have so far been included in these promotions, and that, in the process of these promotions, several senior Muslims, who are considered not only not unfit but definitely fit for promotion to the Assistants' grade, were superseded by their junior non-Muslims? Do Government propose to set aside these supersessions? If not, why not?

(ii) Is it a fact that about a dozen temporary (war duration) appointments have recently been created in the Director General's Office promotions to which are yet under consideration? Do Government propose to promote against these appointments as many Muslims from the 2nd Division as are required to make up the shortage of Muslims in the Assistants' grade? If not, why not?

THE HONOURABLE SIR MAHOMED USMAN: (i) Thirty-two 2nd division clerks have been promoted by selection to the Assistants' cadre in the Office of the Director General of Posts and Telegraphs since May, 1939, in permanent and temporary vacancies, and of these five are Muslims. Certain other Muslim 2nd division clerks are also now officiating in the Assistants' cadre pending final selection. As promotion of 2nd Division clerks to the Assistants' cadre is made on the principle of selection, the question of supersession does not arise. I may add, however, for the information of the Honourable Member that the Home Department have under consideration the question whether the posts of Assistants in the Government of India Secretariat and its attached offices should continue to be treated as selection posts or otherwise.

(ii) The reply to the first part is in the affirmative but all the new posts are not to be filled at once but only as required. As already stated, promotions will be made by selection.

MUSLIMS IN THE OFFICE OF THE DIRECTOR GENERAL, POSTS AND TELEGRAPHS.

118. **THE HONOURABLE MR. HOSSAIN IMAM:** Will Government state whether it is a fact that there are several Muslims in the office of the Director General, Posts and Telegraphs, who are fit for being appointed as stenographers? If so, how do Government justify the shortage of Muslims in the grade of stenographers? Do Government propose to make up this shortage by promoting some of these Muslims to the stenographer's grade? If not, why not?

THE HONOURABLE SIR MAHOMED USMAN : There are only two Muslims with knowledge of shorthand who are borne on the permanent 2nd division cadre of the Office of the Director General, Posts and Telegraphs. The stenographers' cadre is entirely distinct from the general clerical cadre and there can, therefore, be no question of promoting to that grade 2nd division officials, who must look for promotion to the Assistants' grade.

Of the total 17 stenographers at present working in the Director General's office, five are Muslims, giving a percentage of over 29. The question of making up 6 shortage does not, therefore, arise.

MUSLIMS IN THE OFFICE OF THE DIRECTOR GENERAL, POSTS AND TELEGRAPHS.

119. THE HONOURABLE MR. HOSSAIN IMAM : Is it a fact that there are a number of Muslims, qualified for appointment as Accountants in the Posts and Telegraphs Accounts Offices from where almost all the Accountants at present employed in the Office of the Director General, Posts and Telegraphs, have been recruited? If so, how do Government justify the paucity of Muslims in the Accountants' cadre of that office? Do Government propose to make up the shortage of Muslims in this cadre by recruiting a few qualified Muslims from Posts and Telegraphs Accounts Offices? If not, why not?

THE HONOURABLE SIR MAHOMED USMAN : The fact is not as stated by the Honourable Member. The Posts and Telegraphs Accountants Service is an all-India cadre formed in 1938. The total strength of the cadre is 36, of which 18 posts are at present held by men borrowed from the Posts and Telegraphs Accounts and Audit offices on a temporary basis. The total number of Muslims qualified for appointment as Accountants in the Posts and Telegraphs Account Offices is only six out of a total of 213. Of the six Muslims, three are already working as Accountants in the Posts and Telegraphs Account Offices themselves. Of the remaining three, one is officiating as an Accountant, while the remaining two have qualified themselves only recently by passing the Subordinate Accounts Service Examination, the results of which were published early in February, 1943. None of these Muslims has so far volunteered for service in the Posts and Telegraphs Accountants Service cadre.

In view of what I have stated above, the rest of the question does not arise.

MUSLIMS IN THE OFFICE OF THE DIRECTOR GENERAL, POSTS AND TELEGRAPHS.

120. THE HONOURABLE MR. HOSSAIN IMAM : Will Government state whether it is a fact that since January, 1940 several non-Muslim 2nd division clerks in the Office of the Director General, Posts and Telegraphs, whose prospects of promotion to Assistants' cadre in that office were quite bright were permitted to find higher jobs in other offices while several Muslim clerks whose prospects of promotion in that office are comparatively remote have been refused permission to go out for higher appointments in other offices on the plea of their being indispensable? Is it a fact that some of these while not permitted to go out were superseded by their junior non-Muslims in the matter of promotion to Assistants' grade? Is it a fact that some of these Muslims received offers from other offices by name but were not relieved? If so, how do Government justify this discriminatory treatment against Muslims? Will Government in that connection place on the table a list of the Muslim officials of the 2nd division who wanted to go out giving in each case the particulars of appointment or appointments they applied for?

THE HONOURABLE SIR MAHOMED USMAN : The facts are not as stated in the first part of the Honourable Member's question. Consistently with the efficient administration of the Posts and Telegraphs Directorate only four 2nd division officials have been spared for appointments in other offices, of whom two went on promotion. One of these four officials is employed in General Headquarters and the other three in the Army Postal Directorate for which their services were requisitioned. Two of them are Hindus, one an Anglo-Indian and the other an Indian Christian. I may add that eight applications from 2nd division clerks for appointments in other offices were forwarded, of these four were from Muslims and four from non-Muslims. As regards the second part of the question, promotion from the 2nd division to the Assistants' cadre is made on the principle of selection. As regards the third part, the services of certain officials, both Hindus and Muslims, were requisitioned by name by other Departments and Offices and each case was considered on its own merits. Among those who were not released on account of administrative grounds, there were both Hindus and Muslims. No question of discrimination,

therefore, arises. As regards the last part of the question, the information required is laid on the table of the House.

THE HONOURABLE MR. HOSSAIN IMAM : Will the Government explain why, if they were so efficient as not to be spared, they were superseded ?

THE HONOURABLE THE PRESIDENT : That is an argument. I will not allow the Honourable Member to argue.

THE HONOURABLE MR. HOSSAIN IMAM : Will you, Sir, permit me to state my case, and let the Honourable Member say whether it is an argument—

THE HONOURABLE THE PRESIDENT : The Honourable Member is arguing. Arguments will not be allowed during questions.

THE HONOURABLE MR. HOSSAIN IMAM : I humbly submit that it is not an argument. The Honourable Member says they were indispensable. I ask: If they were indispensable, why were they superseded ? If a man is inefficient, he can not be indispensable.

THE HONOURABLE SIR MAHOMED USMAN : As I have said, I am looking into the question of protection of the interests of Muslim and other minority communities. I think my general statement covers the Honourable Member's supplementary question.

THE HONOURABLE MR. HOSSAIN IMAM : Thank you.

Statement of applications from 2nd division Muslim clerks of this office for appointments in other Departments.

No.	Name of official.	Post applied for.
1	Mr. S. T. Zaidi	(i) P. A. to Principal Information Officer ; (ii) Assistant Indian Stores Department ; (iii) Assistant, Supply Department.
2	Mr. S. M. Sagheer	(i) Assistant, Supply Department ; (ii) A. R. P. Officer.
3	Mr. M. S. Chughtai	(i) Assistant, Supply Department.
4	Mr. A. A. Bilgrami	(i) Assistant, Supply Department ; (ii) Assistant, Labour Department ; (iii) Assistant, Labour Department.
5	Mr. S. A. H. Jaffri	(i) Assistant, Supply Department ; (ii) A. R. P. Officer ; (iii) Assistant, Director General, Indian Medical Service ; (iv) Assistant, Labour Department.
6	Mr. M. A. Majid	(i) Income-tax Inspector ; (ii) Assistant, Indians Overseas Department.
7	Mr. Enver Hussain	(i) Trade Agent, Kabul ; (ii) Steel Controller Adviser's Office.
8	Mr. Z. Hasan	(i) Assistant, Commerce Department.
9	Mr. Abu Zafar	(i) Assistant, Supply Department ; (ii) Appointment in Ordnance Factory.

MUSLIMS IN THE OFFICE OF THE DIRECTOR GENERAL, POSTS AND TELEGRAPHS.

121. THE HONOURABLE MR. HOSSAIN IMAM : (i) Will Government state whether it is a fact that there is not a single Muslim from top to bottom on that portion of the staff of the Posts and Telegraphs Directorate who deals with the personal cases of the ministerial establishment of that office ? Is this not against the interests of the Muslim staff in that office ? Do Government propose to post a few Muslims in this branch ? If not, why not ?

(ii) Is it a fact that as a protection for the members of the minority communities in services the Home Department of the Government of India have issued orders that seniority, as a general rule, should be given due weight in making promotions from grade to grade ? Do these orders apply to promotions from the 2nd division to the Assistants' grade in the Government of India Secretariat and attached offices ? If so, is it a fact that the evasion of these orders is being systematically carried on in the Office of the Director General, Posts and Telegraphs, in making promotions from the 2nd division to the Assistants' grade which has resulted in the supersession of several senior Muslims in the 2nd division of that office ? If so, do Government propose to stop this irregularity and set aside these supersessions ? If not, why not ?

THE HONOURABLE SIR MAHOMED USMAN : (i) The reply to the first part of the question is in the negative. The rest does not arise.

(ii) Home Department have issued instructions to the effect that except in certain classes of appointments which must be defined as open only to selection, seniority must, as a general rule, be given its due weight in making promotions. The question whether the posts of Assistants in the Government of India Secretariat and

its attached offices at headquarters should be treated as selection posts or otherwise is under consideration and will be decided as soon as possible. Pending a decision on this question, promotions from the 2nd division to the grade of Assistants are being made according to the existing rules by selection.

RESOLUTION *RE* STERLING RESOURCES AND EXPANSION OF CURRENCY—*contd.*

THE HONOURABLE THE PRESIDENT : Before we proceed with the further discussion of the Resolution* moved by the Honourable Mr. Dalal, I wish to draw the attention of the Honourable Pandit Kunzru to his Resolution† on the List of Business. The Honourable Mr. Dalal's Resolution, whether it is accepted or rejected, will bar the Resolution of the Honourable Pandit Kunzru, because I do not find much difference between the two Resolutions. The Honourable Mr. Dalal asks Government to take steps in regard to the situation created by the accumulation of sterling resources, while the Honourable Pandit Kunzru's Resolution suggests that a committee be appointed of both Houses to examine the best way of utilising the sterling balances. Therefore, I would ask the Honourable Pandit Kunzru, while addressing the House on the Resolution of the Honourable Mr. Dalal, to refer to all the facts which he would have put forward when moving his own Resolution. Is that agreeable to the Honourable Member ?

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Can I not move an amendment to this Resolution ?

THE HONOURABLE THE PRESIDENT : I have received the amendment which the Honourable Pandit Kunzru wishes to move. He wants to add at the end of the Honourable Mr. Dalal's Resolution the words "and of checking the inflation". If the Government Member does not object, I will allow the amendment, though it is late. Does the Government Member object ?

THE HONOURABLE MR. C. E. JONES : I have no desire to restrict the terms of any amendment which the Honourable Pandit Kunzru desires to move to the Honourable Mr. Dalal's Resolution.

THE HONOURABLE THE PRESIDENT : Then I allow the amendment. The Honourable Pandit Kunzru in his speech may refer to this matter and also move his amendment. I will give a few minutes more to him for his speech. There will be discussion on the original Resolution as well as on the amendment simultaneously.

THE HONOURABLE MR. HOSSAIN IMAM : Would it not be better if the Honourable Pandit Kunzru moves his amendment first ?

THE HONOURABLE THE PRESIDENT : Not at present. When his turn to speak comes, he can ask for permission to move the amendment.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA (Bihar : Non-Muhammadan) : Mr. President, I am sorry I was not present in the Council on the 2nd of March when this Resolution was moved, and I was consequently deprived of the opportunity of hearing the speeches that were made on that date.

The Resolution has two parts—one part relating to the accumulation of sterling resources in the United Kingdom, and the other part relating to the expansion of currency. I propose to deal only with the first part of the Resolution, and that too, let me assure you, not with any desire to add to the growing volume of literature on the faster-growing accumulation of our sterling balances in London, but because I feel that I shall be failing in my duty if I refrain on this occasion from referring to one or two important aspects of the question, of course, from the standpoint of a layman. I shall leave it to the economic pandits to find a conclusive answer to the question whether the expansion of currency here against the backing of sterling at the other end in London does or does not amount to inflation.

The question to which I should like to refer in the hope of eliciting from the Government a satisfactory reply thereto is : What about the future security of such

* "This Council recommends to the Governor General in Council that prompt and speedy measures be taken in regard to the situation created by (i) the huge accumulations of Sterling Resources in the United Kingdom; and (ii) the huge expansion in the volume of currency."

† "This Council views with concern the growing accumulation of sterling balances in London and recommends to the Governor General in Council that a Committee of both Houses of the Central Legislature, be immediately appointed to examine the best way of utilising these balances in the interests of India."

balances as we have in England and are going to have during the coming months? Can we have an assurance that we shall in due course get back what we have to lay by in England today? This accumulation, Sir, is not a thing of our choice. Circumstanced as we are, we cannot successfully insist on being paid in gold or in dollars or in some other form which may be most acceptable to us. We are now said to be creditors, but in the peculiar circumstances of the case it is left to our debtors to dictate the terms of payment or repayment to us. Beggars cannot be choosers, it is true. But debtors like England can certainly be choosers when they have to deal with creditors of the kind we are. So it is no use speculating what would have been the case if we had been free; it is best to accept the sterling accumulation as a hard reality from which there is no getting away and then to make an earnest request, a fervent appeal, to our debtor to see to it that our earnings, our acquisitions, our deposits—call them what you will—are not dissipated, and when the amount comes to be returned to us, we are given nothing less than what was made available to him by us.

Sir, essentially it is not a question of guaranteeing the exchange value of the rupee so that when the debt comes to be liquidated we have our sterling balances converted at the same rate at which they were acquired. What is wanted is a guarantee of the commodity value of the accumulated sterling, so that with the sterling we have we can, at the time of repayment, buy as much of goods or services as we could buy when the acquisitions were made. That, Sir, is as fair a demand as one could possibly be put forward in connection with forced accumulations of that kind, and I hope that the Government of India will have no fault to find with it and will not deny to it their powerful support. The future of sterling is unknown and uncertain. No prophecy is possible as to its future relation to gold or to dollars or to commodities in general. It may depreciate in terms of these; it may not. All that we seek is an assurance to be given to us by His Majesty's Government that, no matter whether sterling appreciates or depreciates, its value will remain constant or stable for us, so that when we get back what we are now made to deposit, we can buy with it the quantity of goods or services we could buy yesterday or can buy today. If sterling appreciates in relation to such things it will of course buy more; but, I for one am not for following the movements of sterling either up or down, as I feel that in a matter of this kind we should run no risk whatsoever and that what we should try to achieve is an insurance, which in our case is the same thing as His Majesty's Government's assurance, that we shall get back what we have given, neither more or less. If a precedent is wanted for such a course I would refer to what has been done in the case of Argentine sterling balances, by guaranteeing their gold or dollar value in the event of any sterling depreciation.

If the principle is accepted by His Majesty's Government, then it is a matter of detail to devise the best formula possible for meeting the end in view—which is that of fixing the real or commodity value of our sterling reserves in the United Kingdom. But it will hardly be possible for us to purchase all our requirements there. We may find it necessary, even indispensable, to place orders for goods and services elsewhere. I hope that if and when we need to convert our sterling into other currencies for the purpose, and I have no hesitation in saying that they should be the currencies of friendly countries, no obstacle will be placed in our way and the decision taken by those controlling exchange will be based on what is best for India, not on what is best for England. There is a lot we have had to put up with during wartime; let it not be the same story over again even when peace has returned.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadan): Mr. President, I beg to move that the following be substituted for the Resolution moved by my Honourable friend Mr. Dalal:—

“ This Council views with concern the growing accumulation of sterling balances in London and recommends to the Governor General in Council that a Committee of both Houses of the Central Legislature be immediately appointed to examine the best way of utilising these balances in the interests of India and of checking inflation. ”

Mr. President, the two questions which are covered both by the original Resolution and the amendment are, as the Honourable the Finance Member admitted the other day, very closely connected. No solution of one question can be found unless the other question is dealt with simultaneously. They may appear to be distinct but they are the outcome of the same set of forces. I shall, in dealing with

[Pandit Hirday Nath Kunzru.]

the amendment I have moved, deal with these two aspects separately. I shall deal first with the question of the sterling balances in London. We all know, Sir, the extent to which the sterling balances have risen since the outbreak of the war. In spite of the repatriation of almost the whole of the sterling debt and the provision made for the repayment of railway annuities, these balances amounted, I believe, to about Rs. 460 crores on the 12th February, 1943. They are bound to grow unless steps are taken by the Government of India to reduce them. I shall deal later on with the method by which these balances can be reduced. But I should first like to point out the magnitude of the question that we are considering. We have already about Rs. 460 crores of sterling to the credit of the Reserve Bank at the present time. His Majesty's Government have not yet, I believe, paid for all the purchases made on their behalf in this country. I do not know what is the extent of the repayment that has yet to be made by them. I can only give an instance showing the extent to which His Majesty's Government are in arrears in paying for the expenditure incurred on their behalf in this country. The Finance Member informed us in his last Budget speech that the recoverable expenditure incurred by the Government of India on behalf of His Majesty's Government in the current year would amount to about Rs. 400 crores. But the amount which is expected to be paid to us is, I believe, in the neighbourhood of £150,000,000; or, in other words, only about half of the amount that we are entitled to. It is clear, therefore, that the payment to be made by His Majesty's Government for the goods and services already supplied to them for use either in England or in India will amount to a very considerable sum. As regards the future, I understand that the war expenditure to be incurred by the Government of India on behalf of His Majesty's Government in the coming year, *i.e.*, in the year 1943-44, will amount to about £283,000,000 or about Rs. 374 crores.

(At this stage the Honourable the President vacated the Chair which was taken by the Honourable Mr. M. N. Dalal.)

We do not know when the war will end. If it lasts for two years more, it is obvious that there will be further accumulations of a very large order. We shall thus find ourselves in possession of much larger sterling balances than is the case at the present time. The present balances are large enough. What they will amount to in the course of two or three years cannot be estimated at the present time, but it is absolutely clear that they will amount to a much larger figure.

How are these balances, whatever the reasons owing to which they have accumulated, to be dealt with? It is obvious that the war purchases on behalf of the Allies in this country are not going to be reduced. It also seems fairly clear that the balance of trade will continue to be in our favour. There are some ways in which these balances can be reduced, though I cannot say owing to the paucity of the information at my disposal how much of the sterling that we have now or that we may come to have in the near future can be utilised in the ways that I am going to suggest. I have been pressing, Sir, for the last two years that the Government of India should terminate the contracts of the remaining three Company-managed railways as soon as possible. If they can obtain a vesting order from the Secretary of State, it will be quite easy for them to bring the South Indian Railway, the M. & S. M. R. and the B. N. R. under their management. The sum that will have to be paid to the Companies concerned will not be a large one; it will only amount to £9 million. But the Government of India will be taking a step in the right direction if they accept my suggestion and make an announcement to that effect today. Again, Sir, there are sterling or rupee investments by non-Indians in a number of *quasi*-governmental institutions, for instance, Improvement Trusts, Port Trusts, and so on. There are shares held in the public utilities also by non-Indians. To the extent that these shares are held by non-Indians, the disinvestment, if I may say so, of British capital will enable us to reduce the sterling balances further. I do not know what is the total amount of British capital invested in concerns of the kind that I have mentioned. But whatever it may be, if the Government of India accept the policy that I am suggesting, this will enable them further to reduce the accumulation of sterling balances.

(At this stage the Honourable the President resumed the Chair.)

Then, coming, Sir, to other British investments, we do not know what their magnitude is. The estimates that have been made about them during the last few years vary considerably. The estimate that was made by the *Manchester Guardian* recently was that the British investments in this country amounted to about £300 millions or Rs. 400 crores. I do not know whether this estimate is correct, but I think it would be quite correct to say that British investments in this country, although reduced during the period of depression, are still considerable. I do not think that it is either necessary or desirable that all shares held by British nationals in Indian industries should be acquired by the Government at once and should then be sold to the public. To illustrate what I mean I shall take the case of the tea industry. It is not necessary in my opinion to acquire an industry like the tea industry immediately. But it is an industry which is from the point of view of our productive resources and of the extent to which we should have key industries in our hands is not of first rate importance. Apart from this, we shall have to consider what is the price that we shall have to pay for British investments if they are acquired at the present time. Taking all these things into consideration, I think the Government of India should begin with such investments as relate to important industries like the engineering, oil and coal industries. Here too, Sir, we have no estimate of the amount of the British capital that is invested in this country, but I have been given to understand that it is fairly large. This will be another way of reducing the balances that are fast accumulating to our credit. Lastly, Sir, we have to consider the question of the payment of railway debentures. The Government of India have themselves accepted this policy. I do not know whether by the end of next year all the railway debentures will have been paid off. If all of them will not have been paid off in accordance with the policy that the Government of India have already approved of there is no reason why they should not take further steps to acquire the debenture stocks which are still held by private British investors.

Sir, If these methods are accepted I think that the sterling accumulations to our credit will be considerably reduced. A large amount will still remain to our credit. The Finance Member has suggested that our sterling obligations in respect of pensions and family pensions and provident funds should be funded. This, as I ventured to point out the other day, is a matter which has an important constitutional aspect. It is connected with the question of transferring power to Indians and of enabling them to govern their own country. So long as that question does not arise, as I said the other day—and there does not seem to be any indication that that question is going to be taken up by His Majesty's Government or the Government of India as they are at present composed—I do not see how the question of funding the obligations that I have referred to arises.

There is only one other way, Sir, in which the sterling obligations can be used to our benefit and that is we should arrange to provide ourselves with capital goods that we shall need after the war. This will not be a way of reducing the sterling balances but it will be a way of utilising such balances as remain in the best possible manner. The Finance Member referring to this question in his Budget speech has said that the Government of India are considering the proposal that—

“Something in the nature of a Reconstruction Fund should be constituted to provide for the financing of a programme of post-war reconstruction, including the rehabilitation and re-equipment of industries”.

In this connection, Sir, he has given illustrations which to my mind are not of a very reassuring character. He has said:—

“It is clear that in the post-war period India will have heavy demands for imported machinery and plant to equip her greatly expanded industrial system, to re-equip her railways and to enable Provincial and State Governments to carry out schemes of electrification, irrigation and the like which have had to remain in abeyance during the war”.

I hope I am not unjust to the Finance Member in saying that he has here laid stress on projects of a character which will not benefit India as much as we desire and which it seems will help England rather than India to tide over the post-war crisis. What I mean by this, Sir, is that there is no reference in the Finance

[Pandit Hirday Nath Kunzru.]

Member's Budget speech to the necessity for developing the manufacture of machinery and machine tools in this country. 'The greatest short coming of India is her inability to manufacture machines and machine tools. This has been one of our most serious handicaps for a long time, yet hardly anything has been done to remove it. Our first attempt after the war should be to utilise such balances as remain to our credit to purchase such machinery as will enable us to make up for the deficiencies that I have just referred to. Further illustrations may be given also to indicate the point of view of the Indian public but the illustration that I have already given will suffice to indicate to Government the nature of the purposes for which we should like the sterling balances to be used after the war.

Before dealing, Sir, with the question of inflation I should like to refer to the fear expressed by my Honourable friend Rai Bahadur Sri Narain Mahtha regarding the possibility of the depreciation of sterling after the war. Sterling has depreciated to a certain extent already and after the war when heavy liabilities resulting from their sterling obligations will have to be met by the British Government is not unreasonable to suppose that it will further depreciate. If the sum to our credit in London were of a small magnitude this would not have caused us any serious concern but as the accumulations, from what we can judge at the present time, are bound to be very large this question is of vital concern to India. It is necessary, therefore, that Government should be in a position to give us some assurance on the point. My Honourable friend Mr. Mahtha referred to the question of the Argentine but I may also say that till recently Canada too was treated in a way which, compared with the treatment that has been meted out to India, may be called preferential. I am aware of the gift that has been made by Canada to His Majesty's Government for war purposes but this was made after British investments in Canada had been disposed of in order to pay for the goods purchased by His Majesty's Government in Canada. Indeed, I understand that payment

12 Noon.

Sir, the British shares in the gold-mining industry have been disposed of in order to pay South Africa for the gold acquired from it by His Majesty's Government. These illustrations show that India has a right to ask that her case should also be considered as carefully and as sympathetically as the cases of South Africa, Canada and the Argentine have been considered by His Majesty's Government. I for one feel serious apprehension, when I think of the manner in which our sterling balances were disposed of in 1919 and 1920; I believe that they amounted to about Rs. 122 crores, yet, owing to the policy followed by His Majesty's Government, we suffered a loss of about Rs. 40 crores in transferring the money to our credit from London to India. We do not desire, in fact we want to do all we can to avoid, a repetition of such a scandal. I hope, therefore, that Government will be able to make some reassuring statement on this subject. I know that the Finance Member has failed to say anything which would lessen the growing concern of Indians on the subject. It is, therefore, our duty to continue to press this matter on the attention of Government till a satisfactory assurance has been obtained from them.

Now, Sir, I shall pass on to the question of inflation. Both the sterling balances and the rise in prices owe their existence to the same reasons. But I should like to say, in connection with the rise in prices, that I am not one of those who think that prices should not have been allowed to rise at all. Indeed, I do not think there is anybody in this House who did not view such rise as took place in 1940 and 1941 with pleasure. Honourable Members will remember that when, under the power conferred on the Provincial Governments by the Government of India, the Provincial Governments tried to control prices, this House protested against the effect that such control might have on the primary producer. Prices before the commencement of the war were undoubtedly low. It was desirable that they should be raised, and I for one am more glad than I can say that the Indian agriculturist is in a position to reduce the heavy load of debt under which he was groaning before the war.

Again, Sir, the question of inflation cannot be considered apart from the question of increased production. I do not know to what extent production has increased since the war broke out. Economists estimate that the increase has been only about 20 per cent. Whether this figure is correct or not I cannot say. But it is

clear that increased production is required in several directions. For instance we require more food and more cloth. To the extent that Government can take measures to increase the production of both these things, their prices will go down. But whatever the increase in production may be, I think it will not be disputed that it will still be of a limited character, and that it cannot be commensurate with the increased purchasing power in the hands of the people. In these circumstances, it is necessary for the Government to consider carefully their policy with regard to the expansion of the currency. It is true that they have to make payments in this country for purchases made on behalf of His Majesty's Government. Since August, 1939, the paper currency alone had increased by Rs. 439 crores (up to February 12th, 1943) and if every time that such payment has to be made fresh currency is issued, the consequences will be disastrous. I know that the control of currency by itself will not be sufficient to check inflation completely. But to the extent that it is controlled it will undoubtedly have a beneficial effect. Nevertheless measures to control prices will be required. The Government of India have not been able, owing to want of co-operation from the Provincial Governments, to take effective steps in this connection. But as time goes on the need for controlling prices will become more and more insistent, and the Government of India will have to put pressure on the Provincial Governments to fall in line with them.

I do not blame the agriculturists for the rise that has taken place in prices in the current year. It is due to no small extent to the expansion that has taken place in the currency. I should like to give only one illustration of what I mean. I shall refer to the statement in the Explanatory Memorandum relating to the rise in prices since August, 1939. The Calcutta price index was 114 in September, 1939 when the war broke out, and it was only 153 in March, 1942; that is, it had risen by about 40 points only. But the increase that took place between March, 1942 and January, 1943 is more than double the increase till March, 1942. Wholesale prices have risen by about 100 points, and the index stood at 254 in January. If we consider the case of food and tobacco separately, we shall, generally speaking, arrive at the same result. It is obvious, therefore, that an expansion of currency is the direct cause of the increase that has taken place in prices and that prices have increased far beyond the degree to which they should have been allowed to rise. I cannot, Sir, deal at any length with the measures which Government can adopt to control the situation. To the extent that taxation is required they are already taking the necessary steps. But every country in a situation like the present has to resort to borrowing in addition to the taxation measures it might take. The Government of India have so far failed to attract public money to their defence loans. The response to the various loans floated by them has been poor. It is clear, therefore, that if public co-operation is needed to a greater extent Government must take steps to win public confidence. In order to win the confidence of the public it will be necessary for them to take constitutional measures of a far-reaching character which will enable the people to feel that they will in future be responsible for the destinies of their country. We see, Sir, that the want of co-operation between the Government and the public is of considerable—

THE HONOURABLE THE PRESIDENT : Please do not go into the constitutional question.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Sir, the question of borrowing is intimately connected with it and unless Government can induce the public to invest their money much more largely in the defence loans than they have been able to up to the present time, I am afraid that the position will become exceedingly serious. I do not want to labour this question. But I am bound to say that the situation as it has developed during the last 12 months shows that the question that we are considering is not a purely economic one. It is to no small extent a political one and it can be dealt with only when the political steps required to conciliate the people are taken. The obvious moral of what is happening is that even the war cannot be prosecuted with the fullest efficiency unless constitutional power is transferred to the hands of the representatives of this country.

Sir, with these observations, I commend my amendment to the Government and the House.

THE HONOURABLE THE PRESIDENT : Amendment moved by way of alternative Resolution :—

“ This Council views with concern the growing accumulation of sterling balances in London and recommends to the Governor General in Council that a Committee of both Houses of the Central Legislature be immediately appointed to examine the best way of utilising these balances in the interests of India and of checking inflation. ”

The debate will now proceed on both the original proposition and the amendment.

***THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) :** Mr. President, the Resolution before the House is of very great importance. It is not an academic discussion but it concerns every resident of India, whether he be a temporary resident or a permanent resident. The subject matters of this Resolution are two. One is the currency expansion and the other the accumulation of sterling. The accumulation of sterling in India has taken place because of its war efforts. It is not the result of any windfall. It is not the result of any extraordinary conditions of trade. It is the direct result of the immense war efforts which India has undertaken. It has been to a certain extent, helped, or should I say, the trouble has been augmented by the action of our friends—European friends perhaps—who are transferring their capital from India to England. In order to come to a correct understanding of the situation I should like to invite the attention of the House to certain facts which will illustrate the expansion of the currency which has taken place in this country. The nature of the expansion is alarming. Not only have the notes in circulation increased from Rs. 170 crores at the time of the beginning of the war to Rs. 573 crores according to the Explanatory Memorandum given to us but in the 57 days from 1st January to 26th February there has been an increase of Rs. 53 crores in the notes in circulation. This will show the geometrical progression in which the currency expansion is going on. Rs. 53 crores expansion in 57 days is no joke. It is something which is alarming and which every Government which has any claim to be regarded as a Government beneficial to the interests of the country in which it resides should check. If this rate of expansion is maintained, I make a conservative estimate that by the end of this calendar year the currency issued would be in the neighbourhood of Rs. 875 crores and by June, 1944, we will have topped the Rs. 1,000 crores limit. Because of this inflation I wish to ask the Government to take certain steps in order to check this mad recourse to the printing press. I would invite the attention of the House to the fact how little the metallic backing has fallen. The gold backing of your currency at the time of the opening of the war was 21·5 per cent. Today it is less than 7 per cent. The silver backing of your currency at the time of the opening of the war was 36 per cent. Today I doubt if it is even 1½ per cent. We have the figure, Sir, of there being Rs. 14 crores in the Reserve Bank but neither I nor the Finance Department knows what proportion of it is in silver rupees and what proportion is in paper money because paper rupees have now come to be regarded as equivalent and interchangeable with silver rupees. I have made an estimate of half the amount being silver and the other half paper. On that basis, I say silver backing has fallen to 1 per cent. But imagine that when next year we meet here, the position may be that all the metallic backing of gold and silver would be less than 5 per cent. That is the alarming prospect before the House and before the Government. If it is not regarded as alarming by the Government, I do not know what would appeal to the Government, to what depths we must sink before they realise they are sinking now. You can understand a country like India, old, ancient, conservative and ignorant. This progressive deterioration of metallic backing must be regarded by Indians as tantamount to its complete downfall in a few days. An illustration of the mind of India is to be found in the premiums being paid for gold. At your present parity the price ought to be in the neighbourhood of Rs. 42 per tola. But the market is paying a premium of more than 60 per cent. on its intrinsic value. Why? Because it has no confidence in your currency. These are the pointers which if you are wise you will take now. But if you do not heed it now, the disaster will not be stopped by your not

heading it. It is bound to come and it will come. Inaction will not stop it. Timely action may stop it from becoming a dangerous thing. May I also give you some other illustrations to show that there is justification in our demand that you are multiplying currency too much? I give you the instance of the U.S.A. With its astronomical budget running to billions and billions of dollars, the latest figure shows that notes in circulation in the U.S.A. have risen from 4.6 billions to 11.4 billions, an increase of less than two and a half times. But the United Kingdom has gone one better than that because of the fact that it has got such shock-absorbers as India and the Colonies. The currency expansion of the Bank of England has been from 529 million pounds at the outbreak of the war to 914 million pounds, not even double. This is the currency expansion of the country in which democracy really functions. And what is your own work? Here, Sir, I am at a disadvantage, because we have got two kinds of currency, a paper currency and a token currency. I cannot give the full figure of the currency in circulation because so far as the rupee is concerned I have not calculated it. It will be possible to calculate it, but I had not the time. But the note circulation alone is sufficiently alarming. From Rs. 170 crores you are now having Rs. 614 crores of notes in circulation. In addition to this there must be not less than Rs. 50 crores of rupees which have gone into circulation. Your present position is that your currency has increased by 300 per cent. This is your work and those are the works of the two other belligerent countries which are making immense war efforts. Why is there this differentiation? The whole motive of this is to give advantages to H.M.G. If H.M.G. were to pay for its expenditure either in cash or in loans, we could be getting some interest payment from H.M.G. But if you place it to the credit of your issue department, H.M.G. is saved from payment of interest. That is one motive why the printing press is being used to finance the purchases and requirements of H.M.G. I shall show not now but at the time of the Finance Bill how little has been the contribution of H.M.G. towards real war expenditure incurred in India. Whatever payment they have made has been made mostly for the supplies and very little for war expenditure. May I also give you another illustration which will bring out the amount of currency which you have printed in broad relief. In the United Kingdom the amount of currency available is twelve times the weekly offering of Treasury Bills. Here it is 77 times the weekly offering. In the United Kingdom currency is one-fifth of the total budget. Here it is twice the total budget. All these illustrations will show you whether there is more currency or there is enough currency. You have done this in order to facilitate your own work of giving help to H.M.G. and avoiding the loan market and not getting full payment from H.M.G. There is very little time. All I want is that we must get as much as we can in a stable currency. We must have an assurance that sterling will not be depreciated in terms of rupees as was done in the last war. We must have an assurance that future purchases for H.M.G. will not be made by recourse to the printing press. H.M.G. must arrange to make payments to us either in the shape of gold certificates or in the shape of a loan floated in India, or some other method which they might like to adopt, including the surrender of the assets held in India. I very much regret that even now the Government is not prepared to find out and lay on the table of this House a statement of sterling indebtedness of the different parties and commercial concerns. If the Government have got so much accumulation of sterling, the least it could do was to have asked H.M.G. to issue vesting orders for these things. From a reply which has been laid today by the Honourable the Finance Secretary it appears that there are some 37 millions of loans outstanding still in England of the Central Government. That too must at the earliest possible moment be liquidated. In addition to all these, Sir, that exports are dangerous. We get no payment for them. Private exports of every kind of goods required in India must be stopped. No textile exports, no paper exports, no foodgrain exports and everything which is required in India should be retained in India. It is no advantage to us, Sir, to get a paper currency, which has no backing and about whose future you are not prepared to give us any guarantee. I therefore appeal to the Government to take such steps as will induce the people of India to have confidence in their currency. This confidence is lacking and no kind of technical apology will give confidence to the people and without the confidence of the people, Sir, this currency will not be stabilised.

THE HONOURABLE MR. R. H. PARKER (Bombay Chamber of Commerce) : Sir, I am sorry that I was unwell the other day and was not therefore here to hear the Honourable Mr. Dalal move his Resolution. I would like, however, to comment on one or two points raised by the Honourable Members opposite and on the Honourable Pandit Kunzru's amendment.

The first speaker this morning, Rai Bahadur Sri Narain Mahtha, emphasised his view that everything possible should be done to stabilise the value of sterling at, I think I am right in saying, its present value.

AN HONOURABLE MEMBER : Commodity value.

THE HONOURABLE MR. R. H. PARKER : Very well, its present commodity value. Well, I should like to say on this point that I think he is mistaken in holding that view. If you come to think about it carefully as I have had to in other connections you will be driven to the conclusion that sterling at present has not any real commodity value owing to restrictions and owing to the fact that you cannot buy normally anything at all. If you wish to fix it on present commodity value you should probably fix it in terms of tanks and guns and things, that can be bought, that are available, that are being made. Naturally after the war you will hardly be anxious to have these. So I do not think you are thinking on the right lines there at all. Then you could possibly do it in another way. You could, for instance, say, what is the present value of so much sterling converted into rupees and spent in India on commodities that are available. Here you have been paying 300 or 400 per cent. over the normal price for anything you got. Look at what our prices are. I think the only thing to do is to wait and examine the position after the war. Then you should use your money as slowly as you can rather than as fast as you can because the prices are likely to be higher rather than lower for say three, four or five years. In that way I think you would get a better value for these particular funds.

I believe the Honourable Mr. Kunzru emphasised the suggestion that you should acquire, by the use of these funds, the engineering industries in India which may be owned by European capital or partly owned by European capital. That is, I suppose, a possibility but I would draw attention to this, that it is those very industries which to a very large extent have created those assets in England, those sterling assets in dealing with which you are somewhat puzzled.

Mr. Hossain Imam suggested that Europeans were transferring their capital from India to England and in doing so he suggested, I understood, that the position was being aggravated; but surely that is the opposite of the fact. If I send money in rupees through the Reserve Bank to England and purchase sterling, I am relieving you of a part of your sterling assets in London and I am producing here rupees which you want. It is helping you, not the opposite.

THE HONOURABLE MR. HOSSAIN IMAM : Is it a fact or not ?

THE HONOURABLE MR. R. H. PARKER : It is a fact, so far as I am concerned—but I am an extremely poor man—I remit every penny I can to England. It is a very natural thing to do. It is the place I came from and where I hope I will go and at the moment it is a place that needs every penny that I can give and I shall continue to do so.

Then there is the question of the inflationary tendency that we are faced with and the trouble of currency expansion. This is not at all to a small extent due to these bonuses to staff that have been paid largely at the expense of the community. Do you think that the millowners in Ahmedabad or the millowners in Bombay would pay the bonuses they have paid if they had not been mainly charged against excess profits tax and therefore at the expense of the community and not of the shareholders? That is one point. The same applies to increases of the dearness allowances. Those are two things that aggravate the position, and I would ask Honourable Members to try and persuade those who are in control of these undertakings not to follow those lines in the future.

Mr. Hossain Imam was very alarmed about the lack of gold backing, or what he called metallic backing. Well, I think this is a fact. Metallic backing in itself is of very little importance. Confidence, I agree, is a lot and what you really need most is productive capacity. Everything depends now on productive capacity. Everything after the war will depend on productive capacity. Just suppose for a moment that you had gold, gold, gold, copper, copper, copper, silver, silver, silver,

piled to the ceiling, sufficient to cover the whole of the currency of India, and you had nothing else, then you would have nothing at all.

THE HONOURABLE MR. C. E. JONES (Finance Secretary) : Sir, the Resolution before the House raises the question of sterling balances and the expansion of the currency and recommends that Government should do something about it, and should do something about it very quickly. The assumption inherent in the Resolution, as I read it, is that these sterling balances and the expansion of the currency are each and equally a menace to the country, that it is within the power of the Government to put a quick end to this menace, and that they have failed to do so. Being myself one of those mundane individuals who is rather apt to regard a comfortable bank balance as a source of strength and security, I was rather interested to hear how the Honourable the Mover of the Resolution would establish his point. I had visions that possibly he was thinking a little in advance of his day and generation and wondering how the economy of India was going to pan out in the post-war world, when India is a creditor country, when India is dependent on exports for the welfare of her population and hopes to increase her industrial strength by means of exports, also when India is determined apparently to limit her imports as much as she possibly can, and still remain a stable unit in a stable world economy. This problem, we know, was before America after the last war—a very similar problem—and America tried her best to solve it by every means within her power with results that almost brought the economy of the world to disaster. We know how England—the United Kingdom—solved the problem of being a creditor country, namely, by importing very much more than she exported. We know that Canada is faced with a very similar problem in the future and we know how she is beginning to regard that problem. She is adopting methods which cannot even be mentioned without arousing a hostile and antagonistic suspicion ; so I won't say any more on that subject now. But this is a problem which has got to be faced and it is a problem that India's public men will have to think about, and think very hard ; and I thought possibly that something on these lines was at the back of the Honourable Mr. Dalal's mind when he framed his Resolution in such a way as to give the impression that he regards the accumulation of sterling balances as a menace to India. But in the light of his remarks and from the words that have fallen from subsequent speakers I find that that is not the point at all. Apparently, so far as I can see, we are back at the old argument that rise in prices is caused by expansion of currency, that expansion of currency is the result of accumulation of sterling balances, and that therefore the accumulation of sterling balances is to the detriment of the country. I admit, though, that some speakers showed that their concern was mainly that of securing full value for their sterling balances ; that is, that they definitely regard the sterling balances as valuable assets and that their only apprehension is that if these are allowed to accumulate too far, they may not in the end get full value for them. This whole matter has been covered at considerable length in my Budget speech, and at still greater length in the Budget speech of the Honourable the Finance Member, and I do not want to go over all that ground again. But I must again stress the position as we see it, that all these phenomena flow naturally and almost inevitably from the war effort which is being made by India. India is making a huge war effort against the Axis Powers. She is making that effort as one of the United Nations, and I gladly recognise that no Honourable Member today has ventured to express the logical conclusion of some of the remarks made, namely, that if India is to tackle the problem and get back almost to the *status quo*, the only way of doing it practically is to back out of the war. I think all Honourable Members will realise that the interests of India are inextricably, inevitably and indissolubly bound up with the success of the Allied Nations in the war ; and it is on that assumption that I shall frame my remarks today. I think that no Honourable Member of this House would envy, for instance, Indo-China or Thailand, who purchased their immunity from war effort at a price of which we are now getting increasing glimpses. We know also what the effects of Japanese invasion are in a country which tries to protect itself. I do not need to enlarge on that in this House. The country has had it from more informed lips than mine—from the lips of none other than Madame Chang Kai-shek herself. Therefore, I assume that Honourable Members agree that it is in India's interests to take whatever measures are necessary for the preservation of her own security,

[Mr. C. E. Jones.]

and also to assist in all ways within her power and to the limit of her capacity and resources the war effort of the United Nations. On that basis I proceed.

A country at war is inevitably faced with difficulties. A country at war, for instance, is inevitably faced with an expansion in its currency. It is literally inevitable. You have to raise large armed forces. You have to pay them. You have to feed them. You have to house them. You have to transport them. You have to collect materials and stores for their equipment and use. You have to transport and house that equipment. And all these disbursements inevitably mean an expansion of the currency. We find it in every country in the world today. And that expansion must necessarily follow the tempo of that country's war activity. Honourable Members mentioned the increasing rate at which this expansion is going on. I would remind Honourable Members of the increasing tempo of war activity in this country. Memories are perhaps inclined to be short when danger has passed. But I referred in the opening sentences of my Budget speech to the imminent danger of invasion, actual physical invasion, and of the increased exposure to air attack which India faced about a year ago. Honourable Members are aware of the intensive efforts that were made to put India's defences on a sound and sure basis, to protect her security and integrity. The work that was done, for instance, in constructing a vast number of airfields over the country so that aircraft could protect India's sea lanes and undertake reconnaissance duties to warn India of the approach of a hostile fleet, so that aircraft could be moved rapidly from one part of the country to another to be available at the point of danger,—that is but one illustration. My mind goes back to the earlier days of this war when the Government of India announced its expansion programme of 100,000 men and the ridicule with which that programme was met. Questions were asked: Why 100,000? Why not a million? And I heard people in the enthusiasm of the moment say, "If India had her own Government, she would produce an army of not one million but ten million men and send the Japanese about their business". Now we have our army of one million men. But does any member reasonably expect that forces of this size, that operations on this scale, that supply questions of this magnitude, can be dealt with without an expansion of the currency? Every country which has ever been at war has necessarily had to expand its currency. But the degree to which that expansion remains and continues naturally, I admit, depends upon the success of the efforts which every such Government is bound to make to counteract that expansion. To that point I shall refer presently.

In a similar way, the direct result of a country being at war is a rise in price level. And, again, the upward pressure on prices in a country at war is practically directly proportional to the intensity of that country's effort in its own defence. Vast quantities of materials are required for the army to feed it, to clothe it, to equip it and to keep it supplied; and these make demands on the stocks in the country or on the productive capacity of the country, whether of raw materials or of manufactured products, which necessarily and inevitably mean that the amount of consumer goods available for the civilian population of the country is reduced. The result, inevitably, is a rise in prices.

I do not take the line that these two phenomena—expansion of the currency and rise in prices—which owe their origin to a common source, are entirely disconnected. I agree that they act and react and interact on each other. But I do say that war inevitably brings about these economic changes, and the extent to which they can be controlled depends entirely on the conditions within the country and the response of the country to the efforts made by the Government in the interests of the country to limit those undesirable but inevitable tendencies as far as possible. The point is made by some people that the growth of the external assets has been entirely at the expense of the current consumption of the people and that the whole of these sterling assets represents sacrifices on the part of the people of India. That, as a general statement, I must characterise as an exaggeration because it neglects the considerable expansion which has taken place under Government auspices, in the interests of the war, in many directions. I agree that it is true in certain limited directions such as textiles and steel. But the fact remains that as a result of the war India has been able to expand her industrial production in many other directions, and the sterling balance is undoubtedly largely the result of this increased

industrial expansion, almost certainly more so than the result of a reduction in domestic consumption.

Now, various suggestions have been made as to how these sterling balances should be dealt with and what should be done with them. The Honourable the Finance Member, in his Budget speech, mentioned two schemes which are at present under the consideration of the Government of India. Honourable Members are aware of the uses to which these balances have been put in the past, based on the principle that it is anomalous to allow international indebtedness in one direction to increase while there are corresponding debts which can be set off against those increased assets. That is the basis of our repatriation scheme which, I think I am right in saying, has been welcomed and accepted as sound by the country as a whole and in particular by the knowledgeable financial and economic sections of the country. That being the case, I must confess that I find considerable difficulty in understanding why the proposal for the advance provision of remittance for sterling pensionary liabilities has been regarded with such suspicion and disapproval. I do not know to what extent that suspicion and disapproval is prevalent because I have only had the benefit of seeing and hearing a limited number of views on that question. But the scheme amounts to nothing more than an extension of the repatriation principle. It follows almost identically the procedure that was followed in dealing with railway annuities. You have ahead of you certain known liabilities in sterling. In the one case it is annuity payments, in the other it is pensionary payments; and for those payments exchange provision will have to be made year after year of the type which has always been referred in this country as a drain on the resources of the country. Knowing that provision of exchange will come up as a definite liability (although, in the case of sterling pensions and provident funds, the exact amount each year is not known, yet we do know the general order of these sterling payments which are ahead of us) the proposal was, not that we should fund these pensions or that we should increase the safeguards for those pensions or any such thing, but simply that we should make an investment now of the sterling which is available, which would provide by a series of payments by His Majesty's Government year by year so long as these pensions were likely to last all the sterling required for meeting them. That would mean that in consideration of the lump sum payment, when these liabilities arose the sterling would be provided and the liabilities could be met and discharged.

THE HONOURABLE MR. HOSSAIN IMAM : What is the basis of the interest rate for this, Sir?

THE HONOURABLE MR. C. E. JONES : The interest rate would be determined on an actuarial estimate of the average life of the investment, just as it was done in the case of the annuities. In the case of the annuities the average life was estimated at something like five to six years and the rate was fixed at $2\frac{1}{4}$ per cent. In the case of the pensionary and provident fund payments the average period over which those payments would be spread would, I imagine, be considerably greater, and one would reasonably expect that the rate of interest would be correspondingly increased. As I say, this question has not yet been formally put to His Majesty's Government and we have not yet got down to the fixing of all details. But the principle of it seems to me to be perfectly reasonable and sound—just marrying off one's sterling assets against known sterling liabilities, by which you would be relieved of all anxiety regarding variation in the rate of exchange or variation in the price value of currencies. By marrying off sterling assets against sterling liabilities all these extraneous questions such as exchange or price depreciation which give rise to so much apprehension in the minds of Honourable Members would cease to apply.

The second method which the Honourable the Finance Member mentioned as being under the consideration of Government for utilisation of the sterling balances was the constitution of a Reconstruction Fund. That suggestion is in its very early stages. I should have thought that business and commercial interests in this country and every public man in the country would have welcomed this as affording the means of securing by an ordered, orderly and regulated programme, that India receives just what she requires and gets her money's worth for her sterling. As the Honourable the Finance Member mentioned in the other place only a day or two ago, the post-war position as regards the supply of capita^l

[Mr. C. E. Jones.]

goods is going for several years to be one of most acute scarcity. I think there cannot be the slightest doubt about that, when you have regard to the devastation and destruction that has been brought about in countries like Russia, the United Kingdom, France to a certain extent and China. The wear and tear of existing machinery all the world over means moreover a wide need for replacing and renewing equipment. It seems to me inevitable that the replacement demand after the war of capital goods will be enormous, and if every country in the world were to clamour for an immediate satisfaction of its requirements, you would have, possibly on an intensified scale, the post-war history of the last war repeated—an intensive boom, intensive rise in prices, in due course followed by an inevitable depression. I have no doubt that the nations of the world will be determined to guard against that this time and, looking into the future when so much is uncertain,

1 P.M.

it seems almost certain that these matters will have to be decided on a basis of international priorities. If India is to be in a position to present her claims on the post-war world which her sterling balances will entitle her to she must be in a position to say what type of capital goods she will require and the relative urgency of these capital goods according to the needs of the country as they can at present be foreseen, so that the nations of the world can judge as between the requirements of the various countries and arrange for distribution of the capital production of the world on some systematic and ordered basis. That is the general idea behind this Reconstruction Fund the working out of the programme of supply with a view to secure the satisfaction of India's claims by the ordered utilisation of her sterling balances. This question has now been remitted to the Reconstruction Committee No. 4. It is the Reconstruction Committee on Trade, International Trade Policy and Agricultural Policy; and this Committee is representative of the Central Government, including the Imperial Council of Agricultural Research and the Board of Scientific and Industrial Research; on it are represented Provincial Governments, mainly in the persons of their Directors of Industries; Indian States are represented on it, Chambers of Commerce are represented on it by some of the leading commercial figures of India, and other prominent public and business men of India who do not come under any of these categories; and lastly both the Legislative Assembly and the Council of State are represented on this body, the former by four members and the latter by two members, so that this Committee is well equipped for the purpose which we have in view. Business and industry is well represented as also is the Legislature. This Committee has proceeded to the appointment of six Technical Sub-Committees who are going to give their technical examination to various specialised aspects of this question with a view to securing the material for formulating the quantitative estimates which India must have. The Government of India regard this as the best method of tackling this problem. And in the circumstances I regret very much, Sir, that the Government of India cannot see their way to accept the Honourable Pandit Kunzru's amendment to this Resolution. They regard it as unnecessary in view of the fact that this matter is largely in the hands of this expert and influential Committee, on which both Chambers of the Legislature are represented, and that no good can come from multiplying committees, especially in a matter which is so technical and specialised as the present one.

Now, I should like just to say one or two words about the various proposals that Honourable Members have made as to the way in which the Government should utilise these sterling assets, here and now, for the benefit of the country. The first method that has been mentioned is that England should make payment in the form of supply of durable assets or durable goods. It is difficult to treat that seriously, Sir, at a time like this. Honourable Members know perfectly well that the whole productive capacity of the United Kingdom is devoted, and solely devoted to the production of materials of war, all forms of warlike equipment, for themselves and for the Allied Nations. We also have to remember that the transporting of capital equipment requires a considerable amount of shipping space and that shipping freight is one of the scarcest and most vital of war commodities at the present time. One Honourable Member said that plant has been taken to Australia; then why can't plant be brought to India? I think we must agree that in a war of this magnitude and this intensity questions such as the location of war industries, the utilisation of shipping and so on, must be left to the Supreme Allied War Council

which must be guided necessarily by both long term considerations and short term considerations, as *e.g.*, whether the establishment of an industry in another country, the time that it will take to establish that industry, the shipping that will be required for its transport will be worth while having regard to the ultimate saving of shipping freight which would follow from the establishment of that industry. Questions like this must be left to the Supreme Allied War Council and I do not think I can take a question like that very much further. In present conditions it is practically impossible for England to reduce the sterling assets by the supply of durable goods. One has to remember that the only durable goods, as I have just said, which England is producing are war materials. We have to remember that under the financial settlement as it stands England supplies whatever war materials India requires from outside free of all charge. In fact one of the reasons why the sterling balances are growing and are mounting at the rate at which they do is that every single item that India produces for the benefit of the war effort outside India is paid for in cash or sterling credit and that every single item of war equipment, which is the only export that the United Kingdom is in a position to make, which is sent to India for the defence of India is supplied free. In these circumstances, Sir, I think it would simply indicate a complete lack of co-operation if we were to press His Majesty's Government to reduce the sterling assets by supplying durable goods other than war equipment which she is already supplying free.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA : Mr. President, I think the Honourable Member is doing grave injustice to some of the proposals that have been made. One proposal that has been made is that there should be repayment at a fixed parity after the war. We all know that during the war England cannot send out goods. What we want is that after the war our sterling balances should be made available to us by allowing us to transfer them elsewhere if we want to and compensating us for any depreciation of sterling in terms of commodities or gold.

THE HONOURABLE MR. C. E. JONES : I am surprised at the Honourable Member's statement, but none the less relieved, because I see no reasons to suppose that India will not secure the durable assets she requires after the war. In fact that is the very essence of the Reconstruction Fund which we have proposed—that after the war India should get the capital goods that she requires. But this suggestion of the supply of durable asset has been put forward as a solution of the dual problem of present inflation and reduction of sterling assets, and I was under the impression when Honourable Members referred to that suggestion they had in mind the immediate supply of durable goods.

THE HONOURABLE MR. M. N. DALAL : That is the intention I had in mind when I moved the Resolution. I do not agree with my Honourable friend Sri Narain Mahtha.

THE HONOURABLE MR. C. E. JONES : In the light of what the Honourable Mr. Dalal has said I cannot add anything further to what I have already said, that in present circumstances it just is not possible for India to be supplied with capital goods save with the approval of the Supreme War Cabinet of the United Nations.

Similarly my answer to the suggestion that India should be allowed to be paid in gold and dollars is that gold and dollars are simply not available for the purpose. They have been mobilised by His Majesty's Government for purposes of the war effort and they are not available for reducing the sterling balances.

I would like to correct, I was going to say the mis-statement but I would rather call it the half-truth, of the Honourable Mr. Hossain Imam when he referred to the reduced metallic backing of the currency, which he had said had fallen from 21 per cent. to 7 per cent. That is technically correct as figures go, but the Honourable Mr. Hossain Imam is perfectly aware, as everybody else is aware, that along with other prices the price of gold has trebled, and that if we were to re-value gold at the present internal price of gold in India we would just jump back to the old 21 per cent., and therefore the percentage can hardly be said to have varied at all.

THE HONOURABLE MR. HOSSAIN IMAM : On the world parity basis or on Indian basis ?

THE HONOURABLE MR. C. E. JONES : I do not know what the Honourable Member means by world parity.

THE HONOURABLE MR. HOSSAIN IMAM : 168 shillings to an ounce.

THE HONOURABLE MR. C. E. JONES : That is merely the sterling price which is not the same thing as the world parity.

If His Majesty's Government were to ask the United States of America for dollars to supply to India in lieu of sterling it would simply mean that His Majesty's Government would transfer their indebtedness from India to the United States of America. Knowing the attitude of the United States of America on the question of the growth and accumulation of war debts I leave the Honourable Member himself to judge what the reply of the United States of America would be.

THE HONOURABLE MR. HOSSAIN IMAM : What about our own dollar balances ; our paid balances ?

THE HONOURABLE MR. C. E. JONES : The Honourable Member is also aware that dollar earnings of the Empire as a whole go into the dollar Empire pool and that the whole of those have been already fully mortgaged for pre-Lease-Lend commitments.

Then certain members have made the suggestion that instead of expanding our currency for meeting expenditure on behalf of His Majesty's Government in India, we should ask the United Kingdom to raise Rupee loans in India. That is as I understand the suggestion. In the first place it is extremely difficult to say in respect of expenditure at any given time exactly what and how much is being incurred on behalf of His Majesty's Government and how much of it is on behalf of India. So much of the Defence expenditure incurred in India is common to both, and it is later shared according to an estimate of each country's interest in the various joint war measures. If His Majesty's Government did not pay a share of such joint measures we would still have to execute many of them for purposes of our own defence, so that the rupee Expenditure would in any case have to be incurred in the first instance irrespective of the subsequent refund of a part of it. On other occasions the incidence of a charge changes from time to time. We raise, say, a division in India for the defence of India. So long as it is kept in India, it is our charge and has to be paid for. If that division then goes outside India, it becomes a charge on His Majesty's Government and we immediately get a refund of the whole cost of raising, training and equipping from Indian resources of that division. That means a sterling credit, for you cannot expect us to hold that division back and delay its embarkation until such time as His Majesty's Government have raised the rupees necessary for making the refund in rupee currency. If the division should then come back to India and when India finds it necessary to recall troops from overseas, it once again becomes a charge on India. A suggestion like this raises all sorts of difficulties, but the main objection to it is that there is no reason at all to suppose that if the United Kingdom were to float loans in India those loans would bring in any more money than the existing loans of the Government of India, who are already exploiting the lending capacity of the country in the fullest possible measure. To contemplate anything like competition between the two Governments in the Indian market, as by His Majesty's Government offering more favourable terms in the matter of interest and so on, is simply unthinkable. In fact, if we were to start on any such game it would seriously disturb and upset the whole structure of our interest rates. We are firmly of the opinion that even to get money for ourselves we cannot adopt—and we have no intention of adopting—the suggestion which has been put forward by various economists in their writings that we should, as they put it, "break the resistance of the market" by giving more favourable terms. We have embarked on our cheap money policy. We are financing this war on 3 per cent. basis and we shall go on financing it on 3 per cent. basis. If we were to start letting up on the rate of interest the repercussions would be immense. Market prices of existing securities would fall to the serious inconvenience of institutional investors such as insurance companies; and even so there would be no guarantee that the desired result of attracting more money would be secured, because each successive increase in the rate of interest would lower the market price of existing Government loans and the market would naturally anticipate that that process would go on with each new issue. Consequently investors would be less and less likely to be attracted by higher rates of interest. In these circumstances it would certainly not be to the advantage of the country if the

United Kingdom were to enter the market here to attract money for their own purposes at more favourable rates than ours ; while if they were to float their loans on the same terms as the Government of India are floating theirs I fail to see, Sir, any reason for an expectation that more money would be forthcoming.

During the course of my remarks on the sterling balances I had necessarily had to refer to the expansion of the currency because it is so intimately bound up with the matter of sterling balances. As I have already said, one is the result, just as much as the other is the result, of Government's war disbursements in India. It makes no difference at all, from the point of view of our internal position, how much of those disbursements is recovered from His Majesty's Government, or from other Allied Nations. In so far as India can co-operate with the Allied Nations by placing her productive resources at their disposal and assisting them with the supply of goods, she is doing so, and I gladly recognise that there has been no suggestion in today's debate that she should cease doing so, or that she should arbitrarily reduce her war effort in order to cope with this question of currency expansion. Government are fully conscious of the very difficult situation which is resulting from this progressive expansion. As I have said, it is inevitable in wartime that there will be expansion, but the extent of the expansion depends on the response of the country to the measures which the Government take to deal with that expansion.

I can just mention now some of the steps that Government are taking to deal with this question. There is, of course, in the first place, increased wartime taxation. I need say very little about that except that this is being pursued by Government in the interests of sound finance as well as in the interest of reducing the purchasing capacity of the people.

THE HONOURABLE THE PRESIDENT : The Honourable Member will have an opportunity of speaking on the Finance Bill.

THE HONOURABLE MR. C. E. JONES : Yes, Sir.

Then, Sir, there are the facilities which Government have given for investment of savings in Government loans of all kinds. Our programme which has been devised in consultation with the Reserve Bank, is to encourage investment by every conceivable means short of destroying the basic structure of our money rates. I suggest to Honourable Members that those writers and speakers who have been writing and saying so much on this subject of currency expansion and what Government should do about it would be employing their time to very much better advantage in the interests of the country at large if they were to devote some portion of their energies to stimulating the investment habit among the people. Government have a number of difficulties to face. We have the subterranean and subversive propaganda which is being carried on, if not by the Congress, then in the name of the Congress, among people to sell out their investments, to refrain from investing in Government loans, to put their money into goods and so on. I have seen a good deal of such propaganda. I doubt very much whether it cuts much ice with the people at large. I hesitate to think so : I am rather inclined to believe that generally it is being treated with the contempt it deserves. But in a matter like this—we are largely in the field of psychology, and there is no doubt that all the talk that has been going on recently about inflation in a rising crescendo is helping to unsettle people's minds, and cannot but detract from their willingness to invest their money with Government.

THE HONOURABLE THE PRESIDENT : Please conclude your remarks. I have already allowed you 50 minutes for your reply.

THE HONOURABLE MR. C. E. JONES : How much longer can I have, Sir ?

THE HONOURABLE THE PRESIDENT : I have allowed 50 minutes already and cannot allow any more time.

THE HONOURABLE MR. HOSSAIN IMAM : It is a very important announcement that Government is making.

THE HONOURABLE THE PRESIDENT : He is answering your allegations, which do not require much comment.

THE HONOURABLE MR. C. E. JONES : I will very briefly explain the line on which action is being taken by the Government.

One very relevant step which Government have taken is to review the whole of the supply position on the Defence side in order to ensure that no more of the

[Mr. C. E. Jones.]

country's production is devoted to the war effort than is really necessary, that everything that is supplied is properly and accurately brought to account, that the goods that are ordered and supplied are actually devoted to the purposes for which they are needed, and that when new indents are put forward the stocks on hand should be carefully verified and taken into account. That should assist in reducing Defence demands on the economy of the country to the barest minimum. Then, there has been restriction on public works of various kinds, not only by the Centre, but by the provinces; apart from those works which are vital to the war effort, all public works have been reduced to the inescapable minimum. And lastly, there are the steps which Government have taken for the expansion of food production, to which we propose to set no financial limit if money can be usefully expended; while much has been done to secure expansion of industrial production. Government have also attempted to control prices directly in various directions. They have given considerable indirect subsidies by opening Government cheap grain shop. These are some of the administrative methods, apart from monetary methods, which Government are adopting to keep prices under control.

Lastly, I would like to add that the Government are fully aware of the difficulties which these conditions, resulting from the war effort of the country, create. They do not wish to minimise them in any way. We are faced in present conditions with many difficulties, and we realise that we have got to do the best we can in respect of them. Government intend to watch the situation, and to lose no opportunity of doing anything that they reasonably can to meet it.

Such being the case, if the Honourable Mover of the Resolution will agree to a slight modification of its terms so as to eliminate the insinuation that this is a problem which is amenable to immediate and effective action which the Government could have taken but have failed to take, and which will eliminate the rather alarmist complexion which his wording has given to it,—I should have liked to have spoken had time permitted, more on the important psychological aspect of the question,—Government will be prepared to accept it. The amendment that I would propose is as follows:—

“ This Council recommends to Government—”

THE HONOURABLE THE PRESIDENT: In the original Resolution, or in the amendment of the Honourable Pandit Kunzru?

THE HONOURABLE MR. C. E. JONES: The amendment of the Honourable Pandit Kunzru, I must oppose. As for the original Resolution, if the Honourable Mover will agree, I would suggest a slight recasting of the words, so that the Resolution will read:—

“ This Council recommends to the Governor General in Council that such measures as are possible should be taken in regard to the situation created by (i) the accumulations of sterling resources in the United Kingdom; and (ii) the expansion in the volume of currency.”

The Government will accept this Resolution in this form.

THE HONOURABLE MR. M. N. DALAL (Bombay: Non-Muhammadan): Sir, I accept the Resolution, as amended by the Honourable the Finance Secretary, and I would like to say a few words.

THE HONOURABLE THE PRESIDENT: Please be brief.

THE HONOURABLE MR. M. N. DALAL: I am thankful to the Honourable the Finance Secretary for suggesting the amended Resolution. What I have suggested in my Resolution is that prompt and speedy measures be taken. I am not suggesting that Government have not taken measures. I am aware that certain proposals have been put forward by the Honourable the Finance Member in his Budget speech. But we are not satisfied with that. I should like Government to take further action in the matter in the light of the action taken by other Dominions of the British Empire. The Honourable the Finance Member has recommended in his Budget speech the immediate liquidation of our liabilities and the balance of the sterling assets, which is a huge accumulation, is to remain as a reserve against our currency notes flotation without adequate safeguards for maintaining convertibility and value in the post-war period. So long as sterling was a free currency, it did not matter. But, today, sterling is an artificially controlled currency. It is not convertible into gold or dollar. The gold parity of sterling has declined by 12 per cent.

since June, 1939 and it is not possible to calculate the actual depreciation of the sterling assets in view of the absence of an exchange control, and that is why Canada today is insisting on its favourable balance of trade, 40 per cent. in gold and 40 per cent. in British-owned Canadian Securities.

THE HONOURABLE MR. C. E. JONES : I am afraid the Honourable Member is labouring under a misapprehension. I should have liked to deal with that had I time at my disposal. I regret that I did not notice the passage of time and I did not know that I was subject to a time-limit.

THE HONOURABLE THE PRESIDENT : The Government member is also subject to a time-limit.

THE HONOURABLE MR. M. N. DALAL : I shall only deal with one more point and that is about durable goods. So far as durable goods are concerned, Australia in this war has been able to get plant and machinery. Australia has started aircraft factories and shipbuilding factories in this wartime. So far as the shipment of plant is concerned, I may remind my Honourable friend that even during the last war a huge blast furnace from Batelle in Alabama, U.S.A., was shipped and re-erected at Jamshedpur. What has been possible in the last war can certainly be possible in this war. If a certain amount of plant and machinery can be sent to this country it would help our own war efforts and it can be reconverted into peacetime requirements.

That is all I have got to say. In view of the fact that the Honourable the Finance Member has suggested an amendment and there is a feeling that Government are willing to take certain further action in the light of what has been done by other Dominions, and in continuation of the proposals in the Honourable the Finance Member's Budget speech, I accept the amendment.

THE HONOURABLE THE PRESIDENT : Amended Resolution moved :—

"This Council recommends to the Governor General in Council that such measures as are possible should be taken in regard to the situation created by (i) the accumulations of sterling resources in the United Kingdom; and (ii) the expansion in the volume of currency."

Question put and Motion adopted.

THE HONOURABLE THE PRESIDENT : In view of the acceptance of this original Resolution, the amendment (of the Honourable Pandit Kunzru) falls to the ground.

The Council then adjourned for Lunch till Three of the Clock.

The Council re-assembled after Lunch at Three of the Clock, the Honourable the Chairman (the Honourable Mr. M. N. Dalal) in the Chair.

(The Honourable Sirdar Nihal Singh was not present to move the Motion standing against his name.)

INDIAN INCOME-TAX (AMENDMENT) BILL.

THE HONOURABLE MR. R. H. PARKER (Bombay Chamber of Commerce) : Sir, I move for leave to introduce :—

"A Bill further to amend the Indian Income-tax Act, 1922."

The Motion was adopted.

THE HONOURABLE MR. R. H. PARKER : Sir, I introduce the Bill.

(The Honourable Mr. P. N. Sapru was not present to move the Motion standing against his name.)

RESOLUTION RE RATIONING OF PAPER.

***THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) :** Sir, I rise to move the Resolution which runs as follows :—

"This Council recommends to the Governor General in Council that paper be rationed to all consumers including the Central and Provincial Governments and that a small Committee of Government officials and representatives of parties in the Central Legislature be formed to devise methods of economy especially by controlling (a) advertisements, size and copies of newspapers, (b) exports, (c) Central and Provincial Government publications, (d) rules of procedure, (e) the kind and quantity of paper manufactured by paper mills and (f) Defence Department's consumption."

[Mr. Hossain Imam.]

Sir, I have made a slight change. I suggest "quantity" in the place of "quality" in the last line.

THE HONOURABLE THE CHAIRMAN (MR. M. N. DALAL): I allow it.

THE HONOURABLE MR. HOSSAIN IMAM: The Resolution has been brought with the object of easing the situation and finding ways and means of facing the difficult situation through which we are passing due to the stoppage of imports of paper and the increase in the consumption in the home countries. I think, Sir, the country as well as the Government is alive to the difficulties of the situation as well as the causes which have brought it about. For this reason it is not necessary for me to go deeply into the trade figures and statistics to bring out how great has been the shortage of paper available to the country for consumption. As will be apparent from a perusal of the Resolution itself, I want action, immediate action, and a sort of comprehensive action, to meet the situation. That is the object and the Committee which I have suggested is only a means to that end. What I want is the attainment of the objective, that the paper situation should be eased, the availability of paper should be increased and the present high prices prevailing in the black market for essential needs should be eased. There is a great deal of difference between paper and other commodities like foodstuffs or even textiles. The difference is that paper is not a thing of every-day consumption of the teeming crores of India. In the first place, the number of consumers is smaller in comparison to textiles, the next comparable item. Secondly, the difference is also in the fact that its distribution is much easier to control than that of textiles. So far as food is concerned, there is a very great difference in the distribution. So I think the Honourable Member in charge of this Resolution will find that he has an easier job than which faces the Food Controllers and Textile Controllers. Now, Sir, there is another great advantage which is denied to textiles and foodstuffs, that is, consumption can be controlled. Government have taken steps by increasing the price of newspapers and fixing the size of newsprint; by these means consumption can be substantially reduced which is not possible in the case of textiles. But one great difficulty which I encounter is this, we have been condemning the public of India for indulging in the habit of hoarding. But in the case of paper, the main culprit is the Government of India, especially in the Labour Department, where it deals with stationery and printing. That is the reason why I say it should be rationed even to the Government of India. As I develop my arguments, I shall show that military requirements are merely a sort of convenient excuse. Defence requirements have not increased in the proportion in which Government wants us to believe. The real hoarding has started in the Government offices and they are the people who have brought about all the trouble we are passing through. I want the Government to be really earnest about this matter. The matter should be examined thoroughly and every avenue which is open to the country for the objectives to be attained, increase in production and decrease in hoarding and rationed and controlled consumption, should be explored. If this objective which I have in mind is attained, it will be immaterial for me to press the Resolution or to ask for any Committee at all. My first recommendation is that advertisement, size and copies of newspapers should be controlled. I would draw the attention of the Government to the fact that there are unnecessary advertisements being published in the newspapers to the loss of the newspaper-reading public. You have reduced the size. You have fixed the minimum price. But you have provided no check on how much space should be taken by advertisements. There are papers, Sir, which consist of 50 per cent. advertisement matter and 50 per cent. news matter. That sort of thing must be checked, especially in view of the fact that many of the advertisements tell us not to buy a thing but to excuse the advertiser because they cannot get the thing. I have seen any number of advertisements, Sir, in which it is stated that "we regret that this thing is not available and therefore we ask our customers not to be impatient".

Now I come, Sir, to the National War Front advertisements. They are useful but they need not take so much space as they do now. It is simply a matter of putting the money into the pockets of the newspaper-wallahs. I have no objection if they make money but I do object when it costs the taxpayer as the National War

Front advertisements are paid for by the national exchequer. They should not give us advertisements for private gain at the cost of the Indian taxpayer. It is necessary, Sir, that immediate steps should be taken. The paper control means that every necessity should be controlled and even the National War Front space must be controlled. I personally suggest that 20 per cent. would be about the limit which newspapers should be allowed to fill in with advertisements.

The second item, Sir, which I advocate is the control of exports. Here, Sir, I feel on very strong ground. No country in the world, Sir, is allowing a starvation or necessities of life being denied to the country for the benefit and advantage of others. As far as war efforts are concerned it may be a different thing. We do realise that war production must be apportioned not according to the producing capacity but according to the necessity. The place where it is more necessary more supply should reach but for ordinary commodities I do hold, Sir, that the export of Indian paper must stop. We used to have so much imported paper; we are denied that. The least that the Government of India can do is to prohibit export on private account and even for war requirements it should be subjected to the greatest possible economy.

The third thing, Sir, which I recommend is a control or a reduction in the Central and Provincial publications. There are, Sir, any number of ways in which you can effect economy. I would just cite two instances. We receive the Government Budget along with a copy of the proceedings of the Standing Finance Committee and Demands for Grants. Now one is a copy of the other with the exception of the notes that the Committee accepted this Demand. We have not been presented yet with the Proceedings of the Standing Finance Committee to see how they have dealt with any section of the Budget but I just instance this as the way in which economy could be practised. There is no necessity in wartime of publishing of a *post mortem* publication because we do not get the Report of the Finance Committee except with the Budget.

Then there are any number of publications of the Commerce Department I think of enemy firms, lists running into hundreds of pages which are published and sent to all of us. They are of absolutely no utility to us; they can very easily be curtailed. There are any number of publications of the Government of India, Sir, which are unnecessary and I think the Legislative Department at least has taken a step in the right direction by asking all of us to tell who wants the reports of the proceedings and who do not want.

Similarly, Sir, in the Gazette too not only in the Central but in the Provincial Governments as well you could have a great deal of economy by so modifying the existing arrangements that you could effect considerable economy. This can be done by means of bifurcation or some other means.

Sir, in the past it was essential that certain publications should be sent to all persons. I think it would be better if such publications are only sent to the people whom they concern and who demand them. People should be asked to state whether they want a particular publication or not. I want that there should be a real effort by Government to use less and less paper.

I welcome, Sir, today's agenda. This is a very pertinent acceptance of my Resolution at least by the Legislative Department. We used to receive, Sir, agenda four times this size. The question paper too was in small print. These are welcome measures which the Government has taken and I, Sir, am not actuated by any desire to run down the Government when I say that still much remains to be done and it is never too late to mend.

Then, Sir, I refer to the rules and procedure. This is an item which I do not know how far it concerns the Central Government but in the Provincial Government it does concern us very much. Especially in the judicial proceedings there are any number of ways by which you can curtail the use of paper if a drive were made for paper economy. What I want, Sir, is that Provincial Governments should be instructed to examine this question from all its angles and in the public interest. In the interest of the war economy and in the interest of India they should try to consume as little paper as they possibly can even by means of changing the rules and procedure. I do not wish, Sir, to take up too much of the time of the House by going into details. I will just give one instance. Copies of the papers have to be sent to the *pro forma* defendants. *Pro forma* defendants do not turn up. If there were a rule

[Mr. Hossain Imam.]

that copies will only be supplied if they make their appearance in the Court hundreds of tons of paper will be saved by merely one change of procedure. Similarly, there are other changes which can be made if Government does really go into the question deeply.

Now, Sir, I come to the last item. I know that the Paper Controller we have appointed is a person with wide experience and a man who may be eminently suitable for the purpose but I realise one thing, Sir, that the paper mills are not working to their capacity as far as paper is concerned and they have got their own grievances too. They do not get sufficient priority for their raw material. A paper mill likes, Sir, to have at least six months stock in its godown. There are certain places, Sir, where there are bottlenecks in the production machinery. One essential ingredient may not be available in sufficient quantity in India and thereby cause the stoppage of the mill. All these things should be examined, and examined thoroughly, in order to find out what are the reasons for a capacity production not being available. There are many mills who have got old contracts to supply thick papers, and one of the customers who has ordered thick paper is a Government Department—the National War Front—and there are orders from other Government Departments also. Now, for the same quantity of raw material you could manage to have a thousand reams, in place of which you are getting only 300 reams, because the paper which is being manufactured is heavy paper—duplex paper, as they call it. There are any number of ways and means which you can adopt to increase the paper production of the mills. I know of certain instances where the production has stopped because of the fact that certain ingredients are not available in sufficient quantities. One or two mills manufacture all the requirements—bleaching powder and other articles. Now, there are instances where, due to the lack of bleaching powder, consumers are compelled to use unbleached paper. Look at the paper supplied to us, for instance. We are supplied with coloured paper. Even this is better than nothing, of course. I suggest that the question should be examined as to whether the mills are producing the maximum which they can produce. For instance, the textile mills are working three shifts. Are the paper mills doing the same? I would go further and suggest to the Finance Department that they should allow a higher rate of depreciation for machinery if the mills run for a longer period. This is a very important point. Mill machinery depreciates greatly by constant use, and it is only rational that industries which are running three shifts must get three times the depreciation allowance which mills which run only one shift get. My object is that Government should intensify paper production as much as possible and as far as practicable by giving inducements to the paper mills to produce more and by giving every help. I go further and suggest that it would not be a waste of money if the Government were to give some monetary assistance to the paper mills in order to establish certain processes which are now causing bottle-necks. For instance, if a mill is not able to produce bleaching powder and if it wants to set up machinery for that purpose, it should get not only priority for the machinery required but also some help from Government. Government will be really helping themselves by helping the mills, for the more paper you produce, the less will be the manufacturing cost, and the less will be the price which you have to pay for it.

I now come to the last item—the Defence Department consumption. I stated in the beginning that it was a myth—that Government had brought this forward as an excuse for their own hoarding propensities. I am strengthened in my remarks by a perusal of the Demand for Grant under Stationery and Printing—item No. 70 in the Demands for Grants. This shows that whereas on page 12 of the Memorandum I find that under Stationery and Printing the actual expenditure of the Government of India in the last year was Rs. 68,78,000, for the current year they have budgeted for an expenditure of Rs. 1,13,00,000. But we are now told that this item will cost Government Rs. 5,09,00,000. From Rs. 1,35 lakhs you come to Rs. 5,09 lakhs, and for future years we are told that our requirements will be Rs. 4,47 lakhs. Now, an examination of the Demand for Grant under this head shows that the recoveries from Departments like Defence, Posts and Telegraphs, Railways, and so on, amounted to Rs. 1,35 lakhs in 1941-42, and in the Budget year we are going to get back Rs. 2,50 lakhs from the Defence and other Departments. But the amount which you are going to spend on purchase of paper and other materials is like this. For the

account year 1941-42 we spend Rs. 1,48 lakhs. We budgeted for an expenditure of Rs. 1,97 lakhs, but the revised budget figure under purchase of paper and other stores comes to Rs. 6,80 lakhs.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : The price of paper has gone up three to four times now.

THE HONOURABLE MR. HOSSAIN IMAM : We are speaking of 1941-42. The price has gone up in the black market. In the white market, where Government make their purchases, the price has not gone up even by 25 per cent. From six annas and some odd pies it has risen to seven annas and some odd pies.

This year we are budgeting for an expenditure of Rs. 6,26 lakhs. Whereas our purchases have increased four times, the recoveries from the Defence and other Government Departments have not gone up by more than double the figure of last year. That shows that there is a good deal of hoarding by Government. If the orders were placed either for our own consumption or for His Majesty's Government's consumption, they would go into the Defence Department budget and would be shown in recoveries. I have given you the total recoveries which the Government of India has to make from all these Departments. That means clearly that it is only hoarding. No other explanation is possible for this undue increase.

I for one do not advocate any sort of infringement of public right by a bureaucratic Government, but I am forced to the conclusion that at the present moment rationing is the one and only logical method by which we can deal with the situation. Teaching institutions are suffering greatly from want of paper for books and there is a hue and cry in the country from the publishers because they are not getting enough paper to print even text-books. I would like to suggest that the Provincial Governments should get a quota of paper which they can make available to those institutions whom they think it necessary to provide with paper. I do not disapprove of the action of the Government in controlling a large proportion of the production, because by means of this action they would be able to make available at a real and honest price quotas of paper to those who are in real need of the commodity. I have no objection to Government increasing the free market which they have left of 10 per cent. But the Government quota should not be regarded as meant primarily, solely and wholly for the Government ; it should be made available for those who want it for public purposes. I would not make it available for private use ; but for public purposes the paper which is included in the Government quota should always be available.

I have mentioned clearly what my intention is in moving this Resolution, and I hope that Government will be able to make out a case that they are doing their best, and doing whatever is possible.

Sir, I move.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadan) : Mr. Chairman, I accord my general support to the Resolution moved by the Honourable Mr. Hossain Imam, though I am not in a position to agree with all the observations that he made in moving it. There is no doubt that a good many interests in India are suffering owing to the shortage of paper. Business firms, schools, colleges and universities, the printing trade and all such institutions at present find themselves greatly handicapped owing to want of paper. The difficulties which educational institutions are being put to are serious. In some places, examinations have had to be done away with for want of paper, and examiners have had to content themselves with oral examinations. If the number of written examinations in the country could be reduced, I am sure it would be welcomed both by educationists and students. But what is happening at the present time is not the result of a well-considered plan but is the result of an emergency, created by the shortage of paper. I should like to know what steps Government have taken since the grievances of the public in this connection were brought to their notice to remedy them at least in part. We all know that there has been a demand on the part of the public that the Government should reduce their consumption of paper and allow the public to have a larger percentage of it than is yet available. I am not aware of any public announcement in this connection. But if Government want to make us feel that the available paper has been fairly apportioned between themselves and the other interests it is necessary for them to give us full information on this point. Then, Sir, I should like to ask Government what

[Pandit Hirday Nath Kunzru.]

efforts have been made by them to increase the production of paper in this country? In this connection I should also like to ask whether the capacity of the country for producing paper can be increased. If the paper mills at the present time are producing all that they can be expected to do, that is, the maximum amount of paper that they are capable of turning out, can another mill be set up with the machinery that we possess? If that is not possible, can the production of hand-made paper be encouraged? Just as the quantity of cloth available for the people can be increased by making use of the hand-loom weavers, so it may be possible to increase the quantity of paper available by encouraging the production of hand-made paper. I want to know whether Government have paid any attention to this question? The All-India Village Industries Association, under the guidance of Mahatma Gandhi, has done valuable work in this connection. Perhaps that Association has been banned by Government along with the All-India Spinners' Association. If so, it is the duty of Government now to undertake the work that the All-India Village Industries Association was doing in this connection. I do not know what was the amount of hand-made paper that was brought on to the market through the efforts of the All-India Village Industries Association. But I believe that a fair quantity of it was available. To my own knowledge, hand-made paper was being produced in more than one part of the country,—in the United Provinces, in the Bombay Presidency, in the Central Provinces, in some Indian States and so on,—and the paper was of a fairly good quality. Government have a larger organisation than the All-India Village Industries Association had and their resources are also much larger than those of that Association. If they devote adequate attention to the matter, the shortage of paper may be relieved to some extent.

Lastly, Sir, I should like to deal briefly with the remarks that fell from my Honourable friend Mr. Hossain Imam regarding the action that Government should take in his opinion in connection with the distribution of advertisements and reading matter in newspapers. My Honourable friend wants that advertisements should be limited to 20 or 25 per cent. of the space available. I do not know whether he is conversant with the recent Newsprint Control Order issued by Government. In accordance with the instructions that have been issued advertisement charges will have to be raised by 50 per cent. That will reduce the number of contract advertisements or the space occupied by them. It is obvious, therefore, that Government are not unmindful of the question which my Honourable friend has dealt with, but I think that they will be going entirely beyond their province if they arbitrarily fix the space that should be devoted to the publication of advertisements and reading matter. This is a matter that can well be decided by the managers and the readers of newspapers. There seems to me to be no reason why Government should step in and pass a wholly arbitrary order of the character desired by Mr. Hossain Imam. The expenditure which newspapers have to incur at the present time has risen considerably owing to the rise in the price of newsprint and the number of advertisements may go down on account of the increase in advertisement charges prescribed by Government. It is necessary, therefore, that Government should proceed very carefully in this matter. I personally do not think that my Honourable friend Mr. Hossain Imam has made out any case for the intervention of Government. I should further point out that there is no newspaper which can make both ends meet by depending only on its income from subscriptions. Every newspaper depends for its existence on its income from advertisements. An arbitrary restriction of the kind proposed by the Honourable Mover may therefore hit newspapers severely and may make it impossible for some of them to continue to serve the public.

Sir, I should like to ask Government whether the representations made by the various newspaper societies have had any effect on them? The Eastern Newspaper Society and two or three other newspaper societies sent deputations to the Honourable the Commerce Member towards the end of last month. They have for a long time been asking that about 30 per cent. of the newsprinting available should be released for their needs. It was understood that after the deputations to which I have referred had met the Honourable the Commerce Member that Government would be prepared to make more newsprint available than is the case at present. I do not know whether my information is correct. But if it is I

should like the Government to inform us with regard to the steps that they propose to take in order to place more newsprint at the disposal of the newspapers. My Honourable friend Mr. Hossain Imam while dealing with this subject inquired whether the paper included in the Government quota would be available for non-governmental but public purposes. I have been told that newspapers which are allowed by Government to purchase newsprint will be able to do so out of the quota reserved for Government. This information was given to me by a person connected with a newspaper. But I do not know whether it is correct. I hope that it is true, because if once the quantity of paper to be consumed by the newspapers is limited I think the Government should allow them to purchase paper from the quota reserved for them. Sir, these are all the remarks that I desired to make. But, before sitting down, I must urge Government to follow a more liberal policy and to make both more newsprint and more paper of kinds available for the needs of the public. Their own needs have certainly increased, but perhaps they have looked at the question of consumption of paper so far almost entirely from their own point of view. The public interest has been neglected much more than seems to me to be justifiable.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA (Bihar: Non-Muhammadan): Sir, I wish to give my support to the Resolution moved by my Honourable friend Mr. Hossain Imam with perhaps only one reservation which has just been voiced by the Honourable Dr. Kunzru. I do not know why at a time when such a large number of newspapers in India have been forced to cease publication and many more have voluntarily stopped publishing their newspapers, the question of newspapers should have drawn such serious attention of my Honourable friend. If he must cut down newsprint then there are certain newspapers like *Independent India* which should have attracted his attention and which if the Government suppressed everybody would be glad. Nobody reads that newspaper. It does neither credit to the paper nor to the publishers nor any good to anybody else.

THE HONOURABLE MR. HOSSAIN IMAM: Isn't it a Congress paper?

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA: It voices the opinion of nobody in this country. Mr. M. N. Roy has no following behind him.

I was just going to make one remark about advertisements which provide the chief financial sinews to newspapers. A short while ago I read that about 10 years ago a young Oxford lad asked Mr. Churchill, "What is the secret of success?" Mr. Churchill patted him and said, "Well, young lad, 50 years ago it was audacity, audacity and audacity; today it is publicity, publicity and publicity". If that is the case, Sir, I do not know how we can go on without advertisements. Government need advertisements to attract men to their service, principally war services these days; Government need to advertise their own Defence loans and the advertisements of the National War Front carry great weight and go a great way in keeping up the morale of the people. With these observations which are slightly opposed to those of the Honourable Mover, I support his Resolution. I congratulate the Legislative Department on the small size of the agenda paper supplied to us. I, however, do not know whom to congratulate or condemn on the kind of note paper that is placed before us instead of the beautifully bound note paper that we used to get until about the last session. With these remarks, Sir, I support the Resolution moved by my Honourable friend Mr. Hossain Imam and I wish to add that at any rate at present there should be no export of paper.

THE HONOURABLE MR. H. C. PRIOR (Labour Secretary): Sir, it falls to me to speak in connection with the Government paper and the Government use of paper. Sir, I welcome Mr. Hossain Imam's speech and I welcome particularly his demand for action, because, I believe, we can show him that we have already taken action and done everything that we can to save the consumption of paper. I should rather like first to remove one possible misapprehension. He seems to be under the impression that paper was not an article of daily consumption. Well, Sir, the Government paper supply is working overtime; it is working a seven days week and a 24-hour day. Therefore it is only natural that we are consuming more paper than previously despite economy measures.

He then made a serious allegation that our paper supplies were being used for the reprehensible purpose of hoarding and he quoted some figures from the

[Mr. H. C. Prior.]

Demands for Grants to show that we were incorrect in saying that more paper was being consumed by the Defence Forces and that really it was our Civil Departments that were consuming more paper and not only consuming it but hoarding it. Sir I cannot go behind his figures—I am afraid my information has not come—but I can assure him that the deduction he makes is quite incorrect. I have certain figures myself which I hope will convince him. Before the war, the Civil Departments of Government, and the Provincial Governments who bought from us, consumed 10,500 tons of paper in an ordinary year but even now, when we have to do much more work, our demand for next year for Miscellaneous Departments is only 12,000 tons—that is for every 5½ tons we consumed previously we now consume 6 tons. There is, therefore, no question of hoarding when there is so much extra work being done. Those figures show that we must have been saving very large amounts of paper by economy measures and I think I will be able to show how we have done that. We started really on these economy measures very shortly after the outbreak of the war. We did not do much in 1939 but in 1940 we started properly and went ahead with all the usual methods of paper economy, writing on one side of the paper, reducing the size of the publications, reducing the distribution lists and so on and so forth and we have carried on with those ever since.

Now in regard to forms, Mr. Hossain Imam, I am glad, noticed our little gesture in regard to today's order paper and I am very glad he was pleased with it, but I do hope that he will realise that the credit for it goes not merely to the Legislative Department but some of the credit for it rests also with the Labour Department who have been trying to get the Departments to agree to reductions in forms. Perhaps we have been unduly tender to Honourable Members of this House and of the other House, and they are not aware of the work done by the Labour Department in this connection and perhaps it is only today that they recognise what we have been doing, but we have been doing this in our own Departments for a long time. I have here some forms to show how much we have reduced the sizes of forms—we reduce the size of almost every form as it comes for reprinting. I am afraid it does not make a very impressive picture when I put the saving into tons and Mr. Hossain Imam possibly over-estimates or under-estimates—I am not quite sure which it is—the size of a ton of paper. It is very difficult to save a ton of paper and the total amount that we have been able to save by reduction in our Civil Departments in respect of forms since February last year has amounted to 126 tons and yet Mr. Hossain Imam thinks that I could save one ton of one particular form, that I think would be very difficult.

Now, Sir, as I say from 1940-41 onwards we have been economising. During that time we saved as we could by ordinary methods of paper economy but since October last year, when we suddenly found that our demands for paper were going to impose such a heavy reduction in the amount available for the public we have redoubled our efforts. The Honourable Mr. Kunzru inquired what the result of that redoubling of our efforts has been. Well, Sir, in October when we first made our estimates of requirements of writing and printing paper purchased through the Stationery Office for the half year they were 36,000 tons; our present estimating as a result of the economies that we have made is 23,000 tons. We have managed to reduce our estimated demands by 13,000 tons. Now we have had to adopt some strenuous methods to reduce our demand and we have had to take some risks also. We are not now printing forms except for immediate requirements. It is quite likely that if any accident happens we might find ourselves without forms. We are printing only what is immediately required. This leads to a very considerable saving. It is not a final saving because if you print a year's supply all at once at one printing you use the same amount as we shall now use in say four printings but we do achieve a substantial immediate saving and that is one step we have to take because we recognise the very great immediate difficulty that the public have been put to.

We have too established Committees to examine publications. We have got a Committee which examines the necessity for every publication which is published by any Department of Government. I regret that I am a Member of the Committee—it is laborious work. We go through a list of these publications. We see whether they are necessary. We consider whether they can be stopped altogether, reduced

in size, or whether their distribution lists can be reduced. We have also changed our rules regarding printing orders. Our printers now at the Press examine every order and print that order in a manner which they consider to be likely to consume the least amount of paper. I have here before me one recently printed book which I believe will probably be before the members of this House and which I am sure they will find extremely difficult to read because of the small print used—but it saves paper! But that is merely another method by which we and our printers are attempting to save paper.

Well, Sir, I think that is all I have to say, but I feel that a saving of 13,000 tons out of 36,000 tons for our last six months estimates does make a fairly considerable achievement.

There is just one more thing and that is about the Defence Department estimates. The Honourable Mr. Hossain Imam did not say very much about them, and I need say little in reply, I can assure him there is undoubtedly an enormous and inevitable increase in their requirements—I am not going to give him figures; they might be helpful to all sorts of people—but that increase is very great but there too we are making the same economies and saving as much paper as possible. There is one more thing in our Government Departments which is apt to be forgotten and that is that we are supplying paper for the Supply Department for packing and other forms of paper other than writing—and that too is a considerable figure and a new demand. Here too savings to the maximum extent are being made. It is not in the Civil Departments that there has been an increase; but it is the inevitable increased demand in War and Supply Departments resulting from war demands.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Will the Honourable Member give us any figures in regard to the increase in the production of paper in the country?

THE HONOURABLE MR. H. C. PRIOR: That, Sir, will be given by my Honourable friend Mr. Pillai.

THE HONOURABLE MR. N. R. PILLAI (Commerce Secretary): It is, Sir, an unquestionable fact that paper today is in short supply, perhaps in seriously short supply, and the public mind is naturally exercised by the many difficulties that arise out of so acute a supply position. Nothing, therefore, can be more opportune than a discussion of this topic at the present time, and I welcome the opportunity presented to Government of explaining their plans and policy in a matter of such importance.

As the terms of this Resolution make clear, and as the speech of the Honourable the Mover of the Resolution has made clearer still, the object of this Resolution is to emphasise the need for an increase in the production of paper in this country, the need for effecting economies in the use of paper, and the need for effecting a reduction in the exports of paper. I may have something not so agreeable to say about the specific proposal contained in the Resolution for the establishment of a Committee, but the desiderata which I have summarised are in themselves so eminently sound and reasonable that I have not the slightest hesitation in accepting them wholly and unreservedly.

Of the action taken by Government in effecting economy in the consumption of paper, in Government Departments in particular, my Honourable friend the Labour Secretary has spoken at length, and I would not venture to trespass on territory that properly belongs to him. Yet I feel that I ought to add a word by way of supplementing what he has said, and that is this. Honourable Members may rest assured that, subject to the satisfaction of essential Government, including Defence, requirements, it will be our constant endeavour to make available for public consumption as large a proportion of Indian production as possible. Already it has been decided to release for civilian consumption 30 per cent. of the current production, the release to come into effect from the 1st of April next. This, Sir, is the largest single contribution that Government have made towards the solution of this problem since public complaints regarding the inadequacy of paper supplies began to be made.

I now come to the aspects of the Resolution with which my own Department is directly concerned, and in examining these aspects, it will be convenient to deal with Indian-made printing and writing paper and imported newsprint separately, as the conditions of the problem relating to these are not exactly identical. To take

[Mr. N. R. Pillai.]

Indian-made paper first. As the Honourable the Mover of the Resolution himself pointed out, the first essential is to secure an increased output of paper in this country. Government are fully alive to the importance of this question ; and great as are the difficulties, they are firmly resolved that every endeavour shall be made to extract from the existing production set-up the last ton of paper that it is capable of yielding. That, Sir, is our objective : nothing less. It may be asked : What have Government done to achieve this object ? We are taking action in two different directions. In the first place, every practicable assistance is given to paper mills in the matter of transport facilities for their raw materials and also in obtaining chemicals in short supply, such as sulphur, alum, caustic soda, and so on. It is true that in certain cases our efforts have not been as successful as we could have wished. The Honourable Mr. Hossain Imam instanced the case of bleaching powder. But there is a very real shortage of that commodity, and I submit, Sir, that our proper attitude in these circumstances should be to try and do with unbleached paper if bleached paper cannot be had. Secondly, Sir, all paper mills producing printing and writing paper have been asked to confine production to some six or seven standard varieties so as to permit of longer runs on the machines and therefore of the production of the maximum amount of writing surface. This action has been taken as the result of a very careful survey of the principal paper mills in India conducted by the Paper Production Commissioner and the Adviser on Paper Production. Of the 17 mills producing paper, 12 have already been surveyed, and the survey of the remaining five will shortly be completed. As a result of these measures it is expected that paper production in India will show an increase of 15 per cent. in 1943-44 over that during the current year. Honourable Members will thus see that the maximization of production of paper is a matter to which Government have given special attention, and, with very encouraging results. It is true that very much more remains to be done, and the whole question is under our very anxious consideration ; and in this connection we shall bear in mind the very useful suggestions which have been made in the course of this debate.

At this stage I must refer to the inquiry made by the Honourable Pandit Kunzru as to the production of hand-made paper. So far as my information goes, the hand-made paper industry is localised in the United Provinces, Hyderabad (Deccan), and Bombay. The output of such paper is very small except in the United Provinces, where the Provincial Government have adopted a scheme which is expected to yield a fairly large quantity of hand-made paper—but under a thousand tons—in the course of next year. The Paper Production Commissioner to the Government of India has examined the scheme, and, at his suggestion, certain improvements have been made in the designs of the machines which the Provincial Governments are going to instal. The results of the scheme are awaited. If they are found to be favourable, the question will then be considered of giving assistance to other provinces in installing similar machines and in securing the expansion of the hand-made paper industry.

THE HONOURABLE MR. HOSSAIN IMAM : May I interrupt for a minute ? Does this United Provinces production include the production of the Forest Institute at Dehra Dun ? That Institute is also going to produce some paper. Is the Honourable Member referring to that institution, or to a Provincial Government institution ?

THE HONOURABLE MR. N. R. PILLAI : This refers to the activities of the Provincial Government.

So much for the production aspect. On the consumption side, the use of paper for unessential purposes has been prohibited or severely restricted in a number of cases, and the question of widening the scope of these restrictions is now receiving consideration. This step, however important, does not, I admit, go far enough, because in a balanced scheme of distribution it is necessary also to see that supplies to a consumer are strictly proportioned to his essential requirements and also that the reasonable requirements of essential users are adequately satisfied. To formulate a scheme of rationing on this basis, in spite of the considerations urged by the Honourable Mr. Hossain Imam, is not easy. But discussions have proceeded with representatives of the two Associations of paper mills in this country with a

view to devising a suitable scheme of distribution to be operated by the industry under the guidance of Government. It is expected that this scheme will provide for a fair distribution of available supplies to all markets in India and also for the satisfaction of the minimum requirements of important users such as industry, particularly industry engaged on war work, universities, colleges, educational institutions in general and so on. That, I hope, Sir, will meet the point made by my Honourable friend Pandit Kunzru.

Before I leave this subject, I may say a word or two about exports. The Honourable Mr. Hossain Imam said that here he felt himself to be on very strong ground. Well, I take comfort in the thought that here in particular I find myself in even more unassailable ground than he. It is quite true that soon after the outbreak of war, lured by visions of profitable export markets we permitted a certain spurt in exports. But these were scaled down just as suddenly and for months past exports of paper have been negligible. As a result of further regulations which we have introduced, we have reduced exports to a figure representing less than 5 per cent. of total production. I am referring now to commercial exports. There have been exports on Government account but here again we have effected a drastic curtailment.

I now pass on to the subject of newsprint, which being the raw material of an industry which is by no means inarticulate, has aroused widespread comment. The position here is this. With the cutting off of Scandinavian sources of supply we are now wholly dependent on imports from North America, from which area we also draw the bulk of our requirements of certain commodities of essential war importance. The resulting competition for space, apart altogether from actual reduction in the total tonnage available, has had the effect of restricting severely the shipping opportunities for commercial imports. Newsprint, like other goods, has suffered from the common misfortune. But arrangements have recently been made for a very high priority to be given to newsprint, and every endeavour is being made to maintain imports at as high a level as possible. Even so, we should be unduly, perhaps foolishly, optimistic if we relied on obtaining more than 25 per cent. of our normal intake before the war. This has resulted in a very difficult position, rendered more acute by the fact that actual imports are not evenly distributed among importers, some getting a substantial portion of their quotas and others getting little or nothing against theirs.

The problem presented by the situation is two-fold, first, that of enforcing measures of economy in the consumption of newsprint, and second, that of making a fair and equitable distribution of actual imports among consumers. It is possible to deal with the first problem by the simple expedient of fixing a maximum consumption quota for each newspaper and forbidding it to exceed that quota. That is simple but it would be arbitrary, and for the present at any rate Government have preferred to seek to achieve the desired result by the method of raising the price of newspapers. Under the plan proposed by Government and accepted by newspaper interests prices have been scaled up. A four-page newspaper of normal size will henceforth cost two annas, and it is to be expected that most dailies will now reduce the number of pages from six to four thus automatically securing an economy of 33½ per cent. With the rise in prices, circulation will also be effected but the extent of such reduction will in each case be determined by the popular view of the worth of the newspaper and not by an arbitrary—I had almost said bureaucratic—assessment of the value of the newspaper to the community at large. At the same time it is proposed to prescribe that advertisement space shall not exceed 50 per cent. of the total space available, and as a further deterrent to needless and indiscriminate advertisement it is also proposed that all advertisement charges should be raised by 50 per cent. In the Honourable Mr. Hossain Imam's judgment, 50 per cent. is too high but I may be permitted to point out that this percentage is in close accord with the United Kingdom practice. Apart from that, as the Honourable Pandit Kunzru has observed, the main income of a number of newspapers is derived from advertisements and I submit, Sir, that even a newspaper has a right to live.

In regard to the scheme for the equitable distribution of newsprint, I regret I am not in a position to say more than that the whole question has recently been discussed with representatives of newspapers and is shortly to be discussed with newsprint dealers. Here again the formulation of a suitable scheme is not easy. The problem

[Mr. N. R. Pillai.]

bristles with practical difficulties, and the fact that there are very nearly 1,250 newspapers, each with its own independent newsprint quota, alone gives an idea of the magnitude and complexity of the problem. Nevertheless, we hope that very soon we shall be ready with a practicable scheme, and while at this stage I am not in a position to give any detailed description of the proposals under consideration, I can say this, that Government have decided that special consideration should be given to the requirements of the smaller newspapers. The Honourable Pandit Kunzru asked whether it would be possible to allow newspapers supplies of Indian-made paper in the absence of an adequate quota of newsprint. My answer to this is that the possibility of placing at the disposal of these papers a reasonable quantity of such paper will be considered. But I can give no undertaking that this quantity will come out of the Government quota, which as I have indicated will be reduced from 90 to 70 per cent. from 1st April.

Sir, the account that I have given of what the Government have done will make it evident that very substantial progress has been made towards attaining the object underlying this Resolution and that the execution of plans formulated by Government has so far advanced as to render the establishment of a committee of the nature proposed in the Resolution wholly supererogatory. Indeed I venture to doubt whether the Honourable Mover can have made this proposal in awareness of what Government have been doing in the past, of what they are now doing and of what they plan to do in the immediate future; and now that a full statement has been made as to the action being taken, he may, perhaps, himself not wish to press this proposal. However that may be, as the purpose of this Resolution has, I believe, been amply served by the debate that has taken place and in view of the explanations and assurances given by my Honourable friend the Labour Secretary and myself, I venture to appeal to the Honourable Mover of the Resolution, with your leave, Sir, and with the leave of the House, to withdraw the Resolution.

*THE HONOURABLE MR. HOSSAIN IMAM: Mr. Chairman, I have only to say a few words about the few controversial things which arose in connection with the discussion. The Honourable Pandit Kunzru referred to the fact—and the Honourable the Commerce Secretary also referred to it—that newspapers have a right. I do not question that right, but I do suggest to both the Government as well as the Opposition that the common man has also a right. The newspaper price has been doubled and the volume has been halved, so that in reality you are charging four times what you were charging before the war and yet a proposal that newspapers may not enrich themselves as much as they are doing now is not only unwelcome but is actually opposed. I might mention for my Honourable friend Mr. Mahtha's information that the Finance Member is very keen that consumption goods should not be utilised by ordinary persons and therefore to restrict advertisement is really to help the Government, so that the money which may remain in the pockets of the general public may be of avail to the Finance Department in the shape of war loans. If you restrict advertisements, you support the war loans. Sir, the statement of the Honourable the Labour Secretary that Government has effected considerable economy in the use of paper is very welcome to me and I hope that in the next year's budget this will be reflected in the items to which I have referred as having risen from Rs. 1½ to Rs. 6 crores.

Sir, it is a fact that when I gave notice of this Resolution I was not aware of all that Government has done, that the Government is doing and that the Government propose to do. In view of the statements on behalf of Government and the good picture given by the Honourable the Commerce Secretary I beg leave of you and of the House to withdraw the Resolution.

The Resolution was, by leave of the Council, withdrawn.

The Council then adjourned till Eleven of the Clock on Thursday, the 11th March, 1943.

* Not corrected by the Honourable Member.