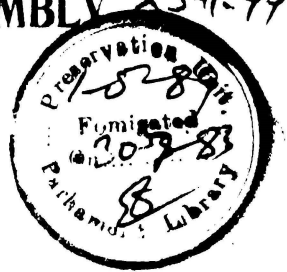


THE
LEGISLATIVE ASSEMBLY DEBATES
Official Report

Volume II, 1947

(20th February, 1947 to 5th March, 1947)

THIRD SESSION
OF THE
SIXTH LEGISLATIVE ASSEMBLY 23-11-94
1947



LEGISLATIVE ASSEMBLY

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The Honourable Mr. G. V. MAVALANKAR.

Deputy President :

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Mr. P. J. GRIFFITHS, M.L.A.

Sardar MANGAL SINGH, M.L.A.

Shrimati AMMU SWAMINADHAN, M.L.A.

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Assistants of the Secretary :

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Mr. C. P. LAWSON, M.L.A.

Sardar MANGAL SINGH, M.L.A.

CONTENTS

Volume II—20th February, 1947 to 5th March, 1947

THURSDAY 20TH FEBRUARY, 1947—

Members Sworn	909
Starred Questions and Answers	809—32
Railway Budget—General Discussion	832—79

FRIDAY, 21st FEBRUARY 1947—

Member Sworn	881
Starred Questions and Answers	881—917
Unstarred Question and Answer	917
Short Notice Question and Answer	918—19
Motion for Adjournment <i>re</i> Use of Troops by the Punjab Government—Ruled out of order	919—20
Election of Members to the Committee on Public Accounts	920
Election of a Member to the Standing Committee for the Department of Labour	921
Delhi Sikh Gurdwaras and Religious Endowments Bill—Message from the Council of State <i>re</i> Nomination of Members on the Joint Committee	921
Trading with the Enemy (Continuance of Emergency Powers) Bill—Introduced	921
Industrial Disputes Bill—Passed as amended	921—58

SATURDAY, 22ND FEBRUARY, 1947—

Member Sworn	959
Starred Questions and Answers	959—83
Unstarred Question and Answer	982
Railway Budget—List of Demands	983—1018
Demand No. 1.—Railway Board	948—1014
Revisional Policy of Rates and Freights	984—98
Reorganisation of Railway Administration including Indianisation of Railway Board	998—1011
Demand No. 4.—Working Expenses—Administration	1011—12
Economy in Railway Administration and Maintenance	1011—18

MONDAY, 24TH FEBRUARY, 1947—

Starred Questions and Answers	1019—50
Railway Budget—List of Demands— <i>contd.</i>	1050—87
Demand No. 15—Construction of New lines	1050—86
Opening of New Lines and Restoration of Dismantled Lines	1050—86
Demand No. 16.—Open Line Works—Additions	1066—87
Manufacture of Locomotives, Wagons and Coaches	1066—81
Policy of Rail-Road Coordination	1081—87

TUESDAY, 25TH FEBRUARY, 1947—

Starred Questions and Answers	1089—1146
Unstarred Questions and Answers	1146—149
Statements laid on the Table	1150—53
Message from the Council of State	1154
Railway Budget—List of Demands— <i>contd.</i>	1154—90
Demand No. 1.—Railway Board— <i>contd.</i>	1154—90
Amenities for Passengers	1154—78
Shortage of Wagons	1178—83
Disbursement of Salary through Private Agency on Payment of Commission	1183—87
Greater Utilisation of Electricity for Running Railways	1187—90

WEDNESDAY, 26TH FEBRUARY, 1947—

Starred Questions and Answers	1191—99
Short Notice Question and Answer	1199—1201
Message from the Council of State	1201—02
Indian Trade Unions (Amendment) Bill—Presentation of the Report of Select Committee	1202
Railway Budget—List of Demands— <i>contd.</i>	1202—38
Demand No. 1.—Railway Board.— <i>contd.</i>	1 202—19, 1228—36

Capacity of Indian Railways to meet Transport needs of the Country	1202—19
Increase of Railway Fares below Re. 1	1228—29
Failure of the Railway Board to implement the Interim Settlement with the All-India Railwaymen's Federation	1229—36
Demand No. 11.—Working Expenses—Appropriation to Depreciation Fund	1219—27
Depreciation Fund in Relation to the whole question of Railway Reserves and the Railway Separation Convention	1220—27
Demands Nos. 2, 3, 5—10, 12—18	1236—38
THURSDAY 27TH FEBRUARY 1947—	
Starred Questions and Answers	1239—58
Unstarred Questions and Answers	1258—60
Short Notice Question and Answer	1260
Notifications under the Central Excises and Salt Act—Laid on the Table	1260—61
Declarations of Exemption under the Registration of Foreigners Act—Laid on the Table	1261—63
Demands for Supplementary Grants for 1946-47—Railways	1263—65
Explosives (Temporary Provisions) Bill—Passed as amended	1266—72
Delhi and Ajmer-Merwara Rent Control Bill—Referred to Select Committee	1282—83
Imports and Exports (Control) Bill—Referred to Select Committee	1273—82
Reserve Bank of India (Amendment) Bill—Passed	1296—1306
Railways (Transport of Goods) Bill—Passed as amended	1306—08
Trading with the Enemy (Continuance of Emergency Provisions) Bill—Consi- deration of Clauses not concluded	1309—10 1311—14
FRIDAY, 28TH FEBRUARY, 1947—	
Presentation of the General Budget for 1947-48	1315—37
Indian Finance Bill—Introduced	1337
Income-Tax and Excess Profits Tax (Amendment) Bill—Introduced	1337
Business Profits Tax Bill—Introduced	1337
Taxation on Income (Investigation Commission) Bill—Introduced	1338
MONDAY, 3RD MARCH, 1947—	
Member Sworn	1339
Starred Questions and Answers	1339—82
Unstarred Questions and Answers	1383—87
Short Notice Questions and Answers	1387—89
General Budget—General Discussion— <i>not concluded</i>	1389—1435
TUESDAY, 4TH MARCH, 1947—	
Member Sworn	1437
Starred Questions and Answers	1437—63
General Budget—General Discussion—	1463—77
.	1478—1508
Suspension of Question Hour	1477—78
WEDNESDAY, 5TH MARCH, 1947,—	
Members Sworn	1509
Starred Questions and Answers	1509—33
Unstarred Question and Answer	1533—36
Short Notice Question and Answer	1537
Message from the Council of State	1538
Delhi and Ajmer-Merwara Rent Control Bill—Date for Presentation of Report of Select Committee extended	1538
Insurance (Second Amendment) Bill—Presentation of the Report of Select Committee	1538
Publicity by certain Newspapers of the Recommendations of the Select Committee on Insurance (Second Amendment) Bill before the Presentation of the Report	1538—39
Business Profits Tax Bill—Referred to Select Committee	1539—41
Income-Tax and Excess Profits Tax (Amendment) Bill—Referred to Select Committee	1541—42
Taxation on Income (Investigation Commission) Bill—Referred to Select Committee	1542—43
Trading with the Enemy (Continuance of Emergency Provisions) Bill—Passed as amended	1544—57
Armed Forces (Emergency Duties) Bill—Passed as amended	1557—77

LEGISLATIVE ASSEMBLY

Tuesday, 4th March, 1947

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (the Honourable Mr. G. V. Mavalankar) in the Chair.

MEMBER SWORN:

Mr. M. H. Zuberi, M.L.A. (Government of India: Nominated Official).

STARRED QUESTIONS AND ANSWERS

(a) ORAL ANSWERS

DIFFICULTY OF ACCOMMODATION FOR GOVERNMENT SERVANTS IN DELHI

697. *Mr. Ahmed E. H. Jaffer: (a) Will the Secretary of the Works, Mines and Power Department please state if it is a fact that a large number of Government servants in Delhi at present find themselves in a difficult situation on account of the failure of Government to provide them with accommodation?

(b) Have Government received representations regarding this matter?

(c) Are Government aware that the situation now is far worse than it was last year, even worse than at any time during the war?

(d) What is the cause of this shortage of accommodation?

(e) Is it a fact that Government have brought a large number of officers to Delhi from Simla?

(f) Is it a fact that a large number of rooms in Boarding Houses in Delhi lie empty, because Rules framed by Government prevent them from being occupied?

(g) Is it a fact that Military Personnel on official business are given priority over all others?

(h) What action do Government propose to take to relieve the present distress in the matter of housing?

(i) Do Government propose to consider the question of appointing a Ministry of Housing, since this matter has assumed importance all over India?

(j) How many bungalows are at present occupied by Cabinet Ministers, and their Secretaries in New Delhi?

Mr. B. K. Gokhale: (a) A number of Government Servants in Delhi are in difficulties about accommodation. But the provision of accommodation is not a condition of service under Government.

(b) No specific representation on the general housing position has been received from Government servants, but Government are generally aware of the position.

(c) Government are aware of the seriousness of the situation the degree of seriousness is a matter of opinion.

(d) Various factors have contributed to this shortage. A "Memorandum on the Present Position of Government Accommodation" prepared in this Department which fully explains the reasons for the present shortage of accommodation, was circulated to all Honourable Members some time ago.

(e) Yes.

(f) Presumably the Honourable Member refers to Government hostels. It is not correct that a large number of rooms in hostels are empty. The rules framed by Government are intended to ensure maximum utilisation of available accommodation and do not operate to prevent rooms in hostels from being occupied.

(g) No. But there is a separate pool of accommodation at the disposal of the Defence Department and the allotments in that pool are made by the Defence Department.

(h) Among the various measures that Government have already taken or propose to take, the principal are (i) the conversion of several barracks into quarters for the staff; (ii) the transfer of several offices from Delhi to Simla; (iii) the construction of the following accommodation in Delhi: 30 Officers' Bungalows, 200 Officers' Flats, 3,000 Clerks' quarters, 1,250 Quarters for inferior servants; (iv) the encouragement of private building to the extent that this is possible under present conditions of extreme shortage of building materials.

(i) There is no such proposal under consideration.

(j) The Cabinet Ministers are occupying seven Government houses, six requisitioned houses, and one leased house. No Secretaries to the Cabinet Ministers have been given any bungalows.

Mr. Ahmed E. H. Jaffer: May I ask the Honourable Member why Government officers who have been on duty in Delhi for the last three years have not been provided with accommodation mainly on the ground that they have no children?

Mr. B. K. Gokhale: The accommodation rules necessarily distinguish between officers who have got wives and families and officers who have no families.

Miss Maniben Kara: Will the Honourable Member consider the desirability of requesting the Rent Controller to go into the question of the high rents charged to the tenants of the houses built after 1939?

Mr. President: The Honourable Member is raising the general question of housing accommodation and rent control. That does not arise out of this question.

Shrimati Ammu Swaminadhan: Is the Honourable Member aware that there are several hostels which were allotted to the W.A.C.Is. and which are half and three quarters empty? If there are still any W.A.C.Is. to be accommodated, could they not all be put in one hostel, so that some of the hostels may be released for residents in Delhi?

Mr. B. K. Gokhale: Yes, Sir. Government are aware that the hostels allotted to W.A.C.Is. are not fully occupied and the question is under consideration.

Mr. Tamizuddin Khan: With reference to what we were told the other day that some offices were expected to be shifted to Simla, what are the offices that are proposed to be shifted to Simla and how many officers are involved in the transfer?

Mr. B. K. Gokhale: Government have not yet taken a decision on that. I expect a decision by tomorrow.

Shrimati Ammu Swaminadhan: May I point out that this problem of housing does not affect the government servants only; it also affects civilians who reside in Delhi and may I know what arrangements are being made for civilian residents in Delhi who are suffering great hardship for want of houses these days?

Mr. President: I am afraid that also will be outside the scope of this question, which is restricted to government servants only.

Mr. Ahmed E. H. Jaffer: Is it a fact that in view of the shortage of accommodation in Delhi, the present Government are contemplating the holding of the autumn session of the Assembly in Simla?

Mr. B. K. Gokhale: I have no information on that point.

Shri Sri Prakasa: Have Government assured themselves that so many Government servants are necessary? If unnecessary, will not Government take steps to dismiss them?

Mr. B. K. Gokhale: I believe that point was referred to by the Honourable the Finance Member in his budget speech.

ADMISSION OF INDIANS TO PUBLIC SERVICES IN CEYLON

698. *Seth Govind Das: Will the Honourable Member for Commonwealth Relations be pleased to state:

(a) whether Government are aware of the fact that under the present administrative order of the Ceylon Government, very few Indians can qualify to enter public service in Ceylon;

(b) whether the said administrative order is a permanent one; and

(c) the steps that the Government of India are taking to have these distinctions removed?

The Honourable Pandit Jawaharlal Nehru: (a) Yes, Sir.

(b) The Order was issued in January 1940 and is still in force. It is not possible to say whether it will be there permanently.

(c) Representations were made by the Government of India against the order but the Government of Ceylon have taken the view that the right of an individual to employment in the public service of any State does not rest on a legal basis and have not therefore agreed to withdraw the order in question. This matter will again be taken up with the Government of Ceylon when a suitable opportunity arises.

DISABILITIES OF INDIANS IN CEYLON

699. *Seth Govind Das: Will the Honourable Member for Commonwealth Relations be pleased to state:

(a) whether Government are aware of the definition of the word 'Ceylonese' under Ceylonese Law according to which Indian residents are disqualified from enjoying equal rights of citizenship with the 'Indigenous' population;

(b) whether Government are aware of the fact that for the same reason certain important rights such as obtaining Crown lands under the Land Development Ordinance, fishing rights under the Fisheries Ordinance are denied to Indian residents;

(c) whether Government are aware of the resentment expressed by leaders of Indian opinion in Ceylon and in this country on such discrimination; and

(d) the steps that Government propose to take to remove these disabilities?

The Honourable Pandit Jawaharlal Nehru: (a) and (b). There are certain measures on the statute book in Ceylon such as the Land Development Ordinance, Fisheries Ordinance and Omnibus Licencing Ordinance and also certain administrative instructions issued by the Government of Ceylon regarding employment of non-Ceylonese in Public services which deprive Indians in Ceylon of that equality of treatment to which the Government of India consider them to be entitled along with the indigenous population.

(c) Yes.

(d) The Government of India propose to take up these questions again when negotiations regarding the settlement of the status and rights of Indians in Ceylon are resumed with the Government of Ceylon.

Seth Govind Das: Is it a fact that recently our representative in Ceylon specifically wrote something in this respect and that he is expecting some reply from the Government of India regarding his proposals?

The Honourable Pandit Jawaharlal Nehru: I am not aware very specifically. But the Government Representative in Ceylon is continually writing about this subject and we are replying to him.

Prof. N. G. Ranga: When are these talks expected to be resumed, Sir?

The Honourable Pandit Jawaharlal Nehru: It is difficult to say that because it is not for us to determine. There is the other party too, and on the whole the Government of Ceylon are disinclined to do anything before their elections.

RESTRICTION ON RIGHTS OF FRANCHISE AND OTHER FUNDAMENTAL RIGHTS OF INDIANS IN CEYLON

700. *Seth Govind Das: Will the Honourable Member for Commonwealth Relations be pleased to state:

(a) whether Government are aware of the restrictions with regard to the fundamental right of franchise placed on Indian residents of Ceylon by the Government of Ceylon;

(b) whether Government are aware of the fact that while the Ceylonese enjoy adult suffrage, Indian franchise is based on the concept of domicile or alternatively on property *cum* literacy qualification or holding of a certificate of permanent settlement;

(c) whether Government are aware that these restrictions are detrimental to the full development of the Indian residents of Ceylon; and

(d) the steps that the Government of India are taking to remove these restrictions on the fundamental rights of Indian residents of Ceylon?

The Honourable Pandit Jawaharlal Nehru: (a), (b) and (c). The reply is in the affirmative.

(d) On the occasion of the recent constitutional changes in Ceylon the Government of India made very strong representations to His Majesty's Government for the removal of these restrictions but without success. The Government of India, however, propose to pursue the matter further by means of negotiations with the Government of Ceylon.

Seth Govind Das: May I know whether, besides Indians, there is any other community also against which such restrictions are placed in Ceylon?

The Honourable Pandit Jawaharlal Nehru: I imagine that other communities might also be involved, but the question really arises in regard to Indians because they are a large number whereas the other communities are very small in numbers.

Seth Govind Das: As far as I know the disabilities are not existing for any other community. Then, is it not proper that in respect of Indians who are in such large number the disabilities should be removed?

The Honourable Pandit Jawaharlal Nehru: As a matter of fact it works the other way. Where there are large numbers of people, difficult questions arise; where they are few, no difficulty arises. The first question that arises in all these places where there are large number of Indians is whether they should be treated as Indian nationals or nationals of the place in which they are residing. That question is arising in every case and there is no exact answer yet, but an answer will have to be found soon, because an Indian national in Ceylon will not perhaps be entitled to all the rights of the Ceylon national while if an Indian chooses to become a Ceylon national then he is perfectly entitled to all these rights and *vice versa*. This difficult question arises in all these cases. In the past the question did not arise because all these persons living in the British Commonwealth were called just 'British subjects'—legally and constitutionally they had one nationality. Now that nationality is splitting up into Canadian, Australian, Indian, Ceylonese, Burmese, etc., quite apart from future developments. Very soon there is going to be held in London I think a Nationality Conference not so much concerning us but in regard to the Dominions, to see how far the Canadian or Australian nationality is different from the common appellation 'British subject'. These complicating factors arise, and when Honourable Members ask questions about Indian rights this matter involves two factors: one is whether the Indian chooses to call himself an Indian national there or whether he wishes to adopt the nationality of the place in which he is residing; the other is that though he may be an Indian national he is perfectly entitled to just treatment and there should be no discrimination against him. The two questions are apart.

Seth Govind Das: Are there any Indians in Ceylon like South Africa who are the nationals of Ceylon and not Indian nationals?

The Honourable Pandit Jawaharlal Nehru: I have just tried to explain that. That matter is not clear. It can only be cleared up when those Indians are asked to choose on a definite basis. Some I take it are considered as such in practice. Others who wish to be considered as such are not given the option to be considered as such.

Mr. Tamizuddin Khan: The Honourable Member said that representations were made to H. M. G. in this respect. May I know whether direct negotiations are held with the Ceylon Government in this respect?

The Honourable Pandit Jawaharlal Nehru: Yes, Sir. In fact all our negotiations are going to be direct. When I referred to representations to H. M. G. I referred to the past.

NEW FEDERAL PLAN FOR MALAYA

701. *Seth Govind Das: Will the Honourable Member for Commonwealth Relations please state:

(a) whether Government are aware of the statement made by Mr. Arthur Creech Jones, British Colonial Secretary in the House of Commons on December 11, 1946 that the essential features of the New Federal Plan for Malaya have been approved by Britain but the British Government would defer final approval of the Plan till all interested communities in Malaya had expressed their views;

(b) whether Government are aware of any expression of views on the Plan by the leaders of Indian opinion in Malaya; and

(c) whether the Government of India have been requested to express their views on the plan and if so, whether they propose to see that the interests of Indians are properly safeguarded in the proposed Malayan Federation?

The Honourable Pandit Jawaharlal Nehru: (a) and (b). The answer is in the affirmative.

(c) The Government have not been specifically requested to express their views but they have always represented their views to H. M. G. on such important matters affecting Indians and Indian interests in Commonwealth countries. The Government of India therefore, propose to do the same on the present occasion. The proposals are at present under examination by the Government of India and their views will be forwarded to H. M. G. shortly. May I add that in this matter there is nobody in Malaya with whom we can deal? The question refers to Malaya, and we have to deal with the Colonial Office in London in regard to it, because there is no proper authority in Malaya with whom we can deal direct on the subject.

Seth Govind Das: With reference to the answer to clause (b) of the question, have the Government received any copy of the views which the Malayan Indians have expressed, with respect to these proposals, to the Colonial Office?

The Honourable Pandit Jawaharlal Nehru: I am not quite sure. We have received representations from certain Indian organisations in Malaya. I cannot definitely say whether they have sent us a copy of what they sent to the Colonial Office.

Prof. N. G. Ranga: Will Government see to it that any representations which the Government of India may make in regard to Indians in Malaya would not be to the prejudice of the essential interests of the Malayan people themselves?

The Honourable Pandit Jawaharlal Nehru: Obviously, because it is our definitely policy that we should claim no rights in any country for Indians which go against the rights of the people of that country.

RESTRICTION ON ENTRY OF NON-NATIVES IN EAST AFRICAN COLONIES

702. *Seth Govind Das: Will the Honourable Member for Commonwealth Relations please state:

(a) whether Government are aware of the fact that Regulations restricting the entry of non-natives continue to be in force in East African Colonies under the Emergency Laws (Transitional Provisions) Ordinance, 1946;

(b) whether it is a fact that a new lease of life was given to these provisions on the ground that a Bill was under consideration for making further and better provision for regulating immigration into the said territories; and

(c) when the said Bill will be enacted and come into force?

The Honourable Pandit Jawaharlal Nehru: (a) Yes, Sir.

(b) Yes, Sir.

(c) Government is not in a position to give a definite reply to this part of the question but it is understood that the Bills are being re-drafted to meet the criticisms from various quarters and that they would be reintroduced in the Legislatures early this year.

TEACHING OF HINDUSTANI IN SCHOOLS AND COLLEGES OF MAURITIUS

703. *Pandit Sri Krishna Dutt Paliwal: Will the Honourable Member for External Affairs please state:

(a) if it is a fact that Hindustani is not taught at all in the higher schools and colleges of Mauritius in spite of the fact that the population of Indians in that country is about 64 per cent.;

(b) if it is also a fact that even in primary schools Hindustani is only taught for a period of thirty minutes;

(c) if it is further a fact that the Indians of Mauritius are desirous that Hindustani should be made a compulsory subject for them and that it should also be the medium of instruction for them; and

(d) the steps Government propose to take to secure for Hindustani its rightful place in the Schools and Colleges of Mauritius?

The Honourable Pandit Jawaharlal Nehru: (a), (b), (c) and (d). Government regret that the information asked for has not been received by them yet from Mauritius. Information is being collected and Government will decide after the information is received what steps they can take.

INDIANS IN POLICE SERVICE IN MAURITIUS.

704. *Pandit Sri Krishna Dutt Paliwal: Will the Honourable Member for External Affairs please state:

(a) if it is a fact that there is not a single Indian holding high office in the Police Service in Mauritius since 1935;

(b) if it is also a fact that the higher posts allotted to Indians in Mauritius are about ten per cent. while their population is about 64 per cent.;

(c) if it is further a fact that in the civil, medical and educational services in the secretariat and in the Public Works Departments there is not a single Indian holding a high post; and

(d) the steps which Government propose to take to get this injustice to Indian Nationals in Mauritius removed?

The Honourable Pandit Jawaharlal Nehru: (a) and (c). No, Sir. In 1940 out of eight Assistant Superintendents of Police (Pay: 3,600—4,800 per annum) one was an Indian; out of ten District Magistrates (Pay: Rs. 9,000 per annum) one was an Indian; out of 14 medical officers (Pay: Rs. 7,000—10,000 per annum) two were Indian and out of three Inspectors of schools (Pay Rs. 4,800—

6,000 per annum) one was an Indian. There was no Indian in the Public Works Department and Survey Department in 1940.

(b) Government have no information about the exact percentage of higher posts held by Indians.

(d) The Government of India deputed Mr. S. Ridley, I.C.S., to study the condition of the Indians in Mauritius in 1940. Mr. Ridley made certain recommendations for giving more adequate representation to the Indians in certain public services. The Government of India have made representations to His Majesty's Government to give effect to these recommendations and are pursuing the matter further.

RESTRICTIONS ON DRESS ETC., OF INDIAN GIRLS IN MAURITIUS SCHOOLS.

705. *Pandit Sri Krishna Dutt Paliwal: Will the Honourable Member for External Affairs please state:

(a) whether Government are aware that Indian girls can study in higher schools in Mauritius only in European dress and under Christian names;

(b) whether Government are aware that it was on account of this restriction that Mr. Ridley could not find them in higher schools in 1940;

(c) the steps Government propose to take to get this compulsion on Indian girls to change their names and dress for studying in higher schools removed; and

(d) whether Government propose to consider the advisability of drawing the attention of the Mauritius Government to the fact that in India in many of the Government aided schools where denominational education is given, thousands of non-Christian Indian Students are allowed to study without being forced to change their dress and name?

The Honourable Pandit Jawaharlal Nehru: (a) and (b). Government have no information.

(c) and (d). Enquiries are being made and suitable action will be taken on the results of the enquiries.

REPRESENTATION OF INDIANS ON LEGISLATIVE COUNCIL AND OTHER PUBLIC BODIES IN MAURITIUS

706. *Pandit Sri Krishna Dutt Paliwal: Will the Honourable Member for External Affairs please state:

(a) if Government are aware that Indians in Mauritius comprising about 64 per cent. population of that country are dissatisfied with the small representation given to them not only in the Legislative Council but also in the Municipal Councils and Township Boards; and

(b) the steps Government propose to take to get this injustice removed?

The Honourable Pandit Jawaharlal Nehru: (a) Government are aware of the dissatisfaction of Indians in Mauritius with their inadequate representation on these public bodies.

(b) Government have made representations to His Majesty's Government for the increased representation of Indians in the Legislative Council, the Municipal Council of Port Louis and the three Township Boards and propose to pursue the matter further.

Prof. N. G. Ranga: Are the Government of India taking any steps to see that their own representative is appointed in Mauritius so that it will be possible for them to obtain information and make representations also without having to pursue the present devious method of going through the British Government.

The Honourable Pandit Jawaharlal Nehru: Yes, Sir. About two months ago, we took steps: that is to say, we addressed the Colonial Office in London and informed them that we desired to appoint our own representatives in these various places including Mauritius.

CONVICTION OF PROF. BASUDEO BISHEN DAYAL FOR PREACHING HINDU RELIGION
IN MAURITIUS

707. *Pandit Sri Krishna Dutt Paliwal: Will the Honourable Member for External Affairs please state:

(a) If it is a fact that Prof. Basudeo Bishen Dayal was convicted by the Mauritius Government for preaching religion in a Hindu Temple and was released only a few days before the expiry of his sentence; and

(b) If it is also a fact that he was again sentenced to one year's rigorous imprisonment for preaching the tenets of Hindu religion?

The Honourable Pandit Jawaharlal Nehru: (a) and (b). I have nothing to add at present to the reply given to part (b) of question No. 449 asked by the Honourable Member on the 12th November, 1946. Information has been called for regarding the actual date on which Professor Basudeo Bishen Dayal was released and also whether he was prosecuted for a second time. It will be laid on the table of the House when received.

Pandit Sri Krishna Dutt Paliwal: May I know if the Government are aware that Professor Basudeo Bishen Dayal has been recently arrested again?

The Honourable Pandit Jawaharlal Nehru: Personally I am not aware of this fact.

Pandit Sri Krishna Dutt Paliwal: Only three or four days ago I received a telegram informing me that he has been arrested just now.

Mr. President: That is only giving information. Next question.

APPOINTMENT OF INDIANS IN DIPLOMATIC SERVICES

708. *Mr. Ahmed E. H. Jaffer: (a) Will the Honourable Member for External Affairs please state the plans of Government for appointment of Indians in diplomatic service?

(b) In what manner will appointments be made, whether by selection board or by the Federal Public Service Commission?

(c) How many appointments are going to be made and to what countries will those who are appointed be sent?

(d) How many appointments are going to be made in the near future, of High Commissioners or Agents General of the Indian Government, and what are the names of the countries and the dates from which these offices will begin to function?

The Honourable Pandit Jawaharlal Nehru: (a) and (b). I would refer the Honourable Member to my statement in answer to a question put by Professor Ranga on the 5th February 1947.

(c) Government cannot immediately make a complete programme for exchanging diplomatic representatives with other countries. Negotiations have to be undertaken with each country separately and diplomatic missions can only be opened, as personnel becomes available.

(d) The only such appointment likely to be made in the near future is that of High Commissioner for India in Canada. The date of opening the office has not yet been decided.

Shri Sri Prakasa: Is this diplomatic service the same for which an advertisement has recently been inserted in various papers, or is it something different?

The Honourable Pandit Jawaharlal Nehru: It is the same except for this fact that the higher appointments, i.e., Ambassadors and Ministers, need not necessarily come through that process. But all the other appointments will come through that process.

Shri Sri Prakasa: Has the Honourable Member's attention been drawn to the terms of that advertisement in which it is stated that first-class graduates of

recognized Indian Universities would be taken? And if so, will the Honourable Member recall to mind his own statement in this House that that would not necessarily be a qualification?

The Honourable Pandit Jawaharlal Nehru: Yes, I have seen that advertisement, and in fact I had that advertisement in mind when the Honourable Member put that question to me and I pointed out to him that though no unnecessary restrictions will be placed, still one has to place some standard, and it is a dangerous thing to lay down a law which is vague and which may lead, if I may put it, to all manner of difficulties and even to nepotism. There are hard cases, but one ought to provide for that in some other way without loosening the requirements or standards of service in order to provide for a hard case. It means possibly opening the doors to all manner of undesirable things happening.

Shri Sri Prakasa: Could the Honourable Member kindly enlighten us regarding the qualifications of the Members of the Federal Services Commission? Is it a fact that these good gentlemen had to undergo tests by some International Federal Commission before being appointed? Is it not a fact that it is a safe preserve and sinecure for retired gentlemen from the Jails, Police and other Services of Government?

The Honourable Pandit Jawaharlal Nehru: That is surely a question which might be put to my colleague, the Home Member, or someone else. I do not know their qualifications nor have I ever had the privilege, nor the honour of meeting them.

Shri Sri Prakasa: May we infer from what the Honourable Member says, that he is not satisfied regarding the qualifications of the Members of the Federal Services Commission.

Mr. President: That does not follow.

Shri Sri Prakasa: Will the Honourable Member kindly specify another avenue of appointment for this service and not the one in the advertisement? In view of the fact that the Honourable Member does not seem to be satisfied with the qualifications of the Members of the Federal Services Commission . . .

Mr. President: The Honourable Member is now arguing.

The Honourable Pandit Jawaharlal Nehru: I would like to make it clear that there is no question of my not being satisfied, because I do not know anything about them.

Shri Sri Prakasa: As the Honourable Member does not know, I ask the specific question

Mr. President: Order, order. Next question. I am putting a stop to all this argument.

EXPORT OF ILMENITE, MANGANESE AND MICA

†709. ***Pandit Sri Krishna Dutt Paliwal:** Will the Honourable the Commerce Member please state:

(a) how much Manganese, Ilmenite and Mica have been exported in the current year and in the preceding year during the same period; and

(b) the steps which Government have taken or propose to take to stop the export of the above mentioned key minerals?

The Honourable Mr. I. I. Chundrigar: (a) A statement giving the required information in respect of the first six months of 1945-46 and 1946-47 is laid on the table of the House. Figures for subsequent months of the current year are not available.

(b) The export of Ilmenite in the form of 'black sand' is already prohibited from British India and the question of controlling the export of manganese and mica is under consideration.

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

statement showing the export of Manganese Ore, Ilmenite and Mica (compiled from the Sea-borne Trade Accounts) for the first six months of the current year with corresponding figures for the preceding year.

	Exports during the first six months of	
	1945-46	1946-47
Manganese Ore—		
Br. Indian Ports Tons	76,354	122,618
Kathiawar and Travancore Ports „	(*)	(*)
Total for India „	76,354	122,618
Ilmenite—		
Br. Indian Ports Tons	(a)	(a)
Kathiawar and Travancore Ports „	9,181†	8,700†
Total for India „	9,181†	8,700†
Mica—		
Br. Indian Ports Cwts	50,049	119,677
Kathiawar and Travancore Ports „	(*)	(*)
Total for India „	50,049	119,677

(a) Figures not available as these items are not specified separately in Sea-borne Trade Accounts.

(*) Negligible.

†For Travancore Ports only, figures for Kathiawar Ports not being shown separately.

SUB-LETTING OF GOVERNMENT QUARTERS

710. *Sri R. Venkatasubba Reddiar: Will the Secretary for Works, Mines and Power Department be pleased to state:

(a) whether the attention of Government has been drawn to an article under the heading "Round the Metropolis" and the sub-heading 'Subletting No Evil' in the Evening News of the Hindustan Times dated 4th February 1947, and whether the facts stated therein are true;

(b) whether any agency has been set up to enquire into the matter and take back all quarters or portions thereof so sublet and also recover the money got by subletting; and

(c) whether Government propose to publish a list of officers, if any, who have sublet, their quarters?

Mr. B. K. Gokhale: (a) The attention of Government has been drawn to the article by the Honourable Member's question. Government are unable to say how far the allegations made therein are correct.

(b) and (c). The question of unauthorised subletting of Government quarters has been considered by Government from time to time and a copy of the Memorandum No. WII/BII/1007, dated the 22nd January 1944 issued by the then Department of Labour, is placed on the table. The Estate Office enquires into cases of unauthorised subletting and takes action in accordance with the orders of Government issued from time to time. The quarters which are sublet in an authorised manner are generally taken away from the allottees, but the money got by subletting is not recovered. Lists of persons punished for unauthorised subletting are generally circulated amongst all Departments of Government every six months. Government do not consider it necessary to give further publicity to such lists.

No. WII/BII/1007.

GOVERNMENT OF INDIA

DEPARTMENT OF LABOUR

New Delhi, the 22nd January 1944

MEMORANDUM

SUBJECT :—*Unauthorised subletting of Government quarters.*

The undersigned is directed to say that with the increasing acuteness of shortage of residential accommodation in New Delhi, and Simla, there has been a marked increase in the unauthorised subletting of Government quarters for profit by the officers to whom these are allotted. In the result, allottees who do not actually need the accommodation, derive unauthorised income from it, while those who are in need of accommodation are deprived of it. When cases of unauthorised subletting are brought to the notice of the Labour Department, they institute an enquiry in accordance with the procedure laid down by them and if the case is proved, the allottee is declared ineligible for Government accommodation for a specified number of years. That this action has not proved a sufficient deterrent, is evident from the fact that cases of unauthorised sub-letting not only continue to occur but are on the increase.

2. So far Government have taken cognizance of the offence of only the allottee and not of the sublessee, although the latter is a principal abettor of the offence. Consequently when a case of sub-letting is proved, it is only the allottee who suffers. Unauthorised subletting has, however, now assumed serious proportions, and this Department have decided that, in proved cases, both the allottee and the sublessee should be punished. The following procedure has therefore been laid down to govern cases of sub-letting in future :—

(i) that the sharing of Government accommodation will be permissible only amongst Government servants; where the partner in the accommodation is a private individual the case will be deemed to be of unauthorised subletting unless the private individual concerned is *proved to be a close relation* of the allottee;

(ii) that where unauthorised subletting is alleged, the Estate Officer or any other Gazetted Officer of the Central P. W. D., authorised by him, shall hold a summary enquiry into the case and where there is *prima facie* evidence of subletting, no further evidence will be called for and the case shall be taken as proved against the allottee, unless the Joint Estate Officer or the officer making the enquiry considers that some further evidence is necessary to establish the case or to prove the innocence of the alleged offender;

(iii) that serious notice shall be taken of abatement of the offence by the sublessees who are Government servants, and that

(a) they will also be liable to be declared ineligible for Government accommodation for a specified number of years, and/or

(b) rent will be recovered from the sublessees concerned for the Government accommodation without prejudice to the rent recovered from the allottee or the amounts paid by the unauthorised sublessee to the allottee;

(iv) that the offenders shall be reported to the heads of their offices or Departments for serious disciplinary action; and

(v) that a list shall be circulated every six months showing the names of those who have been punished for the offence of unauthorised subletting during the preceding six months so that it may serve as a reminder to the offenders and as a deterrent to others.

3. I am to add that authorized subletting in accordance with Rules 317-I, 317-I-I, 317-I-II, and 317-I-IV of the Supplementary Rules, is outside the scope of this Memo. which is concerned only with subletting in contravention of those rules or any other rules which may be in force for the time being.

4. A list is enclosed showing the names of the persons who have been declared ineligible for Government accommodation for the offence mentioned above during the year 1943. It is requested that sufficient departmental publicity to the purport of this memorandum and the list enclosed with it may be given.

D. L. MAZUMDAR,
Joint Secretary

To

All Departments of the Government of India, etc..

List of persons declared ineligible for a period of three years for Government quarters in New Delhi, Delhi and Simla within the last year for subletting quarters allotted to them.

Serial No.	Name	Office to which attached	No. and locality of quarter	Authority
1	Mr. N. B. Ronser .	Central Publications Branch.	17-D, Probyn Road.	Vide Government of India, Department of Labour, letter No. B-8, dated the 5th January 1943.
2	Mr. Hans Raj Chopra .	Do. .	23-D, Probyn Road.	Ditto.
3	Mr. A. H. Jawaidi .	Q. M. G.'s Branch	63, Mirdard Road.	Vide Government of India, Department of Labour, No. WII/B., II/866, dated 27th October 1943.
4	Mr. Chiranji Lal .	A. G. C. R. .	6-D, Thompson Road.	Ditto.
5	Mr. Bhavish Chandra .	C. P. W. D. .	Unorthodox Chummery No. 17/II.	Vide Labour Department, No. WII/BII/745, dated 12th November 1943.
6	Sharngat Singh Sodhi .	G. S. Branch .	Unorthodox Chummery No. 11/II.	Ditto.
7	Mr. Abdul Aziz .	C. P. W. D. .	1-D, Mirdard Lane.	Vide Labour Department, O. M. No. WII/BII/811, dated 22nd November 1943.
8	Mr. M. N. Gupta .	Food Deptt. .	71-E, Barron Road.	Vide Labour Department, O. M. No. WII/BII, dated 26th November 1943.
9	Mr. Jai Bhagwan .	C. P. W. D. .	4, Minto Road.	Ditto.
10	Mr. C. L. Bahl .	M. G. O.'s Branch, G. H. Q.	101-B, Circular Road.	Vide Labour Department Memo. No. WII/B7, dated 13th December 1943.

List of Government of India-Press employees declared ineligible for a period of two years for Press quarters within the last year for subletting quarters allotted to them.

Serial No.	Name	No. and locality of quarters	Authorit
1	Mr. Nawab Ali	38-F, Turkman Road	Estate Officer's letter No. 0323-E. O., dated 25th November 1943.
2	Mr. Har Kishore	17-F, Jehangir Road	
3	Mr. Bharosa	86-F, Press Road	
4	Mr. A. N. Mitra	84-F, Press Road	
5	Mr. Lallu Ram	39-F, Ahailya Bai Road	
6	Mr. Shiv Dutt Sharma	79-F, Press Road	
7	Mr. Kamar-Uddin	21-F, Press Place	
8	Mr. Arshad-Uddin	75-F, Press Road	
9	Mr. Rafiq Hussain	23-E, Press Place	
10	Mr. Baidya Nath	19-F, Jehangir Road	

Mr. Muhammad Nauman: May I know what the Honourable Member means by unauthorised sub-letting? Does Government sometimes permit sub-letting?

Mr. B. K. Gokhale: There is authorised sub-letting as well as unauthorised sub-letting.

Mr. Muhammad Nauman: Has the Government got any machinery to find out how many houses have been sub-let in this manner?

Mr. B. K. Gokhale: The machinery, as I explained, is the Estate Office. Unfortunately, of course, it is short-handed. But that is the machinery provided for this purpose.

ARREST OF MR. HABIBUR RAHMAN, BERLIN BROADCASTER

711. ***Shri Sri Prakasa:** Will the Honourable Member for External Affairs be pleased to state:

(a) whether Government are aware that one Mr. Habibur Rahman, Berlin Broadcaster for Hindustani, was arrested on June 10, 1945 at Riezlern by Captain Warren of the Indian Security Unit, and that his goods including a Contex Camera had been taken away, despite his telling Captain Warren that the camera belonged to his wife;

(b) whether Government are aware that on July 20, 1945, Captain Norang Singh Benz of the Indian Security Unit took away from him in the Brunswick Jail, a wrist-watch, a purse and other things;

(c) whether Government are aware that he came back to India on January 20, 1947;

(d) whether Government are aware that none of the goods has been given back to him;

(e) whether Government are aware that his wife is still in Germany;

(f) whether the Indian Military Mission is giving her any assistance and whether she will be permitted to join him in India; and

(g) whether Government propose to take steps to get his things restored to him?

The Honourable Pandit Jawaharlal Nehru: (a) The Government of India are aware that Mr. Habibur Rahman was arrested as stated. His personal effects are understood to have been selected, packed and kept by him until taken over and listed by the camp staff on his arrival at the Paderborn Internment Camp. The officer who arrested him has stated that as far as he remembers the Contax Camera was still in Mr. Rahman's possession with his other goods when he was interned.

(b) No.

(c) Yes.

(d) Further enquiries are being made into this matter.

(e) Yes.

(f) She is receiving assistance from the Indian Military Mission who will arrange for her to join him in India on production of legal proof of the marriage.

(g) AH claimants have been advised to submit their claims in details with the necessary proofs to the Indian Military Mission.

Shri Sri Prakasa: In view of the fact that Mr. Habibur Rahman himself states that his Contax Camera has not been delivered to him, will the Honourable Member make enquiries in this connection?

The Honourable Pandit Jawaharlal Nehru: As I have stated, we have been making enquiries continuously about various matters. But I would like the Honourable Member to appreciate that in conditions as they prevail in Germany—post-war conditions and all that has happened there—it is not very easy to control sometimes the undesirable activities of odd individuals. Nobody can trade on these things. Somebody may even take possession of somebody else's property. It is not easy to trace who has done it or when it has been done.

Shri Sri Prakasa: Could the Honourable Member tell us what sort of legal proof he requires as regards validity of the marriage?

The Honourable Pandit Jawaharlal Nehru: The lady can produce any kind of authentic certificate of marriage or evidence to show that she is married.

Shri Sri Prakasa: But in view of the fact that Hindu marriages are not registered and it is very difficult even legally to prove all these marriages, it seems to me reasonable that the Government of India should not insist upon legal proofs of such things.

Mr. President: Order, order. That is only advice.

The Honourable Pandit Jawaharlal Nehru: It is not a Hindu marriage to begin with. It is a marriage between Habibur Rahman and a German lady, and a German lady normally is governed by certain laws and regulations in regard to entry into India. At the present moment, all Germans are governed by these laws. That is how this difficulty arises. In order to get over that difficulty, she has to cease to be a German in that sense, and she has to show some kind of evidence that she has ceased to be so. A letter is not enough. Some kind of proof is necessary to show that she is married to somebody.

Shri Sri Prakasa: In view of the fact that Lord Sinha had a similar difficulty, will the Government exempt this gentleman?

Mr. President: Next question.

ARREST OF MR. BRAJA LAL MUKERJI IN BAVARIA

712. ***Shri Sri Prakasa:** Will the Honourable Member for External Affairs be pleased to state:

(a) whether Government are aware that Mr. Braja Lal Mukerji was arrested on June 20, 1945, at Landshut in Bavaria by the Indian Security Unit;

(b) whether Government are aware that various articles like wrist-watch, fountain-pen and other things were taken away from him by the interrogating officer Captain Misra in the Herford Jail;

(c) whether Government are aware that he was released on May 13, 1946 from the concentration camp, and that none of these articles were delivered back to him; and

(d) whether Government propose to take steps for the recovery of those articles for him?

The Honourable Pandit Jawaharlal Nehru: (a) Yes.

(b) The Government of India have no information on this point, but are making enquiries.

(c) The Government of India are aware that he was released on the date stated but have no information regarding the return of his possessions. Enquiries are being made.

(d) All claimants have already been requested by the Indian Military Mission in Berlin to submit a fully accurate list with details in order that the necessary enquiries may be made.

ARREST OF INDIAN NATIONALS BY THE INDIAN SECURITY UNIT IN GERMANY.

713. *Shri Sri Prakasa: Will the Honourable Member for External Affairs be pleased to state:

(a) the procedure adopted by the Indian Security Unit in Germany in arresting Indian nationals and depriving them of their belongings in Germany;

(b) whether Government have received any complaints from individuals regarding the treatment given to them and the despoliation of their properties; and

(c) whether Government are taking any steps to restore the properties?

The Honourable Pandit Jawaharlal Nehru: (a) The Indian Security Unit formed part of the Intelligence organisation under S.H.A.E.F. in Europe and as such was responsible for detaining and interrogating Indians reported to have collaborated with the Germans. In making searches the I.S.U. was directed to concentrate particularly on documents and material of intelligence value. Individuals when arrested were allowed to select and pack such essential personal effects as could be carried in a bag which they could take with them in the limited transport available. These effects were retained by the individual at the place where he was confined until he was searched and interned. Money and articles of barter value were probably kept by Camp authorities; but the rule was that all articles taken from individuals were listed and returned to the individuals on release. It is however recognised as an inevitable possibility that searchers who were of different nationalities at prisoners camps may have looted certain articles while inspecting internees' possessions but the difficulty of tracing such persons would be very great.

(b) Yes.

(c) All complaints are investigated by the Indian Military Mission when full details and necessary proofs are given. But the I.S.U. was disbanded in March 1946 and it is not possible to trace all individual members of it now.

Shri Sri Prakasa: Could the Honourable Member give us the names of the personnel of the Indian Security Unit?

The Honourable Pandit Jawaharlal Nehru: No, Sir, I could not do it just now. Perhaps I might be able to find out these names later on if he is particularly interested in them.

Shri Sri Prakasa: May we take it that they are Indians?

The Honourable Pandit Jawaharlal Nehru: I have no knowledge about it.

SURVEY OF MINERAL RESOURCES OF ANDHRA DISTRICTS IN MADRAS.

714. *Prof. N. G. Ranga: Will the Secretary of the Works, Mines and Power Department be pleased to state:

(a) whether a survey has been made of the mineral resources available in the Andhra Districts, including the Northern Circars and the Ceded Districts, in the Madras Province;

(b) when that survey was made and by whom;

(c) in what reports the results of these surveys were published;

(d) whether they are now available;

(e) what metals in what approximate quantities are expected to be available; and in which districts they are expected to be found; and

(f) whether there are any hydraulic power possibilities within easy reaches of those mineral deposits and if so, what they are?

Mr. B. K. Gokhale: (a) Yes, Sir, generally speaking though perhaps not in detail.

(b) At intervals since 1870 by various officers of the Geological Survey of India.

(c) Principally in the Records and Memoirs of the Geological Survey of India and recently in the published reports of the Government of Madras in the Development Department.

(d) Yes. All the reports are available in the library of the Geological Survey of India, while many of them might be available in the principal libraries in Madras. Reports published by the Geological Survey of India, which are not out of print, can be purchased from the Manager of Publications, New Delhi.

(e) A list is being placed on the table.

It is not possible to give in each case the approximate quantity of the minerals available in each district. A reserve of 32 million tons of fairly good coal, is, however, reported from the Andhra Area.

(f) The power developments on the Duduma falls on the Machkund river and at the Ramapadasagar Dam on the Godavari should be within economic distance for the exploitation of the mineral resources of the Andhra Districts. Officers of the Geological Survey of India have submitted reports, which are still unpublished, on the water supply of the Regadi, Konarpuram, and the Kurnool District and on a dam site across the Cheyyar river in the Ceded Districts. Similar reports have been made on the dam sites on the Godavari in the Northern Circars.

Statement

The occurrence of the following minerals in the Andhra area have been reported from time to time in the various records:

Antimony, Asbestos, Barytes, Bauxite, Coal, Copper, Cornundum, Gem Stones, Garnet, Cordierite, Gold, Graphite, Gypsum, Iron, Kaolin, Lead and Silver, Manganese, Mica, Monazite, Phosphate, Steatite and Potstone, and Zinc.

Chromite, Silica sands, Sulphur, Graphite, Mica, Coal, Gypsum are reported to occur in Northern Circars.

Slate, Gypsum, Asbestos and Barytes, Iron Ore, Mica, Kyanite Deposits, Clay Deposits, certain Ceramic Raw Materials, Limestone and Lead Ore deposits are reported to occur in the Ceded Districts.

Prof. N. G. Ranga: Are any steps being taken to exploit any of these mineral resources in that particular area?

Mr. B. K. Gokhale: I have no detailed information. That is really a matter for the Madras Government. The Central Government are not exploiting any of these mineral resources.

PUBLICITY IN AMERICA OF GOVERNMENT OF INDIA'S POLICY

715. *Prof. N. G. Ranga: Will the Honourable Member for External Affairs be pleased to state what steps Government have taken to see that the Government of India's real policy which is independent of the prevalent rival power politics of the world is given due publicity in America?

The Honourable Pandit Jawaharlal Nehru: It has been repeatedly made clear that the Government pursues an independent foreign policy which, while seeking cooperation with the great powers, avoids entanglement in what is known as power politics. It is the function of our Ambassador in Washington and his staff to make known the general lines of Government's foreign policy to the people of the United States of America.

CONTROL OVER THE DIPLOMATIC REPRESENTATION IN IRAN

716. *Prof. N. G. Ranga: Will the Honourable Member for External Affairs be pleased to state:

(a) whether it is a fact that Government contribute towards the pay, etc., of an Attache or a similar Diplomatic Representative in Iran but have no control over his appointment or conduct and that for many decades Government have been trying to negotiate with the British Government over this matter of control over him; and

(b) whether Government propose to consider the advisability of having their own Embassy and Diplomatic Representatives, independent of the United Kingdom, in Iran?

The Honourable Pandit Jawaharlal Nehru: (a) The arrangement thus far has been that the staff for the British Consulates in East and South Iran is provided and paid for by the Government of India, who also provide officers for the posts of Additional Counsellor, Consul for Indian affairs, and Indian Trade Commissioner in Tehran. These officers are technically subordinate to the British Embassy in Tehran but are selected by the Government of India and are under their control.

(b) The Government of India fully intend to have their own separate representation in Iran as soon as possible, but I would invite the Honourable Member's attention in this connection to the reply which I gave to his starred question No. 269, on February 13th.

ENCOURAGEMENT OF TRADE RELATIONS BETWEEN INDIA AND SOVIET RUSSIA

717. *Mr. G. B. Dani: (a) Will the Honourable the Commerce Member be pleased to state whether Government have taken any step to encourage trade relations between India and Soviet Russia?

(b) If not, what are the reasons therefor?

(c) Do Government propose to take steps in future?

The Honourable Mr. I. I. Ohundrigar: (a), (b) and (c). I would invite the Honourable Member's attention to the reply I gave on 7th November 1946 during the last session to part (a) of question No. 301, put by Mr. Manu Subedar. The future of our trade and economic relations with Soviet Russia is still engaging the attention of Government. I may add however for the Honourable Member's information that it is proposed to take up at a suitable opportunity the question of appointing an Indian Government Trade Commissioner at Moscow.

Prof. N. G. Ranga: How is it that though it is more than one year since the last reply was given, no progress has been made at all in this direction?

The Honourable Mr. I. I. Ohundrigar: Progress has not been made because we have not so far received any co-operation from Russia regarding supplies to India. India has been supplying to Russia some commodities which she needs. On our side, we have impressed on Russia the necessity of making some supplies, but no favourable response has been received.

INDIANS IN BRITISH-OCCUPIED GERMANY

718. *Mr. G. B. Dani: (a) Will the Honourable Member for External Affairs be pleased to state whether Government are aware of the deplorable plight of the Indians in British-occupied Germany?

(b) Have Government taken any steps to remedy their plight? What help has been given by the Indian Military Mission in Germany?

The Honourable Pandit Jawaharlal Nehru: (a) and (b) The Government of India are aware that Indians have had to suffer considerable hardships in occupied Germany generally. As much as possible has been done both by the Government of India and the Indian Military Mission in Berlin to help them. The Honourable Member's attention is invited to the note on this subject recently published in the Press, a copy of which has been laid on the table of the House.

PRESS NOTE

Treatment of Indians in Germany

A number of reports have recently appeared in the Press regarding the condition and treatment of Indians in Germany. The Government of India wish it to be known that these reports are largely incorrect and give a completely distorted picture of the actual situation.

After the invasion of Europe, the Government of India attached two small units to Supreme Headquarters Allied Expeditionary Forces for the purpose of tracing military and civilian Indians in Europe. These were, the Indian Army Liaison Detachment whose functions were to trace, assist and repatriate Ex-Prisoners of War; and the Indian Security Unit, who were responsible for the apprehension of civilians who had collaborated with the enemy and for assisting those other civilians who were not accused of collaboration. The total number of Indian civilians apart from prisoners of war, traced in Germany by November 1946 was 81.

Early in 1946 these two units were replaced by the Indian Military Mission in Berlin whose main functions were to safeguard the interests of Indian nationals in Europe, and to arrange for the repatriation of those who wished to return to India. In June 1946, as a result of the political changes in India, it was decided to allow all Indians, including those who had hitherto been treated as collaborators and numbered 34, to return freely to India, and several batches have been repatriated accordingly. Where there has been delay, it has been mainly due to difficulties of transportation and lack of shipping space.

Some of those who have been repatriated to India have made public statements critical of the Indian Military Mission. While it is true that Indians in Germany have had to suffer considerable hardships, the Government of India are satisfied that the Indian Military Mission have done a great deal to help them in a very difficult situation. The facts of the physical conditions in Germany should not be overlooked. The country has been devastated by war, the larger towns in which the Indians for the most part had previously been living having suffered most. Communications have been completely disrupted and are still inadequate, while supplies of all commodities and amenities of life are extremely short. In these conditions life in Germany has inevitably been hard for the whole population. Moreover, supreme authority is vested in the Four Power Control Commission for Germany which lays down policy and supervises its implementation. In spite of repeated endeavours by the Indian Military Mission at the highest level to secure special concessions for Indians in Germany, the Control Commission have declined to sanction any increase in the scale of rations to Indians above those granted to other British subjects and other foreigners who chose to remain in Germany, which is the same as the ration for German civilians. The Control Commission is also not prepared to exempt Indians, whilst they are in Germany, from security restrictions which are applicable to persons of all nationalities. The Indian Military Mission did, however, succeed in securing the gradual release of various Indians charged with collaboration from internment camps and all were freed by the end of May, 1946.

The Government of India with the assistance of the Indian Military Mission made such arrangements as were possible to ameliorate the lot of their nationals in Germany and also in Austria. One hundred Red Cross relief parcels containing food and clothing were flown to Berlin at the expense of the Government of India and sanction was accorded to the Mission to purchase American Red Cross food parcels. Arrangements have also been completed whereby 11 lb. gift parcels containing food and light clothing can be sent by the general public at the rate of one per sender per week to all zones in Germany, subject to normal export regulations. Owing to the fact that the Four Occupying Powers have not yet agreed on an international rate of exchange for Germany, financial remittances to that country cannot yet be made, but the Government of India are actively pursuing this question. In present conditions, however, food and clothing materials are of more use than money. In spite of the difficulties of transportation, the Indian Military Mission have been successful in arranging for the repatriation of 24 Indians and a further 13 who have decided to return to this country are still waiting for transport. All have been strongly advised to do so, and it has been made clear to the 44 who appear to prefer to remain in Germany that they cannot expect special treatment there and must be prepared to face the present conditions in the same way as the nationals of other countries.

EXTERNAL AFFAIRS DEPARTMENT,
New Delhi, February 28, 1947.

Prof. N. G. Ranga: Have Government tried to obtain any information about the condition of Indians in any of the occupied areas of Germany, that is, American occupied, French occupied and Russian occupied portions of Germany?

The Honourable Pandit Jawaharlal Nehru: So far as I know, there are no Indians there. Anyhow, the names of Indians have not been brought to our notice here. As a matter of fact, we have tried to get in touch with several Indians in Germany and about a little over two months back when I was in London, I urged upon Mr. Vellodi, the Deputy High Commissioner, to go to Germany to investigate this matter personally. He did go there and he sent us a long report in which he mentioned the names of all the Indians whom he could trace there.

Mr. Sasanka Sekhar Sanyal: Is it not possible for the Government to send some sort of fact-finding Commission to these territories in order to find out the actual conditions there?

The Honourable Pandit Jawaharlal Nehru: That is exactly what I have just said. I may say that probably not more than 20 Indians at the outside are there. It is a very small number; it may be a little more. Most of them have refused to come back. We have offered to bring every Indian in Germany back to India free. We have given them full facilities. So, if there are any difficulties, they are on their side. They do not want to come back either because some of them have married German women or they have been carrying on some profession there or for some other reason. The Government of India in this particular matter have done everything possible to help them. Since they have refused to come back, food parcels, etc., are being sent to them. I would ask Honourable Members to send food parcels to their friends in Germany. That would perhaps help them more than asking questions in this House.

Prof. N. G. Ranga: What is the diplomatic or other channel which the Government of India have in order to get into touch not only with Indians in the occupied zones of Germany but also in touch with other Indians in whom India may be interested so far as Germany is concerned?

The Honourable Pandit Jawaharlal Nehru: We have at present this Indian Military Mission which though it is called military has to deal with matters of a semi-diplomatic nature also. The conditions in Germany are very peculiar. We think it is important for us to have a high-grade representation there for the future. The difficulty has been that owing to the military occupation of Germany, civilian officers are not welcome there. Sometimes when a civilian officer is sent there, he has to be disguised under military title. Some day he develops into a Major-General although he knows nothing about the army. That has been our difficulty. We intend to send a fairly high grade officer there to look after diplomatic and other interests there.

Shri Sri Prakasa: Are there any Indian nationals in this Indian Military Mission?

The Honourable Pandit Jawaharlal Nehru: At the present moment, the head of the Mission is a Britisher, but he has on his staff some Indians.

EVACUEES AND REFUGEES IN INDIA

†719. ***Sardar Mangal Singh:** Will the Honourable Member for Commonwealth Relations please state:

- (a) the number of evacuees and refugees of different nationalities still being kept in India;
- (b) whether any steps are being taken to repatriate them; and
- (c) who pays their expenses?

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

The Honourable Pandit Jawaharlal Nehru: (a) It is presumed that the Honourable Member refers to non-Indian evacuees and refugees. Their number is approximately 7,000.

(b) Yes. The Governments of the countries concerned have been requested from time to time to arrange for the repatriation of their nationals as early as possible and it is expected that a large number will be leaving this country in the course of the next few months. Delay is, however, likely to occur in the removal of the Polish refugees whose resettlement is being planned by His Majesty's Government.

(c) The Governments concerned. A statement showing the financial arrangement is laid on the table.

Statement showing the Governments and the classes of non-Indian evacuees for whom they are financially responsible

Government to which cost is debitable.	Class of evacuees in respect of whom expenditure is debitable to the Government specified in column (1).
1	2
I. Government of Burma.	(a) All Burmans, Anglo-Burmans, Anglo-Indians, European British subjects and all other evacuees who are British subjects other than Indians evacuated from Burma to India. (b) All Burma Government servants irrespective of their nationality whose services have not been terminated by that Government.
II. His Majesty's Government.	European, British evacuees and other evacuees of non-Indian domicile who are British subjects from Hong Kong and Malaya.
(i) Colonial Office.	(a) All British subjects not covered by (i) above.
(ii) Foreign Office.	(b) Evacuees from Middle East, the Balkans, Malta and Siam.
	(c) Greek and Czech evacuees irrespective of the country from which they may have been evacuated to India provided that they belong to parties whose evacuation to India has been sponsored by their own Governments.
III. U. N. R. R. A. (Since August 1946)	Poles.
Previously Polish Government in London, through H. M. G.	
IV. Royal Netherlands, Government.	Subjects of the Netherlands East Indies.

N.B.—The expenditure on evacuees of other foreign States is recovered through the Consuls of the countries concerned.

TRAINING SCHEME FOR TECHNICAL OFFICERS

†720. *Pandit Mukut Bihari Lal Bhargava: Will the Honourable the Labour Member be pleased to state:

(a) whether Government are aware that a training scheme for technical officers and persons engaged in the industries was initiated by the Labour Department and a very high priority was promised to them;

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

(b) if so, the number of nominations received from Provinces, States and Industrial concerns by the Department during the last three years and how many of these candidates have been (i) sent abroad, (ii) selected and are waiting for admission or passage, (iii) not yet selected; and

(c) whether Government are aware that some of the candidates whose nominations were received as early as 1945, have not even been interviewed so far; if so, why?

The Honourable Shri Jagjivan Ram: (a) Yes

(b) The scheme has been in operation for about two years and 491 nominations have so far been received. Out of these (i) 99 candidates have been sent abroad, (ii) 57 are awaiting admission and five are awaiting passages, (iii) applications of 95 candidates have still to be considered by the Selection Committee. Some of the candidates who had applied withdrew their applications and 206 candidates were found ineligible either because they were not suitably qualified or because their employers were not prepared to undertake the necessary financial obligations.

(c) Yes. It was not considered desirable to make further selections under the scheme unless the candidates already selected had been placed.

ADMISSION OF CANDIDATES ABROAD UNDER THE LABOUR DEPARTMENT SCHEME.

†721. ***Pandit Mukut Bihari Lal Bhargava:** Will the Honourable the Labour Member be pleased to state:

(a) whether Government are aware that candidates selected by the Education Department during 1946 have been able to get the admissions abroad, whereas candidates under the Labour Department schemes have not been able to get admissions, even though their nominations were received during the years 1945 and 1946; and

(b) whether Government propose to take steps to see that the pending cases of all the candidates nominated under the schemes by Provincial Governments, Indian States, and Industrial concerns are finally decided at an early date, so that the individual candidates and the industrial concerns do not suffer on this account?

The Honourable Shri Jagjivan Ram: (a) Admissions have been secured under the Labour Department Scheme for quite a large number of candidates in factories abroad, though there are still many cases in which facilities have yet to be arranged. The Labour Department Scheme provides for practical training in industrial firms while under the Education Department Scheme admission is secured in universities, colleges or institutes.

(b) Every effort is being made to secure facilities for the candidates already selected. Owing to the inherent difficulties of the transition period industrial firms abroad were not always willing to offer facilities for practical training to Indian technicians.

COMPENSATION TO THE TIBBIA COLLEGE, DELHI FOR REQUISITIONING OF HOSTEL BUILDINGS

†722. ***Lala Deshbandhu Gupta:** Will the Secretary of the Works, Mines and Power Department be pleased to state:

(a) whether Government are aware that the buildings of the Tibbia College hostel, Delhi, founded by the late Hakim Ajmal Khan, were requisitioned by Government in March 1943 and that a number of temporary buildings were constructed in their compound by the military authorities;

(b) whether it is a fact that the hostel buildings were released in November 1946;

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

(c) whether it is a fact that Government, when approached by the Principal of the Tibbia College in December 1946, had consented to the handing over of the temporary buildings erected in the College compound also to the College;

(d) whether the same have been handed over to the College or not; if not, the reasons therefor;

(e) whether Government are aware that due to the requisitioning of the property, the College had to close its girls' section altogether and had to restrict the admission only to male section with a limited number of about 200 students, instead of 600, for want of hostel accommodation, and has thereby suffered great loss; if so, whether Government propose to compensate the institution for this loss; and

(f) whether Government are aware that the rent for the hostel and the land fixed by Government was not accepted by the College Board and that the matter had been referred to arbitration; if so, the time that will be taken by the arbitrator to give his award?

Mr. B. K. Gokhale: (a) Yes, in April 1943.

(b) Yes.

(c) Yes, but only as they became surplus to requirements, and on terms to be settled with Government.

(d) Yes; so far six blocks of 20 rooms each have been handed over to the Tibbia College on lease.

(e) Government are aware that the activities of the College were restricted as a result of the requisitioning, but have no information as to extent of pecuniary loss or damage, if any, suffered by the College. There is no proposal under consideration for any such compensation.

(f) Yes. Government are unable to say when the arbitrator will give his award.

PROSECUTION OF CONTRACTORS AND C.P.W. DEPARTMENT OFFICERS RESPONSIBLE FOR THE CONSTRUCTION OF THE COLLAPSED GOVERNMENT BUILDING IN 'K' BLOCK

†723. ***Lala Deshbandhu Gupta:** Will the Secretary of the Works, Mines and Power Department be pleased to state whether the attention of Government has been drawn to the remarks of the Additional District Magistrate, Delhi, made in the course of his judgment in the well-known case arising out of the collapse of Government building in 'K' Block that "I am of opinion that the more important culprits in this case, namely the contractors and the officers of the Central Public Works Department, should have been prosecuted at least for criminal negligence"; if so, the action that has been taken by Government in the matter and if no action has been taken, whether Government propose to do so now; if not, why not?

Mr. B. K. Gokhale: The answer to the first part is in the affirmative. The question of further action to be taken by Government is now under consideration.

DELAY IN GRANT OF PASSPORT TO MR. ONKAR NATH OF DELHI

†724. ***Lala Deshbandhu Gupta:** Will the Honourable Member for External Affairs be pleased to state whether Government are aware that Mr. Onkar Nath ex-Municipal Commissioner and a prominent public worker of Delhi, had applied for a passport for visiting foreign countries to the Local Government of Delhi, several months back and that in spite of reminders he has not received his passport so far? If so, the reason for this delay in granting the passport?

The Honourable Pandit Jawaharlal Nehru: Mr. Onkar Nath took delivery of his passport on the 17th February 1947.

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

The passport was actually ready for Mr. Onkar Nath by the 19th October 1946 but it was not sent to him as he had not furnished an exact address. It appears also that Mr. Onkar Nath did not send any reminders. The passport was delivered to him on the first occasion when he called at the Chief Commissioner's office. It will be appreciated that special care has to be taken with travel documents to ensure that they do not fall into the wrong hands.

TRANSFER OF OFFICERS OF THE C. P. W. DEPARTMENT AFTER TENURE OF THREE YEAR

†725. *Lala Dashbandhu Gupta: Will the Secretary of the Works, Mines and Power Department please refer to the answer given to my starred question No. 428 on the 12th November, 1946, and state:

(a) whether Government are aware that the tenure of the appointments of Executive Engineers, Sub-Divisional Officers and Overseers serving under the Central Public Works Department, has been fixed as three years; if so, whether Government propose to place on the table of the House a statement showing the names of officers and subordinates transferred under this rule subsequent to the last session of this House; and

(b) whether Government are aware that the orders regarding the transfer of all the Subordinate Officers who have already completed more than three years in New Delhi have been suspended and if so, the reasons for this change of policy?

Mr. B. K. Gokhale: (a) The answer to the first part of the question is in the affirmative. With reference to the second part, a statement is placed on the table.

(b) The transfers were kept in abeyance for some time in view of certain difficulties involved. In some cases Subordinates, who had children attending schools, asked for postponement of the orders of transfer until the annual examinations were held in March or April 1947. In other cases it was decided to revise the orders in view of the language difficulty so that Subordinates should not have to serve in different linguistic areas as far as possible. In other cases there was difficulty of accommodation. It is, however, expected that the transfers will be generally given effect before long.

Statement showing the names of Officers and Subordinates of the Central Public Works Department transferred under the three years rule of transfer.

Serial No.	Name of Officer	Rank	Remarks
1	Mr. Mohd. Hanif	Executive Engineer.	
2	„ A. H. K. Noon	Ditto.	
3	„ A. K. Khattak	Ditto.	
4	Rai Sahib Poran Chand	Ditto.	
5	Mr. O. P. Mittal	Ditto.	
6	„ Des Raj	Ditto.	
7	„ T. S. Sodhi	Ditto.	
8	„ M. Rehman	Ditto.	
9	Rai Bahadur H. P. Chatterjee	Superintending Engineer (Electrical).	

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

Serial No.	Name of Officer	Rank	Remarks
10	Mr. K. C. Grover	Electrical Engineer	Under orders of transfer.
11	Khan Sahib Mohd. Hayat	Ditto	Ditto.
12	Rai Sahib Kesar Chand	Ditto.	
13	Mr. A. V. Robey	Ditto	Under orders of transfer.
14	„ K. M. Savi	Sub-Divisional Officer.	
15	„ K. K. Dhaul	Ditto.	
16	„ Harbans Sarup	Ditto.	
17	„ Manzoor Ali	Ditto.	
18	„ S. H. Goray	Ditto.	
19	„ P. S. Krishna Swami	Ditto.	
20	„ Y. S. Ramaswami	Ditto.	
21	„ Shaul Hameed	Ditto.	
22	„ S. V. Subha Rao	Ditto.	
23	„ R. L. Vohra	Ditto.	
24	„ A. Ahmed	Ditto.	
25	„ S. N. Gupta	Ditto.	
26	„ Y. S. Moorthy	Ditto.	
27	„ S. C. Chatterjee	Ditto.	
28	„ P. B. Joshi	Ditto.	
29	„ T. C. Dass	Ditto.	
30	„ M. Gunguly	Subordinate.	
31	„ K. R. Sriwasan	Ditto.	
32	„ A. Rahman	Ditto.	
33	„ Moslemuddin Ahmed	Ditto.	
34	„ H. C. Sood	Ditto.	
35	„ A. K. Ansari	Ditto.	
36	„ A. N. Ahluwalia	Ditto.	
37	„ Joti Swarup Aggarwal	Ditto.	
38	„ H. C. Bhorel	Ditto.	
39	„ Mohd. Zishan Khan	Ditto.	
40	„ J. K. Nag	Ditto.	
41	„ B. K. Kunwar	Ditto.	

INDIAN LABOURERS REGISTERED AS VOTERS IN CEYLON.

726. *Sri V. Gangaraju: Will the Honourable Member for Commonwealth Relations be pleased to state:

(a) whether Government are aware that the names of 5,000 Indian labourers already registered in Ceylon Voters Lists were removed from these lists,

(b) whether Government are aware that the labourers by virtue of their long residence in Ceylon and also by their intention to make Ceylon their home become Voters; and

(c) if so, whether Government propose to enquire into the matter and take necessary steps to safeguard the franchise rights of Indian labourers in Ceylon?

The Honourable Pandit Jawaharlal Nehru: (a) The Honourable Member presumably refers to a press report relating to Gampola district. Government understand that in this district objections have been raised on behalf of prospective candidates under section 12 of the Ceylon (Parliamentary Elections) Order-in-Council, 1946 to the inclusion of the names of about 5,047 persons in the preliminary list and that the bulk of these refer to Indian labourers.

(b) The correct position as regards franchise for Indian labourers in Ceylon under the existing law is as follows.

Indian labourers are generally registered as voters if, in addition to compliance with the general requirements as regards age limit and residence in the electoral district for six months, they are domiciled in Ceylon or possess a certificate of permanent settlement and apply for registration as voters within the prescribed date. Whenever labourers change from one estate to another in a different electoral district—as they frequently do—their names are expunged from the voters' list of the district they leave and they have to prove their domicile to the satisfaction of the registration officer of the new electoral district, before they are registered there as voters. The labourers naturally find this a difficult process. The alternative of registration on the basis of a permanent settlement certificate is also difficult as, in the first place, to obtain the certificates, the labourers are required to undergo an oral examination at centres, in some cases distant from their places of work, to prove their residence of more than five years in Ceylon and intention to make Ceylon their permanent home, and in the second place, they are required to take the initiative to apply on the basis of these certificates for registration as voters before the prescribed date.

(c) Government have endeavoured in the past to improve the franchise rights of Indian labourers in Ceylon and propose to take up the matter again in future negotiations.

USE OF HINDUSTANI IN THE CONDUCT OF PROCEEDINGS IN THE INDIAN LEGISLATURE

727. *Pandit Sri Krishna Dutt Paliwal: Will the Honourable the Leader of the House please state:

(a) the steps the Interim Government have taken so far to conduct the proceedings of the Indian Legislature in Hindustani; and

(b) the steps Government propose to take to use Hindustani as the national language of India in transacting their business?

The Honourable Pandit Jawaharlal Nehru: (a) Government who have had this matter under consideration feel that in view of the recent ruling from the Chair no further action is for the time being required.

(b) Government do not propose to take any immediate action in this matter.

EMPLOYMENT EXCHANGE OFFICE AT ALMORA

728. *Sjt. Seth Damodar Swroop: Will the Honourable the Labour Member please state:

(a) whether there is an Employment Exchange Office at Almora; if so, the strength of its staff and the monthly expenditure on its maintenance;

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

(b) how many and what appointments it has so far been able to obtain for the retired military personnel of this district; and

(c) whether there is a District Soldiers Board also with its office at Almora; if so, whether Government propose to entrust the work of securing employment for the retired military personnel to this office?

The Honourable Shri Jagjivan Ram: (a) Yes; there is a sub-Regional Employment Exchange at Almora. The sanctioned strength of the managerial, clerical and inferior staff of this Exchange is 16, of which one is a Manager and two Assistant Managers. The total average monthly expenditure is Rs. 3,500 of which Rs. 2,500 represents the monthly expenditure on staff.

(b) This Exchange commenced functioning in March 1946 and from that date upto the end of January 1947, it had placed in employment 534 ex-Servicemen and in addition 392 persons who were not ex-Servicemen. Complete details of the various posts are not available. The principal occupations in which ex-servicemen were employed are clerical and inferior posts, Police Constables, Watchmen or Chowkidars, Co-operative Supervisors, Forest Guards, Postmen, Food Inspectors, etc.

(c) There is a District Soldiers' Board at Almora. The work of finding employment for demobilised military personnel falls outside the prescribed functions of the District Sailors' Soldiers' and Airmen's Boards.

LIFTING OF CONTROL ON KEROSENE OIL.

†729. ***Mr. Madandhari Singh:** Will the Secretary of the Works, Mines and Power Department be pleased to state whether Government propose to lift the control on kerosene oil? If not, why not?

Mr. B. K. Gokhale: Government do not consider it advisable to lift control on kerosene oil so long as the supply is short of the estimated demand and the difficulties of distribution continue owing to short supply of tinplate and black-plate. The question of removal of control will be considered as soon as the situation improves.

INDIANS IN THE CENTRAL CYPHER BUREAU.

†730. ***Sardar Mangal Singh:** Will the Honourable Member for External Affairs be pleased to state:

(a) the strength of the staff of the Central Cypher Bureau, temporary and permanent;

(b) the number of Indians and non-Indians employed there;

(c) the academic qualifications required for a Cypher Assistant;

(d) the academic qualifications of the present Indian and non-Indian staff of the Central Cypher Bureau;

(e) the number of demobilized (Women Auxiliary Corps) ladies recruited as Cypher Assistants, their nationality and qualifications;

(f) how the communal roster is maintained for Central Cypher Bureau posts and whether the Home Department communal roster has been adhered to; and

(g) what steps Government propose to take to check further recruitment of non-Indians to Central Cypher Bureau until such time as the communal roster is in order?

The Honourable Pandit Jawaharlal Nehru: (a) Temporary—38; Permanent—7.

(b) Indians—43 (including 13 Anglo-Indians); Non-Indians—2.

(c) No academic qualifications are officially prescribed.

(d) Of the Indian members of the staff of the Central Cypher Bureau 20 are graduates, two have passed the Junior Cambridge examination and the remainder

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

are Matriculates or have passed the Senior Cambridge examination. One of the two non-Indian members of the staff has passed the Senior Cambridge and the other the Junior Cambridge Examination.

(e) Four demobilized WAC(I) women have been recruited. One is an Indian Christian and the others Anglo-Indians. All are fully qualified Cypher Operators having served as such in the Army. One is a graduate; the others have passed the Senior Cambridge Examination.

(f) Owing to the difficulty of finding suitable persons during the war it was not possible to adhere strictly to the communal roster.

(g) Orders have been issued that future recruitment of new men to the C.C.B. should be done so as to set right the proportion of all communities according to communal roster.

ANGLO-INDIAN LADIES IN THE TYPE SECTION OF THE CENTRAL CYPHER BUREAU

1731. *Sardar Mangal Singh: Will the Honourable Member for External Affairs please state if it is a fact that the Type Section of the Central Cypher Bureau is composed of Anglo-Indian ladies only; if so, why are Indian male typists not recruited?

The Honourable Pandit Jawaharlal Nehru: The Type Section of the Central Cypher Bureau is staffed by one Indian Christian and fourteen Anglo-Indian women.

Before the late war there were only two typists in the Central Cypher Bureau Type Section. The subsequent great expansion took place during the war when it was particularly difficult to obtain competent men typists, and the employment of women typists had to be largely increased in all Government departments. There has never been any bar to the employment of women in this form of Government service and I see no reason to introduce one in respect of the C.C.B. But efforts will be made in future recruitment to restore the balance of other communities in the C.C.B. as a whole in accordance with the communal roster.

THE GENERAL BUDGET—GENERAL DISCUSSION—contd.

FIRST STAGE—contd.

Mr. Geoffrey W. Tyson (Bengal: European): Sir, I regret the absence of the Honourable the Finance Member. I can only assume that some of our congratulations which he received yesterday, and which he will no doubt receive today also, have begun to obey the law of diminishing margin of utility

Shri Sri Prakasa (Benares and Gorakhpur Divisions: Non-Muhammadan Rural): I rise to a point of order. I see the Honourable the Finance Member is absent and there is nobody from the Finance Department to listen to the criticism of the Budget. He ought to have made some arrangements for some representative of his Department to remain in the House.

Mr. President: The Honourable the Leader of the House is here. Perhaps the Honourable the Finance Member was under the impression that questions will take a longer time. The question hour has unexpectedly come to an end. Now, I see the Finance Member is coming in.

Mr. Geoffrey W. Tyson: Sir, I was saying when the Honourable the Finance Member arrived, that the congratulations which he received yesterday must by now be beginning to wear a bit thin, but that does not however deter me from adding my own humble and obscure tribute to the shower of felicitations which he has received. Of course he has been congratulated by everybody upon the uniqueness of this occasion, upon the fact that this is the first time that an Indian budget has come before this House as an offering on behalf of a wholly popular Government and presented by an Indian Finance Member himself. †

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

[Mr. Geoffrey W. Tyson.]

think, Sir, our congratulations would be a little warmer if he had been able at the same time to disclose a surplus. I think I may also safely say that our congratulations will be warmer still, about three weeks hence, when we dispose of the Finance Bill if he has chosen the path of wisdom and of compromise and of realism which has been urged upon him from several quarters of this House. Fundamentally, Sir, the problem of budgetting is to bridge a deficit. In that respect, the Finance Member's task this year does not differ materially from the task which has fallen to his predecessors, or from the task which confronts every Chancellor of the Exchequer, and every Finance Member and Minister throughout the world today. The current deficit which was disclosed to the House on Friday was a little over 48 crores and the prospective deficit, for which the Honourable the Finance Member has made certain proposals for bridging, is in the neighbourhood of 56½ crores. Now Sir, I submit to the Honourable Member, and to Government and to the House, that these figures represent sums which are in no way unmanageable. And in that respect it would be well if we compared our position with a number of other countries and the position as disclosed in other budgets in other parts of the world. None of us who are interested in the country's welfare desire that deficits which can be reasonably covered should be kept uncovered, or that one year's deficit should be carried forward to another year until we find ourselves in a regular phase of unbalanced budgets. But we have to judge the question of the type of deficit with which the House is confronted today, according to its size and its general relevance in the context of the country's finances as a whole. That point was made clear yesterday in the speech of my Honourable friend Mr. Griffiths. If we look at it in that light, and focus the deficits mentioned in the budget statement down into the perspective of the country's economy and financial resources as a whole, the position cannot be regarded as financially very grave. I submit that the Finance Member of this Government—indeed of any Government—is firstly of course the custodian of the national account books; but he is also something a good deal more than that. He is in fact—standing as he does in the main stream of the country's affairs and acting as arbiter in all matters of money—also, if I may use the term the chief of the country's Economic General Staff. And his duty in the last resort is to deploy the country's resources in production, in distribution and in consumption, and to supply them with resources, or to procure from them, the finance that is necessary for the greatest economic welfare of the country, for the greatest good of the greatest number of its people. To that extent when he comes before the House with a deficit or, more rarely, a surplus—we have to judge what it means, not entirely in its book-keeping and accountancy and fiduciary sense, but we have to try and assess its larger significance to the country as a whole. Now, Sir, I propose in the few minutes that I still have to consider how the present budget proposes to mobilise production, distribution and consumption and how the Honourable Member's taxation measures are likely to affect the larger objectives and policy in those spheres.

The Honourable Mr. Liaquat Ali Khan has proposed four main taxation measures,—two of them are new. The first is the business profits tax, from which he hopes to realise 30 crores of rupees in the budgetary year; and the second is the capital gains tax from which he hopes to realise 3½ crores in the coming year. I will not stop to go into detail as to why I think both these figures are an underestimate; I will content myself with saying that I do consider them to be an underestimate and probably a wise underestimate, judged from some points of view. In addition to these two new taxes two old taxes are to be enhanced. There is to be an increase, or an increase is proposed, in corporation tax from one to two annas, and the super-tax limit is to be lowered, quite sensibly—and I use the word 'sensibly' meaning 'quite perceptibly'—over a new range of assesses. From these two taxes he hopes to get

4 crores and 2½ crores respectively. In all the full proposals which he brought forward on Friday night are to realise approximately 40 crores of rupees. The Honourable Member's budget statement had the great merit that there was no beating about the bush in it. What he said was, "I want 40 crores of rupees; here is a sector of India's economy which is accessible and assessable, and I propose to go for what I can see in front of me and take out of it what I think is the limit of what it will stand." Now, Sir, I submit that in the present circumstances for so large a sum as 40 crores of rupees to come out of one sector—true, an important sector, but only one sector of the country's economy is—I will not say an act of discrimination in any sense—taking rather a large gamble on what, in fact, trade and industry can stand. Once again they are being called upon to foot almost the whole of a very heavy bill in the way of taxation. It is probably true—and I think most of us realise it, certainly on this side of the House we realise it—that trade and industry will have to reconcile itself in all probability to carrying a disproportionate share of the country's taxation potential as a whole. As I have said, trade and industry are both accessible and assessable, and they must represent a permanent temptation to every Finance Member who has to square his accounts at the end of the year. But what I would ask is whether this is, in fact, the moment to ask trade and industry to carry the whole of the responsibility for bridging the gap between revenue and expenditure. This is what the Finance Member is doing, and at a time when in order to meet the grave economic problems of transition he himself has pointed out the dangers that lie in front of us. In his speech Mr. Liaquat Ali Khan very cogently summed up some of the present hazards and difficulties. He said:

"In our own country, as in other countries, the year that is closing has been a difficult year of transition."

Then again later on he says:

"In the economic sphere, the progress in the return to peacetime conditions has not been as rapid or as smooth as could have been wished. . . . The war-time shortage of consumer goods has not yet been materially alleviated. . . . Production has been hampered by the inevitable delay in obtaining capital goods. . . by labour unrest and strikes in the country, by persistent difficulties in the rehabilitation of the transport system", etc.

So that the Finance Member himself has stated the problem and painted picture of industry's own problems at this present difficult time.

There are certain other things, however, that he did not say. Quite apart from production not reaching the levels which he hoped, he did not say that it is also falling, that earnings from industry are decreasing that the profits and dividend curve is declining. According to your private predilections, or your individual point of view, you may consider this is quite a good thing. But whether good or bad, it means that the springs of investment, and therefore of production and employment, are in fact drying up and the Finance Member himself implied in his speech that this can only be ignored by India at her peril. If we disagree, as I do respectfully disagree, with the present proposals for bridging the gap, the Finance Member is fully entitled to say to us on these benches, or to anybody else in

12 Noon. any other part of the House: How do you propose or what would be your plans for making good the deficit? I will, Sir, very briefly, try to indicate tentatively two or three means by which I think the Finance Member might make the best approach to considering how this and future deficits might be met.

The proposed Commission of Enquiry into accumulated war fortunes can only at the best, in my view, be of long term significance, if it is of any significance at all. He has got to face a deficit which is here and now, and to that extent he has our sympathy and our practical understanding. I would ask him to be assured of this. But quite apart from tax evasion—and to my mind there is no case for belabouring the honest taxpayer, because you have

[Mr. Geoffrey W. Tyson.]

got a lot of tax-dodgers—I would ask him what is the position in the Income-tax Department in respect of arrears of assessments. Will he, at some stage in this debate or the proceedings which follow, tell us how many hundreds or thousands of assesses to income-tax are six months, one year, 18 months and two years in arrears over their assessments and, if those assessments were brought up to date, will he tell us what in his view the financial effect would have been in respect of the current deficit and the prospective deficit? Therefore the first concrete suggestion which I have to make to him is that there should be a drive to bring up arrears of assessment.

The second suggestion which I have to put forward is to ask him to look at the extremely small volume of the short term floating debt which this country carries. When I say 'extremely small' I mean small having regard to the same item of account in other countries.

Mr. President: The Honourable Member has only four minutes to complete his speech of 20 minutes which will cover the one hour allotted to the European Group.

Mr. Geoffrey W. Tyson: My suggestion is that the Honourable the Finance Member should look at the floating debt position. I regard as one of the most serious features of his budget statement his disclosure that the borrowing programme for 1946 has failed. I think the target was 250 crores and Government succeeded in borrowing only 112 crores. I know there were special circumstances, but I do suggest to him that in the present political and economic set up and having regard to the future prospects, he will have to come to rely more and more upon short term borrowing. I agree with my Honourable friend Sardar Mangal Singh, who in his speech yesterday pointed out an omission in the Finance Member's statement of Friday which was his failure to make any reference to money rates, and whether it is his intention to continue the cheap money policy of his predecessors. I therefore say that the Honourable the Finance Member would be entirely justified in seeing whether more of his current deficit cannot be met out of short term borrowing.

And the third suggestion that I would make relates to estate duties. I realise that it is an extremely prickly and controversial subject, but the House listened with great interest yesterday to a most impressive explanation of the economics of inheritance by my Honourable friend Mr. Gadgil. One of the things that he pointed out and I agree with him there, is that accumulated war fortunes will only finally be brought into the net by the imposition of an estate or death duty. I would add that death duties form part of almost every modern scientific tax system and there may be special reasons, good reasons—I do not want to stray into the maze of controversy—why a somewhat slow approach has to be made to their imposition in India; but I suggest that the Indian finance Act and the tax structure will not be complete until this matter has been examined, and at least some attempt made to try out the applicability of death or estate duties to this country. I have used the word "scientific tax system." It is on that note that I would close. I am quite sure that the Honourable the Finance Member himself will wish that his taxation should not only be fair, but also realistic and scientific. If I have one word of criticism to offer in closing my remarks, it is that as they stand his current budget proposals are not wholly scientific in their application or their incidence.

The Honourable Dr. John Matthai (Member for Railways and Transport): Sir, my purpose in rising to take part in this debate is not to reply to any of the specific criticisms and suggestions which have been made in the course of the discussion: nor is my purpose to discuss in any detail the specific taxation proposals contained in the budget. My purpose is a simpler one. What I want to do this morning is to sketch, if I may, in broad outline the background

against which the issues raised in this budget have to be considered by the House and decided by them.

Looking at the budget purely as a financial measure, there are three outstanding features in it. The first is that taking into account the expenditure we have to meet in the budget year and the revenues which we may expect in that year on the present basis of taxation, we are going to be faced with a deficit,—a considerable deficit. The second is that the budget proposes that as much of this deficit as possible should be covered by taxation. The third is that this taxation should in the main be direct taxation.

Before I proceed further I want to say a thing or two about the question of direct taxation. Direct taxation bears mainly upon trade and industry: We admit that. We have considered the question of alternative sources of revenue. At this present stage in the development of our fiscal resources and fiscal machinery there is no denying the fact that we have to look more and more for revenue from direct taxes. If we use indirect taxation as an expanding source of revenue it will be necessary for us to levy them upon commodities which enter into general consumption. We cannot afford to do that for social and economic reasons. If we levy indirect taxes on luxury goods we soon reach a point where the stage of diminishing return will be reached. Therefore it seems to me that if there is going to be an increase of expenditure in this country—and we have to meet it by revenue—we have to look more and more direct taxation.

Having said that, it is necessary also to mention certain considerations which ought to be kept in mind regarding direct taxation. The level of direct taxation should be such that production would not be hampered. It is of the utmost importance from the point of view of the country's finances and its economic condition generally, that direct taxation should not hinder production. If it does, the very source from which you expect revenue will dry up. There is also the consideration that any direct taxation which affects or hinders production would be inconsistent with the schemes of economic development which we all have in view. If we believe in planned production, whether on a regional basis or on an all-India basis, it is necessary to see that production should not be hindered.

That brings me to this question, what is the burden which will be placed upon industry and trade by the new taxes which are embodied in this budget. It is difficult to make any calculation which can be fully substantiated. I have been trying to get some approximate indication of the relative burden which these new taxes will impose upon industry and trade. The way I have been trying to look at it is this. Take the revised estimates for 1946-47 and the budget estimates for 1947-48. If you take the revenue from direct taxation, that is to say income-tax, corporation tax, excess profits tax and all other direct taxes, the total in the revised estimates for 1946-47 is approximately Rs. 156 crores. The corresponding figure in the budget estimates for 1947-48 on the existing basis of taxation is Rs. 135 crores. Now, that by itself would not give you a basis for estimating the relative burden in the two years, because in the budget estimates for 1947-48 nearly Rs. 40 crores is arrears of the Excess Profits Tax. This is a tax upon profits which became assessable mainly in the previous year. In estimating the actual burden placed upon industry and trade, this ought to be transferred to the revised estimates of 1946-47. If you do that and make a further adjustment for the refundable deposit in the Excess Profits returns for that year (which do not form part of the net burden) and if further you add the proposed new taxes to the budget estimates of 1947-48, the burden upon industry and trade in 1946-47 is about Rs. 40 crores higher than in 1947-48. There is one factor which you have to take into account along with it and that is that the level of wholesale prices stands now not merely at the same level as in 1946 but, if anything, a little

[Dr. John Matthai.]

higher. The prices fetched by commodities are today as high as if not higher than in 1946. That fact should be kept in mind when you try to estimate the significance of the fact that the burden involved in the figures of 1947-48 is Rs. 40 crores less.

Having said this, it is necessary for me to mention certain qualifying factors. The criticism will at once be made "When you estimate the burden upon industry and trade in the year 1947-48 you take into account Rs. 40 crores as the receipt from these new taxes which assumes that the estimated receipts are accurate." I listened with some interest to Mr. Tyson, who is a distinguished economist, when he said that these were underestimates. I think the same point was made by more than one speaker yesterday. They may probably be underestimates; it may also happen they are overestimates. But my own experience makes me think when it comes to the question of estimating the receipts from revenue that you can do worse than rely upon the judgment of experts who have inside knowledge of these matters. For any purpose of a practical kind it seems to me that it is wiser to proceed on these estimates than try to make alternative estimates based upon conjecture however intelligent.

There is another qualifying factor that has to be taken into account. Although it is true that the total burden in the shape of direct taxes is going to be less in 1947-48 you have to take into account that the output of industry is also going to be less. We have serious difficulties arising from the labour position. There is also a considerable reduction in output due to shortage of coal. These factors may result in reduced output in the coming year. If to that you add also the consideration that wages are standing at a higher level and therefore costs are generally likely to be higher than in 1946 you reach the position that although the amount of taxation is smaller that taxation is really upon profit which is also smaller. It is conceivable that smaller taxation in relation to a smaller quantum of profit might mean in reality a heavier burden. But as far as I am able to size up the situation, it seems to me that the margin of Rs. 40 crores between the two years in the quantum of taxation may be taken as offsetting any disturbances in these calculations due to the causes I have mentioned. On the whole I feel therefore, although this is not a position that I can absolutely substantiate, that the burden in the shape of direct taxation involved in the new proposals will at any rate, taking an overall view of the position, be not higher than in 1946-47.

This conclusion is subject however to certain reservations. Even assuming the burden is not going to be higher, we have to remember that the incidence of that burden may vary from industry to industry: may vary as between different groups and different interests: They may be important industries, industries of great national significance which may be hit harder than other industries which do not possess the same degree of importance. That is a matter which has to be looked into. And since my Honourable colleague, the Finance Member has decided to refer these matters to Select Committees of the House, it may be presumed that any proposals by them in regard to the adjustment of the incidence of the new taxes, will receive at the hands of Government very careful consideration.

Sir, it has been said, that we need not resort to taxation of any kind this year. Deficit budgets are the order of the day. There is a school of thought growing in popularity that if you want an expansionist economy in the country, then deficit budgets are not merely not to be shunned but should be welcomed. If however you are going to allow a deficit of this order to be uncovered, the only justification you have for doing so is that you have a reasonable expectation that within a measurable period of years, the deficits would be covered. We have got into the habit of budgeting for period of twelve months. But

there is no sanctity about the financial year. It is possible that you would get a more correct appreciation of the country's financial and economic position if you did your budgeting not for a period of a year but for a longer term than a year. Personally I would like to suggest that if we are to resort to the practice of budgeting for a period of three years, we would probably be on safer ground than we are now. There is no doubt if you take a period of years, the defence expenditure would grow less. It is possible that you may effect a very considerable saving on your expenditure side. It is possible, looking at it purely from the point of view of expenditure, that over a relatively short period of years you may find yourselves square. But as against that, there is this important consideration, which I for one would not overlook and that is this: the signs of the times are that we are going in for a period of deflation earlier than many of us think. If within this period that you are considering for your budgeting, you are going to have the beginning of a period of downward prices, of deflation and not necessarily a slump, then even with higher rates of taxation you can not be certain of increasing your aggregate revenue. On the other hand you are likely to bring down the aggregate revenue by higher rates of taxation. At the point that we have reached, it is necessary to take into account the possibility that against a fallen expenditure you may also have falling revenues. I have therefore little doubt in my own mind that my Honourable colleague has taken the right step in covering by taxation as large a portion of this deficit as possible.

If we have a series of deficit years, it will have a very considerable effect on the internal price and cost structure of the country which may lead to serious consequences of which every economist is aware. But apart from that I wish to touch on an aspect of the problem which has more immediate and practical consequences and that is the effect of a series of deficit budgets upon the credit of the country, both internal credit and external credit. And there I want to draw the attention of the House to the fact that when a popular Government has assumed power for the first time and is on its trial, that is not an appropriate time, if I may use, Sir, a phrase which is slightly less than parliamentary, for "monkeying about" with deficit budgets. Apart from its repercussions on the internal credit of the country, we are anxious to get as much capital equipment as possible into this country in the next few years if we want to implement our schemes of development. I do not know what the sterling balance negotiations are likely to lead to. In any case it would be necessary for us to look to hard currency countries increasingly for the capital goods that we need. In view of the fact that currencies of this kind are still scarce, the only way in which you can get them is on credit. America is a hard bargainer in these matters and if a popular Government starts off with a deficit budget and carries on for a few years with deficit budgets, you can take it as certain that the terms on which you will get credit from America will be extremely severe.

There is one more point arising out of this that I want to consider for a while. It has been said, and often, since the budget was issued that all this taxation is going to lessen the incentive to invest in industrial undertakings. That is a consideration to which I attach a great deal of importance. But it is necessary at the same time to look into that problem a little more closely than we are in the habit of doing. The question with which we are faced is what is the rate of return which would operate as a satisfactory incentive to investment? Years ago, when the Tariff Board was making enquiries for the protection of industries, they used to take rates varying, I believe, from 7 to 8 per cent. That is about 10 to 15 years ago. Times have changed and money has become cheaper. If we are going to fix a suitable rate of return in relation to the present money conditions, then to suggest that anything like the rates which were considered appropriate ten or fifteen years ago would not be right. A lower rate of profit ought to be considered sufficient

[Dr. John Matthai.]

under present conditions for the purpose of providing incentive to investment. If those who are in charge of great business concerns in the country are looking for a rate of return higher than that, when we are going to be faced with a difficult problem a problem which involves serious issues of national policy. If the Government of the country can raise money at relatively cheap rates of interest and if private enterprise will only put their money into business at much higher rates then the question arises whether the kind of economics you expect from competition and from initiative and those other virtues which are associated with private enterprise would not be offset by the increase in capital charges which private investment would necessarily imply? If that issue is going to be raised in connection with this budget the country would have to face seriously the question whether it is in its interests to continue private enterprise, whether it is in its interests that capitalism should have a longer lease of life. We should be up in spite of ourselves against the problem of nationalisation as an immediate problem.

Sir, I want to repeat what I said at the beginning that it is not my intention to make any specific suggestions or to discuss any specific proposals. All that I have tried to do is to give the House a general idea of the background of the problem that it has to consider. May I say in conclusion that we in this country after a long, weary march towards freedom have now reached a stage, when the roads in front of us seem to cross one another with almost bewildering confusion. Difficult choices are ahead of us, grave issues are being thrown up on all sides of us. The issues raised in this budget are typical of the problems which the country would have to face in the near future. I have no doubt that this House will apply to these problems the deep and anxious care and the dispassionate judgment which they require and deserve.

Mr. M. R. Masani (Bombay City: Non-Muhammadan Urban): Mr. President, Sir, I am sure the House has been tremendously impressed by the **weighty pronouncement**, if I may so call it that made by Dr. John Matthai. He has thrown a challenge to our patriotism, which, I believe, will find its way to a wider circle than that of this House. Not only does what he has said bear on the immediate attitude we should adopt towards this budget but it will also colour our approach to the economic problems that face this nation in the coming months and years. Sir, I find myself, if I may respectfully say so, in a large measure of agreement with the line of thinking pursued by Dr. John Matthai. It was with some such background as his that last year, while speaking on the Finance Bill, I regretted the complete abolition of the Excess Profits Tax and I then suggested that at least part of that tax should have been maintained, say, 50 per cent., for one year more to enable that money to be spent on productive purposes because, in the circumstances then prevailing, I believed that industry could have done well with half the relief that it got. A year has passed since then, but I am mentioning this to assure the Honourable the Finance Member and this House that I am not at variance with the social objectives that the Finance Member has placed before this House in his budget speech.

Approaching this budget from that point of view, I find myself welcoming many features of what the Finance Member has presented to us. I welcome the abolition of the salt tax from the point of view of the poor man. From the same point of view I also welcome, and I wish it had been possible to go a little further, the raising of the limit of exemption from income-tax. I found myself responding warmly to the stand that he took on the sterling balances both in regard to the attitude that should be presented to the British Government in our negotiations with them as well as to the use to which those balances should be put.—that they should not be frittered away in the import

of consumption and luxury goods but should be harnessed to the capital development which we need in this country through the import of machines, machine tools and capital equipment of various kinds.

Lastly, I found myself responding also to his reference to regional planning. I am not one of those who are frightened by that term and who are inclined to think that regional planning is an enemy of national planning. On the contrary, the nation, in my opinion, is often too large a unit for planning, and planning should be done on the basis of smaller regions. The TVA stands for that and Professor Huxley has rightly said that "the initials TVA are beginning to be familiar as the symbol of a new possibility, for democratic countries—the possibility of obtaining the efficiency of a co-ordinated plan without totalitarian regimentation." In our own country, Mahatma Gandhi has stood as the embodiment of that idea of decentralised regional planning. I think I am right in saying that not less than 50 per cent. of our industrial workers are located in the two provinces of Bombay and Bengal and that perhaps half of our total industrial workers are located in four big industrial cities in this country. So there is immediate need for concentrating on the development of backward regions where actual development has lagged behind potentialities. But, Sir, regionalism is a purely economic concept. A region must be an economic region like the valley of a river, whether it be the Tennessee river or the Damodar river and, as we have seen in the case of the Damodar valley project, a river basin can run into the two administrative areas of Bihar and Bengal and thus the provincial boundaries become irrelevant to and obstructive of, the development of that economic region. Similarly, economic regions may cut right across different kinds of people in different provinces and I do trust that no other implication than that of economic regionalism was intended by the Finance Member. May I just leave the matter by saying that the religion of the people or the majority of the people concerned is completely irrelevant to any kind of planning, whether regional or national?

When I emerged from this House after listening to the Honourable the Finance Member's budget speech, I was asked by various press correspondents whether I felt this was a socialist budget. I found myself unable to say "yes" to that question. I found that there was a confusion, perhaps, between anti-capitalism and socialism. It is high time that we get it clear that anti-capitalism is not necessarily socialism; although opposition to capitalism is part of the socialist concept. There are many kinds of anti-capitalism. Hitler squeezed the capitalists in Germany in order to get armaments in preparation for war. The slogan of "Guns not butter" was an anti-capitalist slogan, but it was not a socialist one. You may have other systems like Fascism, like Totalitarian Communism, like Feudalism, but none of these are socialism. Therefore the socialist need not rejoice if he sees feudalism or some other element trying to destroy capitalism. That can bring no joy to a socialist heart. It all depends upon what you replace capitalism with. My aim would be to replace it in course of time with Democratic Socialism.

I quite agree that the great inequalities which today disfigure our economic life must go as fast as we can make them go. But there must be something to distribute equitably before we can launch on projects of redistribution. Our national income today, in terms of the depreciated rupee, is perhaps about Rs. 190 a year, just over ten rupees a month. If that is the kind of goal or target that we aim at then, I, Sir, would not like to share in that conception. Equitable distribution must mean distribution which gives a standard of living consistent with decent conditions. Our present national income, however much we may deplore it, cannot, even if evenly distributed, give anything like what we can call a decent living.

[Mr. M. B. Masani.]

Therefore, equitable distribution must be preceded in point of time by vastly increased production. Without increased production there cannot be any distribution worth the name in this country. If time had permitted, Sir, I would have given examples to show how badly we lag behind other countries in such measuring rods of production as electric power and steel, but I assume that the House shares the conclusion that we have to make up terrific leeway in order to catch up with a level of production of goods which will give our people a minimum subsistence of living. Therefore anything that hurts increased production, anything that attacks the incentives that make for increased production, is anti-national and anti-socialist. We have to recognise the fact, whether we like it or not, that for our production today we are dependant almost entirely on free enterprise. We do not possess in this country a system of state industries on which we may rely for our people getting clothing and all the other wants of life. We rely on private investment and free enterprise. This budget does not, for instance, offer to the man with savings an alternative avenue of state investment at reasonable rates of interest or return. If it did, the position might be different. But in the absence of any other outlet for savings in the way of productive investment, if you make private investment unproductive or uneconomic or create psychological factors that make such investment unlikely, then you are striking at the very root of the tree from which all fruits of progress must come.

Whether the present budget proposals constitute such a challenge to free enterprise, whether they will make the ordinary investor shrink from utilising his money and encourage hoarding and hoarding instincts, I am not expert enough to say, but we must realise that there is that feeling. As a lawyer, I was taught the maxim that doing justice was not enough, that the parties concerned must be made to feel that justice was being done. Similarly, is not enough to tell the investor that you are not striking at the root of his incentive, he must feel that you are not doing so. I wonder if the Honourable the Finance Member can really say that a feeling is not there among the parties concerned that it would not pay any more to carry on productive activities? I agree that you cannot go merely by the whining of vested interests. But I do feel that the proposals as they are framed constitute cumulatively too drastic and sudden an encroachment on those factors which make for profitable investment. I am not prepared to argue this point with the Honourable Dr. John Matthai. I would defer to him in this matter as to whether or not the quantum of direct taxation is too much. I agree with him that, to the extent that this budget deficit has to be covered, it must be covered by direct taxation falling on the shoulders of those who can bear it, not on those of the toiling masses. There, I entirely agree. But whether this particular direct taxation carries out the purpose effectively and equitably I venture to doubt. For one thing, I doubt whether time has been given as in other countries in the West, where similar heavy taxation prevails, for industries to adjust themselves to the increasing demands of the State. For another, even within the class of direct taxpayers, as Dr. Matthai himself conceded, there might be inequitable incidence as between industries or different parts of the same industry or different sections of the investing class. My own feeling is that some of the taxation proposals made by the Honourable the Finance Member are inequitable in their incidence on the taxpayers. I shall refer to one of these taxes later on.

The Honourable Dr. Matthai argued that the burden of direct taxation this year is less than that in the past year. But it must also be remembered that the conditions that prevailed twelve months back do not necessarily prevail

today. We are living in months of declining production. I shall quote from the speech of the Honourable the Finance Member to remind this House of that fact.

"Production", (he said) "has been hampered by the inevitable delay in obtaining capital goods in a world clamouring for them after the widespread devastation of war, by labour unrest and strikes in the country, by persistent difficulties in the rehabilitation of the transport system and by the terrible and tragic happenings in certain parts of the country which have not only marred the fair name of India but brought untold hardship and misery to large sections of the population."

All these are factors quite beyond the control of industry and commerce. These are not factors for which you can blame industry. Extraneous circumstances have made for declining production, and that is realised by the Finance Member. Production is declining, profits are shrinking, industries suffer from shortage of raw materials, from unavailability of plant, from shortage of coal, from labour disputes and wage increase. In fact, it can be argued that most of the benefit of the relief that came from the removal of E.P.T. has gone in payment of a higher wages bill. Personally, I welcome that, because I feel that labour should have a fairer share in industry. But the fact remains that, now that E.P.T. is gone, much of that benefit has already passed on to other hands than those of industry. Therefore, you cannot fairly compare the burden of taxation last year with the materially changed conditions now. You will have to realise that taxation that might have been justified twelve months back cannot be justified today. That is my respectful answer to Dr. Matthai. As one who opposed the removal of E.P.T. last year, I still find it possible to argue that under the conditions that prevail today a smaller measure of taxation inequitably adjusted to industries might do harm, and might strike at the roots of private investment.

My real quarrel with the budget is this that, while the attack on the rich men's pockets may be good, it is not confined to the pockets of the rich only, that its repercussions will go very much wider if it hurts production in this country that it will hurt the poorest of the poor along with the richest of the rich. However much I might share the desire of the Honourable the Finance Member to do social justice in the course of the budget proposals, I feel there are other ways of doing that and that too without taking the risk of injuring production that is so badly needed. The proposals which the Honourable the Finance Member has made might defeat the very object which he has in view.

I shall refer only to one of the taxation proposals amongst those that have been placed before the House, namely, the proposal for a special profits tax. Last year Sir Archibald Rowlands said that "By all the canons of taxation, it, the E.P.T. was a thoroughly bad tax. It is rough and ready in its operation, it is unfair in its incidence and beyond a certain point it is a direct inducement to inefficiency." I feel, Sir, that all those charges can be levelled with even greater force against the special profits tax. This tax will hit the industry and in particular large corporations which employ a large number of well paid workers, with capital invested by thousands of small investors and giving a small rate of return. It will not hurt comparatively small businesses which make huge profits. I feel, Sir, that it is a thoroughly bad tax, like the Excess Profits Tax which preceded it and that it should not disgrace our statute-book.

If it must be replaced I suggest that it should be replaced by a tax on profits beyond 7½ per cent. or thereabouts of interest on capital employed. After that, certainly take away 25 per cent. My Honourable friend Dr. Matthai referred to the rate of interest falling. That is true of the advanced countries of the west, but it is not so true of a country like India or a country like China or a country like Russia. May I remind Dr. Matthai that the Soviet Government which claims to be Communist pays an interest of 7 per cent. on its State Bonds and 8 per cent. on post office savings deposits? And

[Mr. M. R. Masani.]

these are investments in nationalised industries. If after twenty-five years of an effort at Communism the Russian Government has to pay 7 or 8 per cent. to its State investors, surely it is rather premature and optimistic to hope that in a backward country like India, where capital accumulation is low, it will be possible to lower the rate of interest or dividend very substantially in the years to come, whether in private industry or in State industry. I do not think nationalised industries can be run unless the State is prepared to pay something like 7 or 8 per cent. in this country also.

My concrete proposal, therefore, to the Finance Member is this. In terms of our national income, our deficit is negligible; it comes to only $1\frac{1}{2}$ per cent. of our total national income of Rs. 5,500 crores. In terms of our national indebtedness, it comes to $8\frac{1}{4}$ per cent. of our total natural indebtedness of Rs. 2,200 crores. That is not a deficit of which we need get too much alarmed. My suggestion is, not that it should be left completely uncovered—I do not belong to the “growing school” of Dr. Matthai’s “expansionists”—but that it is not necessary to go to the other extreme as he does and become quite so conservative and Victorian in one’s conception of balancing the budget. I believe there is a *via media* and that is that we can cover about 25 per cent. of our total deficit, raising about 15 or 20 crores by direct taxation. And that can be done if the basis of the special profits tax is changed, linking it with capital and profits and allowing for a return of $7\frac{1}{4}$ per cent. on the capital employed. That is my concrete suggestion. I urge on the Finance Member that the demands of social justice can be met with various instruments. I agree with his ends, but I do not agree with his means. I believe that the demands of social justice today call for the use of the ploughshare and not of the sword.

Dr. Zia Uddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, I join my other colleagues in congratulating the Finance Member on his departure from the traditional manner of presenting the budget. I said previously that the 28th February is considered to be a day of judgment for business gamblers, when fortunes are made and lost. He has shown courage and confidence, and the support of the House is with him. As Sa’ad said:

Deeda-i-Saadi-o-dil hamrah-i-tust.

I can assure him that all our support is with him.

As regards the background that my Honourable friend Dr. Matthai pointed out I agree that in the case of indirect taxation there are some difficulties. Taxation on inelastic articles falls to a very large extent on the poor; but taxation on elastic articles such as the article of luxury falls on the rich, but the law of diminishing returns may apply and the income will fall short of our expectations. So direct taxation really comes from persons who are in a position to pay.

The second thing pointed out by Dr. Matthai,—with which I entirely agree,—is that it was a great mistake last year to abolish the Excess Profits Tax. I suggested that the Finance Member should have reduced it by 50 per cent. and the present Finance Bill has to adopt measure to rectify the mistake of last year, in the same way as we rectified the mistake committed in the second Finance Bill of 1931 by imposing the special excise duty on sugar. One important fact has not been pointed explicitly out and that is that all over the country there is now a communist organisation which it is not possible for us to disregard. They are the parasites of every organisation. According to Bombay plan the *per capita* income is only Rs. 65 per month; and if you consider the income of Birla and Dalmia and others, you will find that millions of people must be living on a very meagre income, almost on a starvation diet. The feelings of this class of people will have to be considered; otherwise the

same thing will happen in India as happened in the destruction of Czarsm after the Great War. If you allow these two classes—the extreme rich and the extreme poor—to continue, conditions which existed in Russia during the great war which led to the destruction of the royalty, I apprehend the same position will be repeated. The Finance Member has taken the right step at the right time when he can avoid such wholesale destruction, which may if left unchecked occur at any moment. So something will have to be done and we cannot wait long. The Finance Member says that this question of taxation has to be examined in a scientific manner. The Standing Finance Committee also drew attention to this fact. But that will take a long time and something will have to be done immediately and cannot be left for the future committee.

The other thing we have to consider is the public demand. We have for 70 years demanded the abolition of the salt tax. When I joined the Alahabad Congress in 1892 as a volunteer—where the grandfathers of my Honourable friends Shri Sri Prakasa and Pandit Malaviya were present—two things were prominently mentioned, one being simultaneous examinations and the other the abolition of the salt tax. The first we got long ago—in fact it has now become a unitary examination because the London centre has been abolished; and it is to the credit of the present Finance Member that he has satisfied the country's second demand pressed for last 70 years. Objections have been raised about the two taxes mentioned in paragraphs 52 and 58 of the Finance Member's speech. One is the 25 per cent. tax on business profits exceeding one lakh of rupees. I was thinking how this 25 per cent. was arrived at; and I found it was a legacy from the Mahrattahs who used to levy *chauth* or one-fourth. Direct taxation is most desirable form when it is levied on persons, who are rolling in wealth. Now the thing is that it has been suggested that industries will suffer by this taxation. I do not believe that industries will suffer to any extent because I have before me the dividend declared by various companies and this is much more than what we can get from Government securities or Bank deposits. My friend Mr. Masani pointed out the low bank rate of interest. I have been pressing for the last seven years and I have been asking Sir Jeremy Raisman that the primary object of the Finance Member should have been to stabilize the prices and leave the bank rate of interest to

find its own level. But his predecessors followed the other method. I P. M. They stabilized the bank rate of interest and left the price to find its own level. Therefore the result of this policy of a large dividend on one side by companies and very low interest by banks stands out very prominently and something will have to be done. You cannot have on one side a bank rate of interest of 2½ per cent. where honest people invest and on the other side you have a large dividend from 5 to 12 per cent. given by these companies. There must be some correlation between the two. One way is that you take up some of this money to relieve the taxes. The particular way in which the industries have been developing and plans have been formed show that they disregard the interest of the consumers.

Now the other point on which objection was raised was that there should be no tax on capital, which my friend Mr. Griffiths described as a tax on depreciation. There I agree with one thing. When you compare the values of two assets in different times, in 1939 and at the present moment in terms of the paper rupee, then you have to take into consideration the price level in 1939 and the price level in 1947. Therefore the cost of any article in terms of paper rupee at the present time must have gone up three times because the price index is more than 300 in the essential commodities required for life. Therefore taking this into consideration that the prices at two different times ought to be compared according to the price index on different dates. With these precautions the income-tax on the capital is not very objectionable. It ceases

[Dr. Zia Uddin Ahmad.]
to be income tax on depreciation. If you do not take into consideration the difference in the purchasing power of the rupee and measure it by a measuring unit which has changed altogether in value during this period, then this will be a little hardship and I hope this important factor will be considered and made clear by the Select Committee. As regards these two taxations, the people may have objection and the greatest objection will come from the business men who are the only people who are bound to suffer and these business men have the monopoly of all the newspapers. Therefore if you form your opinion on the newspapers alone, then surely none will be with me. But if you take into consideration the opinion of honest people who are the consumers of the country, then you get opposite opinion. Of the threat that has been administered that these industrialists will withdraw their support from industry and that they will not show the same enthusiasm for production if their income is slightly diminished, I think that they are exceedingly unpatriotic and they will hasten the progress of nationalisation.

Lala Deshbandhu Gupta (Delhi: General): May I ask my Honourable friend, what is his view about "Dawn" which is owned by the Honourable the Finance Member.

Mr. President: Order, order. That is irrelevant.

The Honourable Mr. Liaquat Ali Khan (Finance Member): It is not owned by me. That is absolutely wrong.

Dr. Zia Uddin Ahmad: Will my friend say how many papers are owned by Birla's and Dalmia's?

But there is a class of people, namely the Communists, who are out to destroy the capitalists in the same way that the Communists destroyed Czarism after the Great War and my friend must have this in his mind and take timely action that such things may not occur. We are all in favour of capitalists but we are not in favour of an unequal distribution of wealth. This cannot be tolerated in any country.

As regards planning, my friend is familiar that in the medieval ages and in ancient India, every town was self-sufficient and they produced all the requirements that people wanted. In modern times with the influence of the British, now we begin to talk on an All-India basis and now we are beginning to take of international view. I am very nervous about these international movements. We have very unpleasant experience of the League of Nations and I greatly apprehend that all these international movements may not lead to the exploitation of the weaker countries. I do not think India can be classed among the stronger countries just now. So we have to move cautiously. I again press, that whatever may happen to the international organisations and to the All India organisations, we should look into the question of the local conditions and make every locality self-sufficient. This is the guarantee of the success of future progress.

Coming now to Taxation Committee. Sir Archibald Rowlands made reference in the Assembly when he went further and even fixed up the personnel of the Committee. But we cannot wait till the formation and the report of the Taxation Committee because there is a great danger that the communist feeling may grow up at any moment, if it is not properly checked at the right moment.

Now, as regards the planning that has been going on, I have certain difficulties which I would like to point out. In the first place, there is no economic planning of the planning of different industries. There ought to be an economic planning at the back of all the planning which we have drawn up and no priority is paid and there is no guarantee that all these plans will continue even after four or five years. Then, all this planning ignores the requirements of the consumers. All these plannings tend to raise the price level of various commodities. Besides,

on all this planning we have not taken expert advice. All these plans were devised by persons who were interested in the industry and naturally they were interested in their own profits. The result is that the incidence falls on consumers, who pay for the protection. We have to give these industrialists subsidy from the tax-payer's money and at every stage the tax-payer is exploited for the benefit of the industrialist. So, I would suggest that time has now come when we ought to appoint a Fiscal Commission in the same manner as we appointed in 1922 under the presidentship of Sir Ibrahim Rahmatulla. This commission is very badly needed because the circumstances of 1947 are entirely different from the circumstances of 1922.

Then, Sir, there is one thing which has been slightly touched by one Member but it has not been properly considered. That is the question of defence. Only one Member suggested that no planning has been made about the defence of the country. That is really a very important lacuna in all these plannings and it ought to be made good. I individually believe that we have to pool with a few* other countries for our common defence. It is impossible for any country to have a sufficient army, navy and air force for its own defence. This is a thing which has got to be considered really by a Planning Committee.

Sir, there is one point more which I cannot discuss now because I have no time and will bring it up later on, perhaps at the time of the Finance Bill. That is the question of the disposal of the American goods. I think negotiations with America have not been to our advantage. That policy requires to be looked into very carefully. The present policy benefits entirely the Americans and it is not in the interests of Indians. It requires some change and we will take it up at the time of demands for grants. With these words, I resume my seat.

SUSPENSION OF QUESTION HOUR

The Honourable Mr. Liaquat Ali Khan: May I just make a request to you, Sir? We have got three Bills in connection with the Budget which have got to be referred to a Select Committee. I request you, therefore, to suspend the question hour tomorrow, so that the House may have some time to consider those Bills.

Mr. President: If the various Parties in the House are agreeable, the Chair has no objection.

Shri Sri Prakasa: Sir, I am not agreeable to this proposal, although I am not a party.

Mr. Leslie Gwilt (Bombay: European): We have no objection to the suspension of the question hour tomorrow.

Babu Ram Narayan Singh (Chota Nagpur Division: Non-Muhammadan): Sir, the question hour is the best privilege of the House and it must not be suspended.

Shri Sri Prakasa: We can sit till 7 P.M.

Mr. President: I think we might take up this question at 2-30. Meanwhile, some negotiations might be started.

The Honourable Mr. Liaquat Ali Khan: We have already had negotiations and all the Leaders of Parties have agreed to this course.

Khan Mohammad Yamin Khan (Agra Division: Muhammadan Rural): My Party has no objection to suspending the question hour tomorrow.

Sjt. N. V. Gadgil (Bombay Central Division: Non-Muhammadan Rural): The other alternative is of sitting an hour late.

Mr. President: That has been agreed to already and it is difficult to sit from day to day one hour longer. Apart from the inconvenience to Members, I might

[Mr. President.]

just invite their attention to the fact that it involves so much sweated labour. We should have some consideration for the reporting and other staff of the Assembly.

Shri Sri Prakasa: Abolish the Lunch interval.

Mr. President: I was just considering whether it was feasible to allow only those Honourable Members to put their questions who are particular about them. If other Honourable Members have agreed not to put their questions, their questions need not be put.

Shri Sri Prakasa: That would be too obvious.

Mr. President: Then, I hope those Honourable Members also will consent to the question hour being dropped when there is such a universal demand for it. The question hour will, therefore, be suspended tomorrow.

Then, may I make one more suggestion

The Honourable Mr. Liaquat Ali Khan: May I interrupt you, Sir, for one moment? If there are any questions concerning my Department, I shall be very glad to meet the Honourable Member and perhaps I might be able to satisfy him more outside the House than inside.

Shri Sri Prakasa: My questions, if any, may be deleted. I plead for other people.

Mr. President: I would like to make another suggestion. In the matter of legislation, there is no time-limit for the speeches. It will, therefore, be better if the Parties could agree to have a time limit to discussion on these Bills which are going to be referred to Select Committees. I do not mean to suggest that it is a matter of the right of the Chair or the right of any person, but, if by common agreement, that could be done, it would be so much better.

Shri Sri Prakasa: I should like to know from whose quota Dr. John Matthai got the time?

Mr. President: Not from the Congress quota but the Government quota.

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

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (the Honourable Mr. G. V. Mavalankar) in the Chair.

THE GENERAL BUDGET—GENERAL DISCUSSION—contd.

FIRST STAGE—contd.

Mr. Vadlal Lalubhai (Ahmedabad Millowners' Association: Indian Commerce): Sir, I am in full agreement with the Honourable the Finance Member in his noble objective of reduction of social inequalities. I do not feel that there would be anybody in this country who would not support this noble objective which the Honourable the Finance Member has put before him and before the House. But, Sir, we have to see these budget proposals in the perspective of present day conditions as to whether these objectives will be fulfilled by his proposals or they will be retarded. I feel that the proposals are such that these objectives will not only be not fulfilled but they will be jeopardised. After all we have got very little employment and a lot of unemployment and as Dr. Matthai said a majority of taxes have to be from industry and trade and if the majority of taxes have to be from these sources, we must see that these sources do not dry up by any proposals which might remove the incentive from those who are engaged in industry. We have to look at these proposals only with this view point that the noble objectives which the Finance Member has put before him are not jeopardised. If we look at the budget proposals, they can

be classified under fourfold character. The taxes are of four different kinds. Firstly there is the 25 per cent. tax on business, secondly capital gains tax, then the raising of corporation tax by one anna in the rupee, and lastly he has raised the slab limit. The slab limit was raised to a considerable extent last year. It was then felt that utmost limit of slab had been reached. If these taxation proposals are taken up singly, I do not feel that these proposals would be inequitable, but if you take their cumulative effect, the result would be so staggering and so disastrous that future industrialisation will stop, not only the future industrialisation will suffer; but also the present industries will suffer and in its wake we will have unemployment and under-employment, production of goods will suffer and we would lay open our markets to foreign products. I would refer in this connection to what my Honourable friend Mr. Griffiths said yesterday. He is an Englishman and an outsider and let us see what he feels about these proposals if they are put into effect. He thinks the results will be disastrous. This is what he said yesterday:

"The whole scheme of taxation was so drastic that it would damp down industrial prosperity with every possibility of private enterprise disappearing and sooner or later leading to economic collapse; the business profits tax was a fantastic proposal which would provide no incentive and it would be a definite discouragement to industrialisation."

I understand that foreigners have to gain much from these taxation proposals because if industrialisation is retarded in India, then there will be a steady flow of foreign goods into India and still as an honest and independent Englishman in India he feels that in the present situation of this country, if we are going to have this kind of taxation, then industrialisation will not only suffer but will completely disappear. We have got to consider whether we are in a position to start industrialisation by the State. If the State can start industrialisation, I have nothing to say, but if at the present juncture the State is not in a position to do so, and we all feel that the State is not in a position to do so, then it would be suicidal to damp the incentive to start new industries and jeopardise the present ones. It would be said it is all tall talk that industry would suffer or that industry would be jeopardised. I would refer to some calculations which are well known now to all of us. In yesterday's *Hindustan Times*, we have seen an example of cotton textile industry. Take the example of a mill investing a crore of rupees, today it will earn about 15 lakhs. But due to inflation the cost of machinery and buildings have gone up three times. That is why the starting of a textile mill would cost a crore of rupees. Similarly it would cost much to start other industries and with the new rates of taxation the cumulative effect will be that all that will be left for the shareholders will be only about one per cent. dividend. Do you expect that with the prospect of one per cent. or 1½ per cent. anybody will come forward to invest money in any industry. By Honourable friend Dr. Matthai propounded various economic theories. I have no time to go into all these details because I have to refer to other points. I shall refer to these theories later on when we consider to send the Bills to the Select Committees. Then, I have a mind to reply to some of the points. I have made certain calculations which go to prove that if a mill invests a capital of a crore of rupees and earns 20 lakhs profit, then out of this 10 lakhs would go for depreciation—but 20 lakhs is too big an amount of profit to earn in these days of difficult industrial conditions, such as labour troubles, decrease in production owing to various causes—taking an income of 10 lakhs as gross profit, if you deduct all these taxes, what will be left to the shareholders will not work out to even one per cent. These are simple calculations and anybody in the Finance Department ought to be able to calculate them and they will come to the same conclusion as I did. With such figures in hand, anybody can say whether industrialisation in this country will progress or will be retarded. So far as I said the cumulative effect of these taxes will only tend to damage the industrial prosperity of this country. So far as taxation of capital gains is concerned, I congratulate the Honourable the Finance Member on his putting up this tax. This is a just tax, this is a correct tax and this tax will touch those who benefitted during the war.

[Mr. Vadilal Lallubhai.]

Shares of the value of Rs. 100 shot up to Rs. 1,000 and more during the war. It is only fair that the State should take a portion of those huge profits in sale of shares. And that tax should itself pay a good many crores more than the Finance Member estimates. He expects to get 8½ crores out of the tax on capital gains. Sir, I have a list with me of capital assets sold in this country in the last two years; I find that the big ones only amount to 85 crores; and there are numerous small ones which also would come to several crores. All these together would give more than 20 crores, while the Finance Member estimates only 8½ crores. If the Finance Department goes into it thoroughly they will find that it will be very much greater. The limit of exemption in this case is Rs. 5,000. I think that is too small, because the small people sell, not to make a profit but because they want some money. I therefore feel that that limit should be raised to Rs. 15,000 or 20,000 so that the smaller men do not suffer.

Regarding this business profits tax beyond one lakh, it is purely unscientific, as pointed out by my Honourable friends, and I will not dilate upon it. I feel that this tax is very inequitable and should go. There should be other avenues found to square the budget and reduce the deficit and, as suggested by Mr. Griffiths, that can be done with the co-operation of all of us in a conference.

As regards tax on luxuries my Honourable friend Dr. Matthai said that there is some limit to taxation, because otherwise imports would be lessened and that source would dry up. It may be good as a theory but we are in the present and not in the past or the future. The present conditions are those of inflation and there has been an accumulation of demands in the last seven years; people want goods. Take motor cars for example. If we import a thousand motor cars every month and you raise the customs duty from one to two or three thousand according to size, we can easily get more than 2 crores. I think the import of motor cars is more than I estimate. Similarly if we tax luxuries we can get a lot more.

The expenditure on the civil and military administration is certainly very heavy. I can state from personal experience that all over the country in many offices of the Government of India there is not even one or two hours' work. These offices are still kept up and the expenditure on them is increasing. If investigators are sent to these places my statement will be borne out by facts. Similar is the case with military expenditure. My Honourable friend Mr. Griffiths said that 40 pages of the Telephone Directory are taken up by the G.H.Q. We are not retrenching as we ought to. If something is done in that sphere there will be no need for taxation.

Lastly, about the raising of the slab, it was raised heavily last year and Sir Archibald Rowlands said that he had tried to mulct the rich in this country as much as possible; and if we now raise the slab to this high limit, the accumulated results of all these will be disastrous. My Honourable friend Mr. Gadgil said that in future salt will be free to the poor while the rich will go to the grave. Not only will the rich go to the grave but the whole country will be dragged to the grave if this kind of taxation is kept up. We can, I feel, have lots of other avenues for taxation and these can be settled in a conference if we approach it in a spirit of friendliness.

Sardar Sampuran Singh (West Punjab: Sikh): Sir, I congratulate the Finance Member on presenting a good budget and also on his lucid and beautiful speech. I congratulate him on his giving us aircraft factories, locomotive engine factories and converting ordnance factories into factories for manufacturing textiles and road rollers and other things. I also congratulate him on nationalising the Reserve Bank of India. But I also want to point out a few omissions. It is high time that we should have motor car factories in this country and also factories for making tractors and agricultural implements. These are essential for the country's development and urgently needed for producing more grain in the country. People who are now placing orders with foreign firms do not hope

to get anything for at least another year. So to cope with the demand we should put up factories for that purpose. We appreciate the budget speech as it has shown sympathy for the poorer classes; but I am not satisfied that enough or anything has been done for them. Heavy taxes are sought to be levied on the upper classes but they will reflect on the poorer classes as well. Besides that I find that no constructive proposal for helping the poorer classes has been made in this budget. This Government has inherited the traditions of a very expensive Government and I am sorry that I do not find any signs of economy or retrenchment to lessen the burden on the taxpayers. That side, I submit, has been practically ignored. During the war, several departments sprang up and they developed. The war ended a long time ago but they are taking several years to be liquidated. Therefore that is one thing about which I particularly draw the attention of the Finance Member. He should try to liquidate all these new departments without which we did very well before the war and there is no reason why we should continue with them any longer. So many of them are trying to justify their existence or for being permanent departments. I think the Government should very carefully go into that matter and try to eliminate them without any exception.

The real Indian nation lives in the village and their chief occupation is that of agriculture or such other occupations which are to help the agriculturist in carrying out his profession. As I have already submitted that nothing is hinted in this budget or in the speech that anything special is going to be done for them. We are in great want of grain and it is absolutely necessary that if we want to develop our country we must see to this side before any other. Agriculture can be developed only in two ways: by increasing the efficiency and by bringing more lands under cultivation.

I have several times brought this thing to the notice of this House that large tracts are lying waste in several parts of the country especially in the north of the United Provinces, and that of Assam. If those parts are handled and made fit for living of human beings by exterminating malaria and mosquitoes, I think a very large area can be brought under cultivation and this will provide all our present needs so far as food-grain is concerned.

Then we are fixing the pays of government servants and trying to establish the standard of wages of labour in industries. We should keep in view that the nation lives in the villages and what is there for them? If they cannot make two or three rupees a day, there is no justification for increasing the pay of government servants or even to increase the wages of industrial labour. In this House, time and again, we hear so much advocacy on behalf of these two types of workers for the nation. Government servants are starving; labour is starving; railway labour is also very badly paid. By all means give everybody whatever he deserves. Give them even more, but first provide for the third class railway passenger and the agriculturist who works with his hands, before you distribute the wealth produced by them to other people.

Sir, this budget is prejudicial to the interests of capitalists of the country. The word millionaire is used pretty often and it is said people have made any amount of money during this war. But I want to compare millionaires of my country with that of other countries because I want the industry of my country should come up to the standard of the industries in America and England, and if I want, I should see that there is accumulated wealth as well. If you are trying to fleece those people who have tried to put themselves in a position from where they can do something for the country, you want to pull them down. In this way I think your industry will be permanently impaired and those sources which are going to help in that direction will altogether become dry. Tax people all right but don't force them to lose that incentive which is absolutely necessary to improve and develop our industries which are hardly beginning yet.

The little money that people made in the war has given a stimulus to the industries and we should get on to the tide and rise with it. If we pull the capitalists

[Sardar Sampuran Singh.]

down I am sure the poor of the country will not be pulled down. For pulling him up you will have to adopt other methods and they are to improve agriculture and to give the means of education and healthy life.

When I was long ago a student in London, I saw the living of those people there. I thought we had no rich man in this country. And I am sure that we should not even now deceive ourselves and think we are rich and wealthy people. If we are to stand competition with those countries we have to make our people much richer so that they may be able to have resources to compete against them.

I have only one more point to make and that is taxing capital gains. We have a class amongst us, a parsimonious set of people who belong to all societies and have practised economy for generations and in every generation they have accumulated little money in the form of ornaments, in the form of a house, in the form of a field or two in villages, and at the time of distress they sell a portion of that property either to change its form to increase their income or for the education of their children or marriages in the family. If we are going to deprive those people from the gain which they get out of their little capital, which they have taken generations to accumulate, I think you will be taking away that reserve of several families and you make them paupers all at once. I think this tax is altogether unjustified. If we want more income there are so many other ways. We can tax luxuries more, tax spirits and wine as much as you can and yet those people who drink will certainly get their whisky whatever price you may put on it. By taxing these things and by retrenchment and economy you can save money and make a balanced budget. But do not adopt these extraordinary methods which cut the very root of the progress of the country.

Mr. Muhammad Nauman (Patna and Chota Nagpur *cum* Orissa: Muhammadan): I take this opportunity of congratulating the Honourable the Finance Member on having presented a Budget which has been received with the highest satisfaction in the country. Never before has the Budget been received with that support which it has received this time. The Honourable Member has shown courage and ability and above all a capacity to meet the needs of the country. Socialistic order of society has been receiving lip sympathy from many people and from some sections of the House but here is a budget which will test the intentions of those who were talking loud on the subject of equality and distribution on equal lines.

I would just confine myself to some remarks on the broad features of the Budget. In the matter of relief, the poor man's salt is now without
3 P. M. tax. The taxable minimum has been raised from Rs. 2,000 to Rs. 2,500 for purposes of income-tax. 17 crores have been given as a subsidy for the import of food, which will keep the prices level in a regular manner.

Yesterday when Mr. Griffiths was speaking he asked—what has the Honourable Member done for the poor man. Does he realise that these 17 crores that have been given as a subsidy is to enable the prices of foodgrains to be maintained at a certain level in order to help the poor man. Again the income-tax relief helps a class of people who are badly in need of relief. There is also the proposal to nationalise the Reserve Bank, which again is a socialistic feature of this budget.

The great thing which this Budget has produced is the prospect of cheap money which will fight inflation and also give industries a position by which they can develop themselves. Nobody would expect the high dividends that they have been doing so far. The Congress ministries in Bihar and U. P. thought that they should abolish zamindari and they also probably thought that it was in the interest of creating a democratic socialistic state for the uplift of the growers and farmers. Now this budget will probably give a hint to the people that a time may come when the industries also may be nationalised but I find that there is a section of interested people or people with vested interests who

have not received it with that happiness which was expected. You cannot blow hot and cold at one and the same time. Either this country is going to develop on a socialistic basis or on the imperialistic basis. Once you have decided on the socialistic basis, you cannot act otherwise. My friend Mr. Griffiths said yesterday that the whole scheme of taxation is drastic and it will lead to economic collapse and he thinks that commerce and industry should not have been taxed in the way in which they have been taxed. He has a soft corner for all those traders and industrialists who earn above one lakh of rupees and although he pleaded for the common man, his idea of the common man was a man who earns a lakh of rupees per year in this country.

Mr. P. J. Griffiths (Assam: European): On a point of explanation. I said nothing of the kind.

Mr. Muhammad Nauman: You may change yourself. You made that speech.

Mr. P. J. Griffiths: My friend is misquoting me. Let him refer to the report of my speech. I said nothing of the kind.

Mr. Muhammad Nauman: Well, Sir, I do not want to fight with him on the floor of this House. When I interrupted him, he was anxious about establishing trusts and big industries.

Mr. P. J. Griffiths: I did not mention the word 'trust' at all.

Mr. Muhammad Nauman: Very well. Our idea is that we would rather have smaller industries and cottage industries than the creation of trusts and big companies, with a capital of hundreds and thousands of crores, which will interest only a few people, a handful of capitalists, which will not benefit the common man, the average man. Our idea is that the industries should not be the monopoly of a few capitalists and industrialists. Men of lesser and smaller means should be able to compete with him by their hard labour. We want men with small investments to prosper and from that point of view this budget is a great innovation in itself.

A lot has been said that the new taxation will strangle industry and that it will cut at the root of industrialisation in this country. Nobody has mentioned how this industrialisation has been going on and at whose cost. No industry has been able to support itself without State aid and every industry has been clamouring to have tariff protection against foreign competition and they have also been clamouring for protection in the matter of export of those raw materials which would be used by them.

I would give a concrete example. Take the sugar industry which has developed itself very well in this country. In 1924 and afterwards, Java was quoting sugar at Rs. 3-2-0 a maund, c.i.f. Calcutta but our industries were not able to produce at less than Rs. 11-8-0 and we had to pay a protective duty against the import of Java sugar at the rate of Rs. 8 per maund. That means it was done at the consumers' cost and it was more or less a subscription which was being paid by the consumers who are the 400 millions of this country. We have been paying this subsidy not for one year or five or ten years but for 16 years.

Then look at the tanning industry. There have been tariff walls against the import of leather because they cannot compete in the open market but there is also a cry that we should put a ban on the export of raw products because they could not compete. The producer and the consumer have both to be sacrificed in order to develop this industry. This is the position about the consumer and the producer.

Now these industrialists are against the imposition of duties which will expose them to competition from outside, in the open market. And when this money has to be paid by these industrialists for whose benefit it was spent, they grudge it. I cannot imagine any argument which would be in their favour by any chance. I would leave it to the decision of the House to see what arguments

[Mr. Muhammad Nauman.]

they have. They want that the State should not get any income from imports and exports which are not in their interest because they cannot compete on world parity prices with consumer goods. At the same time, when it comes to the balancing of the budget, they say they are not prepared to pay for it and somebody else should be made to pay for it.

I will now come to some other aspects of the same thing. Mr. Manu Subedar said that the Finance Member is not only taxing the rich men and the big industrialists but he is also taxing the small shareholder who gets a small dividend. Sir, the dividends which a shareholder gets are not income-tax free. He has to pay the income-tax and then apply to the income-tax authorities for its refund. If he is entitled to the refund, the money is refunded to him. That is an open secret, which should have been taken into consideration.

Now, Sir, it has been said that the industrialists have not made a very huge profit and why should they be taxed so much. But if you just look into the facts of the share market you will find that the face value of 100 rupee shares has gone up to Rs. 500 or Rs. 600 within the last three years. Tata's shares are probably being quoted at about Rs. 2,000 whose face value is only Rs. 100. Is that fighting inflation? Is this real business and trade? That is what I want to know from these Honourable Members who have been opposing the budget on some line or other.

Lala Deshbandhu Gupta: What was the pre-war value of Tata's share?

Mr. Muhammad Nauman: If you compare the present value of Tata's shares with that prevailing in 1938-39, it will be seen that it has gone up by 400 times. I am glad my Honourable friend has interrupted me.

Lala Deshbandhu Gupta: What was the pre-war value of Tata's share which is now being quoted at Rs. 2,000?

Mr. Muhammad Nauman: Now, Sir, I will refer you to the currency position. During war years we have been balancing our budgets mostly by a system of borrowing with the result that today our indebtedness amounts to 2,000 crores, which was never the case before in this country. Last year we wanted to have about 260 crores by borrowing but we could not raise more than 112 crores as the Honourable the Finance Member knows and to this reference was also made by Mr. Tyson. You can see what it means. It means that inflation is being kept on by this artificial position of the money. All these industries which are earning a huge profit, which they do not deserve, have been keeping the inflation in this country to the extent that they should not have done.

Now, Sir, I do not propose to go into a very detailed examination of the proposals which are going to the Select Committee. I will only say this that on the face of it the proposals are sound and should receive the consent of the people and I hope that the House will agree with them *in toto*. Dr. John Matthai has very ably said that those people at whose sacrifice and cost this budget is being discussed, that is, by the absence of import and export duties, they are the people who should pay and nobody else. With these few remarks I resume my seat.

Pandit Sri Krishna Dutt Paliwal (Agra Division: Non-Muhammadan Rural): (The Honourable Member spoke in Hindustani. For Hindustani text, see Appendix to the Debates for the 4th March, 1947. English translation is given below.—*Ed. of D.*)

Sir, the presenting of budget by the present Finance Member is a matter for joy. Firstly, in the British Government's history of India it is the first time that an Indian Member is presenting the Budget. Secondly, the Finance Member is not an official nominated member. He may be called a representative of the public. Thirdly, he belongs to our Province. Fourthly, the feelings which the Finance Member have expressed for the people of India are liked by all Indians. Fifthly, he has abolished the salt tax, for the abolition of which the Congress had been trying for the last 50 years and for which Mahatma Gandhi's attention was drawn. Sixthly, he

has increased the minimum exemption limit for income-tax from Rs. 2,000 to Rs. 2,500. Seventhly, he has taxed the rich and left off the poor. Every student of economics knows that if the wealth of the rich is distributed among the poor it betters the nation and increases the National Wealth as well as the Economic Welfare. Patriotism too increases accordingly. If, therefore, Nawabzadah's wealth is given to me it will be good.

Shri Sri Prakasa: Do you know how to wear a necktie?

The Honourable Mr. Liaquat Ali Khan: He will learn it after getting the wealth.

Pandit Sri Krishna Dutt Paliwal: But the range of happiness ends here. Nothing more can be said for this budget. The fact is that the sixth and seventh items of joy aforesaid are not matters for joy because the minimum exemption limit is still low. You all know that in these days value of money, expenses on necessities of life and all other things have increased to double and fourfolds. Under the circumstances 2 or 2½ thousand will hardly mean Rs. 800. The exemption limit for the income-tax should have been fixed at the least at Rs. 8,600 or even more.

So far as the seventh item is concerned that is, taxing the rich I may plainly say that I have no sympathy for the capitalists. These capitalists are alligators and they swallow the whole man without a single belch and then shed crocodile's tears. How can one feel sympathy for them? They are crocodiles and they deserve no sympathy. It is no Communal question. The whole world knows that these Tatas, Birlas, Ispahans and Morgans are all alike. They are one brotherhood. In spite of Marx's teachings a hundred years ago the labourers have not united but the Capitalists who suck the blood of the labourers have all along been one and are at present one. It is rightly said for them that they belong to no country and they are one. I have therefore no sympathy for them. These Capitalists are very clever but they are their own enemies. We see a funny thing today. Nawabzadah Liaquat Ali Khan is a socialist. A friend of mine who is a 'big zamindar' and a taluqadar is also a socialist. My friend Mr. Nauman has also turned a socialist. There is a saying in English "Too good to be true." That this budget is socialist and these friends of mine are socialist seem to me too good to be true. As I have said I have no objection if these people are taxed. To doubt any one's intention is not good nor is there any occasion or necessity for it. It may not turn out a quack who is a danger to life. With the end of the malady the patient may also not end. I have no sympathy with the Capitalist but with the Capitalists the capital of the country may also not disappear. We must consider it. You may levy as much tax as you please on the professions but if it destroys the professionists you will have to think over it. As Dr. Matthai has said we must see that it has no damaging effect on the industry of the country. These things belong to the public. They do not belong to the Capitalists. We are therefore to look at them from the point of view of the public. First of all the question is whether this budget is a socialist budget or not. I have also said that the meanings of socialism have now become this that our Nawabzadah and Mr. Nauman have also become socialist. When we see this fun that the black marketeers of Bombay and Calcutta pay money to the socialist party and bags of Rs. 10,000 and 20,000 are being presented to the socialists of Cawnpore we get a shock and think what sort of socialism is this? What benefit will it give to the Country? We have to see this budget also from the same point of view: What benefit will it give to the man called a common man in English. In fact the people who talk of the Common man know only as much about the common man as they know about the man in the moon. They do not know where the common men live. 75 per cent. of common men live in the villages. If your budget is so calculated as to relief to the common men and to the people who live in villages it is, as I have said, a matter for joy. Today the Government's

[Pandit Sri Krishna Dutt Paliwal.]

attention is bent upon extracting money from the pockets of the capitalists; but the common men do not desire that you should harm the capitalists. They desire their own good and nobody's harm. The question is: What have you done for the public in this budget?

I like to know what good has been done to the common man in this budget? What benefit he will have? Let us see the three or four things in the budget which my friends have counted. It is true that the rich have been taxed but it gives no relief to the poor who do not want to make others poor—nay they themselves want to become rich. What have you done for their progress? The second thing that you have done is that you have raised the minimum exemption limit for income-tax from Rs. 2,000 to Rs. 2,500. Who in the villages give tax on Rs. 2,500? Third thing that you have done is that you have abolished the salt tax. It is a great thing from an emotional and historical point of view but it adds nothing to economic and material welfare. The fourth thing is that lip sympathy does not go very far. As I have said in the beginning very fine feelings have been expressed for the poor people but the world knows that emotions and oily talks do not cover the shame of the body. It does not satisfy the hunger of the hungry. Have these tiny things done so much good to the world that nothing is left requiring good to be done to it? The question is what have you done for their practical welfare? You could have reduced the price of the post card, you could have reduced the tax on tobacco; you could have done many things to give them their necessities of life. You could have easily made arrangements to provide them with their agricultural tools for which they do not get iron. You could have arranged to supply them with wood for their ploughs and cement for their wells. You could have made arrangements to supply them with cloths for their apparel. They see that in the towns people get ten seers, ten chhataks of sugar while in the villages it is being discussed that they should be given one seer of sugar for one year. What have you done for them in the budget? The thing to be seen is this: Have you made any provision in this budget to give these millions of cultivators a fair price for their produce? You have made provisions to spend 17 crores of rupees to import foodgrains from foreign countries. Instead of 17 crores of rupees if you had paid reasonable price to the cultivators your paper campaign of "grow more food" could have been successful. Ten to twenty per cent. of it can be successful by such an effort. Our thought has not gone to it and no provisions of the kind have been made in the budget. So I say that leaving aside emotional and showy talks there is nothing in the budget which is beneficial to the poor, the public and the cultivators. I want to warn the Government that the people of the villages are not the same as they were before. They are now awake and see every question with the eye of the villager. If the Government did not arrange to give reasonable price for the produce and did not cater to their wants it will be very difficult next time to realize *lagan* from them. Our Government and the Finance Member who belong to my Province will try to think over these things and make such provisions in the budget as will give true and real financial ease to the public and the villagers.

Shri D. P. Karmarkar: (Bombay Southern Division: *Non-Muhammadan Rural): So much has been said about estimates for this year since the Budget has been presented that I will take care not to repeat the points already made. After having heard very carefully all the speeches that have been made by Honourable Members who have preceded me, my effort at this moment is to forget all about the figures which I have looked through, and just to look at the Budget as the layman would look at it and to invite the attention of the House to a few broad considerations that would strike a layman like myself.

When we go back to our respective constituencies we cannot certainly take advantage of the learned disquisitions that we have before this House. One question which our constituents will ask is this: Look here, here is the Interim National Government in office, and here is a very able and competent Finance Member that you ever could have had, and now what is the relief that is brought to us in the near future. If I have to reply that question, I can only say that on the side of relief you have got the exemption of salt tax. He will also feel relieved that the relief for which countless Indians have made innumerable sacrifices has at long last come. But, Sir, by the time that this relief in the shape of abolition of salt tax has come, the nation has been subjected to so many miseries as the aftermath of the war. That relief which the Finance Member has been able to give by way of exemption from salt tax simply dwindles into insignificance when we compare the miseries which the civil population had to undergo during the war and are still undergoing. On the top of that when we come to a situation that in spite of the best efforts, we arrive at a deficit in the budget to be covered by additional taxation, with the present circumstances and with the present environment round about us, not only amongst people who are taxed directly but also people who are not, there is nervous tension visible everywhere on account of the abnormal conditions prevailing. That nervous tension has still further been aggravated on hearing of these fresh taxation proposals. Apart from the fact that an Interim Government is to have its own civil estimates, to my mind it appears that we are passing through a transition stage. The figures show progressively that during the last three years, since 1945-46, our civil expenditure has been going up whereas our resources have been going down. When we analyse this year's budget proposals, we have to ask a double question. Firstly whether the expenditure that is sought to be provided for is really expenditure that was necessary under the present circumstances. If, yes, then whether the proposals for raising revenues as sought to be raised are based on justifiable foundations. To the first question on giving attention as a layman, I do feel that the Finance Department has not tried to show how the expenditure that has been provided for next year was necessary to be incurred. Now, Sir, analysing the memorandum and other papers circulated along with the budget proposals, we find that during the last three years, anomalies have appeared. After the end of the war, in certain departments of the Government of India expenditure has been rising up. If we just glance at the expenditure incurred on civil administration—I will not take the House through a long list—I would invite the attention of the House to the period preceding just the period previous to the war. From 1934-35 to 1938-39, the year when war was declared, our civil expenditure was nearing somewhere round about ten to eleven crores. I will not burden the House with all the figures. After the war began, from 1939, for the first five years covered by the war, I find from 1939-40 to 1943-44, the civil expenditure stood at an average of 14.22 crores. We find in 1944-45, there was an increase in civil expenditure by about ten crores. The accounts for 1945-46 show an amount of five crores more, namely it stood at 29.4 crores. That is at the end of the war. After the war ended, during 1946-47—very likely there is some explanation; but I am sure that that explanation will not be wholly justified—the expenditure immediately soared up from 29.4 crores as in the previous year to 43.41 crores. This year again, in the budget year, we find that the civil expenditure budgetted for is 42 crores. I would respectfully suggest that this increasing spiral of expenditure in civil administration, so far as one can study from the papers and from statistics, is certainly not an index of efficient administration, but certainly in some respects unjustifiably faulty administration. That is the first point to which I would respectfully draw the attention of the House. Secondly one of the Members asked why this deficit is so great. It is due to the fact that defence expenditure

[Shri D. P. Karmarkar.]

is so great. Speaking subject to correction, it is very likely that the Finance Department has taken the figures of the defence expenditure straightaway without much scrutiny. I do not like to offend anybody. But I am not able to explain the next year's estimates of defence expenditure mounting up to the tune of 188 crores. It will be within the knowledge of the House that prior to the war, our expenditure on defence services stood somewhere about 52 crores. In 1938-39, and 1939-40, our defence expenditure was 51 crores. In the first year of war, it rose by about 25 crores, and in 1940-41, it rose to 75 crores. Then again another year of war and intense preparation for the war on our eastern front, the expenditure in 1941-42 rose to 105 crores. Now, we are asked to believe that 2½ years after the war ended, the expenses stand at a higher figure. We are at a period when we must think of reducing our forces to the minimum possible extent. We are living through a period of transition. As Dr. Matthai observed it is of the highest possible importance that our budget should show us credit in the world markets and in world opinion. At a moment like this any slackness in reducing expenditure to the minimum possible under any head would be taken by posterity to be nothing short, if I may respectfully say so, of criminality from social point of view. The spiral of expenditure during the last three years shows not as great a decrease as it should. As we know the expenditure under defence services in 1945-46 stood at 360 crores. It came down to 238 crores next year. Having no expert knowledge or intimate inside working knowledge of defence services, looking at it as a layman with some common sense, I should say that with proper efforts on the part of Government as a whole, it should not be impossible to reduce this 180 crores to something like 150 crores or even to 100 crores as my friend suggests. That is a point in which the budget appears to be weak. I will not dilate on this question any further, but I would invite the attention of the House to the supreme importance of scrutinising every little pie of expenditure to be incurred during next year. I have no time to refer to the various departments which show greater expenditure during the budget year. I have also no time to show that some of the expenditure budgetted for can be avoided. Schemes that should come first should come first, no avoidable expenditure should be incurred. If it can possibly be postponed, such expenditure ought to be postponed without much detriment to national interest. If the figures of expenditure are reviewed from this point of view, particularly from the point of view of reducing defence expenditure and secondly also introducing immediately not in the manner in which the Honourable Member has sought to give us assurance by appointing Economy Committee tomorrow, but as was done 23 years ago, send a request to every department to curtail expenditure immediately by about 5 to 10 per cent. That is the first immediate step that should be taken. Certainly a closer scrutiny of expenditure of each department will show that some reduction is possible. If that is done in each department, then certainly this deficit would be reduced still further. I have finished with that aspect of the point.

Now, I come to the second point, namely the point to which attention of the House has been invited yesterday and today, that is about taxation. I should make one respectful submission to the Finance Member. In one part of his budget speech he has treated the present as a period of transition. Nevertheless he has thought it fit to try and place on the statute book a measure of taxation on business profits. Now having given what little time I could to a study of capitalists I confess that I have a prejudice against them and their working as such. I hope I am correct when I say that certain capitalists have taken absolutely unjustified—I was almost saying criminal—advantage of their position during the war. If they had taken money from somebody who could not afford to pay that would have been crime number one; but I regret that the profits that some of them made were made at the cost of the blood of

large masses of my countrymen. Holding this view it is easy for me to watch with a sense of detachment that some punishment comes to those who in my view have made unnecessary and unjustifiable profits. But we have to view this question from a large and national perspective. I am afraid the Honourable Member has confused one idea with another. On page 25 of his budget speech he has given moral justification for his taxation proposals and he says very rightly:

"A set of conditions in which the few are able to wield such vast power over the many can hardly be regarded as anything but a negation of the principles of social justice. And although I am not one of those who consider the abolition of private property and the complete equalisation of incomes as the only remedy for these ill, I do believe in the *Quranic* injunction that wealth should not be allowed to circulate only among the wealthy, and the stern warning given against accumulation of wealth in the hands of individuals."

This is a dictum with which even those who have not had the good luck to read the *Quran* will agree. Ideas of social justice and conduct and good administration require that wealth should not concentrate in a few hands. It would be vicious for a society to permit accumulation of wealth in a few hands so that it would be a danger to the body-politic as a whole. But in order to work out that proposition we should have to take a long view and have a definite programme, and we shall have to pause and consider every step before we take that step. For instance, applying this theory to the conditions under review we have at the present moment in India a large mass of enterprises as private enterprises. I do hope that a day will come when the whole wealth will belong to the toiler and the peasant and they will not be treated—as they are sometimes treated—as objects of humanitarian charity, but that they will come into possession as a matter of right and privilege. It is due to them as creators of wealth. But in between today and that day we should so handle the whole affairs as to be a stage of transition. This stage can come by revolution as in Russia or it can come by evolution as in Britain, by slow reforms and the like. Now in my opinion it would be wrong to confuse the working out of this principle and bringing that into practice for meeting the emergencies of the budget. For myself I would not be against taxing anybody to any extent possible if it serves the national good. And if the Honourable Member had said that this is an aftermath of the war and the same emergent steps have to be taken as were taken during the war, that would have been understandable; and this according to him is the scheme for working out social good according to the principles which we all hold. But having said that, if he had not confused the two things this controversy over placing on the statute book a taxation measure for all time would have been avoided. I will not dilate on this point very much but will merely content myself with saying that the Honourable Member will be able to respect the wishes of all sections of the House if he considers this matter in a manner which will be just, which will be relevant and which will meet the needs of the situation.

Sir, my last point is this. During the abnormal period of the war many taxes were piled up one over the other. In my own way I think that it should be one of the first duties of a national Government to see if any relief can be given by way of reducing that taxation. We sometimes talk serious things and we talk of things that will happen ten or twenty years hence. The Damodar Valley will certainly make us rich and we should devote our attention to that. But along with the Damodar and Mahanadi Valleys let us also try to ameliorate conditions in the valley of tears which is found in every poor man's home on account of our having taxed his kerosene and his match-box. And even though this budget shows a deficit I would still invite the attention of the Finance Member to the absolute necessity of giving some relief to the poor cottages whose inmates suffered so grievously during the war.

[Shri D. P. Karmarkar.]

Lastly, I wish to invite the Honourable Member's attention to some very small details which I hope will be corrected or explained in his concluding remarks. For instance, in regard to the corporation tax I find that in the revised estimates for 1946-47 the realisation has been 69 crores; I do not understand why in the estimates for 1947-48 this should have shrunk down to 44 crores. I do not know whether Government intend to have an ordinance by which they can close some companies and stop any more additional revenue. Then for the coming year the tax is shown as 81 crores. I do not see why this additional tax on account of additional burden on companies should be 31 crores only.

I will not deal with any more details as I have reached the end of my time, but I will invite the Honourable Member's attention to the fact that some of these figures on the side of revenue appear to be gross underestimates. If so, I think he would do well to go again through the whole position and look at the matter afresh so as to give greater relief to people who are in need of relief.

Mr. Ahmed E. H. Jaffer (Bombay Southern Division: Muhammadan Rural): Sir, last year when Sir Archibald Rowlands delivered his budget speech most of us expressed the hope that that would be his last budget. Indeed we are very happy that this year, India's budget has been presented by India's first Indian Finance Member, and we heartily congratulate him upon it. Congratulations have been showered upon him from all sides of the House, and I respectfully offer him my bunch of roses in addition to the bouquets that have taken to his lot.

Sir, in this budget there are several features which I very much welcome but there are some which require reconsideration, and I hope they will be carefully examined in the Select Committees. I must congratulate the Honourable Member on his announcement as to the nationalisation of the Reserve Bank. It was only a few days ago that he gave us his views on the subject while replying to the Resolution moved by my Honourable friend Mr. Tamizuddin Khan; and it is very encouraging that so soon after that, he has decided that the bank should be nationalised. This shows that he is a man of action and that he does not believe in words. Sir, for the last several years we see every year Dr. Zia Uddin Ahmad bringing forward a resolution on the subject of the abolishment of stock exchanges in India. It must now be a matter of great satisfaction to him, as it is to most of us, that the Honourable the Finance Member has got in this budget, proposals to check speculation in stock exchanges, bullion and other exchange markets and I am sure these proposals will give profound satisfaction to everybody in the country.

I think it was my Honourable friend, Mr. Manu Subedar speaking yesterday, who said that the income-tax levy should be raised from Rs. 2,500 to Rs. 3,000. I whole-heartedly support it. I think it would give relief to poor people whose incomes at the moment are Rs. 200 because at present this income includes dearness allowances and I feel that either dearness allowances should be excluded from the levy of this tax or the minimum should be increased to Rs. 3,000 instead of Rs. 2,500 as now proposed in the budget.

With regard to the salt tax, I need hardly say that I had a resolution tabled in this session whereby I proposed that the salt tax should not be abolished. I did feel then, as I felt now that it would not affect the poorest of the poor. But indeed notwithstanding the fact that on purely financial grounds I was not in favour of the abolishment of the salt duty this year, I still feel having regard to the general reception of this measure throughout this country that the Finance Member's instinct has been very correct and proved to be very popular.

With regard to tea duty, it is my emphatic opinion that this measure was long overdue and whatever European interests may say, the Indian consumers of tea will welcome it and the Exchequer will benefit from it.

Lala Deshbandhu Gupta: A duty on jute would have been more welcome!

Mr. Ahmed E. H. Jaffer: There is no clear indication from the Honourable the Finance Member's speech as to the Government's policy in the matter of inflation. Prices are going up and production in almost every line has fallen. This is a very unhealthy state of affairs. Some active Government measures are required to correct the situation and I would request the Finance Member to have a close examination of this problem in consultation with the departments of Commerce and Supply and Industries and Transport, because this is an evil from which the common man is suffering and which requires to be attacked from all sides.

Another very effective weapon in preventing further inflation is to take steps for the greater production of both agricultural produce and manufactured articles to meet not only the pent-up demand of the country in respect of these, but also the increasing requirements of a rising standard of living of the masses. It is necessary to secure for industries all the requirements for increased production, such as capital goods, raw materials at stabilized prices, the stabilization of industrial wages, the prevention of industrial strikes and above all a liberalization of the control machinery in the interests of industrial development. I would suggest, Sir, that a special portfolio of Production should be created in place of Industries & Supplies so that greater attention is paid to the problems concerning production.

In the United Kingdom and the United States of America after hostilities have ended, production has gone up considerably, and I feel that even in India something should be done to see that production is increased considerably.

In this connection I was glad to hear the suggestion made by my Honourable friend, Mr. Manu Subedar, which I heartily endorse, that while the scarcity lasts, and high prices prevail and black-markets are rampant, the import duty of certain articles may be suspended for a period of two years. He mentioned the articles in which the black-market was rampant, namely, steel, cement, timber, paper, cloth and sugar. The first three out of these relate to the housing activity in the country. The State has not enough capital to put housing, the progress of which stopped throughout the period of the war. All these intensive demands of accommodation could be only put right by giving scope for private capital and private enterprise. The availability of materials at controlled prices is not there in sufficient quantity and therefore house building is practically at a standstill. The horrors of overcrowding, heavy rents and *pugree* were bad enough during the war. But Government should take more active steps than they have taken hitherto in order to allay this acute shortage, and there is no measure calculated to bring out from hoardings and to reduce black-market more effectively than the one which has been suggested, namely, suspension and removal of import duty for an emergency period of two years for these articles. From the angle of resettlement of soldiers and increasing employment generally, this is also the best possible measure which Government can adopt. The removal of this import duty will not have an effect on Indian producers as their goods are earmarked for quota for those who have quotas and they are getting full price on the basis of their cost and will have a psychological and profound effect on the hoarder, the black-marketeer and profiteer, and many stocks which have disappeared underground will come out for the use of the general public and the consumers. As the quantities of these articles available from outside will be less, the suggestion that the State will lose money will be incorrect. The State would have accomplished one of the most cherished objectives, namely, to increase employment and to increase housing accommodation and to remove black-marketing.

The reputation of this Government in controlling the destinies of India depends on the manner in which they deal with the problem of food, clothing, housing and black-markets. Towards this objective all measures which can

[Mr. Ahmed E. H. Jaffer.]

be suggested must be examined, and I am sure Government will find that what I have suggested today will go very far in that direction.

Sir, I should now like to refer to the Decimal Coinage Bill. I would like to say that this Bill should not be pushed forward in this country. Even England has not yet abandoned the pence which is the 12th part of the shilling, and while our attention is taken up with other and bigger problems, it is only proper that these refinements should wait and should not intrude into the field of legislation at present. The same remarks apply to the abolishment of the silver rupee and the substitution of the nickel rupee. This is not going to be a popular measure and indeed the object with which it has been put in is in no sense urgent. The return of the silver to America is still many years ahead and it is no use precipitating such unpopular methods which I believe are the legacy of the previous administration and could not possibly have received the closest attention from the Honourable the Finance Member since he assumed office.

Coming to the new taxation proposals, I would like particularly to make my objection known to the capital gains tax in the form it has been put forward. In India people save capital like houses, jewellery, and even shares. When there is a debt, when there is a partition or a distressing situation in which the family is found, it is not right that the State should on such occasion come and claim what would in many cases be from one-quarter to one-half of the total realization. There must be a method to save the *bonafide* family transaction from the operation of this tax, and if the method cannot be found the tax should not be pushed on, because in the form it is now sought to be introduced, it does not exist anywhere in the world. As for those who deal in stocks and shares and other assets as a trade, the tax is already collected in the form of income-tax. By this tax most of the people in India will try to avoid taxation and there will be dishonesty everywhere, and in this connection I am reminded of the words of Gladstone, the Chancellor of the Exchequer who had said: "Income-tax had converted Britain into a nation of liars." That would, I am afraid be applicable in the case of India.

I have not said much about the proposed business profit tax. There is no doubt that it will check the flow of capital into industry. It will restrict development and reduce production. These effects will be disastrous to the country and therefore I trust in the Select Committee the whole matter will be carefully examined. Direct tax should not be levied in order to make up a temporary deficit. If this tax must come, it should be seriously modified. The taxable profit should be the surplus after 5 to 6 or 7 per cent. of the capital employed has been deducted. The effect on the small shareholder and pure investor must be kept in mind and his expectation of a reasonable dividend should not be frustrated by a measure of this kind which requires most careful consideration. The other day my Honourable friends Mr. Ghani Khan and Sardar Mangal Singh asked if the money does not come from the rich where it should come from. Of course it must come from those who can bear the burden, who can afford to pay, after a close examination of the problem, so that the deficits could be made up and the interference in the life of the community and the damage to production should be minimised.

The whole of the difficulty of the Budget is due to the financial incompetence of the Defence Department. Why has not demobilisation been quicker? Why must they continue a heavy establishment and on the staff side why should General Headquarters staff still be of the order which requires 42 pages

of the telephone book. There is something seriously wrong about
4 P.M. all this and I would ask the Finance Minister to immediately control military finances as well as the policy involved behind it, in order to check the amount of money which will be spent next year. Economy in the Defence Department alone ought to yield something like 30 to 40 crores if everybody

put their heads together. In the same manner, civil expenditure also which is four times what it was before the war and seems to be excessive must be brought down. There would have to be a special section dealing with this Military finance and I suggest that there should be no delay in the starting of the good work of the Economy Committee which is proposed by the Honourable the Finance Member. Attempts should be made to bring down expenditure within the competence of this country without resort to heavy and excessive levies which might interfere with production and which might curtail the period of employment.

Now, I will refer to the question of the sterling balances. Apart from these matters of domestic importance, there are certain other questions which have a direct bearing on the economic progress of India, such as the exploratory negotiations which the British Government have recently initiated with the Government of India regarding the payment of India's sterling balances in the United Kingdom. India would not countenance any talk of scaling down even a part of these balances during these negotiations. The financial position of the United Kingdom has materially improved with the conclusion of the Anglo-American Loan Agreement and with the effective export drive of the United Kingdom and it is but fair that the British Government should honour these credits, which were honourably and generously given by India at great sacrifice to herself.

The richest country in the world with the exception of the U. S. A. is trying to evade or otherwise curtail its honourable obligations to the poorest country in the world. The belief that India has not suffered as a result of the war has already been dealt with in no uncertain terms by the Honourable the Finance Member. In his strong hand to realise fully and in a form convenient to India all that U. K. owes to this country he will have the support of every Member of this House and every Indian throughout the sub-continent. It was said that India is the darkest spot of Winston Churchill who cannot see the right thing when it comes to India. Mr. Churchill's recent fulminations have been adequately answered by the Honourable the Finance Member in his speech and on this issue let Churchill note that there is no difference of opinion between any section of the population of this country. Sir, I have done.

[(At this stage Mr. President vacated the Chair, which was then occupied by Mr. Deputy President (Khan Mohammad Yamin Khan).]

Chaudhri Sri Chand (Nominated Non-Official): (The Honourable Member spoke in Hindustani. For Hindustani text, see Appendix to the Debates for the 4th March, 1947. English translation given below.—Ed. of D.).

I offer my heartfelt congratulation to the Finance Member for the budget which has the distinction of at least one thing that it contains no new tax for the poor. It is contended for the salt tax that it is merely emotional and is in no way beneficial to the poor. The people who speak like this know in their hearts that it is of great benefit to the poor. But, if really it is not beneficial to the poor; yet all people are not emotional. For the abolition of the salt tax I once more congratulate the Finance Member. The thing is that I belong to the district which is a salt-producing district. There are wells of salt. Prior to the levying of the tax 50 thousand people lived by producing salt. After the tax was levied this population gradually vanished. I know of Bharatpur State where 100,000 of people were engaged in salt production. When this tax was levied the British Government made a treaty with the State and the production of salt was stopped there. The result was that the people who produced salt all disappeared. Now, that the salt-tax is abolished and salt production will no longer be banned by law, it will be the source of livelihood to several *lakhs* of people. In addition, there is another tax which has escaped the attention of the Finance Member. This tax is very heavy on the poor. It is tax on tobacco. The cultivators of tobacco pay not one but two taxes. They pay one tax in the form of

[Chaudhri Sri Chand]

ayan to the Provincial Government and as much as Rs. 75 per acre to the Government of India. This is unjust and I should request the Finance Member to abolish this tax also.

Khan Abdul Ghani Khan: Rs. 75 per acre tax is probably in your part of the country.

Chaudhri Sri Chand: It is Rs. 15 tax per *kaacha bigha*. Is not tobacco smoking a necessity? This you will tell us whether drinking wine and dancing in hotels are necessities? Rich men use intoxicants of value while the poor use cheaper ones. In my opinion, if it is a question of intoxicants you waste more money than the poor. They smoke *huka* to beguile the time after hard work. They do not smoke cigarettes because they are costly and *huka* is cheaper. Poor zamindars and cultivators who grow tobacco are losers because it is costlier than other crops. I, therefore, request that the Tobacco-tax be abolished. I have been making this request on this floor for the last many years. Formerly there was no tax on tobacco from the Central Government. They imposed it during the war.

Government of India have entered into treaties with the States forbidding them from producing salt in lieu of ten to fifteen thousand rupees which the Government of India pay them. I request that the States should be allowed to produce salt just like British India especially Bharatpur State, which forbids the production of salt. Formerly a large number of its people lived on salt making. Now on account of restrictions on this industry its worst result has appeared in its land. Because salt is not extracted its land is getting brackish and unproductive. If salt is extracted the land will become fertile.

One Honourable Member said that the poor will be benefitted if the price of the post card was reduced. It is a fact that the poor seldom write post cards. They write one post card in six or twelve months. It is merely a decoy. Only big businessmen write numberless post cards and envelopes. A reduction in their price will benefit them. During the war people wrote letters to their sons and sent them without using any postage stamp. The post card therefore, is not a thing for the reduction of whose price efforts may be made. It is also said that the expenditure of the Central Government has greatly increased. I feel really surprised to see 20 to 30 thousand clerks morning and evening masquerading on cycles. They have no work in their offices except to talk. It is impossible that there is so much work which requires so many clerks for its performance. The fact is that nepotism is rampant. These clerks are related to one or the other officer. When the question of retrenchment is raised they say that they could not reduce their staffs. The Central Government should set up a Committee to effect retrenchment. Only in this way the expenditure of the Government of India could be reduced. There is no other way.

There are large offices of Exchange Employment. But the staff working in them find employment for their own people only. I challenge that they have never found employment for any other man nor have they given help to anybody. If one goes to see the Director General he is told that he cannot see him as he is busy seeing other people. The name is very tall but if one goes to talk to them for ten minutes their whole work is upset. They have never secured employment for anybody. They are simply employing clerks in these Exchanges. If there are 10 clerks today tomorrow they increase to 15 and day after tomorrow to 20. They never find any employment for any other person. Similarly, the money spent on 'grow more food' is a waste. The farmers know nothing about it. They do not know whether the Central Government spends any money for 'grow more food'. The money is spent merely for keeping some servants and for payment of T. As. and yet they say that it is spent for 'grow more food'.

The Central Government spends 17 to 20 crores of rupees in order that articles imported from foreign countries may be sold at controlled rates and false propaganda is done that there are no foodgrains in India and they have to be imported from other countries. If you go and see in the villages large stocks of foodgrains

are lying there. Fair prices are not paid for these grains and grains are imported from foreign countries. Sometimes it comes from America and sometimes from Australia and to them the Central Government pay good money. If the cultivators are helped with money they will produce large quantities of foodgrains. But the British people are accustomed to import goods from foreign countries and so they are imported. Nobody takes the trouble to see and calculate whether there is an actual famine. They imposed controls which do not allow the import and export of goods so that nobody may know whether the goods are more or less. Control is a bad measure. It was adopted during the war but now the officers have got a taste of it and so they do not remove it. These officers get their necessities easily. They do not suffer as we do. They, therefore, say that if the controls were lifted India will go to dogs. I assert that if the controls are lifted very soon prices will fall. Under control good and bad stuff is sold at the same price. Good wheat and also the worm eaten wheat is sold at the same price. The article controlled disappears from the market in no time. I, therefore say that there is no need of controls and 'grow more food' will help in growing more food if you give money to the cultivators. But they will spend 17 crores of rupees for importing rice from foreign countries and will pay nothing to poor cultivators.

Mr. G. S. Bhalja (Government of India: Nominated Official): Sir, I will deal first with some of the important points that have been raised during the general discussion on the Budget and then with a few of the important questions in which this House has evinced considerable interest. My Honourable friend Mr. Griffiths complained that he was not supplied with a copy of the detailed explanatory memorandum on the budget estimates of the Defence Services. As the Honourable the Finance Member pointed out in his Budget speech, this was due to the fact that there was a strike in the Government Press. It is, however, hoped that copies of the detailed memorandum on the Defence Budget will be in the hands of the Honourable Members before the end of this week. My Honourable friend Mr. Manu Subedar complained of the slow progress of demobilisation. I am told that my Honourable friend Mr. Ahmed Jaffer also waxed eloquent on this point and charged the Department with deliberately slowing down the process of demobilisation. The facts are that the strength of the Indian army, which had reached its peak of 2,060,000 people on the 1st of September 1945, was reduced to 878,000 by the 31st December 1946, the latter figure including about 80,000 civilian personnel. Despite the shipping and other difficulties inherent in the movement of such large numbers of personnel to India from overseas theatres, it will be seen that the army was able to reduce its strength by nearly 1,187,000 men. This, I submit, Sir, is not unsatisfactory considering the circumstances of the year. Some reduction in the rate of release became inevitable during the latter part of the year owing to the deterioration in the internal situation of the country. We had expected that the target figure of demobilisation of 449,000 persons, including British personnel, would be reached by the 1st of April 1947. Unfortunately, that target is not likely to be reached by that date for the following reasons.

There has been delay against planned dates in the return to India by overseas commands of units and the personnel due for demobilisation. Secondly, it was not possible to issue disbandment orders for certain units pending firm decision of Government as regards the size of the forces to be reached. I also emphasised in the beginning that an important factor which contributed to the slowing down of demobilisation was the deterioration in the internal situation in the country. I submit that considering all these factors, the figure that is expected to be reached by the 1st October 1947, viz. 4,49,000 will not be considered unsatisfactory. I would, however, emphasize that the demobilization target figure of some 4,49,000 men, which it is now expected to be reached by the middle of the year 1947-48, will not represent the size of the future Army of India. The question of the size and

[Mr. G. S. Bhalja]

composition of the Armed Forces of India is at present under the active consideration of Government. In this connection it would not be out of place if I refer to the basis of planning of the post-war forces. The Indian Armed Forces have been built up as a whole for the defence of India as a whole, and so far at least as defence is concerned, planning can only proceed on the basis of an undivided India. By reason of her geographical position, natural resources and great potentialities for future development, India occupies a key position in Asia. It is clear that in a major war no one power, however great, will be able to stand alone except for a short initial period. In present world conditions security can only be guaranteed by the maintenance of sufficient armed forces to encourage friends and deter possible aggressors, thus ensuring from all a healthy and friendly respect. The minimum requirement to ensure this is to maintain a highly efficient field army capable of giving a good account of itself if India is attacked, a balanced air force, sufficient air fields to confer accessibility upon the operation of air forces over the vast expanse of India, and a sufficient naval force to guard India's long coast line and to protect her sea-borne trade. I was glad to learn, Sir, that you, in your opening remarks on the Budget, dwelt on the necessity of a strong navy which could guard the long coast line of India. The size of the Armed Forces will of course depend upon the role that these forces will be called upon to perform and upon the money which will be made available by the Exchequer. If the Government can take a decision on this question in good time, the Defence Department will examine the possibility of reducing the size of the forces below the demobilization target figure as a step towards reduction to the future size determined by the Government.

Mr. Manu Subedar (Indian Merchants' Chamber and Bureau: Indian Commerce): My Honourable friend speaks about the size of the forces. May I interrupt him for a second to enquire what steps are being taken to bring down the bloated size of the staff in the General Headquarters from the war footing to the peace footing and whether that in itself would not save about two or three crores a month?

Mr. G. S. Bhalja: I have not got at the moment with me the figures of reduction that has taken place in the General Headquarters and in the other two Head Quarters, but I shall be glad to supply them to my Honourable friend. They will indicate to him the considerable reduction that has already taken place in the strength of the officers in the three Armed Forces Headquarters and also the targets to which we are working in all the three services.

Mr. P. J. Griffiths: May I submit, Sir, that these figures ought to be supplied not only to one Member but to the House. We are entitled to have that information before we discuss this Budget.

Mr. G. S. Bhalja: Yes Sir. In the course of further discussion on the Budget which will be continuing in this House for some time during this month, I will place this information before the House.

Mr. Manu Subedar: The Honourable Sir Archibald Rowlands undertook to do that. Though defence items were not votable, there was no objection on the part of even the then Government in supplying the fullest details to us, but I am sorry to say that in the figures supplied to us the details of the military figures have not been given, and I would like the Defence Secretary to take this to the Honourable the Defence Member, who is a Civilian and who ought to sit in his place and listen to some of our views, and ask him at any rate to supply us these figures.

Mr. G. S. Bhalja: Unfortunately owing to the strike of the press, the figures were not available to the Members of the House in good time, but there is no reluctance of any kind to supply them. I can give this assurance on

behalf of the Honourable the Defence Member and on behalf of the Defence Department generally that we shall give most readily any information which Honourable Members of this House will ask for.

Shri Mohan Lal Saksena (Lucknow Division: Non-Muhammadan Rural): May I know if they were supplied to the Defence Consultative Committee?

Mr. G. S. Bhalja: There was no occasion to supply them to the Defence Consultative Committee, because that Committee does not consider the Budget.

Mr. Deputy President: As the point has been raised by the Honourable Mr. Manu Subedar, I must draw the attention of the House as well as the Honourable the Defence Secretary to the desirability of the Defence Member attending this House on such occasions. Many years ago during Budget Session when the discussion was going on in regard to the Defence Department, the Honourable Mr. V. J. Patel, who was then the President, drew the attention of the Government to this question and said that it was the duty of the Defence Member to be present in the House. The Commander-in-Chief used to be a Member of the Council of State and he used to come to this House during Budget debate, but later on something had happened on account of which he discontinued coming, but that again was corrected and the Commander-in-Chief did come. Now we have a Civilian Member, and I hope in due course and on future occasions he will be present to meet the views expressed by Members in this House.

Mr. G. S. Bhalja: May I explain, Sir, that the Defence Member happens to be out of Delhi on urgent work.

Mr. P. J. Griffiths: Is this House to be told that the duties of any Honourable Member elsewhere are more important than his duties to this House?

Mr. G. S. Bhalja: I am not in a position to discuss the relative urgency or importance of the duties which the Honourable the Defence Member has to perform outside.

Mr. Siddiq Ali Khan (Central Provinces and Berar: Muhammadan): This is much more important.

Mr. G. S. Bhalja: I am quite certain that the Honourable the Defence Member realizes the great importance to be attached to the views of this House, and I can assure the Honourable Members that whatever discussion has taken place in the course of this Budget will be placed before him for his consideration.

Mr. P. J. Griffiths: Will the Honourable the Defence Secretary try to secure the presence of the Defence Member at some suitable stage of these discussions later?

Dr. Zia Uddin Ahmad: I rise to a point of order. The House is anxious to know what arrangements have been made for the defence of the country.

Mr. Deputy President: That is no point of order.

Mr. G. S. Bhalja: You, Sir, raised the question of providing facilities for the technical training of the personnel of the Armed Forces, particularly in the Royal Indian Navy. This question is in the forefront of the problems before the Government. I can assure the House that every step will be taken to provide the necessary technical facilities in India and abroad so that the progress of nationalization could be speeded up as far as possible. I shall not weary the House with details of the schemes which we have considered. Some of these details were furnished in reply to a question put by Dr. Zia Uddin Ahmad on the 4th November last. This leads me to the question of nationalising the Armed Forces generally in which Honourable Members of this House have shown considerable interest. In order to provide a proper background I shall mention a few relevant facts. For reasons which I need not

[Mr. G. S. Bhalja]

go into here the process of nationalisation started last in the Defence Headquarters and in the Defence Department. The first Indian to enter the Indian Civil Service was as long ago as the sixties of the last century, while the Kings' Commission was granted to Indians for the first time in 1920. Commissions were granted to Indians for the first time in the Royal Indian Navy in 1928 and in the Royal Indian Air Force in 1932. The first Indian Director in G.H.Q., could be appointed only in May last year. The number of Indian Directors at present is 3. So far as the Defence Department is concerned, an Indian officer of the I.C.S. was posted to that Department for the first time as Under Secretary in 1939. Sir, I mention these facts to show that there are inherent difficulties in nationalisation of senior posts in the Armed Forces all at once. Nationalisation progressed in right earnest during the regime of the present Commander-in-Chief who was the War Member until the Interim Government assumed office. I may digress a little here to indicate what my conception of a national army is. Several Honourable Members have asked me this question and I shall try to answer it. My conception of a national army of India is firstly that this army must consist wholly of Indian nationals, secondly it must owe its allegiance to India, thirdly it must regard as its sacred trust the protection of this ancient land against any foreign aggression, fourthly it must inspire the confidence of the people of India of all classes and communities and lastly it must ensure the protection of the liberties, religion and culture of these people including all minorities and communities. This also applies to India's navy and air forces.

One of the first tasks of the new Government was to set up a Nationalisation Committee under the presidency of the Honourable Sir N. Gopalaswami Ayyangar. The terms of reference of this committee are:

"In order to nationalise the armed forces of India, viz., the Indian navy, the Indian army and the Indian air force and all ancillary services, both officers and men within the shortest possible time, with due regard to Indian national interests and reasonable efficiency, to enquire and report on:

- (a) the ways and means within the minimum possible period, of replacement of non-Indian personnel by Indians in each branch or service;
- (b) the target date or dates of complete nationalisation for all or each category in different services, if possible;
- (c) the ways and means of retaining if necessary non-Indian personnel as advisers or experts in nationalised categories;
- (d) the enumeration of those departments, categories or personnel where non-Indian personnel can be replaced by Indians immediately."

This committee has been instructed to submit its report by June of this year. It has entered upon its duties with considerable zeal and promptitude. I need hardly say that Government attaches the greatest importance to the recommendations of this committee and will do their best to give effect to them.

At this stage, I shall make a brief reference to other important committees appointed by the Defence Department. The National War Academy Committee, which was entrusted with the task of preparing a scheme for the establishment of a Military Academy on the lines of the United States Military Academy at West Point for the education and basic training together of future officers of the Royal Indian Navy, the Indian Army and the Royal Indian Air Force, its location and size, the strength of its establishment, etc., has submitted its report which is now under the consideration of Government.

Another important committee is the National Cadet Corps Committee whose main term of reference is:

"Having regard to the existing organisation of the University Officers Training Corps to consider and make recommendations for the establishment on a nationwide basis of a Cadet Corps organisation comprising both of schools and universities". During the last war considerable difficulty was

experienced in finding a sufficient number of suitably qualified Indian officers for the armed forces. Although a large number of applications came forward the greater proportion were wanting in the basic qualities required of officers to lead men in war. This pointed to some defect in the present system of education. It is hoped that the establishment of a National Cadet Corps throughout India will go a long way towards mitigating this difficulty in future. Both these committees owed their inception to the present Commander-in-Chief as War Member of the Government of India. The Government trust that the implementation of the recommendations of these committees will well and truly lay the foundations for the National Armed Forces of India. Government have also recently established the Armed Forces Medical and Research Integration Committee under the chairmanship of that eminent physician, Dr. B. C. Roy, lately President of the Indian Medical Council. Their main term of reference is to advise Government on the desirability and feasibility of establishing a joint medical service for the three fighting services and integrating the medical research in the three services.

In passing I should make a brief reference to another important report regarding the reorganisation of the Defence Department on the lines of the War Office. It is perhaps not realised in this House that the Defence Department is at present not fully equipped to perform all the functions of an administrative department in respect of the vast and complex organisation of the armed forces of India. An officer of His Majesty's British Civil Service, Mr. G. H. Shreeve was placed on special duty in this connection to advise the Government as regards the organisation of the Defence Department on the lines of a Service Department of State in the United Kingdom with such modifications as are necessary to meet the conditions in India.

This report opens with this sentence:

"A new organisation is necessary on the introduction of responsible government with a minister for Defence, to include the duties now assigned to the (then) War Department, General Headquarters, the Military Finance Department and the Military Accounts Department."

I do not propose to go into the recommendations of this officer, but suffice it to say that it has not been possible to consider the implementation of his recommendations mainly on account of the difficult officer position. To indicate the nature of the problem I shall only mention that if Mr. Shreeve's recommendations are to be given effect to the Defence Department would require no less than 18 Deputy Secretaries as against three that we have got at the moment.

Sir, one final point and I have done. The House has shown intense interest in the activities of the Defence Department and the armed forces. Government welcome this interest; and on my part I undertake to give full information on all questions that are raised. Government will always welcome constructive criticism from Honourable Members of this House. May I, however, make a respectful appeal to Honourable Members to see that this interest does not take the form of advocacy of the cause of individuals nor result in bickerings over communal matters? Sir, the year 1946 was an eventful year in many respects, not the least important of which were the widespread civil disturbances that broke out on an unprecedented scale throughout the country. The country saw perhaps the greatest use of the armed forces personnel in aid of civil power, and on numerous occasions troops were called upon to perform the unpleasant duty of intervening in civil disturbances. Let it be remembered that a soldier intensely dislikes being called upon to intervene in civil commotion and internal strike. When he is, however, called out he obeys the call and does his job with firmness and impartiality. The House will be glad to know that from all quarters we have heard nothing but praise and admiration for the conduct of the troops called upon to restore peace and order in communal disturbances. In this matter the

[Mr. G. S. Bhalja]

Indian Army has set an example to the rest of India. An impartial and neutral army is the greatest need of India at the present moment. Let nothing be said in this House which will adversely affect the fine traditions of the Indian Army,—traditions of unity, of fellowship and brotherhood among men; let nothing be said that will adversely affect its integrity, loyalty and reliability.

Shri Sri Prakasa: Sir, ever since the solemn and sacred hour of Five of the Clock on Friday afternoon I seem to have been living in Alice's Wonderland. I have not only found persons rolling in wealth, who have never known either hunger or cold, suddenly become the greatest champions of the poor, but I found the climax reached when my Honourable friend from the Frontier declared most solemnly that ducks can lay eggs and that the geese and the hens were no longer needed for the purpose. I have found my Honourable friend from the south congratulating the Finance Member on fine conceptions. We have always known that conceptions may be pleasant—they are pleasant—but the painful part of the process is the delivery; and when that process is entrusted to others conceptions cannot have much value.

The Honourable Finance Member has been congratulated from various sections of the House from various angles. I congratulate him on having kept up the best traditions of the feudal lords of my province, to which class he himself belongs, who first make the budget of their expenditure and then try to find out ways and means as to how that expenditure is to be met. And I should like, if I may, with all respect to warn him that if that is the process with which he is going to manage the finances of this country he will go the same way as many feudal lords of my province have gone before. I am not so worried about the fate of these feudal lords for they had their lives in their own hands and they could go to the gutter or to hell exactly as they liked. But I do not want my feudal lord now from his place in this House, to let the country down and to take her to a place from which there may be no redemption.

Sir, I am a very humble man; the Honourable Finance Member's lands are at least ten times larger in size than mine. The only difference between him and me is that I prefer to keep in touch with that land and the people that live on it. I have not transferred my activities entirely either to Lucknow or later to Delhi.

Sir, the Honourable Finance Member has been rightly indignant at the display of wealth and splendour on the part of a few. I wish he had been speaking from a place other than Delhi, for I have been greatly struck by the wealth and splendour of Delhi. If I had not become a Member of this House and had not lived in this place from time to time during the last twelve years, I should never have imagined from my small house in Benares and the environs of that old city, that such splendour, such magnificence, such waste could possibly exist in our land anywhere. Sir, my Honourable friend has presented to us a budget of expenditure and has then been at pains to find out how he is to meet that expenditure.

I should like to deal with the main item of the budget, and that is the expenditure on the Army. We have had the unique advantage of a homily from the Defence Secretary and he has expressed some very fine sentiments about the country not being able to stand alone in this world and that it should be in a position to attract the affection and the respect of other countries: and the manner in which that affection and that respect are to be drawn are, according to him, by the show of steel helmets. I have never known any lover approaching his beloved with such panoply and accoutrements of war, as my Honourable friend, the Defence Secretary wants to approach the world. We are very thankful to him for the lecture that he has given. No doubt the lecture was given in order to induce us to grant voluntarily and with the greatest show of gratitude, over 50 per cent. of our revenue in order that in

the splendour of his military uniform, he may go out into the world seeking for the affection of other countries. It almost seemed to me like a curtain lecture where a lady may be trying to induce the unhappy man who wants to sleep to part with more than half his fortune in order that she may have enough saris and ornaments to be able to change about a hundred times a day, and instead of bringing happiness to the home attract other people's attention, bringing further discomfort and disturbance in the household.

Sir, we have declared times without number that this war was not a war of our seeking, that we have had nothing to do with this war; and it is a matter of utter shame that when a Government is in power which is a National Government, completely manned by our nationals, they should carry on the tradition of the bureaucratic Government that is dead and try to meet all the liabilities that that Government has left behind. Why cannot this Government, this Finance Member, this Defence Member who is absent from the place where he should be sitting this afternoon, why cannot they tell His Majesty's Government that now that we have come into power we do not intend to meet all these liabilities that they had created for their behalf and against us. That Government did not only fight other peoples, they fought us also and many of us bear the scars of that fight on our backs to this day. Now we are asked to foot an immense bill of Rs. 188 crores in order to fulfil the obligations of that Government. I think the whole thing should be repudiated.

My Honourable friend, the Defence Secretary, has said that some of these soldiers came to the help of the civil power in order to quell disturbances of a communal nature. That only shows that an army like that should not exist. It has no business to interfere in civil matters. He said the soldier did not like to do such things and when I asked him what did the soldier like, he was mum, because we all know what the soldier likes.

Mr. G. S. Bhalja: If I may tell the Honourable Member I did not take his remark very seriously. If necessary, I could have given an idea of the duties of the soldier, but then I would be going far beyond. . . .

The Honourable Mr. Liaquat Ali Khan: Why do you take them seriously now?

Shri Sri Prakasa: The Honourable Member may not take me seriously today. He will have to take me seriously some other day.

My Honourable and respected friend, Dr. Zia Uddin, referred to the Congress of 1888—he was wrong in the date when he stated it was 1890—at Allahabad; and he said that the two problems before that Congress then were the problem of simultaneous examination for the Civil Service and the salt tax. There was a third problem and that has been before the Congress and before the country and before every considerable political party in the land, through the decades, and that is the extraordinary heavy expenditure on so-called defence. We could have a better police force. The coming of the army and the soldiers in civil commotion only means that we have not an effective police force. What is needed is that we should have an effective police force. It is not necessary to have such a huge army.

As I have already said, I am an ordinary humble householder and I have also to go through the processes of making my budget from time to time. I should be astounded if I were asked to spend more than half my income on the defence of my house. This Government is solely concerned with its 227 crores. It is concerned with nothing else and for the defence of these 227 crores it wants to spend Rs. 188 crores. This is monstrous, to say the least; and I say this also, that as long as there is an army in the country, there is going to be a war. If I have this little pencil in my hand and I have nothing better to do, I go on scribbling. If I have a sword in my hand, and

[Shri Sri Prakasa.]

I have nothing better to do, I will go on using it at the expense of my neighbours. And so as long as there is a race for armaments, so long there will be wars; and as soon as this race stops, all wars will stop.

I say let India take the lead in the matter. India has nothing to fear, India is in no danger of being attacked by anyone. They will give you the history of India and say how so and so came through the Khyber Pass and so and so from the sea-shore. Those were old days, and if anyone would come now there are other ways of meeting them. We could have a conscript army. We could compel every adult person to have military training. We have thousands of ways of making ourselves an effective people ready to meet all contingencies instead of having a mercenary army and paying it so well. I should like to get full details of how all this money is spent. I have reason to believe, and let the Honourable the Finance Member mark my words, that a grant of Rs. 188 crores came as a surprise to the Defence Department itself. They were not prepared that the Honourable Member would so readily agree to all that they asked for. They were quite prepared at least for a 10 per cent. cut and so pitched their demands high; and they are glad they have got all that they wanted—and much more than they really needed. The Honourable Member was waxing eloquent—and I congratulate him on his eloquence—on what should be done in order to bring relief to the poor and the downtrodden and the humble. I would like the Honourable Member to tell me what parts of the budget tell us of the efforts the Honourable Member is going to make, by the levy of all this extra taxation, in order to bring relief to the poor, to give them better houses, better food, better clothing, better education, better health. I find not one word in the whole of his magnificent oration giving any concrete proposals for the amelioration of the lot of the poor. If he had done that I should have been more than satisfied. I therefore think that this Budget and the proposals in that behalf, should meet no better fate than was meted out by the House to the budget proposals in the recent past.

The Honourable Mr. Liaquat Ali Khan: I am indeed grateful to those of my Honourable friends who have been good enough to say nice things about me. I am not perturbed in the least at the criticism that has been levelled against the Budget which I have had the honour to present before this House on the 28th of last month. As a matter of fact, Mr. Deputy President, I would have been surprised if there had been no criticism. I was expecting it because I am not unaware of the great power for propoganda which big money wields. The discussion has shown that a number of my Honourable friends have not really studied the proposals which I have placed before this Honourable House. They have been influenced by the opinions that have been expressed and the views that have been given in a section of the Press and it is natural that very few of us have either the time or the inclination to study the problems carefully which affect the destiny of this country. We like to talk not of what we think but of what others think for us.

Before I come to the main criticism of the proposals there are certain points about the Budget with which I would like to deal, because they are not of very great importance, in the sense that I can dispose of them in a few minutes.

My Honourable friend Mr. Subedar, apart from his criticism of the taxation proposals with which I shall deal later, referred to the question of compensation for the Bombay explosion. As I have said already, in reply to one of the questions I think, the Government of India have been pressing on His Majesty's Government that the responsibility for the damage done is on them and not on the Government of India. His Majesty's Government have not accepted the responsibility for the damage. We are not satisfied with their

reply and we are going on pressing on them that they must pay for the damage that was done on account of the Bombay explosion.

The next point to which reference was made was with regard to the Estate Duty Bill. I think on this matter also I have informed the House on a previous occasion that the opinions on the Bill have been received. The opinions are being examined and as soon as the Government is in a position to bring this measure before the House it will be done.

The third point was, as a matter of fact a number of members referred to it, that relief should be given—I think Mr. Tamizuddin Khan, was the first to raise this point—in respect of excise on tobacco and betel-nuts. I wish it were possible for me to give that relief but the position of our finances is such that I could not persuade myself, much as I desired, to give greater relief in the form of the removal of certain taxes to the poor than what we have been able to do.

Then, Sir, there is another point which has been raised by a number of members and it is with regard to raising the exemption limit from Rs. 2,500 to Rs. 3,000, Rs. 3,500 or even Rs. 4,000 as some said. Now, that again is a matter to which I have given very careful consideration and I thought that it would not be very prudent to raise the limit from Rs. 2,500 to any other higher figure.

Then, Sir, a number of Honourable Members have said that we have made no provision in the Budget which would improve the educational, social, cultural and economic life of the peoples of this country. I am sorry to say, Mr. Deputy President, that the Honourable Members who have raised this objection have not taken the trouble of reading carefully my speech or the memorandum that has been circulated. They will find that there is a provision for 60 crores of rupees—45 crores for development in the provinces and 15 crores for development in the Centrally administered areas and with regard to certain Central institutions for purposes for which a complaint has been made that we have made no provision in the Budget. I wonder if those of my friends who raised this objection really studied the figures that have been given. It cannot be said that 60 crores of rupees for development purposes, apart from other measures of relief, is a negligible amount.

Then, Sir, a great deal has been said about the high expenditure that is being incurred by the Central Government either in connection with the Defence Department or in connection with Civil Departments. I am at one with them here as I am myself, not satisfied that the expenditure which we are incurring is either necessary or urgent, and it is due to that fact that I have proposed the appointment of an Economy Committee. Surely, my Honourable friend Mr. Sri Prakasa does not expect me to use the feudal method of beheading every servant of the Government to save expenditure. I hope, as I stated in my speech, that this Committee, which will consist of officials and non-officials including Members of this Honourable House, will go thoroughly into this question of reducing our expenditure and keeping only such expenditure as is necessary for our requirements.

Pandit Lakshmi Kanta Maitra (Calcutta: Non-Muhammadan Urban): Does it also include the Defence Department?

The Honourable Mr. Liaquat Ali Khan: It includes all the Departments. I can assure Honourable Members that as far as I am concerned, I will do my best to assist them in the task of finding out and making recommendations to the Government. I can assure my Honourable friends here that there is not a single Member of the Government who delights in extravagant expenditure in any Department and, therefore, it is not quite right to say that the present Government is unmindful of all those facts which have been stated by some of my Honourable friends on the floor of the House.

[Mr. Liaquat Ali Khan]

Then, Sir, Mr. Karmarkar referred to certain figures as to why the income from Corporation tax was less.

Shri J. K. Karmarkar: If I might interrupt the Honourable Member, I stand corrected on that point.

The Honourable Mr. Liaquat Ali Khan: Thank you.

Now, Sir, Mr. Jaffer referred to inflation and said that I did not say anything definitely or more categorically than what is contained in my speech with regard to this question of inflation. I feel very strongly about it and my budget proposals are intended to meet this difficulty also. Therefore, it cannot be said that I did not have in mind the inflationary tendencies that are in the country today when I was framing my budget proposals. Mr. Jaffer referred to some other matters also, but I do not think it is necessary for me to deal with them in this detail. He referred to nickel coins and other matters and when the time comes, we shall deal with them. As a matter of fact, I hope my Honourable friends will forgive me if it is not possible for me to deal with every point that has been raised by every Member of this House. So far 80 Members have taken part in the debate and I do not think that any one would expect me to deal with every one of the points that have been raised by each and every Member.

Now, Sir, I come to the main points of my budget. My Honourable friend Mr. Griffiths, for whose eloquence I always have great admiration, though it may not be for his logic, has on this occasion, as in the past, proved to be a champion of lost causes. As a matter of fact, I have noticed that whenever my Honourable friend Mr. Griffiths is speaking in support of a cause which is already lost, he is most vehement, and on this occasion I noticed that he was more vehement than he has ever been during the time that I have been in this House. But I am surprised at the support which he has received in this opposition from certain of my Honourable friends in this House. I cannot help thinking that it is due to our past habit. We have been in the habit of opposing all our life and when we find somebody, who is leader of the Opposition, we automatically follow him.

Now, Sir, let us really examine these taxation proposals because I have noticed that there has been quite a lot of confusion about these three taxation proposals. I am leaving for the moment the question of export duty on tea because if I have correctly followed the debate, except for Mr. Griffiths, I do not think there is any other Honourable Member of this House who has raised his protest against this measure. Sir there has been one fear which has been expressed by a number of speakers who have taken part in the debate. The fear is that my taxation proposals will reduce—some have said will completely stop—production. Therefore, they feel that I am really taking some action which is very drastic and which would ultimately not be to the advantage of the economy of this country. Let me take each proposal on its merits.

My first proposal is to have a tax of 25 per cent. over amounts of profit which are more than one lakh. I do not know whether Honourable Members have really taken the trouble to see that this tax is only for the current year and therefore those who talk of there being no production in the next year because of this tax are quite mistaken. Whatever production there had to be has already taken place with regard to the current year, and therefore my tax is not going to affect the production in the next year. As a matter of fact, I think most of the Honourable Members of this House will agree that last year when the Excess Profits Tax was removed, we felt that it was too early and that it should not have been removed so soon. Since I have taken over, I have examined the position very carefully and I was convinced that there was no justification for removing the Excess Profits Tax. So I had this alternative before me—whether I should reimpose the Excess Profits Tax for this

year or I should devise some other tax which would be more equitable and fairer to all business and would not weigh heavily against smaller business and more profitably in favour of bigger business—and after very careful consideration I came to the conclusion that this tax was fairer and easier to collect, which I think is a very important matter where the question of tax is concerned, than the E. P. T. Therefore it is wrong to imagine that this tax which has been proposed will affect production adversely.

There has been another objection raised that it will prevent new industries coming into existence. I am afraid, Mr. Deputy President, I do not quite follow that argument because when the new industries come into existence this tax will not be there. So how is it going to prevent new industries from coming into existence? I can assure my Honourable friends here that it is my earnest desire that the production in this country should increase and not decrease, and if any one can prove to me that by the imposition of this tax I will really be affecting the interest of the country adversely I shall be only too glad to withdraw this tax. But I am not going to withdraw this tax because it is going to take a bit out of the big profits that some people have made.

Now, Sir, let me take the other tax, and that is the capital gains tax. There I think some of my friends made this suggestion—I want to deal with that before I deal with the merits of this tax—that the limit of Rs. 5,000 was rather low. Now, Sir, it is not my desire that a small man who may have made some profit by means of certain ordinary transactions should suffer and should not be able to enjoy that little profit which he may have made out of his capital. I am quite willing when the Bill goes to the Select Committee to reconsider that. As a matter of fact, Mr. Deputy President, I have of my own accord by putting down a motion for reference of these Bills to a Select Committee given proof of my *bona fide*, that I am not out to force anything down the throats of the Honourable Members of this House or the country, but that I want the Honourable Members to assist me in devising ways and means to meet our needs and requirements. And, therefore, Sir, I was saying that when the Bill is being considered by the Select Committee I shall be willing to consider the question of raising the limit from Rs. 5,000 to any other figure.

With regard to this tax, I have always felt—why should a person, if he has made any unearned income, not give a share out of that to the State. The value of property has become bigger not on account of the efforts of any particular individual, but, if I may say so, on account of the suffering that the people of this country have undergone, and therefore the State is entitled to get a little share out of that extra profit which one may make on such properties. It is not intended nor do I want to strangle any particular class or any particular interest. But I feel that with regard to such profits the State is entitled to have a share out of them, and if some of the Honourable Members feel that the State should get some profit out of the death of a person, I do not see why I cannot get something out of living people. Therefore, Sir, this is a tax that is not going to hurt industry in any way.

I was told—not in this House but by some of the gentlemen who came to see me—'if you reduce my income then I shall not be able to invest', and the objection was really with regard to higher income-tax. Now, I am coming to the unearned income to Rs. 1.2 lakhs, and from Rs. 5 lakhs for earned income to Rs. 1.5 lakhs. It was suggested to me very seriously that by lowering the limit I was really hurting industry. I was really stopping people from investing in industrial developments. Now, Sir, barring a few magnates I think most of the money that is invested is invested by the middle classes in shares, and I have taken good care to see that there is no raising of tax on the middle classes. As a matter of fact, let me tell you, Mr. Deputy President, that our incidence of taxation in lower limits is much lower than anywhere

[Mr. Liaquat Ali Khan]

in the world, and therefore I have tried to put this tax in a way that it would not affect the industrial development of the country in any manner whatsoever. It has been suggested that by bringing down this limit I will stop investment in industry. Now, Sir, all the money that I hope to get from this source is Rs. 2½ crores and when I give certain figures to the honourable Members of this House they will be surprised that most of the investment in these industries does not come out of these people. It is the money of the middle classes that is used by people who have got brains and who have got experience, and therefore I am really not putting any hinderance in the way of flow of capital into these concerns or into industry. As I said, Mr. Deputy President, from the source I only hope to get Rs. 2½ crores. Now let me give the House certain figures. We received during this current year from 1st of April 1946 to 3rd of March 1947 applications for capital issues to the extent of Rs. 280 crores and 6 lakhs. The sanctioned amount was Rs. 219 crores 56 lakhs. Now, Sir, can anybody seriously tell me that if I get this extra 2½ crores, it is going to stop the flow of capital into industry. It will certainly reduce some of the balances which some of the rich people may have had in the past. But it certainly is not going to affect industry in the least. Therefore, what I say is this. This is a cry that is being raised and that has been raised since I presented my budget because that, I know, is the only way in which people interested in this matter could mislead the honest people whose desire is that the country should develop economically and at the same time the money should come out of those who can afford to pay it. This was really the only way in which they could try and prejudice the mind of the people at large. I am sorry to say that the manner in which the propaganda is being carried out is not the way in which these interests can influence me. I am neither going to be coerced nor blackmailed into accepting a position which I do not feel is justified in the interest of the country. As I have stated before, I am willing to be convinced, if it can be proved that the taxation proposals which I have placed before the House will ruin the industrial development of India. I am not so unreasonable that if I see the ruination of the country staring me in the face, I will say, I must go on with my proposals because I have brought them before the House.

Sir, there is another matter to which I wish to draw the attention of the House. I was shocked as I think every right thinking man and every one who has the interest of the country at heart would be shocked to read that the stock exchanges have closed as a protest against these taxation proposals. Let us examine what are stock exchanges. How does it really affect them? Why have these people who have control of the stock exchanges taken this particular step to lodge their protest and create a kind of panic in the country by their action. As I have said before, I shall neither be impressed nor be bullied into any action by such tactics. Who are these people? The stock exchange is a market where a person can exchange his shares and securities for cash or *vice versa*. Now, in such a market, there is no more justification for a strike against taxation of industrial profits than there is for a strike against lowering of the rate of interest on government securities or than there is, for example for a strike by sugar or salt dealers against an increase in the rate of taxes on salt or sugar. The budget proposals as I have stated affect, if they do, the profits of industries. How do they affect those people who are in charge of stock exchanges? A tax on capital does not affect the operators or brokers since they do not pay this tax. It is only the private individual who has any share or stock who will have to pay the tax in future. But these brokers and dealers who deal in these shares and stocks are already subject to income-tax. So, it does not affect them in any way. Then, Sir, there are the higher rates of personal or super-tax. These are taxes as a protest against which these stock exchanges have been closed. High rates of personal and

supertax affect all persons with large incomes and the controlling authorities of stock exchanges have in fact no justification for using this weapon to ventilate their grievances. Because it might affect certain individuals, therefore, they are going to adopt this course. One cannot but draw the inevitable conclusion that all these people who are in charge of stock exchanges are those very people against the stranglehold of whom I warned Honourable Members of this House. It is these very people who really want to keep the whole economic life of this country in their few hands. I am sure there is not a single Honourable Member of this House who would lend any support to such a class of people. Now, Sir, I do appeal most earnestly to our big industrialists in this country that it is time when it is their duty as Indians to assist the Government. We are faced with a large deficit. We have a large deficit in the current year and we have a large deficit in the next year also. My Honourable friend Mr. Griffiths says why do you bother about deficits. This is nothing. May be. My Honourable friend Shri Sri Prakasa is right. If I had been still living in U. P. on my land, I probably would not have minded these deficits. But having come to Delhi and being responsible for the finances and economic stability of this country it is my duty to see that we do not have large deficits in our budget.

Shri Sri Prakasa: Cut down defence expenditure.

The Honourable Mr. Liaquat Ali Khan: My Honourable friend has asked about defence expenditure. I think in my speech I gave some reasons as to why the defence expenditure is higher than it should have been. I myself am disappointed that we have not been able due to certain causes to carry out the programme of demobilisation. If it will give some consolation to my Honourable friend Shri Sri Prakasa, I myself am not very happy that our defence expenditure is so high.

Shri Sri Prakasa: Cut off their heads.

The Honourable Mr. Liaquat Ali Khan: I wish I could.

Sir, I was making an appeal to our industrialists. I wish to assure them that it is neither my intention nor the intention or desire of Government to prevent or hinder industrialisation of this country in any way. We are faced with a difficulty; I appeal to them to give up a little of the profits which they made, in the current year. Unfortunately apart from so many other calamities that the last war brought it also brought the calamity of people having got used to big profits. If they would forget for a moment the huge profits which were made during the war period, I am sure that they would be able to give such money through this tax as I propose and desire without seriously feeling the pinch of it.

And now, Sir there is just one thing that I wish to say. We all have our own ideas about the country and its economic life, about rights of private property, capitalism, *zamindari*, and so on. The world is changing and India is changing more rapidly than the rest of the world. Therefore every one of us has got to adjust himself to the new circumstances in which we are living. And so, Sir, we must once for all make up our minds that in the changing India we cannot hope to get those profits that were made in the past. Every one has got to make a sacrifice—if you can call it a sacrifice—for the general good of the masses of this country.

Shri Sri Prakasa: For the soldiers of this country!

The Honourable Mr. Liaquat Ali Khan: My Honourable friend has got soldiers on his brain!

Shri Sri Prakasa: They will bomb the frontier; and you will be absent from your seat at the voting time!

The Honourable Mr. Liaquat Ali Khan: That is an every-day occurrence and the frontier does not mind that.

[Mr. Liaquat Ali Khan]

I once again appeal from my place here to all those gentlemen who feel the pinch of these taxes to reconsider their attitude towards these proposals. They are not helping themselves and they are certainly not helping the country by creating a kind of panic in the minds of the people. My taxation proposals, I again assert, are not going to either cripple or ruin the industry of this country. My taxation proposals are in no way going to stop production altogether or reduce it in any way. Therefore I once again tell my industrial friends to help us in this matter. If they do not, it will be unfortunate; we do not wish in any way to stifle private enterprise, and we want all the assistance, all the technical knowledge and all the experience of private persons to help in the industrialisation of this country.

An Honourable Member: Country or sub-continent?

The Honourable Mr. Liaquat Ali Khan: To my mind there is no difference except a difference in size.

Sir, I was saying that if they do not help us India will still be industrialised. If Russia could industrialise in a short period why not India? We do not want to stifle private enterprise, but if private enterprise is not willing to take up a helpful attitude and assist us in the economic improvement of this country there are other methods by which we will have to do it.

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 5th March, 1947.