

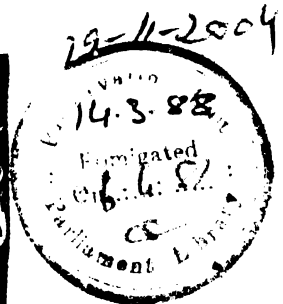
Tuesday, 16th April, 1935

THE
COUNCIL OF STATE DEBATES

VOLUME I, 1935

(11th February to 17th April, 1935)

NINTH SESSION
OF THE
THIRD COUNCIL OF STATE, 1935



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1935.

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COUNCIL OF STATE.

Tuesday, 16th April, 1935.

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.

QUANTITY OF SILVER PURCHASED SINCE 1915.

120. THE HONOURABLE MR. SHANTIDAS ASKURAN : Will Government be pleased to state :

(a) The quantity of silver purchased by them during the last 20 years, that is, from 1915 up to the current year, year by year ?

(b) The average rupee value per hundred tolas of silver so purchased ?

(c) The quantity of silver sold by Government during the same period year by year ?

(d) The average rupee value per hundred tolas of silver so sold ?

(e) The total approximate quantity of silver bought and sold, and the effect of these transactions, either as profit or loss to Government ?

THE HONOURABLE MR. HOSSAIN IMAM : I have been asked by the Honourable Mr. Askuran to ask this question on his behalf.

THE HONOURABLE THE PRESIDENT : Yes, I have seen his telegram.

THE HONOURABLE MR. P. C. TALLENTS : The Honourable Member whose name is down against this question especially asked that I should reply to this question in Simla. The information is being collected.

THE HONOURABLE THE PRESIDENT : The Honourable Mr. Hossain Imam has just shown me the telegram asking him to ask the question.

THE HONOURABLE MR. P. C. TALLENTS : The information is being collected.

THE HONOURABLE MR. HOSSAIN IMAM : And it will be placed on the table of the House ?

THE HONOURABLE MR. P. C. TALLENTS : Yes, Sir, in due course.

TRANSFER OF INDIAN MEDICAL SERVICE OFFICERS TO THE PRESIDENCY OF
BENGAL.

121. THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK: (1) Will Government be pleased to state:

(a) The names of Indian Medical Service officers transferred to civil employ in the Bengal presidency during the last five years?

(b) The number of them who are natives of Bengal?

(c) The number of them who are natives of the Punjab?

(d) The number of them who are classed as officers liable to immediate recall to military duty?

(2) Is it a fact that officers who do not know the language of the province and have no experience of its conditions are being transferred to the province in preference to Bengalis who are in the Indian Medical Service?

(3) Do Government propose to post as far as possible Bengal men to the Indian Medical Service in the Bengal presidency?

THE HONOURABLE KUNWAR JAGDISH PRASAD: (1) (a) A statement is laid on the table.

(b) Two.

(c) Two.

(d) Five.

(2) and (3). The Indian Medical Service is an All-India Service and officers are posted to provinces according to the exigencies of service irrespective of their domicile.

The following Indian Medical Service officers were transferred to civil employ in the presidency of Bengal during the years 1930 to 1934:

1. Major S. L. Patney.
2. Lieutenant-Colonel M. Das.
3. Captain J. C. Drummond.
4. Captain R. Linton.
5. Captain G. B. W. Fisher.
6. Captain E. G. Montgomery.
7. Captain K. S. Fitch.
8. Major S. Nag.
9. Captain F. H. A. I. Davidson.
10. Lieutenant-Colonel F. J. Anderson.
11. Major J. R. Katariya.
12. Lieutenant-Colonel N. B. Mehta.
13. Major-General D. P. Goil.

NUMBER OF INDIAN OFFICERS AND INDIAN OTHER RANKS PLACED ON THE PENSION LIST AFTER THE GREAT WAR.

122. THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK: (1) Will Government be pleased to state:—

(a) The number of Indian soldiers including Indian officers who were on the pension list just after the Great War?

(b) The number of men who are annually pensioned off each year including Indian officers from the Indian Army?

(c) The number of Indian soldiers including Indian officers who are on the pension establishment on the 1st January, 1935?

(2) What is the annual wastage in the ranks of the Indian Army?

THE HONOURABLE MR. M. G. HALLETT: I ask your permission, Sir, to answer questions Nos. 122 to 124 and 128 in the absence of His Excellency the Commander-in-Chief.

(1) (a) The information is not readily available and its collection would entail an amount of labour out of proportion to its value.

(b) and (c). The information is being collected and will be supplied to the Honourable Member when received.

(2) The average annual intake of combatant recruits into the Indian Army during the past three years was 17,124.

THE HONOURABLE MR. HOSSAIN IMAM: May I request the Honourable Member to lay the answer on the table of the House because it concerns a matter in which all of us are interested?

THE HONOURABLE MR. M. G. HALLETT: I presume that will be done, Sir.

NUMBER OF BRITISH OFFICERS HOLDING THE KING'S COMMISSION IN THE INDIAN ARMY FROM 1923 TO 1934.

123. THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK: Will Government be pleased to state the strength of the British element of the King's Commissioned officers in the Indian Army for each year of the period 1923 to 1934, and the number of those who (i) retired, (ii) were discharged, (iii) were removed, (iv) were pensioned during this period?

THE HONOURABLE MR. M. G. HALLETT: I lay on the table a statement showing the number of King's Commissioned British officers in the Indian Army from 1929 to 1934.

The information asked for in the second part of the question is not readily available and to collect it would entail an amount of time and labour out of proportion to its value. Moreover owing to the large reductions that have had to be made since the war, in order to prevent the occurrence of surpluses in particular ranks, the information would to some extent be misleading.

Statement showing the number of King's Commissioned British officers in the Indian Army from 1923 to 1934.

Year.	No.
1923	3,470
1924	3,200
1925	3,157
1926	3,081
1927	3,100
1928	3,116
1929	3,044
1930	3,068
1931	2,939
1932	2,874
1933	2,853
1934	2,813

VOCATIONAL TRAINING OF INDIAN SOLDIERS WITH A VIEW TO EMPLOYMENT
AFTER DISCHARGE.

124. THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK: Will Government be pleased to state whether there is any arrangement to train Indian soldiers in a tradesman's job with a view to equip them to usefully employ themselves when they leave the army?

THE HONOURABLE MR. M. G. HALLETT: I would refer the Honourable Member to the answer given on the 12th April, 1934, to his question No. 124.

COST OF THE TEMPORARY AIR-CONDITIONING PLANT IN THE LEGISLATIVE
ASSEMBLY CHAMBER, NEW DELHI.

125. THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK: Will Government be pleased to state the amount that has been spent in making the Assembly Chamber air cooled? Has the new thermostatic arrangement reduced the temperature inside the Chamber? Do Government propose to instal a similar plant in the Council of State Chamber?

THE HONOURABLE MR. D. G. MITCHELL: The estimated cost of the installation of a temporary air-conditioning plant in the Assembly Chamber at New Delhi was Rs. 19,000. The actual cost is not yet known. I understand that as a result of this installation the temperature of the Chamber has been appreciably lowered. Government have not considered the question of installing a similar plant in the Council of State Chamber and are unable to give any undertaking on the subject.

THE HONOURABLE MR. BIJAY KUMAR BASU: Does the Government consider that this Chamber is not warm enough?

THE HONOURABLE MR. D. G. MITCHELL: I think the Honourable Members will admit that the atmosphere of this Chamber is considerably cooler than that of the other.

APPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN OF VARIOUS PORT TRUSTS.

126. THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK : Will Government be pleased to state whether there is any bar to the appointment of an Indian to be the Chairman or Vice-Chairman of a Port Trust ? Has either of these posts been filled even temporarily by an Indian ? Have there been repeated demands by public bodies for the opening of these posts to Indians ?

THE HONOURABLE MR. T. A. STEWART : There is no bar to the appointment of an Indian as Chairman or Vice-Chairman of a Port Trust. Information whether these posts have ever been filled by an Indian is being obtained and will be supplied to the Honourable Member as soon as possible. Representations have been received from certain public bodies regarding the appointment of Indians to these posts.

THE HONOURABLE MR. BIJAY KUMAR BASU : Will the information be laid on the table ?

THE HONOURABLE MR. T. A. STEWART : Yes, Sir.

NUMBER OF COUNCIL OF STATE SITTINGS DURING THE BUDGET SESSIONS, 1930 TO 1934.

127. THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK : Will Government be pleased to state :

(a) The number of working days in the Council of State during the budget session for each year from 1930 to 1934 ?

(b) The number of days the Members had to sit idle during the same period ?

THE HONOURABLE KUNWAR JAGDISH PRASAD : (a) and (b). Assuming that by days on which the Members had to sit idle the Honourable Member means days on which the Council did not sit, he will find the required information in the statement which I lay on the table.

Statement showing number of Council of State sittings during budget sessions, 1930--1934.

Year.	No. of days on which the Council sat.	Total No. of days during the session on which the Council did not sit.	No. of days excluding Sundays and holidays on which the Council did not sit.
1930	18	28	20
1931	21	31	19
1932	18	24	12
1933	24	35	22
1934	26	53	3

NUMBER OF INDIAN OFFICERS HOLDING THE KING'S COMMISSION WHO WERE EMPLOYED IN ADMINISTRATIVE BRANCHES OF THE INDIAN ARMY FROM 1932—1934.

128. THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK: Will Government be pleased to state the number of military officers who were employed in the administrative branches of the army in the years 1932, 1933 and 1934? How many of those were Indians holding the King's Commission?

THE HONOURABLE MR. M. G. HALLETT: If the Honourable Member wish refer to Statement II in the printed "Budget Estimates of Expenditure on Defence Services" for the years in question he will find the total number of King's commissioned officers of the various branches of the army. I have been unable to find out for him as yet the exact number of King's commissioned Indian officers in the administrative branches in each of those years but it cannot have exceeded the present figure of nine.

INSURANCE OF GOVERNMENT BUILDINGS.

129. THE HONOURABLE MR. SHANTIDAS ASKURAN: Will Government be pleased to state:

(a) Whether all Government buildings at Delhi and Simla used by the Secretariat or for residential purposes by officials are insured?

(b) If so, whether they are insured with Indian companies? If not, why not?

(c) If they are partly insured with Indian companies, what is the proportion of premiums paid to Indian companies as compared with those paid to British companies?

THE HONOURABLE MR. D. G. MITCHELL: (a), (b) and (c). No Government buildings are insured. It is not the practice of Government to insure their buildings.

MOTION FOR ADJOURNMENT.

INQUIRY BY TRIBUNALS INTO THE CONDUCT OF GOVERNMENT OFFICIALS.

THE HONOURABLE THE PRESIDENT: Honourable Members, I have received notices of two Adjournment Motions, one from the Honourable Mr. Hossain Imam and the other from the Honourable Mr. Jagadish Chandra Banerjee. I shall read to you the Honourable Mr. Hossain Imam's Motion for Adjournment. It says:

"Sir, I wish to move the adjournment of the House on the 16th April, 1935 to consider a matter of urgent public importance namely, the pronouncement by the Honourable Home Member that officers' conduct cannot be subjected to inquiry by tribunal".

I would like the Honourable Member to satisfy me that this Motion is in order?

*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan): Mr. President, the general rule about Adjournment Motions is that on every subject on which a Resolution can be moved an Adjournment Motion can be made. The only question is one of urgency. The fact is that on this subject of the pronouncement of Government policy a Resolution is admissible, and I have only to give proof on the question of urgency. Rule 39 says that the Motion must not be on a matter on which a Resolution cannot be moved, and in regard to that this is in order, and I submit that its urgency is covered by the fact that matters like these are cropping up every day and if the conduct of Government officials is not to be inquired into it will give them latitude to do whatever they like. It is therefore urgent that we should discuss it now.

THE HONOURABLE THE PRESIDENT: The Honourable Mr. Hossain Imam has given notice that he wishes to move the adjournment of the House to consider a matter of urgent public importance and he states in the notice that the matter is:

"The pronouncement by the Honourable Home Member on the 19th April in the Council of State that officers' conduct cannot be subjected to inquiry by a tribunal".

In the first instance he does not correctly quote the statement made by the Honourable Home Member in reply when the Adjournment Motion was discussed. If my recollection is correct, all that the Honourable the Home Member said was that it would be inadvisable on insufficient grounds to order enquiry by tribunals into the conduct of police officers as well as other officers as they would not discharge their duties fearlessly if they are called upon to answer or explain their actions before tribunals. That is the purport of his speech and not the statement which has been alleged to be made by the Honourable the Home Member. I must hold that the Motion is out of order on the ground that, if the subject-matter proposed for discussion is the statement by the Honourable the Home Member of the reasons for the refusal of Government to set up a tribunal to inquire into the recent events at Karachi the Motion would obviously revive discussion on the matter discussed on the Adjournment Motion on the 10th April, with the result that the Motion is within the bar imposed by clause (iii) of rule 12 of the Indian Legislative Rules. To make the position clear I will read rule 12:

"The right to move the adjournment of either Chamber for the purpose of discussing a definite matter of urgent public importance shall be subject to the following restrictions";

and the third restriction enumerated in this rule is that the Motion must not revive discussion on a matter which has been discussed in the same session. To permit the Honourable Member to move the Motion a second time would be to allow him to revive the discussion on a matter which has been already fully discussed.

Another objection is—and to which the Honourable Member has also referred—he thinks it is a matter of urgent public importance. Assuming for argument that the subject-matter proposed for discussion is an alleged general pronouncement by the Honourable the Home Member, there is no element of urgency at all in it. I do not see any element of urgency at all. This is not all. Moreover, I find that there is no precedent for such a

[The President.]

Motion either in the Indian Legislature or in the provincial Councils or even in the Mother of Parliaments. An Honourable Member cannot ask for a second Motion of Adjournment on a statement or a reply made by a Member in charge of the particular department of Government either on a full reply or on a part of the reply made by him. I do not find any precedent for such a request.

For all these reasons, I hold that the Motion is out of order and I will not permit it.

THE HONOURABLE MR. HOSSAIN IMAM: On a point of personal explanation, Sir. I will read out the words of the Honourable Home Member from which I drew this conclusion. He stated at the end of his speech—

THE HONOURABLE THE PRESIDENT: Before the end he stated two or three times what I have mentioned. He laid the proposition threadbare before the House.

THE HONOURABLE MR. HOSSAIN IMAM: I will just read:

"What tribunal is competent to censure an officer who in circumstances of such difficulty which subsequently some other persons, acting perhaps on quite different sets of information may decide to have been wrong".

I think, Sir, that he meant that no tribunal is competent to censure an officer.

THE HONOURABLE THE PRESIDENT: You must take his whole speech, and not any particular sentence to ascertain what he really meant.

Honourable Mr. Banerjee, do you wish to move your Adjournment Motion?

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal: Non-Muhammadan): Sir, the Government Member said—

THE HONOURABLE THE PRESIDENT: I do not want to know what the Government Member said. I want a reply, yes or no, from you.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: I should like to have another day.

THE HONOURABLE THE PRESIDENT: You do not wish to move it today?

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: No, Sir. Tomorrow.

THE HONOURABLE THE PRESIDENT: I do not make any promise. I am only concerned with today's work.

INDIAN FINANCE BILL, 1935.

THE HONOURABLE THE PRESIDENT: Before we proceed with the discussion on the Finance Bill, I desire to make a brief statement in order to clear up some misunderstanding which has arisen on account of the observations which I made last Thursday. I understand that certain observations which I made in the course of the debate that day have led some Honourable Members to believe that I intended to indicate that in the event of the Council carrying amendments to the Bill now before it, it would be open to the Governor General to take such action as would forthwith cause the Bill to become law in the form given to it by the Council's amendments. In case this interpretation should in fact have been placed on my observations, I desire to explain that I did not intend to express any opinion. The circumstances in which the Bill is before the Council are those for which provision is made in the substantive part of sub-section (1) of section 67B of the Government of India Act read with clause (b) of that sub-section. If the Council carried any amendment to the Bill, the Bill will not have been so consented to within the meaning of clause (b), that is to say, it will not have been consented to in the form recommended by the Governor General and the provision that the Bill in that form on signature by the Governor General become an Act as aforesaid will come into operation. In that contingency the Governor General would have two alternatives before him. He could either place his signature upon the Bill in the form recommended with the effect of causing the Bill in that form to become an Act or he could refrain from placing his signature upon the Bill in the form recommended, with the effect that no Bill would have become an Act and that Government would be under the necessity either of doing without a Finance Act of any kind or of introducing and proceeding *ab initio* with a new Bill.

Discussion on the Finance Bill will now proceed.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Does it mean, Sir, that even in case amendments are carried they will have no effect?

THE HONOURABLE THE PRESIDENT: I have already explained the matter twice. I cannot say anything more.

THE HONOURABLE MR. V. V. KALIKAR (Central Provinces: General): Sir, it has been claimed on behalf of the Government that they have begun to take great interest in the plight of the agriculturist and I myself being an agriculturist I want to look at the Bill from an agriculturist point of view. It is admitted that the prices of agricultural produce have gone down and various methods suggested on this side of the House to increase prices have been rejected by Government on various grounds. Well, Sir, it is also admitted not only by the Government but by financial experts like Sir Walter Layton that India is a poor country and that the burden of taxation on the agriculturist has increased to such an extent that the agriculturist now finds it impossible not only to pay the taxes but to carry on their usual maintenance and other work. Sir, I want to know what efforts have been made by Government to relieve the suffering of the agriculturist? I know, Sir, the Government of India will tell me that provincial Governments have helped the agriculturist by way of remission of

[Mr. V. V. Kalikar.]

land revenue; that the provincial Governments have passed certain Acts to decrease the burden of debt, but I want to know, Sir, how far these methods have been successful? I cannot say with authority as regards other provinces but, Sir, so far as my own province is concerned, hardly 5 per cent. remission is given so far as land revenue is concerned. I said, in this House, Sir, on various occasions that no doubt the provincial Governments have passed certain Acts to decrease the burden of debt of the agriculturist but that has had no effect practically in increasing the price of agricultural produce. I can, Sir, ask the Government of India as to what part they played in relieving the sufferings of the agriculturists by way of increasing the price of agricultural produce? We on this side of the House suggested various methods. My Honourable friend, Mr. Hossain Imam, who always takes a lot of interest in exchange and other monetary problems, suggested a change in the ratio. We on this side of the House suggested that the rupee should not be pegged to the paper currency in England. This side of the House suggested that the drain which India has to suffer by the export of gold should be stopped. Up till now, Sir, if my figures are correct, about Rs. 226 crores of gold have left the shores of India. But then, Sir, all these methods which we on this side of the House suggested were regarded with the utmost contempt by the Government of India and we were told that these measures are not in the interests of the country. I am not an economist, I am not an expert in monetary matters. I therefore do not propose to give suggestions to the Government of India about crop-planning and other things but I want to ask them a direct question—whether the methods which they have adopted have succeeded in increasing the prices of agricultural produce? Sir, agriculturists in India who till their own soil have full experience of the fact that the prices have gone to such a low extent that we are not even able to meet the cost of production nowadays. The agriculturists pay a major portion of their revenue to the Government of India. They have to bear the provincial taxation and in addition to that they have to bear the ordinary normal taxation of the Government of India as well as the emergency taxation which has been made since 1931. I say emergency taxation because the Government of India through Sir George Schuster admitted last year in his budget speech that these taxation proposals were made for a particular period and he thought that he would be able to do away with them but could not. I will read a sentence with your permission, Sir, to show that these measures were emergency measures. He said:

“It is necessary also to review the working of the general emergency plan which was introduced in September, 1931. That plan was strictly an emergency plan designed to restore the equilibrium for a limited period, namely, up to March 31, 1933”.

So, Sir, my first objection to these emergency taxation proposals is this, that Government have failed to carry out their promise of relieving the taxpayer by removing this emergency taxation. Then, Sir, I find from the speech made in this House and the speech made in the other House by the Honourable the Finance Member that he is against any planning; he regards Sir M. Visvesvaraya's planning as Utopian and therefore his own idea is to allow the things to go on the principle of what is called *laissez faire*. Sir, we find altogether a different idea in Sir George Schuster's speech last year. Sir George Schuster said:

“True we must have a plan but before we have a plan we must know our position. We do not know what is the statistical position. We must have time to study the problem and be sure of our own position”.

So, may I take it that as there is a change in the personnel of the Finance Member, there is a change also in the policy of the Government of India? I have already made it clear, Sir, that I am not an expert in these matters, but I want some relief. If you can give me relief without planning, if you can give me relief by way of increasing the prices of important agricultural produce, if you can give me relief by way of lessening the taxation, I will certainly agree with you that there is no need of planning. But one Finance Member comes here and tells us that planning is necessary and that he wants time to study the matter and then he will have his own plan. Another Finance Member comes here, Sir, and tells us in plain words that no planning is necessary at all and that if anybody were to make a demand in that direction he does not know the position of India and he has not studied it and therefore it is not worth while attaching any importance to what he says. Therefore, what are we to do? As laymen we are rather confused.

The next question, Sir, is about the budgetary equilibrium of India as a whole. After reading the speech of the Honourable the Finance Member in both Chambers, I find that he is very anxious to have a balanced budget. He has given us a balanced budget according to his own views, and a surplus of Rs. 1,50 lakhs. But he has not in any way reduced the emergency taxes. My quarrel with him about the restoration of the pay cut is not on the ground that it should not have been restored, but on the ground that this was not the proper time for restoration. We know how highly paid the services in India are. We know also that the prices of commodities have gone down to the extent of 50 per cent. So, the Government could have waited for a year or two and found their way to remove the burden of additional taxation, and then certainly they would have been entitled to restore the salary cut. We find from the speech of the Honourable Mr. Gladstone the other day that even the European community in India are against the restoration of the salary cuts since the emergency taxes have not been reduced. We are accused of making destructive criticism. We are told that we are not responsible and therefore we do not make any constructive suggestions. This side of the House has made constructive suggestions at various times. We made a constructive suggestion the other day about the reduction in the expenditure on the army. My Honourable friend Mr. Mehrotra moved a Resolution the other day about reducing the number of British soldiers in India and replacing them by Indian soldiers. It was admitted that a British soldier costs the Indian Exchequer three times more than an Indian soldier. I want to know whether it is in the interests of British India to maintain British soldiers at such a high cost when British India can find Indian soldiers to replace them at a very low cost? I must make it quite clear that I do not want the efficiency of the army to be impaired. But if you can get Indian soldiers of equal qualifications, ready to do the same sort of work, at a lower cost, then I submit that it is not in the interests of British India that you should maintain those British soldiers.

We on this side of the House suggested that incomes derived in England by pensioners and persons going on leave should be liable to tax. But the answer given was "No". Is it in the interests of British India that pensioners and persons going out of British India on leave should get their income from the Indian Exchequer but should not pay income tax to the Indian Exchequer? Is there any country in the world where income tax is not paid on incomes derived from the Exchequer of the country? (An Honourable Member: "Nowhere in the world"). Then, we made a

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suggestion to reduce the expenditure on the civil side. Some suggestions were accepted no doubt but many of them were rejected. The other day, I read in the papers that in England, the Stores Department spent in purchasing stores worth about Rs. 66 lakhs, and that Stores Department costs the Indian Exchequer about Rs. 25 or Rs. 26 lakhs. Is this the way in which the interests of British India are looked after by the Government of India? I submit that if some of us say that you rule here for the exploitation of British India, I think they will not be wrong. The Honourable the Leader of the House told us the other day that the Government of India deserve sympathetic consideration and not condemnation. I want to examine that point whether the Government of India really deserve sympathetic consideration or not. For instance, I will take the present Bill. I do not want to go into past history and take up the time of the House, because I know there are more speakers to come. But, I shall examine the present Bill. It is said on behalf of Government that the Executive is irremovable and they are faced with an elected majority. I have considered all the provisions of the Government of India Act and have studied to some extent the Montagu-Chelmsford Report. I agree with the Leader of the House that the Legislature should not force the Executive to use their emergency powers. I fully admit that, but what is the position? Did the Assembly throw out the whole of your Bill? They only suggested some amendments. I could have understood the position if they had thrown out the Bill *in toto*, if they had refused supplies altogether. Then you could have resorted to your special powers. But in this case, they only modified certain provisions of your Bill, and if those amendments had been accepted you would have had to make arrangements for about Rs. 4½ crores altogether. You say that they are obstructive. I do not agree with that view, because I find that they have not been obstructive. All the suggestions they have made are for relieving the burden of taxation on the people of India. Take a concrete example. Suppose you put a demand for military expenditure before them and they threw out the whole demand. Then I would have said that they were really obstructive, but if they cut the demand to a reasonable extent then it cannot be said that they are obstructive. But admitting for argument's sake that they were obstructive, what is our position? We have never been obstructive; we have made sound suggestions to you; we have told you how to reduce expenditure; we have never moved vexatious Adjournment Motions; we have never asked questions as to why the *Statesman* was put under a foundation stone and not the *Hindustan Times*. We have made suggestions to you, and the reply is, "No, we are not going to change a comma in the Finance Bill". If that is the position you take up, where are we? We are co-operators, we are responsible and responsive, and it is you who are irresponsible and unresponsive. My Honourable friend Sir James Grigg says that any Chancellor of the Exchequer in a democratic country would have done the same thing as he has done. I submit that if any Chancellor of the Exchequer had done what he has done here, he would have been out of office! He knows definitely that the Indian Legislature is committed to a policy of discriminating protection, but he wants to thrust on us his policy of free trade. Would any democratic country allow that sort of attitude on the part of a minister and keep him in office? We know that you have got the power: we do not say you have acted illegally, but I say that you have acted unconstitutionally. You have buried the Montagu-Chelmsford Report.

The authors of the Report never dreamt that you would use your powers to such an extent. When the authors designed their report they wanted that the Legislature should be heard and that you should be reasonably amenable to them. But what do we find? We find not only the most modest but the most urgent demands are rejected. Let us take the case of salt. The Leader of the House says that it has political sentiment and history behind it. Well, it has history behind it. The present Prime Minister of England has condemned this sort of tax in very strong terms. Apart from that, are you going to reduce the rates on postcards? That is really in the interests of the agriculturist, his only means of communication. If you are going to meet us to that extent I will ask my Honourable friends here to withdraw their amendments. But I know that you are not going to change a comma. Then what are we here for? To register your decrees? We are not. We are here to tell you frankly that our grievances are such and such; we are ready to co-operate with you, but you must also be ready to co-operate with us. I say you have misused and abused the powers given to you under the present Government of India Act. And not only have you misused them but you have insulted that House and this House. I do not challenge the statement made by the Honourable the Law Member the other day that the procedure adopted was correct. I know the procedure is quite correct, correct according to the letter of the law but not according to the spirit of the law. Sir, I think it is not the intention of the Government to meet the popular demands in any way. On the contrary, it is their desire to thrust their own views on us, whether they are in the interests of India or not. You say certain things are in the interests of India. Is it in the interests of India to overburden its population with taxation? Is it in her interests or in yours to rule over a discontented country? Is it in the interests of India to restore the salary cut but not to give relief to the poor taxpayers and agriculturists? Is it in the interests of India that you are spending such a large amount on the army in India, when you can have as efficient an army recruited from the nationals of the country? I put it to you whether you are doing things in the interests of India or not? Sir, I have read section 67B of the Government of India Act. The power of certification is for use when the peace and tranquillity is endangered and when anything is against the interests of Great Britain. I have put to you a straight question whether the things you are doing are really in the interests of India. If not, then we cannot really be accused of being irresponsible. I submit that our charge against you is that you have been irresponsible. Apart from this, I will now submit, Sir, that your plain position is this. You receive orders from Whitehall and you abide by those orders. I know under the Government of India Act and the present constitution you are obliged to carry out their orders. But as men on the spot you ought to resist those orders. You ought to tell Whitehall plainly that you are here to rule over a contented country and not a discontented country. My charge is against Whitehall. My charge against the Government of India is that they ought to have asserted their position against orders passed by Whitehall. I know I have already said that they cannot, but as men on the spot, their opinion, their views, ought to have some influence over Whitehall.

In the end what I submit is this. As I have said, I am not an economist, I am not an expert in monetary matters, but what I see from your policy, the policy that you have been carrying on for the last five years, during these days of depression, is that you have not taken into consideration at all the grievances, the sufferings of the agriculturists, the position

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of all classes in India, but you take orders from Whitehall and you carry on your policy. Certification means nothing else. You want to run to the Viceroy's House with a beggar's bowl for certification and with an iron rod in the form of taxation to hammer these poor agriculturists. If you think that the salt tax cannot be removed, you ought at least to have come down to a certain extent and agreed to reduce postal rates, and the income-tax level to Rs. 2,000. That clearly shows your attitude. Your adamant attitude clearly shows that you are not in any way concerned with the interests of British India, but you want to carry out orders from Whitehall. I therefore do not want to record my silent vote and I think it my humble duty not to support this sort of measure which is before us.

THE HONOURABLE LIEUTENANT-COLONEL NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province: Nominated Non-Official): Sir, before I begin to discuss the Finance Bill, with your permission I would like most heartily to welcome Kunwar Jagdish Prasad as the Leader of this House. Sir, at one time I accorded him a hearty welcome not only on my behalf but on behalf of the people whom I represent, I mean the land-owning classes and other big people of the Frontier. The Frontier, as you know, Sir, is the gateway of India and as such I take the opportunity to extend my hearty welcome to him on behalf of those people whom I have the honour to represent. Sir, the Kunwar Sahib's uncle at one time served with me at Indore, although he was serving His Highness the Maharaja of Indore as Chief Judge and I was attached in those days as Quartermaster to the Malwa Corps and later on as Adjutant to that local corps, where I put in at least six years with the uncle of the Leader of our House. I know he is the scion of an aristocratic family and that he comes from the land-owning class and I think that all the land-owning classes in India will be greatly honoured by the appointment of the Kunwar Sahib as the Leader of this House.

Now, Sir, I will come to the discussion of the Finance Bill and my observations on the Finance Bill are as follows.

Sir, the Finance Bill this year is a certified Bill and as such it is going to be an Act whether we wish it so or not. Since it has the certification of His Excellency the Viceroy behind it, I am not going to oppose it or obstruct its passage by making a lengthy speech. I also believe that this Honourable House will see its way to pass this Bill in its original form in response to the recommendation of His Excellency the Viceroy to pass it so on account of its being essential for the interest of British India, but as the object of a general discussion of the Finance Bill is to provide opportunity to the Finance Department to know the general trend of opinion with regard to their taxation policy, so as to enable the Honourable Member in charge of the Department to adjust its Bill in such a way as to be in accordance with the general conditions prevailing in the country, I would like to make a few remarks with regard to it before resuming my seat.

Sir, this House knows very well that an enormous addition to the burden of taxation has been made on the people of India during the last 20 years. During the Great War and the five years that followed there had been a constant and enormous increase in the taxation of this country. If we confine ourselves to the period of economic depression, we find that

about Rs. 50 crores of additional taxes have been imposed. In the year 1930 additional taxation to the extent of Rs. 5 crores was levied. In March, 1931 another Rs. 15 crores of additional taxes were added to it and in September of the same year a further additional taxation of nearly Rs. 25 crores was imposed by virtue of the Supplementary Finance Bill of that year. Another additional taxation amounting to Rs. 5 crores was imposed in 1934. All this amounts to Rs. 50 crores. Now, Sir, is this not a huge amount? Is it not a very heavy burden for the taxpayers and is it not on this account that there is widespread opposition against all measures of taxation from every corner of the country?

I would particularly like to invite the attention of the Honourable the Finance Secretary to the taxes known as income-tax, super-tax and surcharges which are proving a source of great trouble and discontent to all those concerned and I think that I will be voicing the feelings of this House in saying that there is a general desire for a substantial reduction in their prevailing rates. Indeed, it is a pity that no appreciable reduction in their rates is considered to be worth allowing for, although a solid reduction in them is an urgent need of the moment. The Honourable Members know full well that the imposition of these taxes and especially the super-tax was resorted to simply to meet the exigencies of war. The income-tax was enforced since the year 1886 but it was assessed by a tehsildar or the deputy commissioner up to 1918 and was regarded as a benevolent assessment. There was no question of close scrutiny or looking into the accounts of an assessee for the assessment purpose during that period. During the war the yield from this source was not found to be sufficient and it was therefore proposed to have it levied by means of a special department. Super-tax was added as a purely war measure on a definite assurance by Sir Malcolm Hailey, the then Finance Member of the Government of India, that it was definitely to be done away with as soon as the exigencies of war were over. Well, Sir, it is now more than 16 years that the war has ended and still it is tied to our necks with some increase in its rates every year. In September, 1931 another additional tax known as surcharges was added to it in order to make good the deficiencies in the Government budget said to have arisen owing to the economic depression. The surcharges were to be levied for a period of a year and a half and their enforcement was subject to a clear promise on the part of Sir George Schuster that these will be no longer required after their stipulated life of a year and a half. In the light of that promise their operation ought to have ceased after the end of March, 1933, but it is now a month over two years over and above the stipulated period and still their operation is going on without any perceivable signs as to their withdrawal in the near future. The meagre reduction by one-third of their rates is not an appreciable attempt towards their withdrawal at all and it further loses its significance when we see that the salary cut of Government servants sanctioned along with the imposition of these surcharges has been restored *in toto*. In restoring the cut in salaries, the Government have placed the interests of its servants before the interests of the taxpayers, whereas in fair justice it ought to have given preference to the interests of the taxpayers over that of its servants. No doubt, the Indian people are a subject race but their being so does not debar them of sympathetic consideration on the part of Government in the matter of taxes levied on the subject community. Sir, the poor taxpayer is dying under the burden of these taxes.

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and justice demands that he should be relieved of this unbearable burden as soon as possible. As I have said before super-tax and surcharges were imposed only as a war measure and a temporary measure to be removed as soon as there was no need for them and when the Government is so keen upon keeping its promise with its servants with regard to the restoration of their salary cut within so short a period, I think it would have been far better if the Government had taken the bold step to make good the promise to the taxpayers also by removing the surcharges to the same extent as in the case of its servants.

Again, Sir, the system of assessment of income-tax is open to great objection. The income-tax authorities have their own way of making assessments which are highly excessive and without justification. There is only one interpretation of the income-tax law and the curse of the matter is that the income-tax authorities always insist on their interpretation to be accepted as correct. Briefly speaking, the system of assessing incomes is highly coercive and humiliating. Besides this, India is a poor country as compared with the United Kingdom and yet we find that the rate of income-tax in England is not so heavy as it is in this poor country. In England, concessions are given to married men. There are allowances for the wife, children and dependents and these allowances are increased according to the number of children but there is no provision of the same sort in India. In England there is an exemptible minimum of £130, i.e., if a man's income is £800 per annum he is allowed an exemption of £130 from this income and his income liable to assessment is taken at £670, but there is no such exemption in India. On the refunds granted on appeal against an assessment, no cost of appeal is allowed at present, whereas in the ordinary course of law there ought to be some provision for it also.

Personally speaking, Sir, I am in favour of a universal rate of tax and I think that all my Honourable colleagues would also agree to it.

THE HONOURABLE MR. HOSSAIN IMAM: Will you have a capital levy?

THE HONOURABLE LIEUTENANT-COLONEL NAWAB SIR MAHOMED AKBAR KHAN: I would have a universal rate—no graduated rates, that is what I am complaining of. Everybody must pay the same tax because we are all equal subjects and there should be a universal law; no hitting one person or another.

THE HONOURABLE MR. HOSSAIN IMAM: They should have equal incomes too!

THE HONOURABLE LIEUTENANT-COLONEL NAWAB SIR MAHOMED AKBAR KHAN: Well, you should have equal brains too! A hard-working man always gets the better of a loafer. If you work hard you will be a wealthy man but if you do not put in hard work you will not get anything. Simply talking will not be of much use to you!

As regards graduated rates of taxes, I am strictly opposed to them and the sooner we are relieved of it, the better for us all. I would, therefore, like to suggest to my Honourable friend, Mr. Tallents, that he should adopt this form of taxation or consider the alternative of making a substantial reduction in the present rates of income-tax and super-tax and

removal of the surcharges *in toto* at an early date, as this is the only means to provide relief to the tax-payers tottering under the burden of highly excessive and unfair taxations. Substantial relief to the tax-payers in the matter of taxation is an urgent need of the moment and the Government ought to be alive to the fact that the present form of taxation is sure to break the neck of the tax-payers, with the result that there will be nothing in the country but widespread poverty and indigence. It is, therefore, high time that the Government give serious consideration to the matter and in view of the deplorable condition of the tax-payers now-a-days, show some commiseration to their cause, as their incomes and capitals are constantly decreasing owing to the very heavy rates of taxes resorted to by the Government under their present policy. Will the Honourable the Finance Secretary very kindly consider making substantial reductions in the income-tax and super-tax rates and absolute removal of the surcharges at an early date? I think the Tariff Board can very well consider some other form of taxation, so as to make good the deficiency supposed to arise from allowing reduction in these taxes. Formerly, the Tariff Board was not on such an extensive scale and when the Government of India is getting a very large income from this source, they must reduce the rate of taxation as their income increases from this source.

Then, Sir, what is the object of all these very heavy taxes? The only object seems to strengthen the resources of the central Government in order that it might carry on the ordinary day-to-day duties of administration. Well, Sir, in pre-war days there was very efficient government and very small taxation. Now-a-days, I do not think there is any more efficiency and yet the burden of taxation is absolutely unbearable. The Government of India ought to make an earnest endeavour to bring their expenditure to the pre-war level. The sources of income are getting dry day by day and the expenditure is increasing every now and then. Well, Sir, how long is this sort of thing to go on? Retrenchment in expenditure, I think, is the best course under these circumstances and the sooner the Government of India see to the advisability of resorting to it, the better for them and the general tax-payer in the country.

Well, Sir, I have ventilated my grievances regarding the increased taxation policy of the Government of India. But now I must see and scrutinise the other side of the picture. The present Bill is a certified Bill, because the lower House has mutilated it in such manner without any suggestion as to how that deficiency is to be made good. Under these considerations His Excellency the Viceroy has thought it proper to send the Bill to this House, reposing confidence of the Government in the sound, wise, judicious and sagacious intelligence of this House. Sir, this House consists of the aristocratic elements of patricians and as such it can be styled the Senate and the Senate has always been the bulwark of the Government and, as the saying goes, confidence begets confidence. As His Excellency has trusted this House to meet the wishes of the Government, I think it will be wise for this House to pass the present Finance Bill, considering that it is the first budget of Sir James Grigg with a warning that the world is changing and is rapidly changing and that in his future budgets he should not turn a deaf ear to the demands of the public. I am not so much criticising his uncompromising attitude but, Sir, what I am afraid of is that the sources of taxation are fast drying the springs of supplies and if taxation is not reduced in the near future, in my opinion this policy of taxation will have a very dark reflection both for

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the Government of India and its subjects. (*An Honourable Member:* "Then vote against it!") I say that confidence begets confidence. If somebody sends a thing to me reposing his trust in me, I shall not betray that trust.

THE HONOURABLE MR. HOSSAIN IMAM: Why did he send it?

THE HONOURABLE LIEUTENANT-COLONEL NAWAB SIR MAHOMED AKBAR KHAN: As the Honourable the President said this morning after his certification, he need not have sent the Bill at all to you. He could have done that.

I am a soldier and a Pathan and as such I think it will be better to put the authentic photo of the Indian subjects before the Honourable the Finance Member and his Secretary rather than go on flattering them and the Government in a manner which will make me ridiculous and my arguments unheeded and perhaps subject me to boisterous laughter. I appeal to the Members of this Honourable House as elders, as senators, as responsible persons and as aristocratic magnates to help His Excellency the Viceroy in passing this Bill but at the same time I want to warn both the Honourable the Finance Member and his Secretary that they must think of the reduction of taxation and not resort to any fresh taxation. After all, a subject race has to be taxed less in order to gain their confidence. This was the policy of the Afghan rulers of India from the 11th till the 16th centuries, for nearly over 500 years. They always taxed their own people more than their subjects in India and I think I am uttering these words simply as a well-wisher of the Government of India that they must change their taxation policy. It is much better for the Government of India to get a continual income rather than take a big sum of Rs. 50 crores at once and thus have very little in future. The sound policy is not to kill the goose that lays the golden egg.

Sir, I again appeal to this Honourable House to pass this Bill in order to show to His Excellency the Viceroy and Parliament in England that there are still in India the old aristocratic representatives who, in spite of being heavily taxed, have passed this Finance Bill, the major portion of which falls on the shoulders of the aristocratic magnates of this House and those outside it in order to respond to the call of His Excellency the Viceroy as a representative of the Crown. The aristocracy have always ennobled the Crown and let this House not fail in their duty as aristocratic senators.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan): Sir, before I commence my remarks on the Finance Bill, permit me to congratulate the Honourable the Leader of the House on his impressive maiden speech which he delivered the other day. I hope, Sir, he will excuse me if I do not exalt his persuasive eloquence too much, because it is the one thing of which we of the Opposition are greatly afraid of. It is this that denudes our ranks! It is only the direct sabre thrusts from the Honourable the Law Member or the Honourable the Finance Member which keep us alive. Sir, I regard them as the real and true friends of the Opposition, because, so far, in the other place at least, they have managed to deport some of their habitual supporters to the Opposition ranks and they are very grateful to them for the services they have thus rendered to the Indian nation...

Mr. President, my colleague, Mr. Kalikar, was very vehement just now in condemning the Treasury benches. It is customary in India to condemn the Treasury benches. I also believe that sometimes it is their fault that they are wooden. But this session of the Assembly has done a great service inasmuch as it has opened the eyes of India to the fact that the gentlemen sitting opposite to us are not perverse and wooden. The only trouble from which they have been suffering for a long time is that they are subject to the orders of somebody else. This is not a new discovery. It has existed for all time. But it has assumed a malignant shape only recently since the advent of that masterful Secretary of State, Sir Samuel Hoare, and the ascendancy of a Government in Britain national in name but ultra-conservative in character. It is they who have so often vetoed the decisions of the Government of India. The British authority have so many times turned down the Government of India that our friends on the opposite side have lost the heart to fight. They realise now their own inability to do anything, because, after all, according to the law the Secretary of State is the absolute monarch of the whole of India, inasmuch as his powers are absolute, irresistible and unappealable. Facing that on the one hand, they have to measure swords every day with the Opposition, which consists of an elected majority. Now this Opposition has three advantages. It is actuated by the highest sense of patriotism. It can bring in its support the practice of all the self-governing countries. All the authoritative opinion of the world is at its command to be placed in support of its claims. Now, any one can judge what would be the position of a man placed in between these two sets of circumstances. They would be literally between the devil and the deep sea. It is but human that they should get sometimes exasperated. Faced with an *impasse* of this nature you cannot blame them if, being mortals, they give vent to their impotent rage against the powers that be on the devoted heads of those who are less powerful than themselves. It is the same thing everywhere. When a boss is angered the underling lords it over the people under him. So I do not think there is any intrinsic defect in the present Members of the Executive Council or that there is any organic defect in the constitution of the Council. There is only functional trouble, and in order to cure that it is necessary that both the Government and the Opposition should realise their own powers and their own shortcomings. Faced with a domineering Secretary of State, if the Government has not the backing of the Opposition and the people of India, it will every day go down in the estimation of the Secretary of State and it will lose further ground every day. If it had the support of the elected representatives of the people of India, then it could, as it has done before, carry some weight with the Secretary of State. I mean it is in the interests of the Members of Treasury benches themselves that I would appeal to them not to always brush aside the Opposition but to try to understand their sentiments and as far as possible to put their case before the master of India, the Secretary of State.

Sir, there are some people who are uncharitable enough to say that the sixty or eighty thousand rupees which the Honourable Members receive from the Government exchequer metamorphoses them. I personally think it is a wrong charge. I have had the good fortune of working with seven or eight ex-Members of the provincial and central Governments as our colleagues in this House and the other House during the four and a quarter years that I have been here. During this period I have found that all of them were as sincere Indians as ourselves. They felt as

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strongly when an insult was administered to the national honour as any of us. The reason why some become different when in office is that they are under orders, the orders of the Secretary of State.

Now, Sir, coming to the Finance Bill itself, it seems that it is a tragedy that a Bill which had most of the elements to make it acceptable should have met with the fate which it has. Consider the fact, Sir, that after five years this is the first Finance Bill introduced which imposes no new taxation; this is the first Bill to give relief in taxation after five years; this is the first Bill since India came under the British Crown in which the Government of India have set aside a crore of rupees for rural uplift. With all these favourable circumstances why should this Bill have received such cursory treatment in the other House? If this treatment had been meted out only by the Congress people, Government could have easily explained it away as being due to Congress desire to bring the present Government to shame and to obstruct work. But when we find that other Members who had been in the Assembly for many years and new Members who owe no allegiance to the Congress also have joined hands with the Opposition; when we find that even the European Members are not prepared to support the Government; it is about time the Government considered what was wrong with them. If they are satisfied with the self-deception that whatever they do is right, and that the mantle of divine infallibility has fallen on their shoulders, and think that they and they alone are competent to judge what is correct; then I think they should close up all this show and save at least a few lakhs which is incurred on account of the Legislature. The European Members, Sir, are the most responsible people from the Government point of view as they are as mindful of the prestige of the British Government as the Members of the Treasury benches themselves. When they feel the time has come for them to hold aloof from the Government benches, and when Honourable colleagues like Mr. Yamin Khan, etc., condemn the Government of India, they ought really to think over the matter. I think that all this trouble has arisen because of the attitude which the Honourable Finance Member has taken "There is no sense in whatever is uttered by non-officials". "The only safety lies in following the beaten path which he has traced out for us". As was pointed out on the previous day by some of my colleagues this is not the spirit which ought to actuate a Member sitting on the Treasury bench. *Sir, Finance Members come and go. We in India have to live here and have to suffer the consequences of their mistakes.* They come and say airily that you are wrong, but they are not made to suffer; they are not here to bear the brunt of it. It is we who have to bear it, and therefore demand that our opinion should be given due weight and not be brushed aside, as is being done every day. Sir, I am going to impose a self-denying ordinance on myself and confine my remarks only to those matters which have been referred to directly or indirectly by the Honourable Finance Member in the two Houses since the 28th February up till the other day.

Mr. President, in his speech in this House the Honourable Finance Member said that we are so obsessed by devaluation and the ratio questions, that it has become a King Charles' head with us. I think I can return the compliment and tell him that his *bete noir* is expansion of currency. Any and every suggestion for expanding the medium of exchange conjures up before his mental vision one and only one picture, the

toppling and debacle of the mark. As if there is nothing else in the history of post-war Europe! As if that was the solitary instance of devaluation in the world! Has he forgotten what happened to the franc? Has it not been brought down to one-fifth of its pre-war level in terms of gold? Is it not still one-third of the pre-war value to the sterling? Has the currency structure of France fallen down? Is it bankrupt? Has it encountered very great difficulties? Is it not the solitary stronghold of the gold standard in Europe? Is it not still maintaining its position? Has he forgotten the instance of the lira, which has also been devalued from its pre-war level? Expansion, inflation and reflation of currency are all different, it is childish to think that everything will drift to one pre-conceived disastrous end. I can cite examples of countries which have devalued their currency and are still maintaining a stable budget and stability in their own country. Personally, I do not believe that Germany did very badly by devaluing its currency, but that is beside the point. They started with a clean slate. They wiped out all national debts, all the burden of debts on the agriculturists and the working classes. As a socialistic measure they did one of the best things they could do. But I do not want that to be copied. I am asking them to copy France, Italy, and the United States of America.

Now, Sir, Sir James Grigg made a strange announcement on the 6th March. May I read his words, Sir, or may I paraphrase them?

THE HONOURABLE THE PRESIDENT: You can paraphrase his remarks.

THE HONOURABLE MR. HOSSAIN IMAM: He remarked on the 6th March when replying to the general discussion in the other House that gold purchase for Currency Reserve was tantamount to violent inflationary movement. To the people who have suggested to him that gold should be purchased and kept in the Currency Department, he brought forward two arguments against it. His first argument was that it would be a violently inflationary movement with all its evil consequences. His second was that it would be expensive; he stated that we will have to take loans from the public and pay interest thereon without making any gain. Both these statements are wrong.

THE HONOURABLE THE PRESIDENT: Can you show any reason why Government should purchase gold at such a high price? Is it in the interests of the country?

THE HONOURABLE MR. HOSSAIN IMAM: Yes, Sir. In the first place I regard that both his arguments were based on flimsy grounds. I will tackle his first argument about violent inflation. Perhaps the House has not forgotten that in the period between the 21st September, 1981, and 31st March, 1982, in a period of less than six months the Honourable Sir George Schuster increased the note circulation by Rs. 34 crores without bringing down the exchange and it was during this period that for the first time we were able to pay back a sterling loan without contracting a fresh sterling commitment. This was the actual advantage of the expansion of currency in India, though he says it would make violent inflation with all its evil consequences. Then, Sir, consider what France has done. During the time we have been off the gold standard they have increased their note circulation by thousands of millions of francs against purchase of gold. It may be said, Sir, that France and India are different; they are on the gold standard whereas we are not. But, Sir, I wonder whether even the Finance Member would dare to accuse Montague Norman of not knowing his own business. During the period since when England went

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off the gold standard, the Bank of England has increased its note circulation by some £80 millions against gold purchases purchased at a premium and the deficiency has been made good by the Chancellor of the Exchequer by transfer of *ad hocs*. Perhaps he has forgotten that there is anything of the nature of *ad hocs* which exists in the reserves of the central banks? There is no need of going to the market and getting fresh loans to increase the circulation, because it is due to the fact that we have a fictitious book value of gold that we have to supplement it by *ad hocs*. If we were to value gold at its market value as is usually done in gold standard countries or at a book value which is in parity with the general market condition, there would have been no necessity of having recourse to *ad hocs*. This much for his technical argument of difficulties.

Now, Sir, he cannot forget a very important factor of Indian currency, that there are two kinds of notes; one is the paper note and the other is the silver note, printed on a piece of silver, which has no equivalent intrinsic value, but its value is due to the fact that it happens to be a token coin; far above its world price. Now, it is a well known fact that expansion of currency means expansion of currency and not of note issues alone. The Government has during the five years for which I have been able to find figures withdrawn 59 crores of silver rupees from circulation and it has not even reached the note circulation which we had in February, 1929. In February, 1929, we had a note circulation of Rs. 192 crores. Today we have a note circulation of Rs. 186 crores. There is a deficit of Rs. 6 crores even in this.

THE HONOURABLE THE PRESIDENT: What is the conclusion you want the Council to draw? I have not yet been able to follow you.

THE HONOURABLE MR. HOSSAIN IMAM: I am saying that the expansion of currency against gold purchases should be an essential part of the policy of Government, and in order to justify the purchase of gold I am proving that there is a dearth of currency in India, as certain kinds of currency have been withdrawn by the Government acting in its own wisdom.

Now, Sir, I was saying that during this period of five years which I have taken we found 59 crores of silver rupees withdrawn and the note circulation is less by Rs. 6 crores than what it was in February, 1929. Therefore currency in circulation is Rs. 65 crores less than what it was and what it ought to be now. If we are to attain any increase in price levels, for which all the Finance Members, Sir George Schuster and Sir James Grigg, have shown a liking, this is one of the methods of bringing it forward.

Sir, I have done with gold purchase, and disposed of the arguments which the Honourable the Finance Member in his speech in the other place gave against gold purchase. In addition he said that if we were to have an export duty on gold it would hit the seller of distress gold.

Sir, I now come to the point that we have been requesting, and by we, I mean all the non-officials, Europeans and Indians alike, since 1932, when the European Chamber of Commerce in Calcutta first passed this resolution of imposing an export duty on gold. Up till now there has been universal agreement in India among the non-officials to have an export duty and the only argument which the Government has cared

to bring forward is that it will hit the sellers. In the first place, Sir, the question arises whether the State has a right to tax profits of 50 or 60 per cent. to the tune of 4 or 5 per cent. or not? The sellers of the gold are making an enormous profit of 50 to 60 per cent. When we said this was distress gold, the Government came forward and said it was trade gold. People were selling out because they were making a profit. When we accepted that position, the Government turned round and said it was distress gold. Be it whatever it may, the question is, what will happen if we have an export duty on gold? In considering this question, it is essential that we should remember that Indian opinion has made two suggestions which are interdependent. The first was that there should be an export duty on gold and the second was that there should be delinking of the rupee. We are not enamoured of any particular ratio. We simply say, do what you did of your own free will in September, 1931. As you will remember, Sir, on the 21st September, 1932, when England went off the gold standard and the news came to the Government of India, what did they do? They passed an Ordinance delinking the rupee. Then we realised that the Government of India themselves were with us. It is only the man behind the scenes who is the real culprit and who is responsible for all our troubles. The Secretary of State ordered and three days later Government linked the rupee to sterling at 1s. 6d. We do not ask for a particular value to be attached to the rupee. We say let it drift and find its own level. What has England done? Has it linked sterling to the currency of any other part of the world? Has Japan linked its currency to that of any other country who is off the gold standard? The world has never heard of such a thing. Two countries on the gold standard get linked because there is the gold to measure the value of the different currencies, but when there is no common factor and it is altogether a question of the exigencies of the particular country demanding its valuation being put up high or low, then it is the height of folly to make them work side by side and rise or fall together. Now, what have we got in England? England has got an Exchange Equalisation Fund which they use whenever the price parity demands. They are never used when the price parities of India demand a rise or fall. And therefore, Sir, our demand for delinking is based on the highest principles of almost universally accepted economic principles of finance. Now, Sir, as I was saying, if both the suggestions of this House had been accepted, the rupee had been delinked and an export duty of even 5 per cent. *ad valorem* on gold had been put up what would have happened? Would the sellers have benefited or lost by this transaction. Up till now, Sir, it is estimated that India has exported gold worth £171 millions. *If the rupee had been delinked and the exchange had sunk down only to 16d. per rupee, if not further, the Indian seller instead of receiving Rs. 227 crores which they have received would have received 256 crores, an increase of Rs. 29 crores in the actual money which they could have received.* Its value outside is not what concerns them. It is the number of rupees which they get in India that matters to them.

THE HONOURABLE THE PRESIDENT: Do you mean to say that currency is not managed in other countries?

THE HONOURABLE MR. HOSSAIN IHAM: Sir, in every country the currency is managed in the interests of the nationals, except in India and of that, Sir, I will give you a concrete proof. I challenge the

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Government to cite the example of any country in the world whose parity to gold if it is on the gold standard or to sterling if it is off the gold standard, is more than its pre-war parity, with the single exception of India. The Government have no face to tell us that they are managing the currency in the interests of India. Otherwise have you ever heard, Sir,—you know the financial position better than anybody in the House,—have you ever heard of deflating currency during falling prices? Yet this House knows that it was done with impunity in 1931-32. The Government have absolutely no leg to stand upon. Their only aim is to keep up the exchange because thereby they can support the trade of England to flow into Indian markets. Our Honourable Colleague, the Commerce Secretary, could perhaps explain better than myself how this deflation of currency has helped to keep out the Belgian steel goods and flood India with British-made steel goods.

Now, Sir, as I was saying a clear Rs. 29 crores would have accrued to India, out of which Rs. 18 crores would have been retained by the Government and Rs. 16 crores would still have gone into the pockets of the whole of India. This was the policy which the non-official side advocated, which would have been to the advantage of the trade interests of India if the Treasury benches had followed it. But I know, Sir, that they have no free will. They have to do what they are ordered to do and therefore they can perhaps plead their inability.

Then, Sir, the Finance Member made the strange statement that devaluation would be disastrous for the whole of India and especially disastrous for the cultivators of India. That statement, Sir, is quite in keeping with the ignorance of the officials of the Government of the condition of the masses in India. If the Honourable the Finance Member had cared to ask his Indian colleagues he would have been told that the masses in India and the cultivators in India do not spend even one or two per cent. of their incomes on foreign goods. Their domestic economy and their finances do not allow them to purchase any of the things that come from outside the country. They do not eke out sufficient even to feed themselves or to clothe themselves in the barest *khaddar* and coarse mill-made cloths. That is all that is vouchsafed to them. They have not even money to buy six pieces of clothing in a year. You say they will suffer? How can they suffer? It is impossible. It is easy to make a point in argument without substantiating it. But when you come to examine it, then you find out whether that statement has any legs to stand on or it is a mere statement made during the heat of the moment. I have a vague idea that the Honourable Sir James Grigg was somewhere in the office of the Chancellor of the Exchequer in England when England went off the gold standard. Did he make that suggestion to the Chancellor of the Exchequer that devaluation would be harmful to England, that it would be harmful for the cultivators and breeders of England? Why did he hide this fact? Why did he not tell England—

THE HONOURABLE THE PRESIDENT: He was only Private Secretary to the Chancellor. He had nothing to do with the framing of the budget.

THE HONOURABLE MR. HOSSAIN IMAM: Why did he reserve this for India? Was it in order to exploit India, where he had no one to answer to, and no power to check him, and where he has got full powers to even destroy India if he likes?

I now come to a statement wherein I am in perfect agreement with him, but where we differ only in the method to be adopted. He was pleased to say that the illness of India was poverty, and that the need of the moment was the enlargement of India's export trade. We endorse his diagnosis. But the only difference between us and him is that while he would, like Mr. Micawber, wait for something to turn up, we want that he should be up and doing. We want that he should take a more charitable view of our suggestions and we would ask him to act up to his intentions and take practical steps to increase the export trade of India. No amount of beating about the bush can controvert the fact that unless India's export trade is expanded, there will be no salvation for the poor in India.

Sir, I now come to the silver sales policy. I am very sorry that we did not get the reply to today's question on silver. In reply to the Honourable Mr. Shantidas Askuran's criticism of the silver sales policy of the Government of India, the Honourable the Finance Member was pleased to make certain statements in this House. I would like the Honourable the Finance Secretary to correct me where I may be wrong. Personally, I am in favour of replacement of surplus silver by interest yielding assets, but I do not believe that we are reduced to such straits as to sell silver at all costs, and that we are so weak as holders of silver that we should throw out our silver on the market at whatever price it can fetch. The Government of India ought to come out when the market is at its height. They ought not to have sold this silver at such low prices. The silver sales commenced in 1926 and from that time, up till March, 1934, the net loss on silver sales had amounted to more than Rs. 36 crores.

THE HONOURABLE THE PRESIDENT: Loss in what sense?

THE HONOURABLE MR. HOSSAIN IMAM: Loss in the purchase and sale price. Government would say that the loss is caused because rupees are valued at Re. 1 per tola, and they are sold at 16d. to 18d. per ounce. I would however remind the Honourable the Finance Secretary that during the war years, by the Pittman Act, we bought silver at more than a dollar an ounce, and that comes to something like Rs. 2-13-0 and that comes to a higher price per ounce than Re. 1 per tola. There was no profit. *All this coinage of silver was made not to cover India's own needs but because we had to meet the rupee charges of the British Government in India, Mesopotamia and other eastern countries. If my memory serves me right, about Rs. 100 crores were coined during the four or five war years. The enormous losses we are incurring now on its sales is an indirect payment to the British Government for the cost of the war, which we are now meeting 16 years after the war.* I have also another complaint, which I have voiced in this House several times, and that is, the policy of the Government in not showing the losses on silver sales under a separate account head but disguising it under the complex head of losses on re-valuation of the assets of the Paper Currency Department and debiting it mostly to the head for which it was never meant, namely, the reduction and avoidance of debt. That is a very wrong form of account.

THE HONOURABLE THE PRESIDENT: Did you read Sir George Schuster's explanation of that last year?

THE HONOURABLE MR. HOSSAIN IMAM: He did not make any explanation, but simply said that Rs. 35 crores had been lost. There was no statement of account. They ought to have a special heading to show what has been lost on this transaction; if they had done so, my Honourable friend the Finance Secretary would not have had this difficulty in replying to the question of the Honourable Mr. Shantidas Askuran. That is one of the reasons why we are compelled to ask questions and wait till the Simla session to get the answer. That is because it is not shown anywhere.

Now, Sir, I would like to refer to a serious statement which I came across, and I would ask the Honourable the Finance Secretary, now or at some other time, to correct me if I am mistaken. I was told that during the war years, once the Government was compelled to purchase silver from an Indian prince at the current market rate, but the payment was made in sovereigns at Rs. 15 each when the market quotation was Rs. 18-8-0 each or—

THE HONOURABLE THE PRESIDENT: Excuse me; you are going into ancient history altogether. You have not shown what bearing it has on the present financial policy of the Government.

THE HONOURABLE MR. HOSSAIN IMAM: The bearing on the present financial policy is that we do not want our silver resources to be disposed of without the sanction of the central Legislature. In the Reserve Bank Committee we recommended that when the Reserve Bank is established, the disposal of surplus stocks of rupees should be subject to the sanction of the Legislature.

THE HONOURABLE THE PRESIDENT: Do other Governments in Europe dispose of their currency with the sanction of their Legislature?

THE HONOURABLE MR. HOSSAIN IMAM: Yes, Sir. The Honourable the Finance Member gave us an undertaking in this Committee—

THE HONOURABLE THE PRESIDENT: Never mind the undertaking. Has it been done in other countries in the world?

THE HONOURABLE MR. HOSSAIN IMAM: If Government's own action is no authority, I do not know what else can be cited as an authority! In the Report of the Reserve Bank Committee it is expressly stated in black and white that the Government will come to the central Legislature to ask how the surplus rupees arising out of the transfer of the Paper
1 P. M. Currency Reserve and Gold Standard Reserve to the Reserve Bank will be dealt with. Now the Government is going back on that promise and I will show by the action of Sir George Schuster that he had every intention of carrying out his promise. From page 84 of the Finance Secretary's Memorandum, paragraph 52, it is clear he had no intention of selling silver, as is proved by the fact that no credit was made in the budget estimate of 1934-35 from sales of silver, under item 2(c) and in paragraph 58, item 19, a nominal loss of Rs. 5 lakhs was debited. And the Government of India in this year, in the time of Sir James Grigg, sold silver which entailed a loss of Rs. 5.88 crores, and he has proposed with impunity a loss again of Rs. 7 crores under item 19, page 86. This is the reason why I

have brought in the silver sales policy. The promise of a responsible Minister given to the Members of the Legislature, translated into action in his budget, has been controverted and that promise has not been carried out. I shall leave this question to take care of itself.

I come now to the Reserve Bank. The Reserve Bank Act was passed early in 1934. Two or three months of 1935 also have passed. The actual transfer of the assets of the Paper Currency Department to the Reserve Bank was made on the 1st April, 1935. What is the result of this creation of the Reserve Bank on the finances of the Government of India? We were told that the Reserve Bank had been created in order to facilitate the currency transactions, and we were informed that it was to damage our income from this source of currency and Gold Standard Reserve.

THE HONOURABLE THE PRESIDENT: The Act was passed last year but it came into force on the 1st April this year.

THE HONOURABLE MR. HOSSAIN IMAM: Yes, Sir, and I am going to analyse its effect on the budget of the Government of India.

THE HONOURABLE THE PRESIDENT: Is it not too premature?

THE HONOURABLE MR. HOSSAIN IMAM: It is in the budget estimates, Sir.

Now, our net income from the Gold Standard Reserve, according to the revised estimate of the Honourable Finance Secretary for the year 1934-35, comes to Rs. 154 lakhs, and the income from the Paper Currency Reserve is estimated by him for the year just completed at Rs. 68.18 lakhs, from which we have to debit the expenditure which will not appear in the current year on account of the transfer of the currency department to the Reserve Bank. That expenditure, Sir, totals Rs. 42 lakhs. Therefore, from his figures we take it that our net income from the Gold Standard Reserve and the Paper Currency Reserve during the year just ended is estimated by the Finance Department at Rs. 180 lakhs. This is the story of the past; now I come to the story of the future when the Reserve Bank will start functioning and it will transact the same business which the Government was transacting under the two names of Paper Currency Reserve and Gold Standard Reserve. The Honourable Finance Secretary's estimate of income from the profits of the Reserve Bank is the magnificent sum of Rs. 50 lakhs in place of Rs. 180 lakhs. Now, I ask the House what conclusion can we draw from that? There are only two conclusions which appear to be possible. One is that it is a gross and deliberate under-estimate, or that the creation of the Reserve Bank is simply a means to fill the coffers of the Imperial Bank of India, because the Imperial Bank of India is now going to be paid enormous sums of money, reaching nearly Rs. 60 lakhs, for transacting the very business which they were transacting up to now free of charge.

THE HONOURABLE THE PRESIDENT: They were getting from Government money free of interest.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, that money will remain now with the Reserve Bank and if the Imperial Bank could make money

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out of it why should not the Reserve Bank do the same? Why this difference of Rs. 130 lakhs, when they are carrying on this same business and reported to be carrying it on, on better and more orthodox commercial lines? Is this commercialisation that the income should fall by 70 per cent. during one year? I think we would have been justified in expecting even an increased income over what we were drawing from the Paper Currency Reserve and Gold Standard Reserve because of the new factors coming in. In former times the Paper Currency Reserve and Gold Standard Reserve had neither capital nor reserves. Now the Reserve Bank is going to have a capital of Rs. 5 crores on which they are going to pay a paltry sum of Rs. 17½ lakhs as interest to the shareholders. The latest 3 per cent. loan is still at Rs. 100-4-0. Three per cent. interest is being paid by Government, this will show that the Reserve Bank are not paying a very high rate of interest on their share capital. Then the Government has contributed a further sum of Rs. 5 crores to create a reserve. The Reserve Bank Committee had not recommended that Government should make a contribution of Rs. 5 crores for the creation of a reserve. When the Bill was passed we never understood exactly what was the meaning of it, why this reserve was being created. Now we have understood, because the provision in the Bill as originally drafted by the Reserve Bank Committee was that until a reserve equal to the share capital has been created the Reserve Bank was to deposit Rs. 50 lakhs per annum towards the creation of a reserve before it could contribute anything to the Government of India. The Finance Department then realised that as a matter of fact it will not be able to pay anything to the Government of India, and in order to mask that non-payment it was decided to create a reserve fund from the very beginning, so that the Government of India may at least receive Rs. 50 lakhs in order to throw dust into the eyes of the public.

THE HONOURABLE THE PRESIDENT: What are you arguing now? That it was unwise to create a Central Bank in India?

THE HONOURABLE MR. HOSSAIN IMAM: No, Sir, that an income of Rs. 50 lakhs was a gross under-estimate. The Government have not complied with the provisions of the Reserve Bank Act. I am going to refer to section 21 of the Reserve Bank Act where it was laid down that every agreement entered into by the Reserve Bank and the Government of India and provincial Governments should be laid on the tables of the respective Houses. The Reserve Bank has started transacting Government business and they must be transacting it on some definite agreement, still the Government of India has not cared to comply with this though they were themselves a party to the agreement. We do not know, Sir, the text of the agreement which may have been entered into by the Reserve Bank with the Imperial Bank about their carrying on agency work of the Reserve Bank in places where there is no Branch of the Reserve Bank.

THE HONOURABLE MR. P. C. TALLENTS: Is the Honourable Member referring to section 21(4) of the Reserve Bank Act?

THE HONOURABLE MR. HOSSAIN IMAM: Yes.

THE HONOURABLE MR. P. C. TALLENTS: May I read out what that section says? It reads:

"Any agreement made under this section to which the Governor General in Council or any local Government is a party shall be laid, as soon as may be after it is made, before the central Legislature and in the case of a local Government before its local Legislature also".

It does not refer to agreements between the Reserve Bank and the Imperial Bank.

THE HONOURABLE MR. HOSSAIN IMAM: No, Sir, it does not refer to that, but I am now referring to the agreement which might have been entered into with the Imperial Bank for carrying on agency work.

THE HONOURABLE MR. P. C. TALLENTS: That is not what the Honourable Member said just now.

THE HONOURABLE MR. HOSSAIN IMAM: We do not know the exact amount of money which is going to be given to the Imperial Bank to carry on their work as agents of the Reserve Bank, except the Schedule which forms part of the Reserve Bank Act, in which a commission rate has been fixed for carrying on Government business. Are the Imperial Bank to receive any other monies from the Reserve Bank for carrying on their currency and central banking business or not we do not know. Is the Imperial Bank going to act as the agents of the Reserve Bank to perform the currency functions also? The Government of India have created a Reserve Bank. They have transferred their assets of the Paper Currency Reserve. I do not know much of the Gold Standard Reserve goes there. No statement has been published in the Gazette of India or laid before the two Houses. What are the assets transferred by the Government of India to the Reserve Bank, because the assets of these two combined exceed all the liabilities of the currency department by Rs. 53 crores. We very much doubt if all the sterling assets of the Gold Standard Reserve have been transferred to the Reserve Bank! That might be one of the reasons why there is this under-estimate in the income from the Reserve Bank. I refer to paragraph 21 of the Finance Member's speech. He said in the other place that the Reserve Bank is not assuming full banking business till the beginning of July. Nevertheless they are carrying on transactions of the Government of India.

THE HONOURABLE THE PRESIDENT: The Reserve Bank is not officially carrying on its business till July and yet you are criticising in anticipation of their performing its business?

THE HONOURABLE MR. HOSSAIN IMAM: Our criticism is not at all on the action of the Reserve Bank but on the budget papers, the estimates of income and assets transferred—in short, the action of the Government.

THE HONOURABLE THE PRESIDENT: You must not forget that this is the first year and they had to go on some basis and the Finance Department have put forward these figures.

THE HONOURABLE MR. HOSSAIN IMAM: If the Finance Department with all its paraphernalia of Secretaries and Under Secretaries and Assistant

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Secretaries cannot come to the right conclusion, it is high time to consider what is the use of having them?

THE HONOURABLE THE PRESIDENT: It remains to be seen next year whether they have come to a right or wrong conclusion.

THE HONOURABLE MR. P. C. TALLENTS: What figure would the Honourable Member himself suggest as the revenue to be derived by the Central Government from the Reserve Bank this year.

THE HONOURABLE MR. HOSSAIN IMAM: I do not know exactly what is the amount of money which is going to be transferred to the Imperial Bank. If I had known that I could have given you a correct estimate. As you have estimated the income from the two sources, the Gold Standard Reserve and the Paper Currency Reserve to be Rs. 223 crores, I would estimate the amount at something like Rs. 50 lakhs myself.

THE HONOURABLE THE PRESIDENT: I may tell the Honourable Member that whatever the calculation may be there is absolute public confidence in the Reserve Bank, because the shares within 15 days have gone up to a premium of Rs. 25.

THE HONOURABLE MR. HOSSAIN IMAM: The ways in which the market fluctuates and the ways in which it is manipulated have no bearing on the interest-paying capacity. You know better than myself how the Tata Iron and Steel Company have gone up and down without any change in their interest-giving power. Merely as the bull or the bear is in the ascendant the market goes up or sags. In India the market is no criterion for this, especially in such speculative stock as this.

Now, Sir, I come to another item. If the Government is going to give up control of currency, why should the Controller of Currency still exist? We are told, Sir, that the currency is transferred to the Reserve Bank, but still the Controller of Currency on Rs. 3,400 per month, his private secretary at Rs. 650 a month and 28 subordinates and menials at varying rates, involving a total expenditure of Rs. 1½ lakhs are maintained? Is it because no other place could be found for this official? Is that the reason? What would be the functions of the currency authority? Now, Sir, I saw in the Gazette or in the papers an announcement that the Reserve Bank is going to issue Treasury Bills to the public. In that connection I found that it was the intention of the Government to replace the *ad hoc*s in the assets of the Issue Department of the Bank by means of issuing intermediaries for the amount that matures. Personally I do not like that the Reserve Bank who are the authorities to disburse Treasury Bills should be themselves interested in purchasing them. I would therefore suggest that it would be better and more in keeping with the tenets of the practice of the other Central Banks if the Reserve Bank confined its operation in Treasury Bills to the barest possible minimum and they would be well advised if they went in for scrips of the ordinary Government of India loans. Thereby they would be doing two services. They would be really controlling the amount of currency in the market by means of their market operations of buying or selling, which they cannot do with the *ad hoc*s, and secondly, they would be increasing the interest-earning capacity of their assets by replacing their Treasury Bills by Government of India scrips. The difference between

the two is about double. Treasury Bills are quoted at Rs. 1-12-0 and Rs. 1-14-0 per cent. whereas the Government of India $3\frac{1}{2}$ per cent. paper you can get at Rs. 91.

I am very grateful to the Honourable the Finance Member for his unconsciously acting on my advice to some extent. I do not believe that he would have done it intentionally, but unconsciously it has been done. I refer to the fact that the Government have bought some Government of India sterling bonds in England and they are holding something like Rs. 7-87 crores worth of it with the Secretary of State. That, Sir, is a good augury and I hope that all the assets of the silver redemption fund which is going to be created as well as the share capital and the reserve of the Reserve Bank would be invested in Government of India sterling securities.

Now, Sir, I come to the very good suggestion of the Honourable the Finance Member about a sound principle of finance which he enunciated the other day in this House :

‘It is only in the case of short falls that we can take advantage of windfalls’.

and that is a sound proposition to which no one can take exception. When I convince the House, if not the Government, that there short falls aggregating to about Rs. 2 crores, then I hope the House will try to work up to the principle enunciated by the Honourable the Finance Member and reduce taxation to that amount by taking advantage of the windfall. He also incidentally told us, Sir, that this windfall of excess of income over expenditure have been to a certain extent wiped out by the Assembly and the Government by allotting the surplus to certain heads of expenditure. In fact, he stated that out of the Rs. 327 lakhs of the surplus which he expected, Rs. 278 lakhs have already been appropriated and Rs. 49 lakhs only were left over to be debited to the reduction and avoidance of debt. With the exception of the Rs. 1 crore which the Government proposes to spend on the village uplift programme, all the rest of it could have been either financed from capital or deferred till a better time. There was no urgency about financing them. This will be borne out by the fact that this money is to be debited to special funds and every expenditure from this amount which has been set apart will be subject to the consideration of the Legislature. This disposes of the urgency, otherwise they would have made out a programme with this expenditure. Now the Legislature has been prorogued and is not going to sit till September in Simla and therefore we cannot be responsible for having disposed of the windfall. However, we have still got Rs. 49 lakhs left which has been transferred to the head Reduction and Avoidance of Debt because there was no other place in which to keep it.

Now, Sir, I will cite two or three examples of these short falls. Take the Railways in 1933-34. There was an increase of Rs. 280 lakhs in income. In 1934-35 the estimate of increasing income was Rs. 412 lakhs, I am referring, Sir, to the income, not to excess over expenditure. And in the current year, there is an increase of Rs. 275 lakhs, so that in three years a betterment of Rs. 907 lakhs is expected or an average betterment of Rs. 3 crores per annum. Now, during the current year, our deficit was only Rs. 190 lakhs, so that we can safely hope that next year we will be able to wipe out the deficit and have an additional Rs. 110 lakhs left over to be divided up between repayment to the Depreciation Fund and repayment to the Government of India. If we make a just distribution of it and give half

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and half to each of these creditors, the Government of India can safely predict and expect an increase in their income next year of about Rs. 55 lakhs from this source alone.

The second short fall is the income of the Reserve Bank. I do not think the Government of India are prepared to plead guilty to the charge that they have inaugurated it simply to transfer some money to the Imperial Bank. It must be some mistake or under-estimate of the income. It cannot be possible that our income will fall by 70 per cent?

THE HONOURABLE THE PRESIDENT: You have said all this before.

THE HONOURABLE MR. HOSSAIN IMAM: I am now referring to the short fall. If we take the income at even Rs. 1.25 crores there is Rs. 75 lakhs of short falls of income. We cannot think that the Reserve Bank will all the time contribute only Rs. 50 lakhs, otherwise as you said, the premium would not be 116. Not until there is an excess of Rs. 4 crores, will the shareholders be entitled to get any payment from the Reserve Bank in excess of their 3½ per cent. rate of interest, and even now the money market is not so far down as to make 2½ per cent. an attractive investment, which is the net redemption yield on the present market quotation.

Then, Sir, there is the heading of income-tax, about which the Honourable the Finance Member told us that he is not expecting full betterment during the current financial year because the results of the betterment in the trade conditions are not reflected till one year after the close of the year in the income-tax receipts. He has budgetted for a betterment of only Rs. 36 lakhs during this year because we are not getting the full effect of the better trade conditions this year. We would not be far from the truth in estimating an increase of Rs. 50 lakhs next year.

THE HONOURABLE THE PRESIDENT: How much longer are you likely to be?

THE HONOURABLE MR. HOSSAIN IMAM: About 20 minutes, Sir.

THE HONOURABLE THE PRESIDENT: Then I will adjourn the Council now till half past two. But I would warn Honourable Members that if this Bill is not passed by half past seven this evening, I propose to convene the Council again at nine o'clock and sit till two in the morning.

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

The Council re-assembled after Lunch at Half Past Two of the Clock, the Honourable the President in the Chair.

THE HONOURABLE MR. HOSSAIN IMAM: Mr. President, I was discussing before the luncheon adjournment what would be a conservative estimate of the short falls this year in order to justify our taking advantage of the windfalls from the excess of income over expenditure. I have accounted them under three heads. On a conservative estimate, I estimate the short fall under these three heads to Rs. 175 lakhs. Are the Government prepared to reduce taxation to the tune of Rs. 175 lakhs in view of this short fall? We leave it to the Government to decide what to do in this case.

A subject which has been discussed threadbare in this as well as in the other House is about economic planning. The Honourable the Finance Member thinks that there is absolutely no idea behind economic planning. He says it is impossible and he adheres to *laissez faire*. It is accepted on all hands that *laissez faire* is not a theory in which your belief or disbelief can do much. It becomes effective only if others also think like you. If I am a believer in *laissez faire* and I open out my markets to the rest of the world and the other parts of the world do not believe with me, and they keep on their tariff walls, what will happen? We will be swamped and others will not take any goods from us. The result will be that we will be losers. The question before the House and the Government is whether we find any tendency in the present day world to break the trade barriers, to remove quotas and other restrictions, and to open up the trade of the world. When we find no such development in the world, it is only right that we should follow in the footsteps of the others. Just as it is said that the best method of assuring peace is to be prepared for war, then war would be impossible; in the same way, in order to have a free market in the world, it is necessary that all those who believe in this theory of erecting tariff barriers should realise that it is an impossibility and a retrograde step. We can open our markets only when we find others opening their markets for our goods. Personally, I believe that economic planning for a country of such huge dimensions as India is almost an impossibility. It is a very difficult matter. It is well known that industrialisation does not give employment to the same number of people as other unmechanised things like agriculture. On industries in India something less than three million people are engaged. Consider that with the population figure of 350 millions. I also agree with the Honourable the Finance Member that there is no short cut to prosperity through industrialisation. He himself has admitted that India's export trade should be helped. What specific steps has he taken to do that? In the Assembly there were any number of statements by responsible Members of the Government that reduction in railway freights cannot be made in order to help the export trade. We have complained that the freight rates are disadvantageous to exportable goods and advantageous to imported goods. Those rates have not yet been revised. We ask for subsidies for our export trade, and we do not get it. As I pointed out the other day, there is actually an export duty on rice. Are these the steps to help the export trade? If Government are not prepared to follow the advice of economic planners, the least they can do is to give effect to their own decisions in practical ways. *It is in that spirit that I want that there must be a planned effort on the part of Government at least to increase our export trade.*

Secondly, Sir, there is another point about economic planning on which I believe even the Finance Member is in agreement, namely, that external payments are a drain on the national wealth. One way of increasing the purchasing power of the nationals is to reduce the drain on the income in the shape of external payments. At least on this proposition there is no difference of opinion even among economists. One and all of them agree that it is disadvantageous as there is no *pari passu* return for this sort of payment. Take England, where we have to make all these external payments. In England we spend something between Rs. 30 and Rs. 40 crores per annum in payment of interest charges, pensionary charges and others. This has continued for all these years. It is a wonder how India was able to continue this. The wonder is explained by the fact that

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formerly we had a surplus in merchandise of exports over imports amounting to something between Rs. 80 and Rs. 90 crores. With such a huge export surplus, we could afford to spend Rs. 40 crores without feeling the pinch because, after all, we never used to make payment in species or rupees, but only by goods, and if there is a demand for goods, that would give employment to the people in this country, and only when they are employed, they really increase the wealth of the country. Now the thing is stopped at the source. There is no employment for the people and there is consequently no creation of wealth and without the creation of wealth this payment is becoming a drain which is liable to dry up the source of income. I therefore appeal to the Government again that they can never get a better opportunity than the present moment to fund up and pay back their sterling commitments by contracting rupee loans. They should also change the rules of employment which makes pensions payable in sterling. In the new order of things no pension payment should be made in sterling at least in the case of new employees. If these two propositions are accepted by the Government we will increase the purchasing power here, because these monies would be spent in India. This is practical planning and can be undertaken without entering into the morass of what the Finance Member called imaginative finance.

If the Government of India are not prepared to listen to this advice, the next best thing they can do is to ask England to concentrate its purchases more from India, so that there will be exports from India to England corresponding to the imports from England and the invisible imports of England in the shape of these pensionary and interest charges. If England allows a balance of trade to India equivalent to our payment to England with decreasing our trade with the rest of the world then we would be perfectly content to have this thing remain as it is, because thereby we will be getting back something and getting some employment for our own people.

Then I should like to say a word about economy. We have heard too often that the expenditure of the Government of India is bloated. The expenditure is so distributed that very little, if any, opportunity for reduction of expenditure remains to the Executive or to the non-officials. We know that the charges are distributed under two main heads, interest payments and the army charges. These two constitute more than 75 per cent. of our expenditure, and the rest of it which goes to the administration side is troubled by fixed salaries which are not liable to reduction. Therefore ordinarily it seems there is very little scope of retrenchment in expenditure. I should just like to bring to the notice of Government two items of expenditure which could be reduced with very little difficulty, and these are just instances and not the whole of the economy campaign, which I hope Government will carry on all the time, because a Government with a falling income ought to be always searching for economy and no economy however small ought to be left out because it happens to be small. A hundred thousand savings of one rupee each mount up to Rs. 1 lakh. Though each may individually be worth little, in the aggregate they are worth much. Now look at the army—I am not attacking the policy or other big items. *It consists of two lakhs of men and the expenditure on its medical department comes to the staggering total of Rs. 1 crore and 62 lakhs, giving an annual expenditure per head of Rs. 80.* Have the Government ever considered that if we were to spend even an eighth part

of that on the civil population of India, I mean Rs. 10 per head, what would be the total cost of the medical department to the Government for 850 millions? It would be Rs. 850 crores, even if we spent one-eighth of the sum spent by the military. Look at the railways. They employ 700,000 men. What is their expenditure on the medical department? The Chief Commissioner is not here, he might have told us, but I am sure it is less than two rupees per head; and in the army it is Rs. 80 per head. I do not think that the central and provincial Governments together spend more on the medical department in the whole of India than the army spend on its medical department for two lakhs of men. There must be something basically wrong in such a huge expenditure on this one military department. It is in these directions that economies can be carried on with success if there is a will to retrench expenditure. Another department which is under the Honourable Finance Secretary himself can be retrenched. I refer to the interest we pay on the provident funds. At the present moment we are paying on the Reserve Bank shares $3\frac{1}{2}$ per cent., and they are quoted at a premium of 16. We have a 3 per cent. loan which is quoted at a premium of Rs. 1-4-0 over its issue price and of 4 annas over its face value. We are issuing post office cash certificates at 8 per cent. compound interest. Is there any reason why the provident funds alone should be given 5 per cent. at this time? Cannot the Government get any money from anywhere else at a cheaper rate? Are their servants so poor and destitute that special consideration must be shown to them? And the amount of money involved is enormous. *If the interest on provident funds were to be reduced to $3\frac{1}{2}$ per cent. even there would be a saving of Rs. 123 lakhs to the central Government.* It is the cumulative effect of these many small economies which no one cares to look into which would amount to several crores. Perhaps some of my friends might think that I am suggesting something which has no sanction of precedent and we always look for precedent. In this case, during the last financial year the Government were paying $5\frac{1}{2}$ per cent. on these provident funds. This year they have reduced it to 5 per cent. May I hope that next year they will reduce it to 4 per cent. and thereby save us something like Rs. 80 lakhs per annum under this one head alone.

Sir, I started by saying that it is time that the Government of India and the people of India composed their differences and came to a settlement. But that cannot happen if only one party wants to settle. Just as there must be two to make a quarrel, there must be two also to compose a difference. If there is a will and a desire on behalf of non-officials to help you, the Government of India have to be responsive, and when the Government of India are responsive the Opposition has to be considerate. Unless we have co-operation by mutual give and take on both sides, there can be no salvation, and the present Finance Bill suffers from a dearth of this thing. There is no effort made by the Government to do anything to meet the Opposition. Even small amendments which would have involved losses of Rs. 15 or Rs. 20 lakhs have not been accepted by the Government. If the Government is so unreasonable, they cannot expect us to do anything better than what has been done as they are in a better position than us and everything that they do can be copied by us as coming from authority and therefore having the sanction of practice and precedent behind it. If the Government is not prepared to give in on any point, they cannot expect us to co-operate with them at all costs. Therefore, Sir, we have no option left but to oppose the Finance Bill.

THE HONOURABLE MR. P. C. D. CHARI (Burma: General): Sir, I do not want to give a silent vote on the Finance Bill which has once again come to this House in a certified form. You reminded me, Sir, that the Bill has come certified to this House six times before. I am aware that certification has almost become a normal feature of the financial budgets under the Montagu-Chelmsford Reforms. In all democratic countries the upper House has nothing to do with money Bills. Under the present constitution the upper House has got the right to vote on money Bills and the constitution has been so devised as to guarantee the passage of money Bills rejected by the other House, in a House like this which is considered as one of the strongholds of the bureaucracy. The constitution of the House has been so devised and the foundations of this House have been well and truly laid to play the part of the stronghold of the bureaucracy. The foundations are 27 feet deep in the shape of official and nominated Members and there is not the ghost of a chance of any opposition doing any effective work in this House when a Bill of this type is brought forward.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY: Is not there a non-official majority in this House?

THE HONOURABLE MR. P. C. D. CHARI: We have got 89 elected Members but then the three form the concrete flooring of this House, which has been well and deeply laid, and it hardly leaves 80 and even if all the 80 Members vote against the Bill, which is very unlikely, it is not possible for us to succeed, because we have not got the device which the Government has ready to hand to replace the nominated Members who may be absent even for a short interval on account of unforeseen circumstances. We cannot do any such thing and under normal conditions there will be one or two absentees. So it is a dead certainty for the Government to have any Bill rejected by the other House carried here without any trouble, and the official Whip has got a very soft job. He need not approach any Member; he can be always certain of a decided majority. The only thing he has to do is to see that the business of the House is expeditiously transacted and the Bill is not held up here even for a couple of days. That is the only work which the official Whip has got to do in this House. Sir, as I have said before, six times before has a certified Bill come before this House and this obliging body has always passed the certified Bills without any trouble to the Government and we shall have a repetition of that process during this year. It is only on occasions like this that I feel the deepest humiliation as a Member of this House.

THE HONOURABLE MR. BIJAY KUMAR BASU: Resign!

THE HONOURABLE MR. P. C. D. CHARI: Yes, my friend the Honourable Mr. Basu says resign. I shall presently give the reasons why the Members of the Opposition ought not to resign but should have the courage of their conviction and stand up in a House like this.

THE HONOURABLE MR. BIJAY KUMAR BASU: And be humiliated!

THE HONOURABLE MR. P. C. D. CHARI: Be subject to humiliation and at the same time to lay a dignified protest against the procedure that has been adopted in this House.

Sir, during the long period of enforced inactivity, I watched the proceedings of the other place. The Government came forward as usual with a cut and dried programme of expenses and a programme of taxation. The other House went through the formula of the Demands for Grants and refused most of the Demands and the reasons for refusing those Demands were really very sound. They said they were not opposed to these expenses. What they said was that Government had a programme of capital expenditure under certain heads, like civil aviation, broadcasting and the transfer of the Pusa Institute. Government originally did not contemplate that the capital expenditure should be financed out of revenue surplus. The other House finding that the Government wanted to fritter away a revenue surplus which had come in said: "Utilise these revenue surpluses derived from this emergency taxation, which is the cause of the surplus, first of all to reduce taxation under which the people of the country are groaning. If you want these programmes to be urgently pushed on, by all means do so by a programme of capital expenditure". This is a very reasonable attitude and this was not really an attitude taken up by Members who are bent upon refusing supplies for no rhyme or reason. They had the best of reasons for refusing Demands. Then what did the Government do? They went through the formula of certifying these demands which were refused by the other House. Then, as regards proposals for taxation, various sections of the popular House came forward with proposals for reduction of taxation. I carefully listened to the debates and there was no intention on the part of any section of the other House to make proposals for a change which were not justified by sound reason. There were five such proposals which were carried by substantial majorities. The reduction of the salt duty to 12 annas was carried by a majority of 73 against 43; the two pice postcard was decided by the vote of the other House by 79 against 44.

THE HONOURABLE THE PRESIDENT: We all know what happened in the other House; it is not necessary to recite it.

THE HONOURABLE MR. P. C. D. CHARI: So long as it is relevant, Sir, I am entitled to refer to it, and if you are prepared to rule me out, I have no option but to sit down.

THE HONOURABLE THE PRESIDENT: I do not want to rule you out. I wanted to draw your attention.

THE HONOURABLE MR. P. C. D. CHARI: I am drawing the attention of the House to the voting figures. The proposal to reduce postage on letters was carried by a majority of 80 against 35 and the cheaper packets proposal was carried by a majority of 84 against 49 and the proposal to make the minimum income for income-tax purposes Rs. 2,000 was agreed to by the vote of the House. These are very reasonable proposals and they came from different sections of the House. Well, so far we have been told that, excepting the proposal to reduce the salt tax which would have meant a loss of income to the tune of Rs. 8 crores and 25 lakhs, the changes proposed under the other heads would have meant a loss of income of only Rs. 1 crore and 70 lakhs; and as the Finance Member put to this House the other day, the changes proposed involve a loss to the budget ranging from Rs. 6 lakhs to Rs. 325

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lakhs. What did the Government do? The Government adopted a different attitude from the one which the Finance Member adopted during the last occasion in 1931, and in the course of my speech I shall trace the psychology underlying the difference in the attitude of the Government. The result is that the Government could not accept any change which came from the popular House. Even a proposal to add to the income of the Government by Rs. 7 lakhs by retaining the export duty on skins was rejected. The Government in the fitness of things thought that the safety, tranquillity and interests of British India required that all these proposals should be turned down and it is a great pity that none of these changes were accepted. What is the significance of this intransigent attitude? This shows that Government was not inclined to accept any change and to make even a token concession for the worth and utility of the Members of the two Houses of the Legislature. At least in 1931 the Finance Member in the course of the debate, while bringing a certified measure only for certain of the items and accepting all the other items, said the changes made were bad from a financial point of view but still with a view to accommodate the vote of the House he accepted the changes under a number of heads and brought in certification only with regard to the heads on which he could not see eye to eye with the other House. This shows that the Government of India does not care a brass farthing for the opinion expressed by the Members of the Legislature. The whole question is not a question of the budgetary position or the financial inconvenience of accepting the changes but it is a question purely of political expediency. This attitude of the Finance Member was very well explained in the closing speech of the Finance Member himself in the other place. Quoting Sir George Schuster, the Finance Member said in the other place that under the constitution he could not put the responsibility on other shoulders than his own. So far he was right. But he persisted further and in answer to a request by Sir Cowasji Jehangir in another place that Government had not thought fit to accept even a single voted proposal, the Finance Member with refreshing candour said that this demand and this suggestion by Sir Cowasji Jehangir to make a choice out of the amendments passed was not fair to a Government which had already made its choice; thereby meaning that when they framed the taxation proposals they had made their choice and they were not going to allow themselves to be influenced by any consideration or by any views or expressions made in the other House. This attitude of intransigence is entirely inexplicable except on one assumption, and it is this, that it is the sole province of the Government of India to decide what shall be the expenses incurred and what shall be the taxation. But this attitude is a fraud on the constitution itself. Though the Montagu-Chelmsford Reforms and the present Government of India Act do not make the Executive responsible to the Legislature it certainly compels the Executive to be responsive to the views of the Legislature. It is with this object that the framers of the Act thought fit to insist upon a certain portion of the expenses being brought forward before the Legislature for the purpose of voting on the demands. It is for this purpose that certain items of taxation which have to be repeated from year to year in the annual Finance Act have to be placed before the two Houses of the Legislature. So that the opinions expressed and the changes advocated in both the Houses may have some effect upon the policy of the Government. Otherwise the Government has got a moral obligation to be responsive under the present Government of India Act.

And it is a defiance of the spirit of the Act, it is a refusal to follow the spirit of the Act on the part of the Finance Member that the Government of India in insisting that they have got a right to make a choice beforehand and that in spite of the wishes of the Legislature they have got the right to carry through their own programme. No doubt, as the last resort, the Government has got the power of certification and the demands and the finance proposals of the Government contained in the Finance Act may be certified and passed into law if it is necessary in the interests of the safety, tranquillity and interests of British India.

Well, Sir, examining the speech of the Honourable the Finance Member, he himself said that so long as the attitude of obstruction and destruction is persisted in in the other place, so long must Government resort to their emergency powers. So, according to the Finance Member, the consideration necessitating certification was not the financial needs and circumstances of the country, but the attitude of the Opposition in the other place. In other words, certification is to be decided upon on political considerations, not on the financial needs and circumstances of the country. If the Government are not satisfied with the attitude of the Opposition in the other place, then what they say is whether the financial needs of the country require it or not, they will punish the people who have been responsible for returning these people to carry on this policy of obstruction and destruction. The Congress Party has come into the Assembly with the avowed object of preventing the Government doing further mischief through the Legislatures and to prevent the abuse of the powers of the Government."

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY: For non-co-operating then?

THE HONOURABLE MR. P. C. D. CHARI: That is the main object with which they have come into the Legislature. Government now have got the opportunity of telling the people, "Well, you thought that by sending these people to the Legislature, you can prevent mischief. Look here, the ultimate repository of power is the Government. The fact that you have sent these people to the Legislature means that you ought to be punished and we shall punish you; even though the financial needs and circumstances of the country do not require the certification of certain measures of taxation, we shall do it to show that you ought to behave better in future".

THE HONOURABLE THE PRESIDENT: That is your interpretation?

THE HONOURABLE MR. P. C. D. CHARI: That is my humble interpretation, and I am entitled to take the House with me in that interpretation. That is how I view it. There is also another point. In so far as the other parties including the European Group who have associated themselves with this Party of white caps are concerned, Government tell them, "You also deserve punishment; none of your proposals will be accepted because they are tainted with association and with the vote of those much hated representatives of the Congress. You shall suffer for it". There is also one other object behind this. To my mind, it seems that the die-hards are fighting against the so-called granting of greater powers to the people of India. Here is a political drama being staged at Delhi. The Tory die-hards are given a concrete lesson as to how the present Government and the future Government will probably behave under similar circumstances.

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They show that even though the financial needs and circumstances of the country may not require it, they shall uphold the prestige of the British and they will not allow any other consideration, however financially sound, to enter their minds. So long as the people's representatives want a particular change, they will not allow it, and there is no reason to think that the coming constitution will be worked in a different spirit so long as they are there and so long as the Moghul at Whitehall can pull the strings and make the present Members of the Government of India dance to his tune. That seems to be the cause of the change in the attitude of the Government as compared to their attitude in 1931. In 1931, they were anxious to work the constitution in a real spirit of responsiveness. They were anxious to impress upon the legislators then who were not representatives of the Congress. Their attitude then was responsive. Now, so long as the country favours the Congress people, the Government will not accede to any of the popular demands. The net result is that the Congress is bound to show up the naked autocracy of British rule in India. What is our function? The function assigned to this Council is to clothe the nakedness of autocracy of British rule in India by giving these high-handed acts of the bureaucracy a clothing of popular opinion. Sir, for my part, self-respect demands that I should not be a party to this clothing of the naked autocracy of British rule in India, and I shall not vote for this Bill. The position is that we can neither end this Bill nor mend it, and the only answer which the elected Members of this House can give is that though they cannot end or mend it by a vote of the House, they can say that they shall not be a party to this shameless show of force which is at the back of a certified Bill. If you want to tax the people, if you want to insist upon not showing even an atom of concession to the worth and utility of the Legislature, we shall answer you in the same strain and tell you that we shall not be a party to a certified Bill and we shall not have any responsibility in forcing this measure on the country.

Sir, I oppose this Bill.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras: Muhammadan): Sir, before making my observations on the Motion before the House, I should like to tender my congratulations to the Honourable the Leader of the House on the speech which he made the other day. Sir, it was indeed a very remarkable speech, remarkable not only for its high order of eloquence, not only for the great debating skill which it displayed, but remarkable also and from our point of view particularly so, for the conciliatory tone which marked it throughout. Sir, even though the Honourable the Leader of the House failed to see eye to eye with the non-officials, he had the fairness to recognise the honesty of purpose of those who held a different view. Sir, unless one has the breadth of view to appreciate honest difference of opinion one would not find himself in a position to make even the least effort to reconcile differences and to come to a compromise. I am glad that in the Honourable Leader of the House we have got one who, recognising as he does, the honesty of motive of those who cannot see eye to eye with him, can be depended upon not to thrust aside contemptuously the views of his opponents but to make an honest effort to reconcile himself to those views.

As regards the Bill before the House I feel that it has come to us in a very extraordinary form. The Honourable Law Member was at considerable pains the other day to show that the form in which the Bill has

come to us on this occasion is not an extraordinary one, that since 1923 this has been the form which more often than not was the form in which the Bill used to be placed before this House. Even if that view is correct, it does not go to extenuate the circumstances under which the Bill has come here. All that it does is only to show that those whose duty or privilege it was to advise His Excellency the Governor General have not often found themselves in a position to carry on in a way that powers which were intended to be used only on extraordinary occasions should be used only on exceptional occasions. Whatever it might be, I feel that on this occasion too it was highly regrettable that those who advised His Excellency to send back the Bill to the Legislative Assembly in a recommended form were not able to see their way to meet the wishes of that House in respect of some at least of the changes that that House desired to be effected in the original proposals. If they had only met that House half way and had acted in a spirit of give and take, it is very probable that the Finance Bill would have been passed by the other House and thereby the necessity would have been avoided of placing that Bill in the form in which it has come here. It would not indeed have been possible to give effect to every single suggestion made by that House, but it cannot be contended that it was impossible to give effect to at least some of those suggestions. The recommendation of the Assembly regarding the reduction of the salt duty could not indeed have been accepted, for to do so would have been to forego a revenue of Rs. 3 to Rs. 4 crores. But what about other recommendations? What about the refusal of the Government even to agree to retain the duty on skins which would have brought a few lakhs to the Indian exchequer? Even this the Finance Member could not persuade himself to do, since he was afraid that by swerving from his proposals even by a hair's breadth there was a possibility of his budget not being balanced. I do not know what charm there is in having the budget balanced if at the same time an attempt is not made to take into consideration all other things which are also the duty of the Government to look to. Of what avail is the balancing of the budget when millions of people find themselves unable to make both ends meet? Of what avail is the balancing of the budget when the agriculturists, who form three-fourths of the population, find themselves in a plight which grows from bad to worse every day?

Again, Sir, how has this Government been able to tide over the financial difficulties during all these years of stress and strain? Certainly it was not only the Finance Department and the policy of sound finance pursued by that Department which had helped the Government to tide over those difficulties. The people of the country, all of them, also did their bit in helping the Government. All classes, the rich, the middle and the poor, submitted themselves to terrible sacrifices. They put up with hardship and privations and a considerable amount of inconvenience. Is it not natural then that when things are looking better and the financial position is somewhat easier that they should expect to be afforded some relief? These people in spite of their own difficulties had cheerfully submitted to the burden of taxation imposed on account of emergency. Do not these people have a claim to some relief? But what does the Government say? The Government says, "No", "no", even to partial relief. The claim of the people even to a small relief is denied by the Government, while it hastens to remove even the part of the cut to which the salaries of Government servants were subjected. I do not see why this invidious distinction should have been shown in the matter of affording relief to people who

[Saiyed Mohamed Padshah Sahib Bahadur.]

have been made to bear the additional burden of taxation on account of the emergency? I do not see why this preference should have been shown except for the pledge which was given, a pledge given so gratuitously to these people at the time the cut was imposed. I am of opinion that Government servants are the last class of people who should have been considered to be entitled to any form of relief, because even with the original cut of 10 per cent. the Government servants were not badly off, especially those at the top. They were quite all right in spite of the cut, since the prices of commodities in the country had fallen by about 50 per cent. It was therefore very wrong on the part of the Government to have given this pledge and thereby committed themselves to a course of action which has resulted in such great injustice to other classes of people. It is this restoration of the cut which has forced several provinces to budget for deficits. It is this which is crippling the resources of the provinces, making it impossible for them to continue their beneficent activities in the nation-building departments. It is a pity that the Government could find Rs. 2 crores to restore these cuts while a few lakhs could not be found to give relief to the general taxpayer. It is a pity that, even if the one pice postcard could not be reintroduced, the Government could not see their way to bring down the postcard to two pice, which was the price before the emergency rate of three pice was introduced. Even this small relief could not be afforded although to millions of the poor the postcard is the only means of communication. What is the use of spending money on broadcasting, when people in the country are not in a position to take advantage even of the postal facilities?

Without disturbing the budgetary position, the Government could easily have accepted one or two amendments carried by the Legislative Assembly and I am of opinion that they should have done whatever was possible in their power to accept at least those amendments which went to benefit the poorer sections. I mean they should have accepted the amendments regarding postal rates, at least the amendments relating to postcards and the one anna letter; after all it would not have cost much. According to the Finance Member the loss would have been about Rs. 50 to Rs. 60 lakhs. If from this loss we deduct the income that should have accrued to the Government by retaining the duty on skins the loss comes down to Rs. 40 or Rs. 50 lakhs and even this estimate is on the basis of the present state of affairs. It does not require much imagination to realise that when the rate is reduced there is bound to be an increase in the volume of correspondence and with this increase it is just possible that this loss would have been reduced to Rs. 30 or Rs. 40 lakhs at the most. It is idle to contend that even this small loss could not be adjusted. It could not be said that the estimates of income have been so correctly formulated by the Finance Department that there is no possibility of any excess. Our own experience is that these estimates are very cautious and more often than not there are surpluses and even this year with the conditions in the country showing an upward tendency I am quite sure that the surplus that should have resulted this year would be more than what would have been necessary to cover this loss on account of the reduction in postal rates.

Sir, I think I shall not be fair if I do not also express my opinion as to the way in which those people in the Assembly who carried those amendments did their part. My own impression is that if those in the Assembly who carried such a large number of amendments had not overdone their

part, if they had only concentrated upon one or two items of importance and carried amendments in those respects, I am sure they would have made it impossible for the Government to resist their demand. But anyway even if those people had not done their part properly, this is no excuse for the Government not to have done their part properly. The Government knew that there were one or two amendments which were carried in the Assembly which were very largely supported by the non-official section of the House. If they had accepted those amendments they would have carried the House with them and the result would have been that the whole Finance Bill would not have been turned down. On the other hand, it would have been quite possible for the Government to have the Finance Bill passed in that House and I think that would have been much better than taking refuge in the extraordinary powers which are reserved to be used only on occasions of emergency. It could not be said that the budget was so accurately framed that there could not be an excess of income or a short fall. Just to give an instance of how there are still ways by which economies could be effected in the expenditure of the Government of India I would draw attention to the office of Controller of Currency to which reference was made by my Honourable friend Mr. Hossain Imam. Now that the Reserve Bank is going to take over the currency functions, I do not see there is any justification for retaining this office. The Controller of Currency with his high salary and his assistants and the whole paraphernalia of office staff should cost the Government a good bit. If this office was abandoned and similar retrenchments carried out in different directions, I am sure the Government would have been able to find ways and means by which they could have covered the loss which would have accrued by accepting one or two of the amendments carried by the Legislative Assembly. If they had done so it would have avoided the necessity of invoking these extraordinary powers. They would have also shown their readiness to be responsive to the popular opinion and that would have been very good not only for the present Government but also for the future Government. It is very regrettable to find that the Government do not seem to pay much heed to the opinions of elected representatives in the Legislature. If this is the attitude of the Government, Sir, today when everyone of the representatives could claim to have been directly elected by the people in the country, I wonder, Sir, what the attitude of the Government would be in the future towards Members of the Legislature when those Members would have been elected only indirectly.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY (Bombay: Nominated Non-Official) : Sir, the present constitution has been in existence for some 14 years; within a short time it will cease to exist. The sands of time are running fast, and it is in the last throes of dissolution. Under these circumstances I question the propriety of analysing and dissecting all its defects just at the fag end? Time was when those analyses could have been made with profit and improvements suggested, but those who had to work the constitution remained silent and sulky; they non-co-operated. I do not care to delve into the events that heralded or followed its introduction for want of time. I would therefore confine my remarks to the budget and the Finance Bill.

(At this stage the Honourable the President vacated the Chair, which was taken by the Honourable Mr. Bijay Kumar Basu.)

[Khan Bahadur Dr. Sir Nasarvanji Choksy.]

It is a matter for satisfaction that for the first time after many years there has been a reduction in various items of taxation as also that the sum of Rs. 1 crore has been provided for rural development. It has been suggested or rather feared that most of the money would be spent in creating appointments, but that is not so. It is true that the agricultural population in India is highly indebted, and is subject to the tender mercies of the sowcar, who lends him money. It has social expenses of a most uneconomic kind and besides is handicapped by prolonged litigation. These are some of their besetting sins and thus it is that they can hardly lay by enough to buy new implements or improve on the old hereditary methods of cultivation. But, Sir, as if that were not enough, there are middlemen who suck their lifeblood and reap their profits. In India unfortunately there is a coterie of financial and commercial magnates whose agents roam all over the country and rig the market according as it suits the pockets of their masters. If the masters are afraid that they are likely to lose some of their illicit gains, up goes the hollow cry: "Oh, the poor are being deprived of their living! They are not able to get their livelihood!" The cry is not for the poor and the needy; it is the cry for their own pockets!

As regards rural development, one method is that of the work of Mr. Brayne who has done so much in the Punjab. I was informed the other day that his activities have been considerably curtailed through want of adequate means. But I hope that as Commissioner he will now have ample funds at his disposal. There is however another experiment of a very large kind which has been carried out in one of the Indian States, namely, the State of Baroda. His Highness the Gaekwar of Baroda introduced a system of rural development over 20 years ago and for that object he depended upon the same agency as that utilised by Mr. Brayne, namely, the village schoolmaster, whom he styles the Village Dynamo. It is his dynamic energy that spreads the knowledge of rural improvement to each and every institution which comes within the purview of his village. The State has a training college for educating village schoolmasters, where he is taught the art of education, agriculture, social and economic principles, in fact everything that conduces to the interest and well-being of the people committed to his care. So that now in the State of Baroda there are 6,500 village teachers who go about and spread knowledge and improve the conditions of the people. The idea inculcated in the villagers is that there should be a better standard for living: "The will to live better". Well, Sir, such are the examples that can profitably be copied and adopted in British India. These village schoolmasters go into every item that concerns village life in all its aspects. The village panchayats are given a part of the cess to meet the necessary expenditure. (An Honourable Member: "Do these schoolmasters render any monetary help?") Why should they? It is to their benefit to learn. They educate them; they are shrewd and not so ignorant as not to know where their interests lie.

Then, Sir, it has been said there should be industrialisation of India—its agricultural aspect should be subordinated if not altogether set aside in favour of industrial development. It is not an easy thing to convert an agricultural population into an industrial one and those who have done it on the largest scale have burnt their fingers. Unfortunately at present we are being flooded with a lot of propagandist literature about Soviet

Russia—descriptive of the enormous gains of industrialisation there and of the great benefits that have accrued from the 5-year and 10-year plans. Those, however, who have access to independent information have seen that there has been great improvement but not as much as was anticipated but at what cost? The most ruthless exploitation of the masses, the most drastic, even capital, punishments for ineptitude or errors. I wonder whether Indian workers would like to replace their so-called capitalist masters by such State masters that are no better than slave drivers—cruel, heartless and pitiless.

Then, Sir, another aspect of industrialisation is that the greater the mechanisation, the greater the reduction in man power with the result that millions of men in England, in Germany and in the United States and elsewhere are without employment at the present day. They are either on the unemployment insurance list or on the dole. Although America is the richest country in the world it has not yet been able to solve the problem of unemployment. (*An Honourable Member*: "Does not America allow any dole to these poor people?") No, there is no dole in America yet. It is only in Great Britain that the system prevails. It has been a great incubus upon the country: and it was greatly increased by the last Labour Government.

One question, Sir, which I regret has not been given attention to is the provision of adequate medical relief and the quinine policy of the Government. I should have thought that some part at least of the grant for rural development should have been set apart or other provision made to supply quinine which is required in the largest quantity in India. India does not produce enough. It must be either given free or at a reduced rate. Some Governments are already doing it but I think it wants much more universal application.

Then, Sir, coming to the army and defence services, my Honourable friend Mr. Sapru the other day compared the relative income per head in various countries but he did not state what the defence expenditure in India was. It is the lowest in the world, as it comes to Rs. 1-8-0 per head. By far the most important question in regard to defence is that India is no longer an isolated entity. It has now become part of world politics and it must rise and fall with the progress all around it. There is a solid block on our north-west stretching from the Frontier to the Mediterranean, the Red Sea, and the Persian Gulf that is anything but friendly to the British. There is the penetration of Russia into Chinese Turkestan and outer Mongolia. Then there is Japan making its way into Inner Mongolia and Tibet, and now we learn that Japan is entering into commercial relations with Siam. Is it not thus a fact that India as a country is in the process of being encircled by people who though not ostensibly hostile are not friendly to it? This is a vast country whose defence is a matter of vital interests to us. I do not propose to go into the military aspects of it but those who ask for a reduction in the army should remember the present day aspect, and its repercussion upon our future. (*An Honourable Member*: "Ask for an increase!") Well my Honourable friend should know if he does not that we are within striking distance of Soviet Russia on the north-west, and that some of the beautiful cities of India would be annihilated in no time, by an aerial attack from that direction.

Then, Sir, he should not forget what the *Emden* did during the Great War. It bombarded Madras and it laid mines right up to the mouth of

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the Bombay Harbour. If it did not attack Bombay, it was due to the long range guns of its battery. If she had gone up the Hooghly what would it have done? All these episodes are being most unfortunately forgotten. And in addition to all that there exists the vast coastline of India which is practically undefended. These are circumstances which we should not overlook in criticising the Defence of India.

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

Then again, Sir, there are those unfortunate communal clashes. Is it not a fact that when they occur the people demand the intervention of British troops and not of Indian troops to quell such disturbances? It has been said over and over again that we want British troops to guard our beaches and homes lest the latter be led away by their own communal feelings.

As regards retrenchment in the Defence Services. No doubt, retrenchment should continue. But such communal clashes as have lately occurred would mean only one thing, *viz.*, that in every town with a combined population, Government should have to post troops to prevent such contingencies. What would then be the position in India at large? The country would be converted into a large camp. Would you then increase your army or reduce or revert to its redistribution as it existed in the pre-Kitchener days?

Much has been said about Indianisation. The sources of Indianisation are from Sandhurst and Dehra Dun though the former has now ceased to exist. Of the 248 cadets who came out from Sandhurst between 1928 and 1934, 47 either resigned or retired. This ratio comes to about 19 per cent. I should like to know whether such a casualty rate occurs in the British Army? If 19 per cent. of the cadets have to resign or retire within a few years of their taking commissions, and if that ratio should prevail, I ask how can Indianisation progress? Several Members of the central Legislature have time and again referred to it but no one has hitherto formulated a programme and demonstrated how it could be done. Is it possible for a boy who enters school at the age of 14 to become a High Court Judge within 10 years? If that is impossible, similarly you cannot expect a subaltern to command a battalion within a similar period. How can Indianisation be possible at that rate? You may double or treble your Dehra Dun output of cadets, but you are not likely to have the number of officers you require for your army for a considerable time to come.

THE HONOURABLE MR. HOSSAIN IMAM: How do the officials in the civil departments come up?

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY: The civil and the military services are not alike. Their duties are quite different. I would ask any Honourable Member of this House or any district officer to say confidently whether he would like to see a reduction in the number of British troops that are retained in India at present having due regard to the prevalent circumstances and conditions?

My Honourable friend Mr. Banerjee made some reference to the Indian Mercantile Marine Training Ship *Dufferin*. I have been on board that ship

on more than one occasion. I have seen the education imparted to the students, and the great interest taken by the Captain Superintendent, Commander Digby Beste, and his competent and zealous staff.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: I made no allegation about the education.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY: You said something about exploitation if I remember. There exists nothing of the kind. When the Honourable Sir Joseph Bore lately distributed the prizes, there were a few Anglo-Indian cadets. A large number of Indians, however, came from the United Provinces and the Punjab; some of the Sikhs won the best of prizes. But surprise was expressed why Bombay, which is a maritime province, did not send a sufficient number of cadets. I think my Honourable friend Mr. Banerjee will be glad to learn that last year, six of the cadets from the *Dufferin* were taken on in the Pilot Service of the Hooghly and they will be ever grateful to the *Dufferin* where they received their education.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: What has that got to do with the Finance Bill?

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY: It is Indianisation in another sphere.

India, Sir, most unfortunately suffers from a great deal of gullibility. People are so gullible that everything that appears in cold print is taken as gospel truth. They have no reasoning power and thus it is that full advantage is taken of this defect by the idols of the market place who harangue them, and every word that they say is taken at its face value! The result is that people's minds become perverted and popular ideas are not what they should be. The darkest side of the picture is placed before the public and what Government has done for the benefit of the masses is entirely ignored or wilfully distorted. I have yet to hear in this House—it has not even been referred to in another place—a single word of praise bestowed upon Government for the prompt measures they took for relief of the Bihar earthquake and the sufferers. If you were to read the book lately circulated to us, go through the various details of those measures, the labour involved, and the zeal and promptitude displayed by Government officers of all grades, civil and military, you will find that that is a document that would do credit to any civilised Government in the world. Sir, similarly famine and flood and epidemic relief, revenue suspensions, remissions, and *tagavi* advances are deliberately forgotten. Quite a different and untrue picture is presented. By whom? By those who pose as the friends of the poor masses! That is their contribution!

THE HONOURABLE MR. BIJAY KUMAR BASU: They take it as a matter of course.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY: Unfortunately, there exists exuberant verbosity, there is invective, there is furious declamation. I do not say that this would endure for ever or that sensible people would fail to realise their true import. The time may come when those idols of the market place, who have feet of clay, would topple over at the first breath of a blast. Well, Sir, the time has come

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when India should display some constructive skill, something useful, something that will be good for the people of the country. Mock heroics, declamation or invective do not lead us anywhere. It was once said that we want a constitution suited to the genius of our people. I have been waiting for years to see that genius expounded and explained. That expression has been repeated over and over again. Where is that genius? Where that constructive ability that is so badly wanted? Is it not a fact that Indian faculties have become benumbed; nay they have atrophied from misuse or sheer neglect. India exhibits the sad picture of political bankruptcy.

Sir, I cordially support the Motion for the consideration of the Finance Bill. I am an old man of nearly 74, the oldest Member present today. I have been studying for years the trend of public policies and their disastrous results to this poor benighted India. I too once belonged to the Congress during its better days, alas, now no more! Let me warn you that the time has come when your policy should be changed, your outlook enlarged, if you are really solicitous for the interests of India, lest the nemesis that you have threatened the Government with overwhelms you.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadian): Sir, before I begin my observations on the Finance Bill, I want to heartily congratulate the Honourable the Leader of the House on the maiden speech that he made the other day and the sentiments that he expressed therein. Sir, the Honourable Kunwar Jagdish Prasad comes of a noble family in the United Provinces and is a shining star of the Indian Civil Service. We hope that through his tact and ability, the dignity and status of this House will be maintained and the Members will have full chance of expressing freely their views and of impressing them on the Treasury benches.

Sir, a lot of ground which I wanted to cover has already been covered by my Honourable colleagues. The speeches of my Honourable friends Mr. Sapru, Mr. Hossain Imam and Mr. Chari and others prove that the majority of the Members of this House feel aggrieved at the action taken by the Government in sending the Bill to this House in a certified and recommended form. Sir, in India the budget is based on a wrong basis. You decide upon the expenditure first and then you try to balance that expenditure on the income side by adding to the taxation on the country. Is that a sound way of balancing the budget? Can we congratulate the Honourable the Finance Member on this way of balancing the budget? I do not hold that this is the right way of balancing the budget and of proving to the world that India is prosperous.

I must say that during the past few years our income has been heavily under-estimated and our expenditure has been heavily over-estimated, with the result that the people have been taxed more and more. I would therefore request the Government to leave this estimated budget altogether and to present to this House actual figures for the budget some time in April or May, as is done in the British Parliament. It is not much use presenting us an estimated budget. After all the Finance Member cannot be an astrologer and he for his own sake has to keep more than a reasonable margin to ensure his accounting. I therefore seriously request the Government to consider this matter and in future present to us

actual receipts and expenditure and not estimated receipts and expenditure. As far as the provinces are concerned, perhaps it may be essential for them to give us a statement of their estimated income and expenditure, but that is not necessary in the case of the central Government. That will do away with the present state of affairs under which the poor people suffer because of the mistakes in estimates of the Finance Department.

Sir, I must say that political grounds ought not to bear on the framing of the Indian budget. In the present budget we under various political considerations have reduced the surplus of the next year. In the year 1913-14 the expenditure on the army was about Rs. 29 crores. Now the proposed expenditure on the army in the coming year is in the vicinity of Rs. 45 crores. During my budget speech I besought His Excellency the Commander-in-Chief to let this House know why the military expenditure has been increased to this point, whether our relations with our neighbouring countries has been strained, and, if not, where was the reason for practically doubling the army expenditure? It is a pity that I got no reply from His Excellency on that point. As regards the observation of my friend Sir Nasarvanji Choksy, I must say that from the time when I was a child I used to hear that Russia is going to invade India, and that sentiment even now prevails. It may have been magnified of late, but this bogey of invasion from Russia is there. There is no new reason now for inflating army expenditure. Some time back, if I remember aright, the then Commander-in-Chief told us that as the Royal Air Force had been brought into being the other arms of the army would be decreased. My friend Sir Nasarvanji Choksy was right in saying that the Indian frontier is a matter of about a few minutes flight from Central Asia. To meet that contingency we require an air force and not land forces. As far as my information goes, it was then said that cavalry was a thing of the past and will be materially reduced. However, Sir, we must frame our budget according to our income and not upon the expenditure decided on by the Government of India or the Secretary of State. As far as my information goes, the people are under the impression that though the Government of India did not like to restore the salary cuts, the cuts were restored at the dictation of higher authorities. If I am wrong I hope the Honourable Mr. Tallents will put me right. But if one part of the pledge was to be honoured, why was not the other part complied with? I must say that the Ministers who advised His Excellency to certify the Bill advised him wrongly. They talk about tranquillity amongst other subjects. Do you mean that there is tranquillity in the minds of the starving people? Do you mean that there is tranquillity in the mind of the educated or uneducated person who cannot find employment? Do you mean that the cultivator and agriculturist who had to sell even their daughters to pay Government land revenue is tranquil in his mind? Certainly not. So I must say with due deference to those concerned, that the advice offered to His Excellency by the Minister concerned was wrong. It is not based on facts. There is no tranquillity in the mind of the people. Those people who have co-operated, who have paid their rents and taxes, in their heart of hearts they do not feel tranquillity.

THE HONOURABLE MR. BIJAY KUMAR BASU: May I just point out that in the certificate the word "tranquillity" is not even used once. It is said that the said Bill is essential for the interests of British India.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: There is the word "safety" used.

THE HONOURABLE MR. BIJAY KUMAR BASU: No, not in the certificate.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: All certification is done in the interests of British India. But does not the interest of British India lie in removing the discontent among the people?

THE HONOURABLE MR. BIJAY KUMAR BASU: I was just drawing your attention to the absence of the word "tranquillity".

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: But that is my reading. I hold that through this certification neither safety nor tranquillity appear nor does discontent disappear from the minds of the people.

Well, Sir, I must say that while my friend Dr. Choksy has advocated an increase in the British Army, I am one of those who appreciate that and I say that if the British Army, which I consider as an army of occupation in India, is to be maintained it must be maintained at the cost of the British Exchequer. India cannot continue to bear that burden. I must as a loyalist assure the Government that they are making a big blunder in not decreasing the highly excessive and crushing taxation of the country. You are adding to the discontent and you will be sorry for it. That is the reason why we representatives of the people give you the genuine feelings of our country here, and I must say that even the spokesman of the European Party in our House has given expression to a similar view. Sir, the other day when His Excellency the Commander-in-Chief was replying to the debate in this House justified the present strength of the army in India. But, Sir, if His Excellency had only considered the ratio of military expenditure to the total taxable revenues of different countries and compared them with India and also remembered the comparative taxable capacity, he would not have said so. Our taxable revenue is such that it cannot compare with the army and His Excellency could not establish that the present figure of the army expenditure compared with the taxable income of any other country in the world is justified. I hold that as far as the army is concerned, India is being forced to bear a burden which she cannot carry, and which is relatively heavier than any other country in the world.

Sir, I must also say here that in case the Government of India means to have any regard for the opinion of the Members either in this House or in the other they must pay some regard to the decisions of both these Chambers. By throwing out every amendment which was carried in the other House the people feel very much aggrieved and hurt. They consider that the announcement recently made by the Secretary of State in the House of Commons, "that the caravan goes on while dogs bark" is being translated into practice in India. I must say that, Sir, that this pronounced policy is now being enforced here. It appears that when the Labour Government was in power, then the Government of India in such cases used to come to some sort of compromise as regards the taxation of the country; but since the Conservative Government has come into power and the present Secretary of State has taken up his present attitude, the mentality of the Government of India has entirely changed. They totally

disregard the opinion of this House and the other House and I beseech the Honourable Leader of this House that to maintain the dignity and status of this House and as a majority of the elected Members have given expression to the matter that His Excellency the Viceroy has been ill-advised to certify this Bill he will see that the voice of this House does not go to the wilderness.

I must say, Sir, that the Honourable the Finance Member when framing the budget for this year has purposely and deliberately under-estimated the income. In support of this I must say that he has not even taken the normal annual increase in his calculation. He has not taken the fact into his consideration that this year there will be more income from customs from the import of sugar. The sugar crop in the western districts of the United Provinces has failed and this will necessitate more imports of sugar from abroad. Sir, I must say that as there has been a considerable under-estimation of income our taxation has not been materially decreased. Even now, Sir, I would beg of the Government to be considerate, to be reasonable, and not to take the attitude that whatever Government says is right and whatever we Members say is wrong. That is not the attitude which they ought to take. We all thought that when the Assembly threw out the Finance Bill the Government would take some Members into their confidence, the Leaders at least, and come to a sort of compromise, which used to be the practice before; even that was not done. That shows, Sir, that the announcement of the Secretary of State underlying the passage of the caravan is being brought into effect. If that is the attitude of the Government, Sir, it will be much better that both these Houses are dissolved. I must also say that when the present constitution is being worked like this, we are very much afraid that the safeguards, the multitude of safeguards, which have been provided in the new Bill will also be worked in the very spirit which has led to the recent certification under the present constitution. I must say, Sir, why the new Reform Bill is being hurried through the House of Commons, although the greater majority of the people in India do not want it. It is being hurried because the people consider that the defects of the present constitution are being set right in the new constitution and that is the reason why that Bill is being piloted with such haste and with such fervour in the House of Commons. From the attitude of the Government we are getting rather nervous as to what will be the future of the new Legislatures. Sir, the Honourable the Finance Member while making his speech said that it has not been possible for him to take the first step in the revision of the revenue tariff in a downward direction. This observation has created alarm in the country, particularly to industrialists and I should like the Honourable the Finance Secretary to explain whether I am right in my impression that the Government of India does not like industries to thrive? I know that by giving protection to industries there was a substantial increase, particularly in the sugar industry, but I do not know whether any change in this policy will take place and whether those industries which now enjoy protection will lose that protection by the back door.

Well, Sir, as regards rural uplift we all welcome the grant which has been made by the Government of India. I expected that my Honourable friend Sir Nasarvanji Choksy would suggest some medical measures for rural uplift and better communications; on the other hand he went into army matters. I do not know why? I must say that medical dispensaries in the provinces are so meagre and medical relief is so scanty that

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an increase in dispensaries is essential. My friend Sir Nasarvanji Choksy did not say anything about that. I know as a matter of fact how many women die at confinement time for want of proper aid in the rural areas. How many people die for want of medical assistance? I know in the Punjab that in certain districts there is one hospital within a radius of 30 miles. Therefore, Sir, I must say that this grant should be effective to relieve distress in our country—

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY: Sir, I have had great regard for the thousands of patients of the poorest classes whom I have treated for the period of 34 years. My feelings are for them. I have sacrificed my life for them and it cannot be said that I am callous or indifferent to their interests for medical relief. It should form a part of rural development.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I hope the Honourable Doctor's remarks mean that he is for an increase of dispensaries in India? I know that he is sympathetic and I thought he would appreciate my point rather than criticise it.

THE HONOURABLE MR. P. C. D. CHARI: You forget that during most of the time he was a Congressman!

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY: Oh no, not most of the time: in the early days.

THE HONOURABLE MR. BIJAY KUMAR BASU: Just as much as the Leader of the Opposition is a loyalist!

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Well, I can say that I have never been a Congressman nor do I intend to be a Congressman. The way in which Congress people have been given strength now by this certification has not yet been realised by the Government. I think that by this action of theirs they have given the greatest handle to the Congress party. People tell us that they ought to have sent Congressmen to the Councils instead of us. We in the elections fought the Congress and the regard we get from Government is now clear.

Sir, I would reserve my further remarks in connection with the amendments that are to be moved and I will not take up much more time of the Council. I must say that we expected that as a matter of courtesy that the Honourable the Finance Member would be with us here today. We made him a request the other day to be so kind as to be here. (*An Honourable Member:* "The other Executive Council Members ought also to have been here".) I say the Finance Member because the Finance Bill is the work of his Department and because he is the author of the budget. But we much regret he has not found it expedient or proper to give more time to this House than he ought to do. I hold, Sir, that when the Finance debate is to last two days in this House we at least expect the courtesy of the Finance Member to be with us for the period of debate and then at the end of all the speeches to give us the Government point of view. I hope, Sir, that in future this House will not be thus disregarded.

Then, Sir, I must also say that the amount of reduction in taxation that this House may carry by the vote of an elected majority should receive due consideration at the hands of Government. I am sorry that when we put a direct question to the Honourable the Finance Member whether any of our amendments would have any effect upon the minds of the Government or not, we did not get a sympathetic answer, and now as the amendments are shortly to be moved, I will ask the Finance Secretary to tell us what will be the fate of our amendments. Of course, I know that with your official and nominated votes, you can carry the measure. But I ask him whether the views of the elected Members of this House will receive any consideration from the Government or not? I want that before we proceed with the amendments we must know what the attitude of the Government is on that matter, and I hope the Finance Secretary will be good enough to give us an answer on that point.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern: Non-Muhammadan): Sir, enough has been said from the non-official side of the House in protest against the manner in which the Government have dealt with the Finance Bill, and I do not propose to traverse the ground which has already been covered by other Honourable Members. It is noteworthy, Sir, that no less than three Honourable Members of the Government of India took part in the debate on this Motion the other day and tried to justify the action of the Government in relation to this Bill. The Honourable the Law Member was at pains to defend the action of Government on the basis of precedents since 1923 and as contributing to the saving of much valuable time. Questioned by me as to what he thought of the desirability of having a joint session of the two Houses on such occasions the Honourable Sir Nripendra Sircar dismissed the point by saying that the question had not arisen and he did not apply his mind to questions which did not arise. Any impartial observer who heard the Law Member the other day would at once say that it was an altogether poor and weak defence that he put in of the action of Government in relation to the Bill. And his observation in reply to my question was simply an attempt to evade an important issue for which provision exists in the present constitution.

Then, Sir, we listened to the maiden speech of the Honourable the Leader of the House and I must say, listened to it with considerable interest and admiration. But I should be excused if I say that even his eloquent speech left me an unrepentant sinner. The Government, according to him, was in a more detached position and better able to judge whether a particular tax was necessary or not. This statement is, I submit, by no means complimentary to the House. If the Government is in a better position to judge and so claims the right to ignore the Legislature, it means the very negation of responsible Government.

As regards the speech of the Honourable the Finance Member I think I would not be far wrong if I say that he appeared to be in a fighting mood. If I had had an opportunity of speaking before the Honourable Sir James Grigg replied, I intended to put to him a straight question. The Finance Member is reported to have taken up the attitude in the lower House that so long as the policy of the Opposition was obstructive and destructive, so long must the Government resort to the special powers conferred upon them by law. I wanted to ask him, assuming that he took the policy of the Opposition in the lower House to be obstructive

[Rai Bahadur Lala Jagdish Prasad.]

and destructive, whether he regarded the Opposition in this House also in the same light? I hope it will be conceded that the Opposition in this House is not obstructive and destructive. This House is a body of moderate politicians who are on the whole co-operators. (*An Honourable Member*: "We may be obstructive but we are not destructive") The Honourable Member perhaps thinks we are obstructive because we make long speeches. But I may tell him that but for the Opposition in this House, the Council meetings would finish in a couple of minutes.

Sir, would the Finance Member, or in his absence today the Finance Secretary, be prepared to meet the Opposition in this House half way? Is he prepared to show responsiveness and goodwill by meeting popular opinion in this House to any extent whatsoever? If he is prepared to agree at least to the reduction of the price of postcards and to the exemption from income-tax of incomes below Rs. 2,000 he would be yielding to proposals which vitally affect the poor. And if he be prepared to go to that length, I, for my part, as was observed by my Honourable friend Mr. Kalikar, would try to induce the Opposition to withdraw their opposition to the other provisions of the Bill and to let it pass with our support. The net loss of revenue involved would amount only to about Rs. 1 crore, namely, about Rs. 54 lakhs in the case of postal rates and about Rs. 50 lakhs in the case of income-tax. This is not an amount which the Government cannot easily manage to find, if they have only the will to do so, as compared to the Rs. 4 to Rs. 5 crores reduced by the Legislative Assembly. The Government can easily find this much money by either cancelling the restoration of the salary cut or by reducing the military expenditure, which even today stands at about Rs. 16 or Rs. 17 crores above the pre-war level. Sir, I make this suggestion because I feel that the Government must make a gesture if they wish to be considered reasonable and accommodating. One can understand Government's inability to agree to popular opinion in the Legislature *in toto* but what we cannot appreciate is their not accepting even one single amendment passed by the Assembly? The attitude of Government in relation to this Bill has been, to say the least, unconstitutional, inasmuch as they have rejected even such amendments to the Bill which would not have prejudiced the financial stability and credit of India. It was never contemplated by the framers of the present constitution that the vote of the Legislature could be so lightly disregarded. If the Government even now accept some of the reasonable amendments, they would be giving evidence of their responsiveness, which would be appreciated by the public and would make the Government's position stronger today. But the speech of the Honourable the Finance Member the other day gave no indication of a change of heart on the part of Government. For, he was candid enough to tell us that the Bill must be passed as it stood and there was no possibility of any amendment being accepted. Or, in other words, he reiterated the Government's resolve not to budge an inch from the position which they have taken up from the very beginning in relation to this Bill. If that is the position, Sir, then let the Government say clearly and categorically that they want the Legislature in this country to exist merely to register their decrees, and there is no question on their part of being responsive to popular opinion, so that we the representatives of the public in this House, and our constituents, outside, may understand that while the result of all the labours of a protracted

debate in the Legislative Assembly on this Bill, which entailed on the tax-payer a good deal of expenditure and on the Members of the Assembly a good deal of inconvenience, was nothing but a farce, we in this House must be prepared for another farce if we try to reason and argue with the Government on the measure before us.

THE HONOURABLE KHAN BAHADUR CHAUDRI MUHAMMAD DIN (East Punjab: Muhammadan): Sir, the Finance Bill provides for the continuance for a further period of one year certain duties and taxes imposed under the Finance Act, 1934. The critics of the Bill urge that funds should be provided by continuing the salary cuts and all those duties should be abolished. Government officials who were appointed at certain rates of salaries could claim under their contract that no cuts should be made. It is a great credit to them that they submitted to the cuts without grumbling.

THE HONOURABLE MR. HOSSAIN IMAM: What about increase?

THE HONOURABLE KHAN BAHADUR CHAUDRI MUHAMMAD DIN: The Government was bound to restore the cuts at the earliest opportunity.

As for the taxes the continuance of which has been recommended, we know that the salt duty in 1925 was Rs. 2-8-0 per maund. It is now Rs. 1-4-0 per maund.

THE HONOURABLE MR. HOSSAIN IMAM: Rs. 1-9-0.

THE HONOURABLE KHAN BAHADUR CHAUDRI MUHAMMAD DIN: As was remarked the other day by the Honourable Kunwar Jagdish Prasad, Leader of the House, perhaps none of our zemindar colleagues have ever heard any complaint from their tenants that the salt tax was pressing heavily on them. On the other hand, the reduction in duty at this stage would result in considerable loss of revenue which cannot be made good in any other manner. The Government proposal to abolish the export duty on skins has been vehemently criticised. The abolition of the duty would certainly help the export trade in skins and no responsible Member of the Legislature should have taken serious objection to such a proposal.

As for the income-tax, relief to a certain extent is provided for in the Bill and with the increase of revenue estimated by our friend the Honourable Rai Bahadur Lala Ram Saran Das next year, it may be possible to abolish the surcharge altogether. It is very easy and popular to condemn a proposal but it is for the critics to suggest better and more popular means to increase the revenue for carrying on the Government and for providing money for constructive works.

THE HONOURABLE MR. HOSSAIN IMAM: Export duty on gold!

THE HONOURABLE KHAN BAHADUR CHAUDRI MUHAMMAD DIN: Sir, I would request my friends to keep up the good name of this House and not to waste time in condemnation of a scheme for which they have no other suitable alternative to put forward.

AN HONOURABLE MEMBER: We have put forward alternatives.

The Council then adjourned for Tea till Ten Minutes Past Five of the Clock.

The Council reassembled after Tea at Ten Minutes Past Five of the Clock, the Honourable the President in the Chair.

THE HONOURABLE MR. P. C. TALLENTS (Finance Secretary): Sir, it would need the tongues of men and of angels to do credit to all the themes which have been raised in the course of this debate. It would also require a full allowance of imagination, and, as the House knows, imagination is one of those virtues which is disclaimed in the Finance Department. It has been repeatedly impressed upon the Members of this House and of the other House during the last few weeks that the last state of the imaginative financier is worse than the first. I therefore shall make no attempt to soar to some of the themes which have been raised during this debate. The Finance Department has to take a strictly practical view and deal with situations as they arise. I need therefore make no excuse for coming to earth after nearly two days aloft.

The House has had the advantage of listening to no less than three Members of His Excellency's Executive Council. They have already covered a great deal of the ground and I have no desire to cover that ground again. There are however certain points which I think require to be emphasised and brought out once more if the House is to cast its votes on the Motion now before it in a dispassionate manner.

Before, however, I come to earth, I am anxious to deal with the speech of my Honourable friend from Bihar, Mr. Hossain Imam. I confess that I was not able to follow his argument in detail and I doubt if any other Member of the House was more able to follow it than I was. The more I have thought about it the more obscure do I find his reasoning. Unfortunately I cannot grapple with my Honourable friend in the central blue; it has to be done in the cloud of dust which he has raised. First of all he seems to think that the best means of release from all our present troubles is a generous expansion of the currency. He referred to the fact that, I think, in 1981-82 currency had been expanded to the extent of some Rs. 30 crores in a few months. That is perfectly true. In the year 1931-32, the whole 12 months, currency was expanded to the extent of Rs. 20 crores and 57 lakhs. But that has to be read against the background of what happened in the two previous years and in the year which followed. In 1929-30 currency had been contracted to the extent of Rs. 32 crores and 41 lakhs. In 1930-31 it had been further contracted to the extent of Rs. 38 crores and 64 lakhs. In the year which he referred to, as I said, it was expanded again by Rs. 20·57 crores. In 1932-33 it was again contracted by Rs. 8 crores and 60 lakhs. In those five years 1929-30 to 1933-34 there was a total net contraction of Rs. 57 crores and 18 lakhs. The point I wish to make in referring to these figures is that the Honourable Member cannot say that we are not doing nowadays what was bravely done a few years ago. Also I must remind him that he is giving the benefit of his advice to the wrong authority. With effect from the 1st April of this year the control of the currency has been handed over to the Reserve Bank. I am sure that the Reserve Bank will be most glad to receive any representation which the Honourable Mr. Hossain Imam may make to them.

Another point which the Honourable Member made was this. Last year, we received a revenue of approximately Rs. 177 lakhs from the Gold Standard Reserve and the Paper Currency Reserve. He contrasts

that with the meagre Rs. 50 lakhs which we expect to receive from the Reserve Bank in the current financial year. That is perfectly true. We must however also remember that there is another sum of approximately Rs. 28 lakhs which will be realised from the interest on the silver redemption reserve and on the Secretary of State's balance. However, I have no desire to disguise the fact that we are losing revenue this year in that respect. And why? Because the Reserve Bank will only be in full operation for six months out of the twelve. Besides that, the Reserve Bank is a new institution: it has to face a great deal of initial expenditure which it will not have to face in future years. I think I can promise the Honourable Member that, under the operation of clause 47 of the Reserve Bank Act, the revenue which Government receive from that source in future years will be very appreciably more than the Rs. 50 lakhs which we anticipate this year.

THE HONOURABLE MR. HOSSAIN IMAM: A short fall this year?

THE HONOURABLE MR. P. C. TALLENTS: There is no question of short fall.

Various other statements which the Honourable Member made in the course of his speech I should just like to mention in passing. He referred to the interest that we pay on provident funds. Now, that interest is calculated on the average market value of long-term Government securities for the last five years. He asked whether the rate of interest next year will be lower. The answer is that it certainly will be and that it will continue to fall. In fact we may presently reach a position in which the interest paid on the provident funds will be lower than the ordinary market rate.

To turn, Sir, to another point. He mentioned the question of sales of silver. He referred to what happened in 1918 when the price of silver rose very high. Rupees were being melted freely all over India and Government were finding the greatest difficulty in meeting their statutory obligation to give silver rupees in return for currency notes tendered. He asked, why did we buy silver when the price was high?

THE HONOURABLE MR. HOSSAIN IMAM: I did not ask that question.

THE HONOURABLE MR. P. C. TALLENTS: I understood him to ask it; and of course the answer is that Government had to purchase this silver to meet their statutory obligation. The Honourable Finance Member in the course of his speech explained that at the present time we have some 90 crores of silver rupees in reserve and he explained that as far as human foresight can go we shall never want that enormous number of rupees. And that is the explanation of why when suitable opportunity offers, sales of silver are being effected, subject of course to the international agreement into which we have entered under which there is an annual limit to the amount which we sell. We have not reached that limit yet this year. The Honourable Member also said that Sir George Schuster while he was Finance Member gave an undertaking that no sales of silver would be effected without a reference to the Legislature.

THE HONOURABLE MR. HOSSAIN IMAM: No, Sir. I did not make such a statement. The statement was that in the Reserve Bank Committee he said that the disposal of the surplus rupees will be pending the sanction of the Government.

THE HONOURABLE THE PRESIDENT: Did you say that in the Select Committee?

THE HONOURABLE MR. HOSSAIN IMAM: Yes.

THE HONOURABLE THE PRESIDENT: Then you have no right to use what was said in Select Committee.

THE HONOURABLE MR. HOSSAIN IMAM: Part of it is incorporated in the Report.

THE HONOURABLE MR. P. C. TALLENTS: If the Honourable Member will give me chapter and verse for what Sir George Schuster said, I will look into it, but I cannot believe that he agreed that the question of sales of surplus silver should be referred to the Legislature.

THE HONOURABLE MR. HOSSAIN IMAM: What about the budget figure? The budget figure does not provide for any gain or loss on silver.

THE HONOURABLE MR. P. C. TALLENTS: That is a point I was not discussing.

Another point of criticism was that there was no object in retaining the office of Controller of Currency now that control of currency has been handed over to the Reserve Bank. That is a perfectly valid point. If the Honourable Member will look into the figures, he will find that there is a saving next year as compared with last year of about Rs. 42 lakhs under Currency. That represents the cost of the staffs of the numerous currency offices with which we have now parted. Their control has been handed over to the Reserve Bank. As regards the Controller of Currency himself, he will remain the Government *liaison* officer with the Reserve Bank. He is the officer who has been nominated under clause 8 of the Act to the Board. I think it very probable that the designation of the officer will be changed, because it is no longer suitable to the function which he will be required to perform. The Honourable Member also feared apparently that the Reserve Bank will issue Treasury Bills. That is not the intention at all. The Reserve Bank will issue no Treasury Bills. As regards the agreement between the Government and the Reserve Bank, I may explain that I signed that document a few days ago and as soon as copies are available they will, in accordance with the law which the Honourable Member quoted, be laid on the table of this House. As regards the Imperial Bank, there is no agreement now between Government and the Imperial Bank. The old agreement has lapsed.

There was a general recognition on all sides of the House that the first duty of Government is to carry on. The total cuts in the expenditure budget effected in the other House amounted to something less than Rs. 4½ lakhs. When it came to legislating to provide the funds to enable Government to carry on their functions in accordance with the budget that was passed, the revenue was reduced by something less than Rs. 4½ crores.

But it takes Rs. 100 lakhs to make a crore. How then could Government carry on? The position was an impossible one. Even though the lower House had passed the expenditure budget with a reduction of something less than Rs. 4½ lakhs, how was it possible to implement that with a revenue reduced by nearly 100 times that figure? It has been suggested in the course of this debate that Government are really much more arduous than they appear; there is somewhere some hidden resource on which they can call. The budget is described as a surplus one and certainly as regards last year that is a fact. We had much more left in the bud than we thought we should have when the year began. The disposal of that money was settled by the vote of the Legislature, but we have been freely criticised because it is alleged that the surplus should have been used for recurring purposes. The Honourable the Finance Member met this point when he addressed the House, but I may perhaps supplement what he said by quoting a few figures. The total surplus of last year which we expected when the budget for this year was presented was Rs. 327 lakhs; of that Rs. 138 lakhs came from sugar and Rs. 90 lakhs came from cotton piecegoods. Now, these are both protective duties. They are not imposed for the purpose of raising revenue, but they are imposed for the benefit of the indigenous industries. The larger of these figures is that of the sugar import duty, which yielded us Rs. 138 lakhs more than we had expected. May I give the House some figures showing what has been the revenue from this source in recent years? I think these figures are very eloquent, and if Honourable Members will listen to them I think they will at once see why it was that the Government in the Finance Department considered that if they were going to build permanently on this foundation they would have been building on sand. In the year 1930-31, the revenue derived from this source was Rs. 10 crores and 66 lakhs. In the following year that figure had fallen to Rs. 8 crores. In the following year it was Rs. 6 crores and 85 lakhs. Next year again it was Rs. 4 crores and 72 lakhs. The revised estimate for last year was Rs. 3 crores and 75 lakhs, a continuous decrease. Next year we budget for Rs. 1 crore and 75 lakhs. Even supposing that that figure is not correct and that we are going to receive double the figure we have budgetted for, do Honourable Members really think that it will be a source of revenue which we can rely on for all time and make permanent reductions in taxation?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: May I ask how you meet the expenditure on military expeditions in the Frontier? Every expedition costs about a crore of rupees.

THE HONOURABLE MR. P. C. TALLENTS: I may remind the Honourable Member that one of the purposes for which last year's surplus is to be devoted is the construction of roads in the tribal areas of the Frontier and one of the most weighty reasons which induced Government to incur that expenditure is that thereby military expenditure in those areas in future will be very greatly reduced.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I enquired about expeditions, not about roads. An expedition is now going near the

[Rai Bahadur Lala Ram Saran Das.]

Malakand Agency area and I want to know how the expenditure incurred upon such field operations are met every year?

THE HONOURABLE THE PRESIDENT: First let the Honourable Member finish his reply to all the Honourable Members; then you can ask questions.

THE HONOURABLE MR. P. C. TALLENTS: The Honourable Mr. Hossain Iman in the course of his speech referred to the railway budget and I am not quite sure whether that was strictly relevant to the Motion before the House, but I understand—I had a talk with him afterwards—that the point was this, that he considers that the fact that we are now receiving no surplus from the railway budget—a situation which he describes as a "short fall"—might be used as an argument for using our non-recurring surplus for recurring expenditure. I am afraid Government cannot possibly agree with that argument. It is one thing, as the Honourable the Finance Member said in this House, to discount a certain short fall which you know will be recovered in the following year. It is quite another thing to count confidently on the restoration of the surplus which the railways have been failing to produce for a period of some five years. That, I submit, Sir, is a very different thing.

As regards the current year's budget, you cannot describe that as a surplus budget. It is true we budgetted for a surplus of Rs. 6 lakhs, but that is merely nominal. It has been the deliberate intention of Government not to incur fresh recurring expenditure, but, as far as circumstances permit, to remove emergency taxation and other emergency measures, without passing the point of balance.

Now, one of the proposals made in this House for the reinstating of Government finance was that the pay cut should not be restored. I do not desire at this stage to dwell on the past promises of Government or on Government's desire to restore the rates of pay which they undertook to give to their servants. I merely wish to consider it from the mathematical point of view. The net cost to Government of restoring the pay cut is Rs. 92 lakhs. That is not sufficient to cover even the smallest of the amendments proposed regarding the salt duty. And there is another point. Of that Rs. 92 lakhs about three-quarters is going to be received by Government servants drawing less than a thousand rupees a month; my estimate is that Rs. 24 lakhs will go to officers drawing a thousand rupees a month or more. Is not that class of Government servants—those drawing less than Rs. 1,000 a month—the very class of persons for whom this House is showing its concern by the proposed amendment for exempting from the income-tax schedule any one drawing less than Rs. 2,000?

Other suggestions which have been made for strengthening our position have principally taken the form of sweeping reductions in expenditure. We have heard today the same arguments about the army as we heard during the budget debate. Well, the Honourable the Finance Member dealt with this in his speech. It is impossible to make sweeping reductions which would take immediate effect in next year's budget, and the House must remember that for years past the Government have been effecting

retrenchments in all directions and generally speaking we have now reached the point where further reductions must mean loss of efficiency. These two proposals—of not restoring the pay cut and the sweeping reduction of expenditure—would not meet the practical needs of the situation which is what we now have to face.

Government's proposals are contained in the Finance Bill which is now before the House. In that Bill taxes are in no case increased. In some cases they remain as they were last year,—in another case there is a reduction. Government, I may assure the Honourable Sir Mahomed Akbar Khan, hardly needed his warning. He was anxious that Government should do their very best to reduce this extra burden of taxation. I can assure him that the Government are most anxious to do so, but they cannot break the laws of mathematics in their efforts. If a greater reduction of taxation had been made than Government are proposing to make, the budget would not have been balanced. What would have been the result? Some Honourable Members do not seem to realise what that would have meant. The first class to feel the loss to Government would be the poorer classes. Mr. Taylor, I think it was, on one occasion said, when he was dealing with the Finance Bill in this House, that it is not the town-dwelling classes who suffer on these occasions. They know how to make a profit out of these situations. It is the poorer class living in the villages, the cultivators, who will suffer if Government credit suffers.

Well, Sir, time is slipping away. We have a great deal of work to put in on the clauses of this Bill and I do not want to take up time unnecessarily. No budget can give satisfaction to everybody, and I maintain that, consistently with our duty of carrying on and keeping our eyes on the rocks which we know are ahead, Government, acting in a mood of restrained optimism, have done what has been possible to remove the burden of emergency taxation: they hope it may be possible to take further steps next year. At the same time, the Legislature have supported them in their proposal that what could be done should be done just now for improving the lot of the masses in the villages voting this grant of Rs. 1 crore and 13 lakhs for the improvement of village conditions.

I commend this Bill, Sir, to the favourable consideration of the House.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, may I ask the Honourable the Finance Secretary what would be the fate of any of our amendments if it is carried by this House? Will it receive any consideration from the Government or not?

THE HONOURABLE THE PRESIDENT: I think the Honourable Member should wait till the amendment stage is reached.

THE HONOURABLE THE PRESIDENT: Motion made:

"That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1934, to fix maximum rates of postage under the Indian Post Office Act, 1898, to fix rates of income-tax and super-tax, and to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, in the form recommended by the Governor General, be taken into consideration".

The Question is:

"That that Motion be adopted."

The Council divided.

AYES—30.

Akbar Khan, The Honourable Lieutenant-Colonel Nawab Sir Mahomed.
 Basu, The Honourable Mr. Bijay Kumar.
 Buta Singh, The Honourable Sardar Charanjit Singh, The Honourable Raja.
 Choksy, The Honourable Khan Bahadur Dr. Sir Nasarvanji.
 Devadoss, The Honourable Sir David Ghosal, The Honourable Mr. Jyotnanath.
 Ghosh Maulik, The Honourable Mr. Satyendra Chandra.
 Glancy, The Honourable Sir Bertrand.
 Hafeez, The Honourable Khan Bahadur Syed Abdvi.
 Hallett, The Honourable Mr. M. G. Jagdish Prasad, The Honourable Kunwar.
 Johnson, The Honourable Mr. J. N. G.
 Kameshwar Singh of Darbhanga, The Honourable Maharajahbiza, Sir.

Lloyd, The Honourable Mr. A. H. Menon, The Honourable Diwan Bahadur Sir Ramunqi.
 Mitchell, The Honourable Mr. D. G. Muhammad Din, The Honourable Khan Bahadur Chaudri.
 Muhammad Hussain, The Honourable Khan Bahadur Mian Ali Baksh.
 Nixon, The Honourable Mr. J. C. Noon, The Honourable Nawab Malik Sir Muhammad Hayat Khan.
 Pandit, The Honourable Sardar Shri Jagannath Maharaj.
 Russell, The Honourable Sir Guthrie.
 Spence, The Honourable Mr. G. H. Stewart, The Honourable Mr. F. W. Stewart, The Honourable Mr. T. A. Tallents, The Honourable Mr. P. C. Ugra, The Honourable Rai Sahib Pandit Gokaran Nath.
 Williams, The Honourable Mr. A. de C.
 Yamin Khan, The Honourable Mr. Mohammad.

NOES—10.

Banerjee, The Honourable Mr. Jagdish Chandra.
 Chari, The Honourable Mr. P. C. D.
 Ghazanfar Ali Khan, The Honourable Raja.
 Haum, The Honourable Khan Bahadur Hafiz Muhammad.
 Hossain, Imam, The Honourable Mr.

Jagdish Prasad, The Honourable Rai Bahadur Lala.
 Kalikar, The Honourable Mr. V. V. Mehrotra, The Honourable Rai Bahadur Lala Mathura Prasad.
 Ram Saran Das, The Honourable Rai Bahadur Lala.
 Sapru, The Honourable Mr. P. N.

The Motion was adopted.

THE HONOURABLE THE PRESIDENT: The Question is:

"That clause 2 stand part of the Bill."

(The Honourable the President then called on the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra to move his amendment.)

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I want to ask the Honourable the Finance Secretary whether in case any of the amendments which may be moved here are carried, what will be the position—whether Government will consider those amendments or not?

THE HONOURABLE MR. P. C. TALLENTS: Sir, the legal position that will arise has been explained by yourself. Under clause (b) of section 67B of the Government of India Act, if an amendment is made in this House,

and the Governor General signs, then the Bill becomes law in its unamended form. If the Governor General does not sign, then there has to be a new Finance Bill *de novo*. Such a situation has never arisen before and we hope that it will not arise on this occasion.

THE HONOURABLE MR. P. C. D. CHARI: The amendment will be infructuous.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, at this stage I want to make a statement on behalf of my Party. The Bill is a certified and recommended one. Under the present Government of India Act, it cannot be changed even if His Excellency the Governor General so wishes unless he is prepared to withdraw the present Bill and introduce a fresh measure.

THE HONOURABLE THE PRESIDENT: Who is prepared? You mean the Finance Secretary?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: No, Sir. I mean His Excellency the Viceroy. That, I understand, Sir, is your reading also of the Government of India Act as explained by you today. When the point was raised by my Honourable friend, Mr. Sapru, you gave us the impression that the Governor General had power, under the present Act, to accept such amendments as may be passed by the House. The position has been clarified today by your statement. It is also clear from the speeches of the Finance Member and the Finance Secretary that they are not prepared to agree to any amendments. In these circumstances, as a protest against the course adopted by Government, we do not wish to move any amendments to the Bill under consideration. We shall take no further part in the discussion of the Bill. We shall of course record our vote against it at all stages.

Clause 2 was added to the Bill.

Clauses 3, 4, 5 and 6 were added to the Bill.

Schedule I was added to the Bill.

Schedule II, Parts I, II and III, were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. P. C. TALLENTS: Sir, I move:

"That the Bill, in the form recommended by the Governor General, be passed."

THE HONOURABLE THE PRESIDENT: The Question is:

"That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1934, to fix maximum rates of postage under the Indian Post Office Act, 1899, to fix rates of income-tax and super-tax, and to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, in the form recommended by the Governor General, be passed".

The Council divided :

AYES—32

Akbar Khan, The Honourable Lieutenant-Colonel Nawab Sir Mahomed.
 Basu, The Honourable Mr. Bijay Kumar.
 Buta Singh, The Honourable Sardar.
 Charanjit Singh, The Honourable Raja.
 Choksy, The Honourable Khan Bahadur Dr. Sir Nasarvanji.
 Devadoss, The Honourable Sir David.
 Ghazanfar Ali Khan, The Honourable Raja.
 Ghosal, The Honourable Mr. Jyotsnanath.
 Ghosh Maulik, The Honourable Mr. Satyendra Chandra.
 Glancy, The Honourable Sir Bertrand.
 Hafeez, The Honourable Khan Bahadur Syed At.dul.
 Hallett, The Honourable Mr. M. G.
 Jagdish Prasad, The Honourable Kunwar.
 Johnson, The Honourable Mr. J. N. G.
 Kameashwar Singh of Darbhanga, The Honourable Maharajahdiraja Sir.

Lloyd, The Honourable Mr. A. H.
 Menon, The Honourable Diwan Bahadur Sir Ramunni.
 Mitchell, The Honourable Mr. D. G.
 Muhammad Din, The Honourable Khan Bahadur Chaudri.
 Muhammad Hussain, The Honourable Khan Bahadur Mian Ali Baksh.
 Nixon, The Honourable Mr. J. C.
 Noon, The Honourable Nawab Malik Sir Muhammad Iqbal Khan.
 Pandit, The Honourable Sardar Shri Jagannath Malhara.
 Russell, The Honourable Sir Guthrie.
 Spence, The Honourable Mr. G. H.
 Stewart, The Honourable Mr. F. W.
 Stewart, The Honourable Mr. T. A.
 Suhrwardy, The Honourable Mr. Mahmood.
 Tallents, The Honourable Mr. P. C.
 Ugra, The Honourable Rai Sahib Pandit Gokaran Nath.
 Williams, The Honourable Mr. A. deC.
 Yamin Khan, The Honourable Mr.

NOES—10.

Banerjee, The Honourable Mr. Jagdish Chandra.
 Chari, The Honourable Mr. P. C. D.
 Halim, The Honourable Khan Bahadur Hafiz Muhammad.
 Hossain, Imam, The Honourable Mr.
 Jagdish Prasad, The Honourable Rai Bahadur Lala.

Kaliker, The Honourable Mr. V. V.
 Kidwai, The Honourable Shaikh Mushir Hosain.
 Mehrotra, The Honourable Rai Bahadur Lala Mathura Prasad.
 Ram Saran Das, The Honourable Rai Bahadur Lala.
 Sapru, The Honourable Mr. P. N.

The Motion was adopted.

The Council then adjourned till Eleven of the Clock on Wednesday, the 17th April, 1935.