

Friday, 4th March, 1938

THE  
COUNCIL OF STATE DEBATES

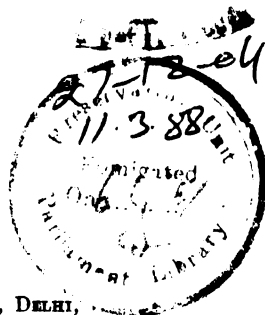
VOLUME I, 1938

*(14th February to 8th April, 1938).*

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THIRD SESSION  
OF THE  
FOURTH COUNCIL OF STATE, 1938

*Member designated... 18/4/38*



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# COUNCIL OF STATE.

*Friday, 4th March, 1938.*

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.

### FEDERATION.

144. THE HONOURABLE MR. G. S. MOTILAL : Will Government be pleased to state whether they have consulted the Provincial Governments in regard to the federation of India ? If so, when was it done ?

(b) Whether Provincial Governments are associated with the Government of India in the negotiations being carried on with the States in regard to federation ?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD : (a) and (b). No.

THE HONOURABLE MR. HOSSAIN IMAM : Have they received any intimation from the Provincial Legislatures ?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD : Sir, I must ask for notice of that question.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Have they not consulted the Provincial Governments ?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD : I am afraid I must ask for notice, Sir.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Do they propose to consult them in the future ?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD : I understand that a similar question was asked in the House of Commons and the reply was that it was not contemplated. I am speaking from memory. I would ask my Honourable friend to table a question. I cannot answer off-hand.

### INSTRUMENT OF ACCESSION FOR PURPOSES OF FEDERATION.

145. THE HONOURABLE MR. G. S. MOTILAL : (a) Will Government state whether the Draft Instrument of Accession for the purposes of Federation has been revised and changed during the last 12 months ?

(b) If the answer to (a) is in the affirmative, will Government state what changes have been made from time to time, and for what purpose ?

(c) Will Government place on the table copies of the Draft Instrument both original and as revised from time to time ?

**THE HONOURABLE KUNWAR SIR JAGDISH PRASAD :** I will take all three parts of the question together. The form of the Instrument of Accession is still under consideration. The attention of the Honourable Member is invited to the Press Communique dated the 15th of August, 1936, with which was published a Draft Instrument of Accession, which replaced an earlier provisional one which was also published and to which a reference was made in the Press Communique cited. It is the later of the two drafts which is still under consideration.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Will it be published, Sir ?

**THE HONOURABLE KUNWAR SIR JAGDISH PRASAD :** I am afraid I cannot answer that question, Sir.

#### IMPORTATION OF FOREMEN FOR MECHANICAL WORKSHOPS OF STATE-MANAGED RAILWAYS.

**146. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Will Government state whether they intend to import foremen for mechanical workshops of Railways to replace the Indians who are now officiating in that capacity ? If so, why ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** The policy of Government, with regard to importing supervisory staff for the mechanical workshops of the State-managed railways, is stated in the remarks against paragraph 50 on page 2 of the statement showing the action taken by the Railway Department (Railway Board) on the paragraphs in Chapter III to XI of the Indian Railway Enquiry Committee's Report (1937), a copy of which is in the Library of the House.

#### RAILWAY BUDGET.

**147. THE HONOURABLE MR. G. S. MOTILAL :** Will Government be pleased to state whether the Railway Budget will continue to be presented to the Central or Federal Legislature after the Statutory Railway Authority begins to function, and demands for grants relating to the said Budget will be submitted to the vote of the Legislature ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** No.

#### ALLOTMENT OF QUARTERS TO MEMBERS OF THE COUNCIL OF STATE IN SIMLA.

**148. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY :** Will Government state :

(a) Whether quarters allotted to Members of the Council of State at Simla are meant for non-official Members only or for all Members thereof ?

(b) If they are meant for the non-official Members only, how many of them live in European style and how many in Indian style and what constitutes the difference in the two styles ?

(c) Whether their attention has been drawn to the great inconvenience felt by Members living in Indian style ? If so, what steps do they propose to take to remove it ?

**THE HONOURABLE MR. A. DEC. WILLIAMS :** (a) For all Members.  
 (b) Does not arise.  
 (c) The answer to the first part is in the negative.  
 The second part does not arise.

**THE HONOURABLE KUMARSANKAR RAY CHAUDHURY :** Is it a fact that six quarters are reserved for those who live in European style and they are all single member quarters ?

**THE HONOURABLE THE PRESIDENT :** It does not arise out of the answer given. I disallow it.

**THE HONOURABLE KUMARSANKAR RAY CHAUDHURY :** With regard to that my submission is that my question was in a different form.

**THE HONOURABLE THE PRESIDENT :** No argument please. I have already given an authoritative ruling at considerable length explaining the whole position the other day.

**EXPORT OF WHEAT FROM KARACHI AND LOSS OF FREIGHT THEREON.**

**149. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY :** Will Government state :

(a) The quantity of wheat exported from the Punjab through Karachi during the years 1935-36 and 1936-37 to different countries, respectively ?

(b) The amount of freight lost through the reduction of freight thereon during those years, respectively ?

(c) The amount of loss of freight on cotton and oilseeds on account of slump in trade during the years 1935-36 and 1936-37, if any, respectively ?

(d) The decrease in quantity of cotton and oilseeds transported over railways during the years 1935-36 and 1936, if any, respectively ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** (a) I would refer the Honourable Member to the " Report on the Maritime Trade of the Province of Sind " for each of the two years in question. These reports give figures showing exports from Karachi to various countries, but figures are not available to show what proportion of the quantity exported originated in the Punjab.

(b) I presume the Honourable Member has in mind the rebate of freight charges on exports. The compilation of the figures required to show separately the rebate granted on despatches from the Punjab would involve a considerable amount of labour not commensurate with any use to which the figures could be put.

(c) and (d). I would refer the Honourable Member to Statement No. 29 in Volume II of the " Report of the Railway Board on Indian Railways " for each of the years in question.

**TOTAL NUMBER OF DIVISIONAL SUPERINTENDENTS ON STATE-MANAGED RAILWAYS, ETC.**

**150. THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN :** (a) What is the total number of Divisional Superintendents in the State Railways ?

(b) How many Indians there are in the State Railways on the posts of Divisional Superintendent ?



(c) Is there any Muhammadan Divisional Superintendent in the State Railway? If not, why not?

(d) How many posts there are in the administrative grade in the State Railways other than Divisional Superintendents?

(e) What is the number of Europeans, Hindus and Muslims on the posts mentioned in (d)?

(f) Will there be vacancies temporary or permanent in the near future in the administrative grade of Divisional Superintendent?

(g) Has Government any intention to keep in view the communal proportion in filling those vacancies?

**THE HONOURABLE SIE GUTHRIE RUSSELL:** (a), (b), (d) and (e). I lay on the table of the House a statement giving the information required.

(c) As regards first part of part (c), there is no Muslim Divisional Superintendent at present. There was one on the N.W.R. who has recently been transferred to the Railway Board's office.

As regards the second part of part (c) and part (g) promotion to administrative grades is not made on communal grounds. In this connection I would refer the Honourable Member to paragraph 6 of the Home Department Resolution No. F. 14/17-B/33, dated the 4th July, 1934, a copy of which is in the Library of the House.

(f) Temporary or permanent vacancies occur from time to time from various circumstances, all of which cannot be foreseen.

1	2	3	4		
Total number of Divisional Superintendents on the State-managed railways. [Part (a)]	Number of Indians holding the posts of Divisional Superintendents on the State-managed railways. [Part (b)]	Total number of administrative grade posts other than Divisional Superintendents on the State-managed railways. [Part (d)]	Number of Europeans, Hindus and Muslims occupying posts mentioned in column 3. [Part (e)]		
			Europeans.	Hindus.	Muslims.
18	4	115	94	13	3

NOTE.—The balance of five officers, that is, the difference between columns 3 and 4 belong to other communities.

#### COMMUNAL STRENGTH OF OFFICERS IN THE GOVERNMENT OF INDIA SECRETARIAT AND CERTAIN OTHER OFFICES.

151. **THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN:** 1. Will Government state the number of European, Christian, Hindu and Muslim officers employed in the following Departments of the Government of India:

(a) Secretariats—External Affairs Department, Political Department and Federation Office;

- (b) Central Board of Revenue, Auditor General of India, Director of Railway Audit, Accountant General, Posts and Telegraphs, Deputy Accountant General, Posts and Telegraphs, Accountant General, Central Revenues, Audit Office, Indian Stores Department, Director of Audit, Defence Services, Office of the Financial Adviser, Military Finance ;
- (c) Legislative Department, Solicitor's Branch and Federal Advocate General ;
- (d) Department of Commerce, Commercial Intelligence and Statistics Department, Indian Stores Department, Department of Labour, Controller of Printing and Stationery Office, Central Stationery Office, Department of Education, Health and Lands, Imperial Council of Agricultural Research Department, Office of the Agricultural Marketing Adviser to the Government of India ;
- (e) Department of Communications and Posts and Telegraphs Department ?

2. Do Government intend to increase the number of Muslims to adjust the communal proportion in the above services if their number is disproportionate ?

**THE HONOURABLE MR. F. H. PUCKLE :** 1. (a) to (e). I would refer the Honourable Member to the Government of India Directory, November, 1937, a copy of which is available in the Library.

2. The superior posts in the offices mentioned are all selection posts and are filled by promotion, which, in accordance with the policy laid down in Home Department Resolution No. F. 14/17-B./33, dated 4th July, 1934, is given solely on merit.

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### STANDING COMMITTEE ON EMIGRATION.

**THE HONOURABLE KUNWAR SIR JAGDISH PRASAD** (Education, Health and Lands Member) : Sir, I beg to move :

"That this Council do proceed to elect, in such manner as the Honourable the President may direct, four non-official Members to serve on the Standing Committee on Emigration."

The Motion was adopted.

**THE HONOURABLE THE PRESIDENT :** With reference to the Motion which has just been adopted by the Council, I have to announce that nominations to the Committee will be received by the Secretary up to 11 A.M. on the 7th March, 1938, and the date of election, if necessary, will be announced later.

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**THE HONOURABLE KUNWAR SIR JAGDISH PRASAD** (Leader of the House) : Sir, I would request you kindly to adjourn the House to a Quarter Past Twelve today to enable my Honourable colleague the Finance Member to be present here. He is unavoidably detained in another place.

**THE HONOURABLE THE PRESIDENT :** This must not be regarded as a precedent in any case. I understand the circumstances are entirely special and of a very important character, and I would like the presence of Sir James Grigg here, and as he is prepared to come at a Quarter Past Twelve I will allow it. But I repeat again that this adjournment will not be regarded as a precedent.

The Council then adjourned till a Quarter Past Twelve of the Clock.

The Council re-assembled at a Quarter Past Twelve of the Clock, the Honourable the President in the Chair.

#### GENERAL DISCUSSION OF THE GENERAL BUDGET FOR 1938-39.

**THE HONOURABLE THE PRESIDENT :** The Council will now proceed with the discussion of the Budget.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) :** Sir, I want to make a statement on behalf of my Party.

**THE HONOURABLE SIR JAMES GRIGG (Finance Member) :** Sir, I understand that some Members of this House—

**THE HONOURABLE THE PRESIDENT :** Do you wish to make a statement ?

**THE HONOURABLE SIR JAMES GRIGG :** I wish to address the House at this stage, Sir.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** I want to make a statement first, Sir.

**THE HONOURABLE THE PRESIDENT (to the Honourable Rai Bahadur Lala Ram Saran Das) :** You will have your say. In the peculiar circumstances of the case I allow the Finance Member to give his explanation. Then I will call on you.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** If I make the statement now it will enable the Finance Member to reply to my points which I am raising in our protest. It is better that our protest is made before the Honourable the Finance Member speaks. How can he foresee our points ?

**THE HONOURABLE SIR JAMES GRIGG :** The Finance Member prefers to make his statement first.

**THE HONOURABLE THE PRESIDENT (to the Honourable Rai Bahadur Lala Ram Saran Das) :** I will give you full opportunity to make any statement and if it requires a reply I will ask him to make it.

**THE HONOURABLE SIR JAMES GRIGG :** I understand—the understanding is confirmed by what the Honourable Member has just said—that certain Members of this House have it in contemplation to make a demonstration similar to that which occurred two days ago in the Lower House and my object

in making a statement at this stage is that Honourable Members opposite shall have no excuse for not knowing what they are demonstrating about. I propose—

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** There is no demonstration being made.

**THE HONOURABLE THE PRESIDENT** (to the Honourable Sir James Grigg) : I would advise you not to use the word "demonstration," because I do not know at this stage whether they are going to make any demonstration or not. They may adopt some attitude which they are entitled to adopt if they choose.

**THE HONOURABLE MR. HOSSAIN IMAM** (Bihar and Orissa : Muhammadan) : The Honourable Member is replying to an imaginary thing. We have stated nothing and it will be right and proper that we should state our case and then the Honourable Member should reply.

**THE HONOURABLE THE PRESIDENT :** I have already allowed him to have his say.

**THE HONOURABLE MR. HOSSAIN IMAM :** I appeal to the Honourable Member himself.

**THE HONOURABLE SIR JAMES GRIGG :** Sir, with your permission I propose to make a statement in relation to certain events which occurred two days ago in the Lower House and I have as a matter of precaution fortified myself with a statement which I shall read to the House in a minute or two on the legal and constitutional aspects of this question, and I might say here that it was on the legal and constitutional grounds that whatever decision has been taken was taken and I think it is only fair to this House and to myself and to the Government to make this statement because the constitutional position has evidently been imperfectly appreciated. Now, Sir, if you will allow me. I will read it verbatim because it happens to be a statement of the legal and constitutional position which I think this House is entitled to have before it enters into any protest.

"The argument has been taken that though the classification of expenditure of the Defence Department as Defence expenditure is a legal use of a power vested in the Governor General in Council, nevertheless there was no obligation on the Governor General in Council to use that power in the sense in which it has been used ; and that the previous practice should have been permitted to continue under which, while the army estimates were not submitted to the vote, the expenditure of the Army Department (as it was then known) was treated as voted expenditure comparable with the expenditure of other Civil Departments of the Civil Secretariat. This is the sole question at issue, since as previously the Governor General has thrown the entire Defence estimates open to discussion by the Legislature.

As is well known, Central Executive and Legislature, while they are in form unchanged in the transitional period, now function on the basis of the new distribution of powers under the Act of 1935. Briefly, the position is that powers both legislative and financial of the Central Legislature in the transitional period correspond with the powers, after the establishment of the Federation, of the Federal Legislature.

[Sir James Grigg.]

When the Federation is established, Defence will be administered by the Governor General in his discretion. The expenditure which the Governor General will incur for the discharge of his functions with respect to Defence will include the expenditure of the Defence Department and will be charged on the revenues of the Federation under section 33.

In the transitional period section 33 is not in force and the position is regulated by section 67A of the old Act in the modified terms in which it has been re-enacted in the Ninth Schedule of the new Act. The several changes made in that section are in the direction of securing similar classification in the transitional period of voted and non-voted expenditure as will distinguish in the Federation period expenditure submitted to the vote and expenditure charged on the revenues.

The treatment of Defence expenditure as non-voted is a feature common to the old Constitution and the new. But while in the old Constitution it was possible to treat expenditure on the Army Department as in a sense distinct from Defence expenditure, that distinction is no longer permissible under the provisions of the new Act. Thus, in addition to the general statement given above of the new position of the Central Legislature, Part X of the new Act which is now in operation draws a statutory distinction between the Defence Services of the Crown in India and the Civil Services and the effect of section 238 in that Part of the Act is to bring the establishment of the Defence Department within the definition now operative of Defence Services ”.

I do not know whether the House would like me to read section 238 in case they have not got it handy. It provides :

“ The provisions of the three last preceding sections shall apply in relation to persons who, not being members of His Majesty’s forces, hold, or have held, posts in India connected with the equipment or administration of those forces or otherwise connected with defence, as they apply in relation to persons who are, or have been, members of those forces ”.

The marginal description of the section is “ provisions as to certain civilian personnel ”.

“ As such expenditure on that Department (that is the Defence Department) requires now to be treated as non-voted ; and will, when Federation is established, be charged on the revenues. It follows that in the classification now made there was no issue of policy open to the Governor General in Council to decide. In their classification in the transitional period of the expenditure of the Defence Department as non-voted expenditure the Government of India have followed the prescriptions of the Statute binding alike on themselves and on the Legislature ”.

So much, Sir, for the legal and constitutional position. But now let us see whether the Legislative Assembly has lost anything real by the change which, I repeat, the Government of India have been compelled by the law to make. The burden of the complaint made in the Lower House was that that House was now prevented from recording a vote on Defence expenditure. That is inaccurate, completely inaccurate. In previous years the Opposition in the Legislative Assembly or the elected Members in the Legislative Assembly have recorded their views about Defence expenditure by voting on the grant for the Defence Department, which covers the salaries of a comparatively small number of clerks and peons in that Department and year by year the Legislative Assembly have rejected the whole of that

provision and have forced the Governor General to restore this element of Defence expenditure and I would like to point out to this House, as I pointed out to the Lower House, that this element of Defence expenditure covers Rs. 4 lakhs out of Rs. 45 crores or less than one-tenth of one per cent. of the whole. I think it will be admitted that to visit the wrath of the Legislative Assembly in regard to matters of Defence policy on a few clerks in the Defence Department is a highly artificial proceeding and so, if there is available a method of expressing a vote which is not appreciably more artificial, then there is no grievance. And, Sir, again, as I pointed out in the Lower House, there is such a method, and that is available in connection with the demand for the Executive Council. After all, it is the Executive Council which is responsible for Defence policy and when Members in the Lower House wished to express their views on Defence policy by censuring the Government, it was the Executive Council they were censuring and not a few clerks in the Defence Department whose pay, as I have said once and say again, amounts to one-tenth of one per cent. of the whole Defence expenditure of the country. And to me, at any rate, it is pretty clear that to express a view or a vote on the Executive Council impinges far more directly on the authors of Defence policy than to reject the provision for the pay of a few clerks in the Defence Department and that method has been adopted in other connections by Opposition Members in the Lower House. Sir, to me it is quite clear—and I hope that with the explanation I have made it will be quite clear to Honourable Members of this House—that the whole grievance is a manufactured one.

**THE HONOURABLE MR. HOSSAIN IMAM :** Sir, I take strong objection to the word "manufactured".

**THE HONOURABLE THE PRESIDENT :** I do not think it is an unparliamentary expression.

**THE HONOURABLE SIR JAMES GRIGG :** It is a manufactured one, and, if Honourable Members of this House will forgive me, the artificial character of the grievance seems to me to be confirmed by the fact that, as I understand from the Honourable Member opposite, the Leader of the Opposition, he has it in contemplation to make a protest about the withdrawal of the privileges which his House has never had.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Sir, with your permission I desire to make a statement on behalf of my Party with regard to the Budget discussion. Government, in disregard of a long-standing practice, have deprived the Central Legislature of the right it enjoyed of voting the demand for the Civil Secretariat of the Defence Department. No doubt this House takes no part in the voting of the Budget demand but it cannot remain indifferent to the curtailment of the rights and privileges of the other House with which it forms the Central Legislature.

The provision in the Government of India Act, 1935, applicable to the Defence budget, is to be found in the Ninth Schedule and it is the same as that embodied in section 67A of the Government of India Act, 1919. No change having been made by the present Act in this respect—

**THE HONOURABLE SIR JAMES GRIGG :** Mr. President, may I interrupt for a second. I would like to ask whether the Honourable Member drafted his statement before I spoke or afterwards, because the main burden of my statement was that a very material change has been made.

**THE HONOURABLE MR. HOSSAIN IMAM :** There has been absolutely no change, as I shall show from relevant books.

**THE HONOURABLE THE PRESIDENT :** Order, order. The Honourable the Finance Member has pointed out that there is a new section, section 238, which has come into operation now since provincial autonomy has started, and that section is of a mandatory character. That takes away the option from either Government or the Governor General in Council or anybody, and he referred to that.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Sir, I might be allowed to finish my statement, and then the point which the Honourable the Finance Member has raised will be dealt with by the other Members of this Party.

No change having been made by the present Act in this respect, the views quoted by the Honourable the Finance Member—

**THE HONOURABLE SIR JAMES GRIGG :** Sir, may I again point out that the Honourable Member's statement contains an inaccuracy.

**THE HONOURABLE THE PRESIDENT :** The Honourable Member, if he chooses, may go into inaccuracies. Let him have his say on the subject.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Sir, when I wanted to read my statement in the first place, the Honourable Member intervened. But now I do not think it is right that I should be interrupted in this manner.

**THE HONOURABLE THE PRESIDENT :** You will not be interrupted.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS—**in the Act. It depends on the discretion of the Governor General in Council. There is nothing in the Act as applicable to the present state of things compelling the Governor General in Council to deprive the Assembly of the privilege referred to above. The submission of the demand for the Defence Secretariat gave the Assembly a direct opportunity of expressing its opinion about the military policy of the Government of India which was fully availed of year after year. However embarrassed Government might have been by the adverse vote of the Assembly year after year, this was no justification for changing the procedure followed till last year and imposing a new restriction in a vital matter. We can attribute the change only to a change in the attitude of the Government of India. In order to enter our strong protest against the temper and outlook which this indicates we have decided to take no part in the discussion of the Budget. (Applause.)

**THE HONOURABLE MR. RAMADAS PANTULU (Madras : Non-Muhamadan) :** Sir, the Congress Party in this House has decided to follow the course of action adopted by the Congress Party in the Legislative Assembly. We feel that no other course is left open to us. The departure made by the Government in the usual procedure by removing from the vote of the Legislative Assembly estimates of expenditure on the Army Secretariat has the effect of curtailing the powers and privileges of the Central Legislature as a whole on a very vital matter. This House cannot allow such an encroachment on the power of the Assembly without recording its protest in some appropriate manner. We feel that the provisions of the Government of

India Act, especially the transitory provisions embodied in paragraph 67A of the Ninth Schedule to the Act have not materially altered the constitutional position so as to make it obligatory on the Governor General to withdraw from the vote of the Legislative Assembly estimates of expenditure on the Army Secretariat. Even section 238 of the Government of India Act if read with the other provisions of the Act has not the effect of forcing any departure before Federation is set up, that is to say, of taking away the discretion vested in the Governor General to permit such estimates being put to the vote of the Legislative Assembly until the Federation is established. No valid reasons for the departure have been given by the Government.

Now, I have listened to the statement of such reasons made by the Honourable Sir James Grigg, and I shall deal with it very briefly after I finish reading the rest of the statement I have written out. The public opinion of this country is greatly outraged by this uncalled for and absolutely provocative departure and the people's representatives will be failing in their duty if they do not record their protest in this House in a fitting manner. We have therefore decided not to participate in the general discussion of the Budget this year. The Congress Party welcomes the statement made by the Honourable the Leader of the Opposition to the effect that his Party have also decided not to participate in the general discussion today. We hope and trust that the other Honourable Members of this House, not belonging to either of these Parties, will also adopt the same course following the example of the Legislative Assembly.

Sir, a word now as to the statement made by the Honourable Sir James Grigg. There is nothing in it which we did not know before we came into the House. At any rate, I read section 238 and the Ninth Schedule of the Act together and not independently of each other. He cannot deny that paragraph 67A of the Ninth Schedule still reserves to the Governor General the discretion to allow the Legislative Assembly to vote upon expenditure classified as "External Affairs" and "Defence".

**THE HONOURABLE MR. R. H. PARKER** (Bombay Chamber of Commerce): No, certainly not.

**THE HONOURABLE MR. RAMADAS PANTULU**: It does. Unless the Honourable the Finance Member argues that section 238 and the Ninth Schedule, paragraph 67A are absolutely independent of each other—that is not the way in which we read Acts—then there is nothing really to prevent the Governor General from exercising the discretion in the same manner as he has done hitherto, at least until the Federation is set up. Therefore, Sir, by the statement that he has made, the Finance Member has not improved his case. Perhaps, he has made it worse. On the legal and constitutional point, I say that he is wrong. I may concede his claim to speak with authority with regard to finance, but I cannot make a similar concession in regard to legal questions, and I repeat that if section 238 and section 317 and the Ninth Schedule are read together, the discretion vested in the Governor General has not been taken away until at least the Federation is set up. What will happen when the Federation is set up is not a matter which we need contemplate. My Party hopes that the Federation will never be set up and the Congress is pledged to do all that lies in its power to prevent its being set up. But that is a different matter. For the present controversy the Act should be read as a whole and the transitory provisions have full operation. Reading the two sections together, I think that on the constitutional and legal position, Sir James is clearly wrong. With regard to the merits, Sir, I think he



[Mr. Ramadas Pantulu.]

has done nothing better than adding insult to injury. He has used provocative expressions which he need not have used. We are not making a demonstration and our protest is not artificial. It is genuine and sincere. He takes advantage of the helplessness of this Legislature with regard to showing their protest in a much more effective manner for the executive is irremovable by a vote of the House. That is why he calls our protest artificial. But that is not the attitude which he ought to take up. He ought to sympathise with our helplessness and adopt more conciliatory language. We are really genuine and sincere in our protest. It may be artificial in the sense that we are not able to do anything more than merely entering our protest. That does not make it any the less real. As regards his argument that if the item is not removed from the vote of the Legislature, all that will be left for the vote of the Assembly is a very, very small portion—the pay of a few clerks—may be a few rupees—that does not matter. It is only by way of voting on the ancillary matters that the Assembly has been hitherto recording its vote against the Defence policy of the Government. We never voted straight upon the expenditure on the Army itself. It is only by a vote on the expenditure of the Secretariat, which forms a very small part of the entire expenditure, that we have been recording our protest with regard to matters of Defence policy. Even in the case of the Viceroy's Council, it is only the allowances, we can vote against. We cannot vote against the pay of the Members of the Viceroy's Council or the Viceroy himself. The allowances amount to a very small part. So do the votable items in Defence expenditure. That is what we want to continue to be done this year. Even if the clerks' salary alone is there on the votable list it will be an occasion for voting against the Defence policy and recording our protest. Therefore, I do not think the Finance Member has improved the position either from the constitutional and legal standpoint or from the standpoint of commonsense. Sir, even after listening to his statement, I have not felt the necessity of changing a word in the statement that I had drafted before I came here and just read out.

With these words of explanation, Sir, I beg to state that the Congress Party, like the Progressive Party, do not propose to participate in the general discussion of the Budget today.

**THE HONOURABLE MR. HOSSAIN IMAM :** Sir, I wish to reply to the constitutional aspect which the Honourable Member has just read out. The borrowed opinion which he read out to the House—

**THE HONOURABLE THE PRESIDENT :** Why do you call it "borrowed" ?

**THE HONOURABLE MR. HOSSAIN IMAM :** Because, it is legal opinion which the Honourable Member does not pretend to know.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** The Finance Member said that that opinion was the opinion of the Law Department and not his own.

**THE HONOURABLE SIR JAMES GRIGG :** The opinion, Sir, was that of the constitutional advisers of the Government of India.

**THE HONOURABLE MR. HOSSAIN IMAM :** Sir, with the borrowed opinion he has brought before us he tried to pretend that our protest—I would prefer to call it attitude—was artificial. I call that an impertinence.

**THE HONOURABLE THE PRESIDENT :** I thought you were going to speak on the legal aspect ?

**THE HONOURABLE MR. HOSSAIN IMAM :** On the constitutional aspect. The only thing which he has added to our knowledge is the *gross* ignorance of the Government who think that Chapter X is the operative part at the present moment. During the transition period, that is, during the period between the introduction of Federation and the introduction of Provincial Autonomy, Chapter XIII really regulates the business of this Council and of the Government of India. I was really wondering why the Government is committing the fault of taking the Defence Department expenditure out of the purview of the Legislature because, if you look at Chapter XIII, section 317, you will find that there is no compulsion on them.

**THE HONOURABLE SIR JAMES GRIGG :** I do not want to interrupt the Honourable Member unduly, but believe me, he is absolutely wrong in saying that Chapter X is not operative. Let me read from the Government of India (Commencement and Transitory Provisions) Order, 1936, paragraph 3 :

“(1) The provisions of the new Act, other than those of Part II thereof and other than those referred to in the next succeeding sub-paragraph, shall, subject to the provisions of that Act and of this and any other Order in Council made thereunder, come into force on the first day of April, nineteen hundred and thirty-seven, and accordingly that date is the date referred to in that Act as the date of the commencement of Part III thereof.

(2) The provisions of Part VIII of the new Act, of Chapter I of Part IX of that Act, and of the Eighth Schedule to that Act, shall come into force on such dates as His Majesty in Council may hereafter appoint, and section two hundred and thirty-two of that Act shall not come into force until the establishment of the Federation”.

**THE HONOURABLE THE PRESIDENT :** This is merely an academical point at present.

**THE HONOURABLE MR. HOSSAIN IMAM :** May I read out another section which will clear the point ? I refer to section 317.

“The provisions of the Government of India Act set out, with amendments consequential on the provisions of this Act, in the Ninth Schedule to this Act (being certain of the provisions of that Act relating to the Governor General, the Commander-in-Chief, the Governor General's Executive Council and the Indian Legislature and provisions supplemental to those provisions) shall, subject to those amendments, continue to have effect notwithstanding the repeal of that Act by this Act :

Provided that nothing in the said provisions shall affect the provisions of the last but one preceding section.”

That refers to section 315.

**THE HONOURABLE MR. J. C. NIXON :** That does not prove that Part X is not in operation.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU** (United Provinces Northern : Non-Muhammadan) : The position of the Legislature remains unchanged notwithstanding the operation of Part X.

**THE HONOURABLE MR. J. C. NIXON :** The statement was that Part X was not in operation, which was a mistake.

**THE HONOURABLE MR. HOSSAIN IMAM :** The point is, what is the position of this Legislature ?

**THE HONOURABLE THE PRESIDENT :** You must let individual Members express their own views.

**THE HONOURABLE MR. HOSSAIN IMAM :** I shall cite the authority of Sir Samuel Hoare. I will not detain the House on a long discussion of the constitutional aspect because those who are not willing to be convinced cannot be convinced. I refer him to page 1949.

**THE HONOURABLE THE PRESIDENT :** You have already said that. Let Honourable Members read the law as they like. This is simply an academic discussion.

**THE HONOURABLE MR. RAMADAS PANTULU :** On a point of information, Sir. I want to know whether the Honourable the Finance Member will read sections 317 and 238 together or read them separately? My contention is that they ought to be read together. If so section 238 has no operation now and does not override section 317.

**THE HONOURABLE MR. HOSSAIN IMAM :** I would refer the Honourable Member to the Parliamentary Debates of the House of Commons of the 13th March, 1935, where Brigadier-General Clifton Brown attacked this very policy and he quoted from *The Times* of that day :

“ By 79 votes to 48 the Indian Legislative Assembly today carried a Motion to refuse supplies for the Army Department by reducing the estimate to one rupee ”.

He attacked this provision and said it should not exist in the Act to make such a thing possible. Sir Samuel Hoare the then Secretary of State for India replying to the debate made the following statement :

“ Knowing also that in the past, it has passed similar votes and that these votes, again, have made no difference to the Indian budget—surely shows that we have in the past allowed full opportunities for debate and that we are now allowing full opportunities for debate ”—mark those words—“ now allowing full opportunities for debate ”. “ Indeed, past history goes to show that no regrettable results have come about after these debates ”.

And afterwards he stated :

“ For these reasons, my advice to the Committee is not to abrogate the facilities that have existed without any serious danger since 1919, but to accept the position as it is in the Bill, realising, as I said at the beginning of my speech, that the fact that there are discussions in no way derogates from the clear responsibility of the Governor General for reserved department of defence or from his powers to see that this reserved department and his responsibilities are in no way compromised ”.

So that, I conclude, Sir, is a definite statement of the policy of His Majesty's Government which has been distorted by our irresponsible executive, and as they are a Government of no independent existence but under His Majesty's Government they must follow what their masters dictate.

**THE HONOURABLE THE PRESIDENT :** We shall now proceed with the discussion of the Budget.

(At this stage several Honourable Members walked out.)

**THE HONOURABLE SIR A. P. PATRO (Madras : Nominated Non-Official) :** Sir, with the exposition of legal and constitutional matters so clearly placed before the House by the Honourable the Finance Member I am in entire agreement. The rest of the discussion regarding the sections applicable is purely

academic and serves no useful purpose. The exposition of the legal and constitutional position made by the Honourable the Finance Member is to my mind supported by a statement issued this morning by the Leader of the Opposition in the other House, Mr. Desai, who stated that his quarrel with the Government of India is not so much with regard to the constitutional aspect of the question, in regard to which he said the Government of India had the power to make the change, but what he wanted was that the practice that has been allowed for 14 years should not have been disallowed and that was his real grievance. Therefore, Honourable Members on the Opposition should understand that an eminent lawyer like the Leader of the Opposition in the other place does not question the constitutional position taken up by the Government of India. It is only in the matter of a practice established by usage in regard to which he says the House was deprived of the opportunity of discussing the whole of the Defence budget and the policy in regard to Defence. That is his real grievance, and that was the position which I understand is taken up by Mr. Desai in a statement issued to the Associated Press and published this morning. So all the discussion and the statements we had this morning are altogether academic and unnecessary.

So far as this House is concerned, we have no "manufactured" or "artificial" grievance in respect of our right of voting on the Defence budget, for this Chamber under the constitution has the right to a free and general discussion of the entire budget without the power of voting on demands. We are a revising Chamber with a power to set right matters whenever there has not been proper and full consideration of legislative measures intended for the whole country. That being our constitutional position, it seems to me that any other attitude that Members may take up here is altogether beyond the constitution and it only exposes, I should say, their ignorance or exhibit an expression more of passion than of reason. Our right of general discussion is a privilege and power during the exercise of which we can unequivocally express our views, though more often our views are not taken into consideration. We have also our own views on the Indian constitution and the powers accorded to the people thereunder, but I must hasten to consider the budget as it is.

I congratulate the Honourable the Finance Member and the Honourable the Finance Secretary on the presentation of a very sound and cautious budget. In the financial circumstances of the country there is virtue in being dull and commonplace in budget-making instead of being damaging or harmful to the interests of the country. I would characterise this as a "carrying-on" budget with some interesting features. The outstanding features of this budget are that no new tax or other liability has been imposed to meet the growing expenditure or to balance the budget. Secondly, it is proposed to purchase sterling securities in the open market and reduce India's sterling debt, thereby establishing the principle that the national debt should as far as possible be limited to India. That is indeed a very laudable attempt made by the Honourable the Finance Member in order to concentrate the national debt in India. In spite of the enormous expenditure on armaments and military equipment by all the nations of the world, India has at present escaped the danger under the vigilant guidance of our esteemed military chief, His Excellency the Commander-in-Chief.

(At this stage the Honourable the President vacated the Chair which was taken by the Honourable Sir David Devadoss.)

The dark war clouds are hanging on the horizon in the East and in the West. Fortunately there is no proposal here for increased expenditure over last year. There have been many careful readjustments in Defence finances. As summed

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up in paragraph 40 of the speech of the Honourable Member, the provision for Defence services is Rs. 204 lakhs less than the revised estimate for the current year. This I would emphasise and draw the attention of the Opposition to, to see whether an extraordinary attempt has been made in order to increase the Defence budget. It is no use arguing on matters which they either do not care to understand or deliberately ignore. It is necessary that we should understand the facts, as they are and draw reasonable inferences from them. The estimates—no doubt indicate an increase of Rs. 38 lakhs net due to the improvement effected in the Royal Indian Navy to maintain six modern sea-going escort vessels for coastal defence which provide a splendid opportunity for Indians to serve and man the fleet and co-operate with the Royal Navy. The contribution paid hitherto by the Government of India to Great Britain of £100,000 has been released. The opening of another cordite factory for preparing high explosives in India for India's needs as it is not practicable to import material from Great Britain now is a very important step. Aircraft has also been strengthened and an expenditure of more than Rs. 2 crores and odd has been provided. Further opportunities again are provided for Indians to serve in aircraft. The mechanisation of the British cavalry and Indian Army is a great step to bring the army to the level of the British force. These are, Sir, undisputed facts which must be seen to know how far the Defence forces have been supported by Indian finance. It is not merely a question of demonstration, but it is a question of reasonable inference drawn from facts. From these facts we see that there has been a great improvement and advance in the Defence forces. I do emphasise that our Defence forces must be made more efficient. As it is, Sir, we have got our army. It is not so much as a Defence force but much as to maintain peace in the country and to repel any attacks from border side enemies. These were the original objects of the Indian Army. Now, Sir, circumstances have changed and we see enemies both in the eastern and western parts of India. The wide sea coast we have got requires greater vigilance and greater efficiency of the Indian Army. We should judge the budget not from the point of view of the politician or political party but should judge it from the point of view of the safety of the people and of the taxpayers of the whole of India.

Do we discover any outstanding relief provided from the burden of taxation? The indirect benefits accrued under the budget will not be easily perceptible and do not directly appeal to the taxpayer. Has any provision been made not only to take off the existing burden of taxation but to provide for agricultural development for the economic uplift of the masses as compensated for the sacrifices made by him? In an agricultural country development of agricultural industry is of foremost importance. Trade and commerce depend upon the raw produce and so the problem is what encouragement is provided for agriculture, trade and commerce? I realise agricultural industry is a provincial subject and it is the duty of the provinces to be able to organise such schemes as would benefit the agriculturist, but, Sir, it is not actually the case. In the circumstances of the country unless the Centre plays an active and important part in the sphere of economic progress, India will continue to move in the same slow, ineffectual and inadequate manner. The Centre has all the expanding sources of revenue, railways, customs, central excises, income-tax and stamps. There is not much evidence of any direct relief either to reduce the salt tax, postal rates and supertax on incomes. The Finance Member showed the greatest partiality to the provinces. The whole attempt in the budget has been more concentrated to find ways and means of financing the new constitution carrying out the Neimeyer Award than seek to benefit

the country side. What has been done for the villager in order to impress upon him that the British Raj is ruling and not any other Raj is ruling? It is an admirable achievement no doubt of the Honourable the Finance Member to finance provincial autonomy. How would the village be impressed by this great work or great financial feat which has been achieved by the Finance Member? If provinces had voluntarily surrendered their revenues and dried up sources of normal revenue, is it to them that this portion of the people's money to be diverted? If provinces have been so extravagant and so hasty in order to carry out their political programmes, is the Central Government to assist them in their extravagance? It is a matter for serious consideration because it has become the fashion, the order of the day, to make spectacular plans to catch the imagination of the village and increase the hold of a particular political party on the village instead of carrying peace and prosperity to the village. More unrest is created in the country side than peace and prosperity. I am led to make these observations from experience as a province the other day voted the people's money of Rs. 2 lakhs to aid the handloom industry, but placed the whole funds in the hands of the party political organisation, the actual workers only getting two annas for eight hours a day. This is the position. The Centre contributes a crore and a quarter of rupees to be distributed to all the provinces. What use do the provinces make of the money? The Centre has no control. It is at their free will that the provinces have to utilise the money. Here is an example of spending money for the purpose of developing and improving the handloom industry, encouraging the poor weavers who have been without work. What has been done? The whole amount has been placed in the hands of the political organisation and the political party has to distribute the money. Nevertheless the condition of the workers is most miserable. Two or two and a half annas a day for eight hours work. Therefore provincial contributions given at this stage seem to me of very doubtful advantage to the people, to the villages.

It may be said that it is inconsistent to ask for reliefs from taxation on the one side and ask for provincial contributions on the other, but I need hardly point out that in a budget of Rs. 85 crores it is possible that there would be any amount of economies available for the purpose of finding funds.

One of the most important parts of the budget is the Defence. I read the other day a trenchant criticism of the Defence budget, that it should be drastically cut down, there being no danger of an external invasion and the Army in India is maintained for Imperial purposes. The critic is living in a sphere of his own. It is dreamland. There is another school of thought which demanded the strengthening of the Defence forces and Indianising the same; while a third school want conscription and preparation of the people for defending themselves, all persons of ages between 20 and 30. There are advocates who want the British Government to fight Fascism and support the socialistic republics. Whatever view one may hold, the Defence budget has not shown any large increase of expenditure for the coming year. I beg the House to think in terms of India, in terms of the country, in the safety of the unprotected people and the protection of the people of India as a whole and not of a particular political party. That is the great desideratum today. We are more carried by the political party programmes than by the needs of our country. Parties and persons change, but India remains the same. Liberty will not descend on the country unless everyone works towards it. We must earn it with a far-seeing vision. The Indian Army, as I said before, is formed for the purpose of internal security; it was not prepared as a fighting force for modern warfare nor could it be said to be for Imperial purposes without a thorough re-equipment. A very useful pamphlet was circulated

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the other day, namely, " Facts and Figures about Indian Defence, 1935-36 ". It is a very illuminating document. If anyone wants to be informed correctly about the state of things regarding Defence, I would recommend to him that he should read and analyse the arguments that were advanced in explanation of the various criticisms that we are accustomed to advance. I have advanced several of these arguments in criticism of the Defence budget and now we find after reading this statement one has to modify some of his views to some extent :

" The plain fact is that about half the army in India will be incapable of taking the field in war formation required for any campaign of modern dimensions ".

This is the whole crux of the Defence problem. If the Indian Army is not prepared to take the field when the time of emergency arises, then are we to allow these things to go on in that manner without improving the efficiency of the Indian Army. We have been all along dependent on Great Britain. It is India's primary duty to maintain an efficient Defence force, army, navy and air force. It is a serious problem. There may be danger from the East. If Southern China is occupied and if any Power overpowers us, the Power is at the door of India. Bengal would be the first to be attacked. And you see the long coast-line. Any foreign ships carrying aeroplanes may release them either at Calcutta, Madras or Bombay, and then there would be danger. Are we prepared against such dangers ? Have we been equipped with mine-sweeping and mine-laying mechanisations in our defence ? We have to depend on the Royal Navy for all these things. But we cannot get timely help in that way : it may come too late. In the meantime, as the " Emden " demonstrated during the last war, untold damage may be done. That is the position in which we find ourselves—helpless in our defence. Our North-West Frontier is not free from anxiety. The cost of the Defence force is estimated at Rs. 45.18 crores but a large sum goes towards pensions, another sum towards the auxiliary services, and even a crore and a half is paid back to the Indian exchequer in the shape of taxes. Therefore, the net expenditure seems to me to be about Rs. 32 crores in all.

One remarkable fact which should be remembered in this connection is that since the Capitation Committees Award and the contribution towards mechanisation and the release of £100,000 as a contribution towards the Royal Navy, it seems clear that Great Britain has increasingly realised the principle that the entire Army expenditure could not be legitimately charged to India alone. That is my reading and interpretation of the position from these awards. It is a recognition by Great Britain that India is not able to take complete financial responsibility for her defence. As long as India does not become responsible for her defence and cannot frame its own policy, it is but just in the nature of things that Great Britain should take this view, namely, that unless and until India is responsible for her Defence policy and India is responsible for Defence then India cannot be charged with the whole of the expenditure on Defence. Therefore we ask Great Britain for a contribution for Defence expenditure. That is the demand we make, both in this House and in the other House. If mechanisation has been opposed it is not for the amount that has been given ; it is for the establishment of the principle that Great Britain should bear a certain proportion of the burden of Defence expenditure. Great Britain must make larger grants to Indian defence. The budget may be lightened thereby. The House must concentrate on that.

Another very effective way is gradual Indianisation as men and officers are available capable of replacing the existing men and officers. There should be a definite plan worked out for a number of years. There is sound material

available for officers and men in the country but it must be used properly and it will take time. It is not to be thought of that Indianisation will be effected in a year or two. As men are available and as men are trained and are prepared to replace those that are in existence Indianisation will proceed. It is then only that the Defence expenditure will be gradually reduced. Sir, this principle therefore must be sympathetically and effectively worked out. India's relief from Defence charges would then be inevitable. As I said, the problem must be considered from the safety point of view of India and not from the point of view of politics, the protection of the people should be the foremost concern of India. We must therefore concentrate on these two points, namely, a contribution from Great Britain and gradual Indianisation, if we are to lighten the burdens relating to Indian defence. Otherwise, Sir, at present there seem to me no means of relieving the heavy expenditure in the Defence budget. It is what it was last year. There has not been a very great increase. Thus once more the budget, though it is a carrying-on budget, has been prepared in a sound financial perspective considering the financial circumstances of this country and I congratulate the Finance Department on the manner in which they have dealt with the many problems relating to the welfare of India.

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

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The Council re-assembled after Lunch at a Quarter to Three of the Clock ' the Honourable Sir, David Devadoss in the Chair.

**THE HONOURABLE RAO BAHADUR K. GOVINDACHARI** (Madras : Non-Muhammadan) : Sir, I am in the fortunate position of being able to say a few words on the merits of this year's budget without involving myself in any legal or financial controversies which resulted in so many of the benches to my right being vacant.

The outstanding features of the Honourable the Finance Member's budget are the arrangements for financing the new constitution and the provision of money to the provinces which will enable the Provincial Governments to promote schemes of rural development. His ability to finance the provinces is mainly due to the careful handling of the central revenues. Many friends of provincial autonomy were somewhat sceptical about its success mainly on financial grounds but under the budget sufficient encouragement is given to the provinces to enable them to start on their journey with optimism and hope of increased assistance from the Centre in years to come. There are certain items of expenditure in the budget such as the Waziristan operations and the Lahore abattoir which will not occur in future. This will enable the Finance Member to find more money for the provinces in future. Public opinion is entirely in favour of the Honourable Sir James Grigg's programme to finance the provinces to develop village industries and rural sanitation, water supply, medical relief, etc. Any criticism of this policy on the ground that the provinces will not utilise the grants from the Centre for the benefit of the people is extremely unfortunate.

The provision for maintenance of warships by India instead of making a money contribution to Britain for the naval defence is a step in the right direction and must be welcomed by India. In organising the Indian Navy it is hoped that the claims of Indians for employment in the Navy will be duly safeguarded.



[Rao Bahadur K. Govindachari.]

The Honourable Sir James Grigg deserves to be congratulated for providing for all essential services besides meeting the additional expenditure incidental to the new reforms without imposing any additional taxation on the people.

\* THE HONOURABLE NAWABZADA KHURSHID ALI KHAN (Punjab : Nominated Non-Official) : Sir, I rise to offer my congratulations to the Honourable the Finance Member for presenting a surplus budget (although a very small surplus), in spite of the numerous handicaps mentioned by him. Prominent among these handicaps are the losses incurred by the Central Government, due to the separation of Burma, the introduction of provincial autonomy and the provisions of the Neimeyer Award to the provinces.

The increased item of Defence, in view of the world situation, seems quite reasonable and necessary. It is also gratifying to see that His Majesty's Government have contributed a big portion for the mechanisation of some units of the Army in India. The war clouds on the world's political horizon are making Indians anxious about the defence of this country, and the possession of adequate forces for this purpose. With this in view, the increase in the Defence budget is in keeping with the times.

It is also gratifying to see that we are likely to have improvements in our small Navy and that a large sum which India contributed to the Royal Navy will now be utilised for the Royal Indian Navy. The Indian Navy will, it is hoped, afford a chance for Indians to get naval training in future.

While talking of the Defence item, I am naturally reminded of my fellow-men in the Punjab, who have given the best of their lives in the service of the Army. I mean the ex-soldiers. I know a large number of them, and I do not feel happy to see their financial plight. These people, I am sure, have a claim on the Government of India, firstly, because they have rendered the most valuable and loyal service, and secondly, because they belong to the martial races of the Punjab. I appeal to the Government of India to give favourable consideration to their needs.

Sir, Government are aware of the conditions of unemployment of the educated young men in this country. Recently, I glanced through a circular letter issued by the Industries Department, suggesting ways and means whereby education could be made more useful to face the struggle of life. This shows that the matter of unemployment is receiving the serious consideration of the Government of India. I assure the Government that if they succeed in tackling this question, they will receive the approbation of the whole country. There is no doubt that there is a good deal of waste in the present system of education which ought to be stopped, but at the same time, nothing should be done to retard the progress of education, which will help us in getting literature, scientists, and philosophers—so greatly needed in this country.

I must also sound a note of warning that, while a change in the system of education will go a long way in solving the problem of unemployment, the real solution is only possible when all avenues of employment are fully tapped. From this point arises the question of the recruitment for the Services. It is gratifying that in the Central Government, as also now in the provinces, the recruitment is made through the forum of the Public Services Commission. It is obvious that by their constant connection with the candidates for various posts, the experience which the Public Services Commission gain in supplying proper men is not available to individual departments.

\* Not corrected by the Honourable Member.

In my opinion, therefore, the Commission should be the only forum which should be commonly utilised.

I take this opportunity also of offering my congratulations to the Honourable the Leader of the House for the strenuous fight which he has been putting up to safeguard the rights and interests of Indians overseas. I am not disappointed to see that the result has not been as satisfactory as we would like it to be, but I am sure the time will come when Governments overseas will realise the importance of adjusting things in the just and right spirit.

Sir, I again congratulate the Honourable the Finance Member on the budget he has presented us.

THE HONOURABLE MR. R. H. PARKER (Bombay Chamber of Commerce): Sir, I start with the advantage, which was lacking in the other House, of knowing Government's views on the constitutional issue which was raised by the Opposition in that House. From my point of view on that (there is no question about it), neither House has suffered any substantial change: but I am speaking purely in my individual capacity. I think it is necessary to examine the matter completely, dispassionately, and I must regret that, from my point of view, the Opposition have exhibited a certain amount of what I call special pleading. It came to me with rather a shock that an eminent lawyer like the Honourable Mr. Pantulu should express the views on the legal point that he did. And here, I would like to say that it is a purely legal point. It was never, and never could be, a point for the Finance Member to deal with, with due respect to him. Nevertheless, I want to analyse it, and although I am not a lawyer by profession, I have very great experience of law and I have spent a lot of time studying it. I start with the point that this is a new constitution. The main argument, which was a good argument, that they used was that a constitution to a large extent depends on usage. That is true with a constitution which is a continuing constitution. But here we have a new constitution where no argument of usage can arise at all. You are starting *de novo* here with a new constitution. On the practical issue and the immediate results, I really cannot see that there is anything to be said for the argument that you are denying the opportunity to cut the pay of clerks but you still have the opportunity to cut the allowances of the Executive Council. That seems to be distinctly weak, and as I say, special pleading.

Coming to the 1935 Act itself, I start with the point that it must be interpreted as a whole and the mere fact that you have lifted from the old 1919 Act a certain provision and embodied it in the new Act does not mean that the usage of the old Act under that applies in any way to the provision in the new Act. When the Government of India Act of 1935 came into force, so far as provincial autonomy was concerned, it became obviously necessary to re-examine in the light of the Act the question of votable and non-votable budget items.

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

The Honourable the Finance Member of the Governor General's Council was, I suspect, on leave at the time this particular point was dealt with. But I have already said that it is purely a legal point and I think that the legal advisers of the Government of India quite properly advised, as they did, that this item was non-votable. With that opinion I quite agree.

Leaving the constitutional point which I think has been completely dealt with now, I would like to ask my Honourable friend the Finance Member whether this change in procedure and in the time allotted to matters of this

[Mr. R. H. Parker.]

kind in connection with the budget and the Finance Bill has resulted in any change in the prospects and in the intentions relating to the Income Tax (Amendment) Bill, and I would like to know what the position is on that point ?

Coming to more general remarks on the budget itself, I do sincerely congratulate the Honourable Member for the way in which he has met the difficulties of a very difficult situation—the new Act coming into force, the new expenses incurred in connection with that, and so on. There is a saying, “Happy the nation that has no history”, but the Honourable Member rather indicated that “Happy is the nation that has a dull budget”. But I would draw his attention to some points which I do not think are dull at all. There are still the emergency surcharges. I do not call that a dull thing; I call it a rather exciting and nasty thing. Then he says, and I quite disagree, that we are still short of equilibrium by about Rs. 50 lakhs. I am afraid I would have to multiply that a good many times before I could come to a figure I would put down; I should say three, four or five times perhaps. And I draw your attention, Sir, to this, that it is a good year you are dealing with and you are still, according to your own estimates, short by something like Rs. 50 lakhs. In a good year we are taking all the surplus from the railways as ordinary revenue.

THE HONOURABLE SIR JAMES GRIGG : No.

THE HONOURABLE MR. R. H. PARKER : Are we not ? Perhaps you will tell me how much you are not taking ? I say you are taking very much too much. You are making no reserves for the bad years. In the bad years you have merely accumulated the losses and I think that is a very unsound attitude to adopt. You have a completely inadequate depreciation fund and have no reserves and no general reserve either.

I am disappointed that the Honourable Member has not taken into consideration what I hoped he would on this occasion, the necessity of revising tariffs. I want to know that tariffs are economically sound from the point of view of the country as a whole. I do not think they are. I do not think it can possibly be wise to go on with these high duties on motor cars and motor lorries and the means of motor transport generally, machinery, and so on. Possibly the Honourable Member's answer will be that he would like to have time for that, that he has just brought out an economic expert and wants to know what he thinks. Well, I hope he will think a lot and come to some conclusion.

Then on points relating to taxes on income, I would like to mention the proposed slab system. I think it is a very sound one but I must say this, that I do hope that you will calculate your slab system, if you adopt it, to produce no more revenue than the existing scale and that you will not use it as a cloak for increasing taxation. It is a great temptation to you, I know. I have not got the means of arriving at the detailed calculations that you have, but it should not be used to increase taxation but to arrive at a more equitable distribution of taxation.

Here I come to another note of congratulation. I do think the proposal to have the Telephone Capital Fund is a very sound one. It is something in the direction of commercial management, although I must admit I am one of those who would prefer all these public utility undertakings to be run by commercial money and not by Government money. I do hope we shall soon come to the stage when the Honourable Member will agree that he must put

some of his railway revenue surplus, as he calls it, to reserve and that he will arrange to divide that between reserve and general revenues. Finally, I share his hopes that next year may be as good as he hopes himself.

THE HONOURABLE LT.-COL. SIR HISSAMUDDIN BAHADUR (North-West Frontier Province: Nominated Non-Official): Sir, I rise to congratulate the Honourable the Finance Member on his Budget for 1938-39, on which no doubt he has worked so hard. In this connection I would like to make a few suggestions for the consideration of the House.

Sir, I am glad that ample provision has been made in the budget for rural uplift. This indeed is a very important question and one which has been engaging the attention of the Government for some years past. It is high time now that the matter is pushed through in right earnest. Our towns and cities are marching onwards. People there are no longer burning mustard oil to provide themselves with light, but are now enjoying electric light. But what about the villages? There the people are still burning the same old mustard oil and the same old oil stick for light. There the sanitation is poor, the villagers' dress dirty, and drainage bad. They share the same house with their cattle. The result is that their children grow weak and thousands are carried away by epidemics such as small-pox and cholera. I know of a certain rural area—I need not mention its name—where an officer of the Rural Development Department got two large and beautiful signboards put up at either entrance to a certain village on the Grand Trunk Road with the words "Uplift of the Villages"; yet this very place was stinking with stagnant water on either side and humming with mosquitoes. I would therefore suggest that the work of rural uplift should be conducted under the supervision of a strong and efficient committee capable of drawing the best of programmes for this kind of work.

Sir, I now pass on to the problem of unemployment prevailing in the country. I notice that education is spreading every where at a good deal of cost, but, then, discontent too is growing among the people. Why? It is because only a few can be absorbed in the services, but there is no limit to those who can be educated. The standard of living and thinking of the average educated man naturally goes up, but in a majority of cases, he has not got the means to keep it up. He becomes a stranger to his domestic crafts and occupations and goes about looking for employment. As employment is not readily available, he gets into some local board, becomes a teacher or a pleader, and because of his many disappointments in the field of service takes up the role of the agitator. Often when I have gone out shooting I have heard villagers telling me that the education of their children has cost them a lot. It has even run them into debt; and in not a few cases they have had to sell their land to give their sons the desired education.

The son has become a Babu, but not an earning Babu. He requires a set of suits to wear and cigarettes to smoke; but the father, who is already a pauper, knows not how to help his worthy son. He is fed up with this sort of education. It cannot go on. I would therefore suggest that education up to the primary standard should be made compulsory and should consist of hygiene, home crafts and subjects of local interest and utility such as patwari's work and the keeping of accounts, etc. And, then, Sir, only a few brainy and shining students, as the need may be, should be sent up for higher education in the universities to be employed later on in the civil and military posts.

[Lt.-Col. Sir Hissamuddin Bahadur.]

Then, Sir, there is the question of military expenditure. A number of my Honourable friends would regard it as too high, but let them not get too agitated over this. They think that sweepers and other non-martial classes could as well make good soldiers. If Hissamuddin and Captain Sir Sher Muhammad Khan can make good soldiers, why can't they? But they forget that the Indian Army is a limited body, and those who at present compose it belong to military tribes and martial races who pride themselves as such. It will never do to recruit men in the army from the people who have never had anything to do with fighting or warfare. Fighting is not in their nature; it is not in their blood. It is rather the business of those who have been brought up generation after generation in military traditions. Sir, I am telling this from my own experience with the Indian Army which extends to over 32 years. Iron is much more in use and in demand in the world than gold; yet gold is much costlier than iron. So is the case with the soldier and the non-soldier. A raw racing horse would fetch as much as £30,000 in the market and would be well worth its blood. But it is not so with an ordinary horse yoked to the tonga. Both are horses, but what a difference between the two? This matter should, therefore, be left in the hands of our military experts and His Excellency the Commander-in-Chief who indeed knows better in this respect than most of our armchair critics and politicians. In my opinion, Sir, only the sons of soldiers, whether serving in the army or outside it, should be taken. They have spent their lives in the art of war. They are brave; they are gallant. They know no fear, no vaccination. They alone can be relied upon in critical and dangerous times. They should be provided with adequate military education and training. The rest can take to other technical and peaceful occupations.

Sir, a large amount has been shown in the budget for purposes of development of roads and Waziristan operations. This, I think, is quite in order. The North-West Frontier is like a buffer between India and Afghanistan and the Frontier. It is inhabited by a tough, turbulent and well-armed people. The area politically is controlled by the Foreign and Political Department, now called the External Affairs Department. It is because of the political sagacity of the officers of this Department and the presence of well-trained troops stationed there that we have peace reigning in the country down the Indus. If it were not so, the picture would have been quite different.

Now, Sir, there is just one point more to which I venture to draw the attention of the Honourable the Finance Member, and that is the assessing, for purposes of income-tax, the houses owned and inhabited by the house-owners themselves. The tax, in my opinion, would be legitimate if the house is rented out, but I regard it as wrong if the house is used by the owner himself. The tax, in my opinion, should therefore go.

Sir, as I had to leave early during the discussion on the Railway Budget, I would like this opportunity of making a suggestion or two in that connection. There is a general complaint that drinking water is not readily available day and night for passengers on all railway stations, particularly in the hot weather. I would suggest that a water bogey for the convenience of both Hindus and Muslims should be attached to each passenger train. This would do away with the necessity of keeping a large staff of water-carriers at so much expense at each station, and would not only add considerably to the convenience of the travelling public but would also increase the popularity of the Railway Administration. The more they meet the wishes of the third

class passengers in this respect and others the more they gain in their income and popularity.

Sir, I again congratulate the Finance Member.

THE HONOURABLE MAHARAJADHIRAJA SIE KAMESHWAR SINGH OF DARBHANGA (Bihar : Non-Muhammadan) : Mr. President, I do not think that this budget, which has been rightly characterised as "dull" and "disappointing", needs a lengthy debate. The Honourable the Finance Member has managed to balance it and we are told that he has done so against enormous odds. But all this leaves the taxpayers absolutely cold. The *status quo* which he has preserved, does not cheer them. They want relief from oppressive taxations that have been imposed upon them from time to time and not *status quo* which means the continuation of the present high level of taxation.

Sir, the Government have not yet redeemed their promise to remove the surcharges on income-tax which was levied as an emergency measure with definite stipulation that they would be taken away as soon as the financial condition is improved and one wonders that when salary cuts made under similar circumstances have been fully restored what justification there can be for the Government to retain the surcharge? We find that the Government which has almost absolute control of the financial machinery of the country always finds its expenditure as "absolutely essential" and the taxes once levied to meet them are seldom removed.

Sir, it has been said that there is no proposal for fresh taxation. But is that correct when we shall shortly have before us the Income Tax (Amendment) Bill, which will make provision for taxing income that is now free from tax? Does that not amount to fresh taxation?

Sir, is the Honourable the Finance Member aware of the hardships that the sugar excise duty is causing to the sugar industry in the provinces? Judging from the state of things in the province which I have the honour to represent I shall not be surprised if at no distant date many sugar factories may be compelled to close down and when that happens the plight of the poor agriculturists can be better imagined than described.

Sir, so much has been said about the poor man's salt and postcard that I feel that if the Government were responsive to the popular demands it would have found its way to meet them long ago.

Sir, the amount of money released for our province in accordance with the plan contained in the much condemned Neimeyer Award is so small that they can not meet the cost of even smaller projects, and the discontinuation of rural development will proportionately increase the demands on the exchequer of our province and thus neutralise the effect of its additional income.

Sir, instances of omissions and commissions of the Government can be multiplied but I stop here. Before resuming my seat, however, I have only one prophecy to make despite the warning given by the Honourable the Finance Member. It is that every future budget will continue to be looked upon as "disappointing" and "dull" or perhaps worse, unless its general tendency is to substantially contribute towards all round people they govern.

THE HONOURABLE DIWAN BAHADUR SIR RAMUNNI MENON (Madras : Nominated Non-Official) : Sir, both the Honourable the Finance Member and the Honourable the Finance Secretary, as well as some of the speakers

[ Sir Ramunni Memon. ]

who have already spoken have chosen to characterise the budget as dull. Whether such an epithet can be correctly applied to this year's budget or not, it seems to me that the budget reveals the essential soundness and strength of the financial position of the Government of India. When it is remembered that in recent years we have had to face not only the effects of the economic blizzard but considerable loss of revenue caused by our own protective policy, and further that the financial preparation for the introduction of the new constitution has laid a very heavy burden on the central exchequer, I think there will be very widespread satisfaction that central finance has been maintained on an even keel. I think the Honourable the Finance Member is entitled to our thanks for this achievement. I have no doubt that the budget will be criticised—actually it has been criticised and it will continue to be criticised—from various points of view, but I do not think any amount of criticism can detract from the merit of the Honourable the Finance Member's achievement in the direction that I have specified. I do not propose, and I have no desire, to traverse any wide stretch of ground covered by the budget, but shall direct my remarks to two or three points which arise directly or indirectly from it.

My first point refers to a matter which is not mentioned at all in the budget. I should like to enquire what the Government's intentions are in regard to the Stamp Duty (Amendment) Bill. As far as I am able to gather, the Bill was introduced in the Lower House and for some reason which has not been sufficiently explained was not proceeded with. Is it proposed to drop the Bill or to bring it up in another form at some other time? I should like to have some light thrown on this matter.

My second point is this. Last year, when the Finance Bill was under consideration, some of us expressed a desire to see the rural grant made to the provinces continued. The Honourable the Finance Member shared this desire and gave an assurance that the practicability of continuing the grant would be borne in mind. In the light of the facts and figures contained in this year's budget I am satisfied that the decision to discontinue the grant is amply justified. I have no grievance whatever in that matter. And after all it will be well to remember that the provinces will now be receiving an equivalent amount by way of distributed income-tax and that they cannot reasonably complain that the supply of funds from the Centre has been suddenly stopped.

I now come to my third point. Discussions on the budget generally are largely governed by purely economic considerations, by considerations of material progress and prosperity, and there is a distinct tendency to overlook or ignore the value of those departments and activities of the Government which do not bring in a tangible or immediate financial return. The particular department that I have in mind is the Department of Archaeology, which is in the portfolio of the Honourable the Leader of the House. I am not speaking with up-to-date knowledge on this particular point, but I believe I am right in saying that the allotment to this Department has been considerably curtailed in recent years. Among the important activities of this Department may be mentioned the exploration and excavation of ancient sites, the conservation of ancient monuments and the maintenance of museums. That work of this character is of very great cultural value will be readily admitted. I understand that the work of excavation at Harappa and Mohenjodaro has been definitely stopped. As I said just now, I am not

speaking with full knowledge of the exact state of affairs at the present moment. On referring to the detailed estimates, I find an item of Rs. 31,000 as a special provision for excavations. I do not know the destination of this grant, or whether it is proposed to resume the excavation at Harappa and Mohenjadaro. The discovery of these ancient sites aroused the greatest interest in the learned world and it will be a very great misfortune if the world has to be denied that contribution to knowledge which their full investigation will enable the Archæological Department to make. I therefore appeal to the Honourable the Finance Member and the Honourable the Leader of the House to take a little active interest in this field of archæology and to see that the Department is placed in possession of adequate funds so as to enable it to carry on its normal activities without hindrance. The Department seems to suffer not only in the field of excavation but in other fields also. A recent publication on Indian museums by two well-known authorities has served to arouse public interest in Indian museums. The main criticism of these authors is to the effect that the museums in India are very inadequate in number and that their general administration is inefficient. I know that many of these museums are under the control of the Provincial Governments and I do not think that this Council is a proper forum for the discussion of the general question. But a certain number are under the control of the Government of India and I would therefore suggest that these museums also should be well provided with funds.

It looks as if the Government of India budget will soon reach a stage of growth where it will remain for a long time without any great change of form or content, except perhaps in Defence expenditure. Before that stage is reached, I think it is extremely desirable in the interests of culture that the Department of Archæology should be placed in an adequate financial position. I venture to make this humble suggestion for the sympathetic consideration of the Honourable the Finance Member.

Some reference has been made in the course of the debate by other Honourable Members to the non-removal of the remaining surcharge on income-tax. I am one of those who would press upon the Honourable the Finance Member to retain that tax in the interests of the various departments and activities which are essentially necessary for this country. I hope, therefore, that he would give very careful consideration to the matter in all its aspects, when the question of removing this surcharge is again pressed upon him. There are various departments which require funds and if you remove this tax, money will have to be found from some other source. I hope it will come from some source. Anyhow, I leave it to the Honourable the Finance Member to find the money.

**THE HONOURABLE MR. J. C. NIXON (Finance Secretary):** Sir, in the circumstances of today, it does not fall to me to reply to as many points in regard to the Budget of 1938-39 as it normally would have done and I have made note of only a limited number of matters on which I need address the Council.

The first subject to which I would wish to give expression is rather typified by the speech of the Honourable Sir A. P. Patro—but that subject has been mentioned very much in the same terms by various other speakers—and that is the consideration of the Defence estimates for next year. I took the Honourable Sir A. P. Patro's speech to be by way of a commendation on the Government of India for the fact that they had managed to supplement the resources of India for the purpose of its defence; and when he made that statement, I believe he was giving expression to what is a very general and very genuine



[ Mr. J. C. Nixon. ]

view of the matter. But he did not refer to one particular aspect of that same question, one which I personally would be more disposed to emphasise ; and that is, that we have managed to supplement the resources placed at the disposal of His Excellency the Commander-in-Chief next year without some of the consequences that have happened in other countries in similar circumstances. We have not next year had to run into a revenue deficit for which we have had to borrow, and we have not fortunately had to increase taxation. At the same time, we have managed to place these resources at the disposal of the Defence Department in a year in which we have been able to distribute Rs. 138 lakhs to the provinces. I have no doubt that in the Honourable Sir A. P. Patro's speech and in other Honourable Member's speeches, all this was implied, but I think it fair to give expression to this point of view.

The Honourable Mr. Parker, in his speech, asked Government if the curtailed or probably curtailed legislative programme of this year was liable to affect the intentions of Government in regard to the Income Tax (Amendment) Bill. This is a very pertinent question. I do not know that I have got very much to say which will satisfy him except that the drafting of the Bill is at the moment actively going on and that, subject to our not presenting the Legislature with an unsatisfactory Bill, we shall press on with that part of the business with all possible speed.

He also referred to another matter of very considerable importance and consequence to the country, namely, the question of whether we ought not to put some of the entries in our Tariff Schedule on to a more scientific basis. It is the opinion of Government, as is known to this House, that that matter is one which requires very serious, and for that matter very early consideration. We are impeded from taking it up by two considerations. The first is the uncertainty in regard to the present Indo-British trade negotiations. Those negotiations whichever way they go will obviously affect our tariff and in the absence of knowledge of what is going to be the outcome of that, we have had to postpone consideration of this very serious matter. But there is also another point. Although we are disposed to believe on the Government side that in the case of certain articles of the tariff a reduction of the import duty would probably in due course present us with even increased revenue, we are pretty well assured that the immediate effect of any reduction of that sort would be a drop in revenue, and unfortunately, in the years just recently behind us and in the present year we are not in a position to be able to face that immediate loss.

My Honourable friend Colonel Hissamuddin referred to a matter of income-tax, which was obviously very close to his heart, when he suggested that owner-occupiers of houses should be exempt from income-tax. I personally feel very much on his side. I am afraid—but it is quite my own personal feeling in the matter—that I cannot give him or for that matter myself any undertaking that either of us will get relief in that way. In dealing with the same subject, I could understand though perhaps I could not properly accept altogether the apprehensions felt by my Honourable friend the Maharaja of Darbhanga in regard to the amending Bill.

The Honourable Sir Ramunni Menon asked a very pertinent question of Government. He asked what was going to happen to the Stamp Duties Bill owing to the manner in which it had been treated in the Lower House. That is a very serious question—one which requires, and, I may say, is receiving, the very serious attention of Government. I am afraid at the present stage I am not able to go any further than that.

The Honourable Sir Ramunni Menon also asked for information in regard to archæology and hoped that we were taking steps to supplement the funds placed at the disposal of that Department. I think I can give him a fairly clear assurance on that point. Turning to Demand No. 35 of the Book of Demands for Grants, I will read him out a few figures. Under "Special Repairs" we are providing this year just under Rs. 4 lakhs against about Rs. 2½ lakhs in the revised estimates of the current year. Under "Archæological Explorations" we provide Rs. 77,000 for next year against Rs. 39,000 provided in the revised estimates of the current year. I am afraid I am not able to tell him whether the Department proposes to go on with excavations at Mohenjadaró or elsewhere. But there is no doubt that the Department, with these extra funds, will be able to make progress in the direction of exploration. Then, again, under "Museums", which subject he mentioned in particular, we have provided for next year Rs. 87,000 against Rs. 6,000 only which is likely to be spent during the current year. In fact the grant as a whole for next year stands roughly Rs. 2 lakhs over the figure of the revised estimates of this year.

There is one personal matter to which I would like to refer before I sit down; and I may say to the House that I have not sought the permission of the Honourable the Finance Member to make this statement. During this morning's proceedings the Honourable Mr. Hossain Imam described the statement of the legal position on the subject-matter of the debate of this morning which was read out by Sir James Grigg as "borrowed" opinion. I think I owe it to myself and to this House to give a word of personal explanation of that, as when the decision about which complaint was being made was taken I was the Member of the Government in charge of the Finance Department; and apart from that I am the Finance Secretary and in as much as there may be complaints or censures about the Finance Department, I myself am to a very large extent concerned. I would like to say that the re-examination of the classification of the grant which we were discussing this morning was not done at the instance of the Finance Department at all. I would go further than that and I can say definitely, because I have referred to the papers quite recently, that the Finance Department was not even consulted in the matter. This was an entirely legal question. The Finance Department were merely informed that the statute required this particular demand to be put into the demands for grants as non-votable. And therefore I would like to assure the House that when the Honourable Mr. Hossain Imam described that legal opinion as one which was "borrowed" he was being perfectly correct.

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The Council then adjourned till Eleven of the Clock on Monday, the 7th March, 1938.

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**CORRIGENDUM.**

On page 303 of the Council of State Debates, dated 4th March, 1938,  
in the fourth line from the bottom—

*For* “all round people they govern”

*Read* “all round prosperity of the people they govern”