

DEMAND No. 20—DIVIDEND PAYABLE
TO GENERAL REVENUES

"That a supplementary sum not exceeding Rs. 11,22,000 be granted to the President to defray the charges which will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Dividend Payable to General Revenues'."

APPROPRIATION (RAILWAYS)
No. 2 BILL

The Minister of Railways and Transport (Shri L. B. Shastri): I beg to move for leave to introduce a Bill to authorise payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the service of the financial year 1952-53 for the purposes of Railways.

Mr. Chairman: The question is:

"That leave be granted to introduce a Bill to authorise payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the service of the financial year 1952-53 for the purposes of Railways."

The motion was adopted.

Shri L. B. Shastri: I *introduce the Bill.

APPROPRIATION (RAILWAYS)
2 BILL

The Minister of Railways and Transport (Shri L. B. Shastri): I beg to **move:

"That the Bill to authorise payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the service of the financial year 1952-53 for the purposes of Railways, be taken into consideration."

Mr. Chairman: Motion moved:

"That the Bill to authorise payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the service of the financial year 1952-53 for the purposes of Railways, be taken into consideration."

Shri Vittal Rao (Khammam): Let there be no Supplementary Demands hereafter, Sir.

*Introduced with the previous sanction of the President.

**Moved with the previous sanction of the President.

Mr. Chairman: The question is:

"That the Bill to authorise payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the service of the financial year 1952-53 for the purposes of Railways, be taken into consideration."

The motion was adopted.

Clauses 1, 2, 3 and the Schedule, the Title and the Enacting Formula were added to the Bill.

Shri L. B. Shastri: I beg to move:

"That the Bill be passed."

Mr. Chairman: The question is:

"That the Bill be passed."

The motion was adopted.

UNION DUTIES OF EXCISE (DIS-
TRIBUTION) BILL

The Minister of Finance (Shri C. D. Deshmukh): I beg to move:

"That the Bill to provide for the distribution of a part of the net proceeds of certain Union duties of excise among the States, be taken into consideration."

The Bill is a simple, straightforward measure to implement one of the recommendations of the Finance Commission, indeed the most important of those recommendations, viz., that 40 per cent. of the net proceeds of the excise duties on tobacco, matches and vegetable products be assigned to the States and distributed among them on the basis of the population. As the House is aware this recommendation has been accepted by Government. The reasons for the Commission recommending the assignment of a part of these three excise duties, instead of all the excises, have been set out at length in the Commission's Report (Chapter V) which has been circulated to Members of both the Houses, and therefore, I do not propose to go over this ground again at this stage. In a matter like this, it will be realised that there are always bound to be differences of opinion as to the particular excise to be selected or the portion of the duty to be assigned to the States. So far as the Government of India are concerned, they have accepted the recommendations of the Commission in the spirit that it is an impartial body outside both the Central and State Govern-

†Moved with the previous recommendation of the President.

[Shri C. D. Deshmukh]

ments. Another reason for accepting this particular recommendation is that it forms part of an integrated scheme of assistance drawn up by the Commission, and I am sure the House will appreciate that it is not desirable to modify one part of the scheme without affecting the picture as a whole.

Now, as regards the distribution of the States' share among them, I am aware that the view is held that the distribution should have taken other factors into account than merely population. Here again, I believe that we have done the proper thing in accepting the Commission's recommendations. The Commission themselves seem to have realised that, a future Commission may come to a different conclusion with additional data available to them. We are taking steps to have such data collected, but for the present the only basis that one could think of is population as giving in a rough and ready manner the consumption of the respective States.

The financial effect of the proposals embodied in the Bill is to transfer something of the order of 17½ crores a year to the States. The amounts may vary from year to year, depending upon the rate of taxation in force and the collections in each year. But I think in the ordinary course the order of the sum is not likely to differ materially from the figure I just mentioned.

Mr. Chairman: Motion moved:

"That the Bill to provide for the distribution of a part of the net proceeds of certain Union duties of excise among the States be taken into consideration."

Shri A. C. Guha (Santipur): The hon. the Finance Minister in introducing this Bill has described it as a very simple measure. Yes—simple it is, if we only take it that it is implementing the recommendations of the Finance Commission. Also it is simple from his point of view because he has to take no further trouble, but simply follow the recommendations of the Commission. But from the point of view of the States whose fate is going to be decided for some years it is not so simple a matter.

We have not been able to be convinced of the *ad hoc* arrangement made by the Commission as regards selecting the items, excise duty on which is to be shared with the States, nor of the basis of this allocation of the excise duty. Though the Commission has stated that there are no definite data as regards consumption, I think there are definite data

as regards collection which might be considered to be at last with consumption. A State can collect only as much excise duty on a particular item as is generally consumed in that State...

Shri C. D. Pande (Naini Tal Distt. cum Almora Distt.—South West cum Bareilly Distt.—North): No, no. Take tobacco.

Shri A. C. Guha: Production also.

Shri C. D. Pande: Only in production of tobacco.

Shri A. C. Guha: Production also might have been taken into consideration.

Anyway, this arrangement on the population basis, irrespective of the factor how a State contributes in the shape of production or of consumption, is not a very happy one.

Then as for the selection of items, there also there is not much reason to be contented—as we have no reason as to why these items were preferred. The only thing about this award is that it has put the States on a somewhat sure economic plane. So long the distribution of Central revenues by way of an *ad hoc* grant was more like a scramble in which the stronger the Government of a State the greater was the chance for that State to get a share in the revenue. I should like to quote here a passage which was stated quite a number of years ago but which holds good even today.

"The distribution of public income degenerated into something like a scramble in which the most violent had the advantage with very little aid to reason. As local economy brought no local advantage, the stimulus to avoid waste was reduced to minimum and so no local growth of income led to local means of improvement in the interests of development of public revenue."

The remarks that have been made in the last two sentences hold good, I think, even today.

Shri B. Das (Jaipur—Keonjhar): Not after this!

Shri A. C. Guha: Even after this.

If simply the population be the basis for allocation, then the States would not have the urge to improve the revenue either by production or by any other way. Particularly, when we hear so much about Family Planning and Birth Control this premium of population does not sound quite proper and scientific.

I should here mention something about my own province. Originally, it was a direct concern of the Governor-General and so it had no separate Government and no separate revenue. Gradually, when it came to the status of a separate province, it was getting niggardly attention from the Centre because of the political trouble it was creating for the Government. The two Awards, the Meston Award and Otto Neimeyer Award, were palpably unjust and rather hard to my own province. After the Partition, though West Bengal continued to contribute almost the same amount of income-tax as undivided Bengal was contributing, its share of income-tax was reduced drastically. Of course, the present Finance Minister acting as arbitrator made some amends to the wrong proposed to the province by the previous arrangement. He increased the ratio by, I think, one and a half per cent. or something like that. So, we were only expecting some better deal from this Finance Commission. But we have been disappointed. Even now we plead that the Government should see its way to improve the allocation and then to include some more items in the list of excise duties which should be shared with the States. I should mention in this connection, tea and also petrol, which though Bengal does not produce yet but may, in the near future, produce. So, I should join in supporting the demand of Assam as regards petrol. I do not think why Assam should not get a share of the petrol duty.

Another point I should like to put before the hon. Finance Minister and before this House is that India is one country and its development should be more or less uniform. The *per capita* revenue of different provinces should also be more or less uniform. But at present the *per capita* revenue of different provinces varies widely and to make the development more or less uniform those provinces which are poor in revenue should be given better allocation from the Centre.

Lastly, I should like to impress upon this House the problem that has been created, due to partition, for West Bengal. It is not the seeking of West Bengal that the entire province was partitioned. The country, as a whole, decided to have the partition and the party which is responsible for running this Government also accepted partition and so Bengal had to yield to the decision in spite of the great hardships, in spite of the sentimental bonds that we feel and in

spite of economic distress that was inevitable. We expected that the Central Government should take into consideration the problems that have been created due to partition. These are problems of the Central Government and not of the Bengal Government. We have got about 28 or 30 lakhs of refugees even according to the Government estimate—while non-official estimate would put the figure much higher. It may be said that the expenses on behalf of the refugees are being borne by the Central Government. Yes, that is the direct expenses which the Central Government have been bearing. But, there are certain incidental expenses, e.g., food-stuffs and other resources of the provinces being consumed by 28 or 30 lakhs of people; communication, social services and other problems have been created. Yesterday also I mentioned in this House that a large number of colonies, urban and rural colonies, have been set up in areas which have no communication, no school, no hospital, which have no economic life, and to make those colonies really self-sufficient and make the refugees really rehabilitated, the Bengal Government will have to provide proper communication by making roads and other things and will have to provide for the economic development of those areas, the expenses of which, I am afraid, are not covered by the Rehabilitation Department and it is the responsibility of the Bengal Government to prepare village roads or to set up small scale industries and cottage industries or something like that. So, all this should be taken into consideration by the Central Government before they finally decide to give effect to the allocations as recommended by this Finance Commission.

I hope in the near future, the Central Government will see its way to improve the allocation. I plead not only for Bengal but also for other provinces which have poorer revenue so that India as a whole may have uniform development for which uniform *per capita* revenue is absolutely necessary.

Shri K. K. Basu (Diamond Harbour): The hon. Finance Minister in moving the Bill tried to describe it as a harmless piece of legislation. It is true, it is harmless to him. It was just by adopting the decision of a Commission appointed by the President, he has saved himself from the volume of public criticism that might come in. I would like to impress that the recommendation of the Commission is much below the expectations

[Shri K. K. Basu]

of the province. I am not going immediately into the details of the principle on which the recommendations have been based but I would like to say that over-all demand of the States and their shares should have been much higher than the 40 per cent. as decided by the Finance Commission.

Then the Commission has selected only three items out of a total of nearly twelve items or articles on which excise is levied. According to the figures supplied, in the next year Rs. 95 crores are expected to be collected by way of excise, but only Rs. 46.90 crores, i.e. 40 per cent. are in the pool to be distributed among the States. I would like to impress upon the Government that these Rs. 95 crores are being paid by the people of the States, and it is only natural that they should demand a due share. After all, if you analyse the expenditure of both the Central and State Governments, you will find that the incidence of providing social services falls greater on the States than on the Centre. Take the sugar cess. It is collected mainly from U.P. and Bihar. The people of this area have to make sacrifices to augment the production of sugar, but the entire profit is taken by the Centre. For keeping up the production, for running the mills, for meeting the problems of workers and providing them with amenities, for so many other things connected with the sugar industry, it is the States who have to make sacrifices. There may be here and there a few Central grants, but in a country which is mainly agricultural, the main brunt of the burden for improving the lot of the peasantry, for introducing better irrigation, for improving the means of production, etc. falls on the States.

Similarly, take motor spirit. Assam which produces petrol has many problems. The people of Assam have to undergo many sacrifices for keeping the petrol pumps and oil installations in running order. Relatively speaking, they suffer more than other similarly situated people elsewhere. Yet, they do not get the fruit of their labour. They get only a small share.

The same is the case with tobacco which is grown in the South. If they make sacrifices and produce more tobacco and get a better market, more excise duty is collected, but the share they get is very small. If they only know that out of Rs. ten extra production, they will get at least Rs. four, there will be an impetus, but if they know that they will get only eight

annas, where will be the impetus? Therefore, let us talk in terms of reality. Of course, India is one. But so long as there is uneven economic development of the regions, and so long as their economic potentialities differ, there will be a tendency for people to ask for more. It is not parochialism. So, I suggest that this 40 per cent. should be raised to at least 60 per cent. if not 75 per cent. After all, the States have to provide better roads, better education, better health and so on, and all this costs so much. So, in voicing this increase, I trust I am speaking for all States. The share of the States must be increased.

Now, I shall turn to my own State of West Bengal. As a result of the partition, the whole of India benefited, but only two States bore the burden and suffered the most. If in order to mitigate their suffering, you want them to come to you with a begging bowl, asking for some donation, or grant or any other contribution, it is not the right thing. Why cannot the people of this area demand a decent share? After all, West Bengal does produce wealth which is utilised mostly by the Centre. Apart from rehabilitation grants to West Bengal, I want to point out that there is need for a greater share being allotted, because Bengal has to accommodate many other States which we do not grudge. Persons from different parts of India come to the industrial belt and earn their livelihood. The amenities for the working class and the middle class have to be provided by the Bengal Government. So, the per capita incidence of expenditure is certainly higher for the West Bengal Government if it tries to maintain a minimum standard of social service. Unfortunately, a large part of the earnings is taken away by the Central Government. I do not want to go into the merits of the distribution, but I do wish to say that the share of the States in the excise duty should be increased. I appeal to the hon. Finance Minister that he should not accept the Finance Commission's recommendations. It may help him possibly to do so, because he can shelve the responsibility and take shelter from criticisms. But there is always bound to be criticism. So, the maximum that can go to the States should be given to them for the reasons that I have mentioned. An attempt should be made whereby they get the justifiable share of all the taxes that are collected out of the produce and the wealth of the States. I hope the Finance Minister will consider this matter and give effect to the

increase, if not in this year's Budget, at least in the next year and coming years, so that it would be according to the demands of the people.

[MR. DEPUTY-SPEAKER in the Chair]

Shri B. Das: Sir, I wish the Opposition Benches had asked the Finance Minister for a debate on this excellent report—the Finance Commission's report.

Shri A. C. Guha: Not only the Opposition Benches, but we also ask for it.

Shri K. K. Basu: Let the father initiate; the sons will follow.

Shri B. Das: I am not in a fault-finding mood to challenge the decision of a statutory Commission. It was appointed by the President, and the President has disbanded that Commission. The decision on the division of taxes and the distribution of the resources are the functions of the Finance Commission, and as the Finance Commission is to be reinstated again when the President wishes, any decision on the Finance Commission's recommendations is not under the purview of the Finance Minister or the Government of India. The hon. the Finance Minister has got an opportunity to give grants-in-aid, which indirectly were asked for by my hon. friend Shri Guha, and the Government of India has never denied the appeals of Bengal in that matter. We all recollect how Bengal has been treated from 1943, ever since that catastrophic famine took place. The Central Government has given Bengal large grants of which at times poor neighbours like me who live on the south of Bengal have felt jealous.

6 P.M.

My hon. friend Mr. Guha spoke of poorer States, States which have a low capacity. I belong to Orissa, the *per capita* expenditure of which is somewhere about rupees nine to ten. The population of Orissa is about one and a half crores. The *per capita* expenditure in Bengal is a little higher, while in the mighty province of Uttar Pradesh which is blessed.....

Shri C. D. Pande: Only from the point of view of numbers, not wealth.

Shri B. Das: Shall I tell you what is your revenue?

The expenditure of the U.P. is about Rs. 65 crores; that of Madras is Rs. 65 crores; West Bengal is Rs. 42 crores, it is going up.

Shri C. D. Pande: May I interrupt the hon. Member. If the hon. Member goes into details, he has also to quote the population. Let it be either on the basis of population or on the basis of capacity.

Mr. Deputy-Speaker: No interruption is necessary.

Shri B. Das: I am only trying to support the reasoning of my friend Mr. Guha that there is inequity in the *per capita* expenditure, so that social justice and economic justice, which is one of the objectives in the preamble to our Constitution, is rendered to the population at large.

Sir, you and I were members of the Constituent Assembly. At that time the members of Assam and Orissa fought hard for the incorporation of article 280 in the Constitution. My hon. friend Shri T. T. Krishnamachari who was a member of the Drafting Committee of the Constituent Assembly would remember that richer States like Madras and U.P. (and even Bengal) did not at that time voice any demand that a Finance Commission must be immediately established and the resources which the Central Government had and were spending for maintaining the bureaucratic tradition of the Government of India should be equitably distributed.

Well, the Finance Commission was appointed. It has done the job well and submitted a report with which I cannot find any fault. My hon. friend Mr. Guha spoke about the distribution of income-tax. He will recollect that even his great countryman, Sri Nalin Ranjan Sarkar in his report on Federal Finance Committee suggested that collection basis should be taken into account in the redistribution of income-tax. Bombay also demanded the same. If trade is diverted to Calcutta and Bombay it is not the fault of the people of Orissa, or the people of the Punjab. Our foreign rulers concentrated their transport system and ports development in Bombay and Calcutta.

My hon. friends of Bengal and Bombay demand distribution on the basis of collection. I have always contended in the Constituent Assembly, in the previous House and in this House that population basis of distribution is the right method, if the preamble to the Constitution has been accepted by every Member of this House and by every citizen of India. Still I do not blame if twenty per cent. on the basis of collection is allocated to Bengal and Bombay. I do not mind it, because the transition stage is very difficult. We have emasculated the princes; we have emasculated

[Shri B. Das]

the landholders. But it takes time for them to adjust their life to new conditions. So, I do not want that Bengal and Bombay should be suddenly faced with a great catastrophe.

Mr. K. C. Neogy, the Chairman of the Finance Commission, is a great son of Bengal. I am glad a great son of Bengal, and an ex-Minister of the Congress Cabinet, could devise such a faultless machinery of allocation of the resources that could be snatched away from the hands of the Government of India. But I would like Members of this House here and legislators outside and through their State Legislatures should agitate that the President has done a wrong thing. He had no business to do away with the Finance Commission which was to enquire into the affairs of States *vis-a-vis* the Centre over devolution of resources and which had to complete their labours in thirteen months, particularly when data and statistics were not available. The Taxation Enquiry Committee is still to be born; or though it is born, it has to come into existence. After the Fiscal Commission's Report the Taxation Enquiry Committee ought to have gone into the various resources of the States and the Centre. Then, perhaps, it would have been easier for the Finance Commission to weigh how they could render social and economic justice to the States. But with all the handicaps the Finance Commission has done a piece of duty, a thankless duty, without data and statistics in the Centre and the States. They have done a good piece of job. Those of us who want more money can ask the Finance Minister to give us assistance under the item of Grants-in-Aid. I have a feeling that towards the end of discussions on the Budget and the Finance Bill, he may come forward with a proposal to give food subsidies to the States. I am against it. Whatever money is to be given to the States must be given in the form of grants-in-aid. As it is the States which get assistance do not even express one word of gratitude to the Centre.

Well, I do hope my hon. friend the Finance Minister will tell us how the President was persuaded to come to the decision that a Finance Commission could complete its deliberations within thirteen months and its existence is not necessary. I recollect those days when I was a vigorous agitator over article 280 and the articles near by it. I wanted the Finance Commission should continue for five years. I am glad my hon. friend

Mr. T. T. Krishnamachari is here. Dr. Ambedkar's original draft, was that a Finance Commission should come in five years after the Constitution.

Mr. Deputy-Speaker: Are we entering into a general discussion of the Finance Commission. This is a very small matter.

Shri B. Das: I accept your ruling, Sir.

But it is pertinent for me to ask the question why the Finance Commission was not allowed to continue a little longer to understand its own functions and to assure the multi millions of peoples of India that there is hope for them in the offing. The distribution of excise duty is the first stage of that benefit which we the half-starved and neglected people have got. That is the first sign of social justice to the people of India. Perhaps if the Finance Commission had been allowed time and had enough materials on hand.....

Pandit Thakur Das Bhargava (Gurgaon): Another one will be appointed after five years.

Shri B. Das: Why after five years? Why not now? It depends upon us. Let us agitate in every State Legislature. A mistake has been committed. Who has committed it, I am not eager to know. But it is a mistake. It was not our intention in 1949 when we framed the Constitution that a Finance Commission would be something that would come for twelve months and vanish like a comet from the firmament of India. (*Interruptions*). You have not understood. You read the recommendations of the Finance Commission where it said in the last pages that the President shall maintain in his Secretariat an organisation to collect various statistics, etc. Who is responsible for seeing that we get social justice? It is the President; it is not the Government of India. The Government of India must manage their own house, and they are reluctant to part with money. We do not know the Finance Minister's mind. He must at times have been obsessed by the feeling that so much money is passing through his fingers to the States. But in the matter of social uplift the President has a responsibility, which this House shares with the President. Whether the Government of India also shares it my thick-headed brain does not allow me to interpret it that way. But Parliament shares with the President the right

and privilege of doing social and economic justice to the people. And the dissolution of the Finance Commission is not helping the President of this House to render adequate social justice and economic justice to the people of India. We would not have heard the speech which Mr. Guha made just now, complaining that he has not got justice at the hands of the Finance Commission.

I must say I am happy. Orissa has got sufficient from the award. Orissa has been clamouring from 1924, when I became a Member of this House, till 1952. I think the intention of the Congress Government is to render social justice. How it got astray and why the Finance Commission was dissolved, this House has no right to question the President. But this House has a right to know why the President did it.

Shri S. V. Ramaswamy (Salem): I congratulate the hon. the Finance Minister on bringing forward this Bill in accordance with the recommendations made by the Finance Commission at page 83 of its report. Reading through the report of the Commission one gets the impression that they have done their work fairly and squarely. As far as possible they have been very fair. But that is not to say that the report in its entirety is to be accepted.

I wish to submit a point of view to this House and to the hon. the Finance Minister for his very kind consideration. It is true the report has been placed on the Table of this House. But what I find at page 82 of the report is not very clear. At page 82 they say why they have chosen three excise duties alone. My humble submission is that the reasoning there is not wholly satisfactory as to why they have selected these three excise duties alone. Further, and that is more important, they abruptly say that they allocate forty per cent. to the States and sixty per cent. to the Centre. This is how it reads. The sentence commences abruptly: "We recommend that 40 per cent. of the net proceeds of these duties be allocated to the States. We have fixed the States' share with reference to the amount which, in our scheme as a whole, we consider it appropriate should be transferred to the States by the division of excise duties." The reasoning there is not complete, and it is not satisfactory. There is a lacuna, and we have yet to be convinced as to why they have allotted only 40 per cent. to the States and not more. Any devolution of these taxes to the

States is certainly very welcome, especially when the States are short of funds. But the question is whether the allocation of 40-60 is fair.

As I submitted, this report has been placed on the Table of the House. And the Government have also accepted the recommendations of the Commission. But what I am very respectfully submitting to this House is this. Reading the Statement of Objects and Reasons to the Bill I find that "the Bill is intended to give effect to one of the recommendations of the Finance Commission that 40 per cent. of the net proceeds of the Union duties of excise" and so on should be assigned to the States. Has this House an opportunity to discuss the merits or the demerits of the recommendations of this Commission? Without ever the House discussing the report and passing a resolution accepting this report, this Bill is now sought to be placed before this House so that it may accept it. In other words, before ever we discuss and accept the principles involved in the report, we are forced, by passing this Bill into an Act, to accept the allocation of 40-60 per cent. My humble submission is, can such a thing be done in fairness to this House? First of all the report itself should have been discussed, so that we might consider all the various aspects which have been mentioned in this report and so that we might arrive at a decision whether this 40-60 per cent. is fair. Thereafter this Bill can be brought. No doubt effect to this recommendation is to be given by the 1st of April, 1953. But we have yet two months more, and there is yet time for us to pass this Bill into an Act.

My very humble submission to this House and to the hon. the Finance Minister, therefore, is that the consideration of this Bill may be postponed to some other date so that the Speaker might be pleased or the Leader of the House might be pleased to allot a day for discussing the Finance Commission's Report, and then this Bill may be taken into consideration. I submit that any other step would be forcing this House to accept the recommendations without its ever considering them. That is the aspect which I wish to place before the House.

Mr. Deputy-Speaker: May I ask the hon. the Finance Minister whether it is not the intention of article 281 that the whole recommendations of the Finance Commission ought to be placed before the House so that the House may have an idea in dealing with it?

The Minister of Commerce and Industry (Shri T. T. Krishnamachari): Along with the action taken thereon.

Mr. Deputy-Speaker: It has not been placed yet.

Shri C. D. Deshmukh: The action taken, Sir, is the acceptance of the recommendations.

Mr. Deputy-Speaker: Does not article 281 say that the President shall cause every recommendation made by the Finance Commission, together with an explanatory memorandum as to the action taken thereon, to be laid before each House of Parliament? Would it not be convenient for the House to understand the entire recommendations together with the action, taken, so that some people may say that 40 per cent. is not or is right in view of the fact that some other portion is distributed?

Shri C. D. Deshmukh: Sir, the "action taken" is that we have either rejected or accepted. We have said that we have accepted the recommendations of the Finance Commission in toto. If we say that an explanatory memorandum is required in regard to the reasons which influenced us in accepting it, it would amount to our discussion of the whole of the recommendations of the Finance Commission. We will have to go into the merits and the pros and cons of each recommendation. We thought that it was the wiser course to say that they appeared reasonable to us (that is implied) and therefore they are accepted in their entirety by us; that is to say, we have nothing to explain, so to speak. We accept the reasoning of the Finance Commission, and we accept the recommendations. An explanatory memorandum would only be necessary if we have taken some other action differing from the recommendations of the Commission.

Mr. Deputy-Speaker: That is not my point. My point was whether the sum total of the recommendations together with the action taken on them as a whole should not be placed before the House. Of course it is being accepted. But if that is done the House has an opportunity of going into the whole matter, and then the entire scheme may be understood by the House; and thereafter action may be taken on those lines by an Act. I wanted to know that.

Shri C. D. Deshmukh: The action taken has to be stated to the House. Therefore the action has to be taken first, and the informing of the House comes afterwards.

Shri T. T. Krishnamachari: Even at the time the Constituent Assembly put in article 281, the question was whether, having more or less committed this matter to the Finance Commission, the Government accepts the Finance Commission's recommendations as they have done now. If the question could be discussed in this House where obviously each Member coming from a particular State has his own point of view, the very purpose of the Finance Commission is defeated thereby. This particular motion before the House is sequel to the action taken by the Government. Government has taken action in regard to every other recommendation but this particular portion of that action to be taken has got to have the legislative imprimatur of this House.

Mr. Deputy-Speaker: We assume that it is not necessary to have a legislation with respect to one of the recommendations hypothetically. Is it the intention that the recommendation ought not to be placed before the House for consideration? It is open to Government to modify its own recommendations.

Shri T. T. Krishnamachari: The point really is if the discussion is going to take the nature of this House recommending to a future Finance Commission, that action must be taken on particular lines or if it is going on the basis of this Commission's recommendations which the Government have thought fit to accept, the alternative arises, on the question of there being an explanatory memorandum as my hon. colleague has put it, an explanation is only necessary when Government finds certain grave financial reasons, an emergency arising and it cannot at the moment implement the recommendation and if so they might probably implement it next year. Otherwise, a discussion in the House was not envisaged by the Constituent Assembly for the reason that it would lead nowhere.

Shri B. Das: The President in his speech announced to the Members of both the Houses that the Finance Commission's recommendations have been accepted. Thereafter, the hon. Finance Minister laid the report on the Table with a communique signed by Mr. K. G. Ambegaokar, Secretary to the Government of India, saying that Government have accepted them. I maintain that it is the privilege of this House to discuss matters on allocations.

Pandit Thakur Das Bhargava: Section 281 of the Constitution says that

the President shall cause every recommendation made by the Finance Commission under the provisions of the Constitution together with an explanatory memorandum as to the action to be taken thereon to be laid before each House of Parliament. We do not find any other provision by virtue of which this House is competent to modify those recommendations or reject or even to accept them. My submission is if after every five years or earlier, a Finance Commission is to be appointed under article 280 and then if the House expresses its opinion either to endorse or reject its recommendations, then it will perhaps be for the President to appoint another Commission and that Commission may take into consideration what the views of this House are in regard to the recommendations of that Finance Commission but I do not find any warrant for the view that a Bill may be passed by this House. Supposing this House throws away this Bill, what would happen? Supposing the House wants to modify this Bill or wants to see that any particular State should get more money. How will this be effected? My submission is that the House can take any decision it likes and the recommendation of the House goes to the President who, speaking legally, is competent to give his assent to the Bill or not. The Constitution is silent about this. I, therefore, think that the only right of this House in regard to this matter is that the recommendations as well as the orders passed by the President can be considered either way. In many Acts we find the ordinary words "such and such a notification shall be laid before the House". This only means that the House has got a right to express its view. On what further is to be done the whole Constitution is silent. Therefore, constitutionally, speaking, this House can express its opinion and it is bound to be given effect to by the Government. So far as the Constitution is concerned, I do not find any warrant for the view that unless this Bill is passed, the recommendations of the Commission will not be regarded as binding on the country. I should therefore, think that it is questionable whether this Legislature is competent to pass a Bill of this nature.

Shri T. T. Krishnamachari: Mr. Thakurdas Bhargava's point is whether the House by a resolution can ask the Government to alter the decision in the same way as rules which are placed before the House. Article 282 says that the President shall cause every recommendation made by

the Finance Commission under the provisions of the Constitution together with an explanatory memorandum as to the action taken thereon, to be laid before each House of Parliament. In any discussion that might possibly be undertaken by this House while the House is sovereign and can decide in any way, normally the convention would be that because it is a matter of rights of the Centre as against the States *inter se* being interfered with, it would be inappropriate for the House to say, "Do not give these States 40 per cent. but give 38 per cent. or re-allocate the adjustments between the different States in a different manner". But I think it is quite open to the House to say on any occasion that it might choose that a future Finance Commission may take cognizance of its views.

Pandit Thakurdas Bhargava: I do not object to the discussion of the report. I do not know whether we can pass a measure of this kind.

Shri T. T. Krishnamachari: This is a measure which the House is quite competent to pass because it is going to give away revenues to anybody by means of an Act.

Mr. Deputy-Speaker: There is article 272. I think there is no question of a ruling here. What I find is this. Inasmuch as it is a matter for a Commission alone to enquire into the whole of the States' assistance, a statutory Commission is provided for under article 281. The Commission's recommendations have been accepted by the Government. In case they do not accept them, an explanatory memorandum will be necessary. It cannot be said it is necessary that the Finance Commission's recommendations, with the recommendations of the Government, be discussed here but normally the House may have an opportunity to say that "so far as this recommendation is concerned, it is open to the House to say 'not 40 per cent. but 30 per cent.' or 'not 60 per cent. but 70 per cent.'"

Shri C. D. Deshmukh: This is a point which has been specifically discussed in paragraph 2 of Chapter V by the Commission themselves. They referred to article 272. The only place where I would like to express a slight difference of opinion with you, Sir, is where you said that the House can say that the 40 per cent. should be raised to 60. This is a Money Bill. Therefore, the 40 must remain 40. They may reduce it. That would be welcome to the Centre.

Mr. Deputy-Speaker: If they reduce the Centre's share from 60 to 40 per cent., what happens?

Shri C. D. Deshmukh: The money is something that belongs to the Centre today. You cannot give away anything in a higher proportion than what has been recommended by the Government themselves. It is not the States' money.

Mr. Deputy-Speaker: It is not imposing any duty. Is this a Money Bill? Is it necessary for me to go in to that matter?

Shri C. D. Deshmukh: It is an appropriation.

Shri B. Das: May I submit, Sir, that article 281 says:

"The President shall cause every recommendation made by the Finance Commission under the provisions of this Constitution together with an explanatory memorandum as to the action taken thereon to be laid before each House of Parliament."

That is the duty of the President. Of course, the Finance Minister will have to perform that duty of the President as he is doing and laying so many other things on the Table. This entitles us to discuss everything.

Shri C. D. Deshmukh: That has been performed. The hon. Member is on some other point. I can understand the anxiety of hon. Members to have a separate time allotted for the discussion of the Finance Commission's recommendations. That was expressed by them and provisionally we came to the conclusion that during the course of the General Discussion, they should have ample time, especially as the present Budget does not happen to be a very complicated one. (Some Hon. Members: You are wrong there.) Indeed it seeks to implement a phase of a Plan which has already been approved of by the House, and therefore we thought that it would be sufficient if the House devoted a part of this time to the discussion of the Finance Commission's report. But, if there is any other desire to do so, although it would crowd out some other business. I am prepared to convey to the Leader of the House that there is a desire expressed, although the House is so thin today and one would not know what the desire of the House is.

Mr. Deputy-Speaker: I suggested that out of the four days for the General Discussion, one day may be devoted for discussion of the report of the Finance Commission.

Shri A. C. Guha: That may not be quite convenient.

Mr. Deputy-Speaker: I agree with the hon. Finance Minister, no doubt, that under article 274 even a variation of the method of distribution also requires sanction.

Shri C. D. Pande: May I say a word, Sir? Most of the States have already made their Budgets on the assumption that these figures will stand. Any effective discussion to change these figures will result in difficulty for those States. Moreover, even the Budget in the Centre has been based on the basis of recommendations of the Finance Commission. Therefore, any fresh discussion will be futile.

An Hon. Member: If it is reduced?

Shri C. D. Pande: You cannot ask the States to change their budgets which they have based on the figures you have given.

Shri C. D. Deshmukh: It is not my intention to stimulate discussion with a view to changing the budget. For future guidance, in the case of future Finance Commissions, if the House is anxious to discuss the report, certainly, as I said, I should be prepared to convey to the Leader of the House the desire of the House if it could be expressed in some intelligible way.

Mr. Deputy-Speaker: Mr. Altekar, short and brief, please.

Shri Altekar (North Satara): Let me first congratulate the Finance Minister for having placed this Bill in order to implement the recommendations of the Finance Commission. While doing so, I would like to say that the Members of this House find themselves on the horns of a dilemma. The point is this. If we say that more money should be allotted to the States in order to meet their various expenses for development, etc., we shall be short of money at the Centre. If we, as a matter of fact, take more money for the Centre, the difficulty is in distributing more money for the States. So, the Finance Commission has laid down or rather reported that 60 per cent. should be reserved for the Centre and 40 per cent. should be distributed among the States.

While that recommendation stands, a point was raised as to whether this House has the power to suggest any change with respect to the recommendations that were made by the Finance Commission and accepted by the

President and given in that Order. So far as that question is concerned, I would like to point out humbly that article 272 states that Parliament will have to enact a law for that purpose. If Parliament has to enact a law, it means that it shall have to discuss the whole question from all points of view. If it has only to register its approval to what has been sanctioned by the President, I can hardly say whether it could be called a law, it merely being an act simply registering its consent. The article says:

".....if Parliament by law so provides, there shall be paid out of the Consolidated Fund of India, to the States to which the law imposing the duty extends....."

So, Parliament will have to provide by means of a law in that respect. So, Parliament has, I humbly submit, authority to go into that question thoroughly, and discuss it, and after considering the various points of view, suggest what it thinks on this point. That being the case, I submit that we have got the authority to discuss the question thoroughly and suggest our own way of distribution.

So far as distribution is concerned, as I have already stated, if we give more to the States by way of contribution, then, we shall be short of money at the Centre and we shall find ourselves in a very precarious condition of having to resort to fresh taxation for meeting the needs of the Centre. When that question has been gone into by the Finance Commission and it has been sanctioned by the President, for the present, we shall have to rest content with the distribution that has been made. While saying so, I would like to suggest that certain important considerations should weigh in coming to a decision on the distribution. I submit that in this distribution recommended by the Finance Commission, certain important factors have not been properly taken into consideration. There are certain provinces which are very hard hit by the proportion of distribution that has been recommended. As a matter of fact, on the whole the States are now getting 21 crores more than what they used to get before. This Bill has been placed before the House. I submit that there are certain provinces which are getting less than what they used to get before when the amount to be allocated was far less. I would like to place before the House the case of Bombay. On the whole, it has got on an average 35 lakhs less even though there is an addition of 21 crores more to the pool to be distributed to the provinces

Taking all the aspects into account, I submit that there are three items of excise duty in connection with which distribution is now being made. One is excise duty on matches; the other is the duty on tobacco and the third is of course the duty on vegetable products. So far as matches are concerned, it will be found that the WIMCO and other companies are functioning in the Bombay Presidency. Then there is a large number of labourers employed there, whose comforts and amenities have to be attended to. So far as the factories manufacturing vegetable products are concerned, it must be accepted that where they are centred, there is a rise in cost of living, which has to be borne by the area where they are functioning. This burden on the population of that area has not been properly taken into account.

So far as tobacco is concerned, in the area where it is grown, the farmers have to submit themselves to various restrictions that are there. They have to undergo various hardships, in the matter of the removal of the tobacco. So far as the growing of tobacco is concerned, the officer comes there, examines how many plants there are, and they have to be kept there for a certain time, until the proper duty has been paid, or the tobacco has been transferred to some other place, for which purpose the necessary permit is issued. This is a great hardship on the part of the agriculturists who are taking to the growing of tobacco. There are many other considerations also which need to be taken into account, as for instance in the removing of the tobacco to places where there are warehouses and so on. Moreover, they have to pay great attention to the cultivation and marketing of this product. From this point of view, I would suggest that the States where this particular crop is being produced, should get a certain more share in the distribution of this excise duty. And I would submit that this consideration should have weighed more than it has done, while the proportion was decided upon. Similarly there are other provinces where certain articles of this type are grown, and where the people have to undergo great hardships, in order to step up the production, so as to be able to contribute their proper quota to the country's wealth. This consideration should have weighed more with the Finance Commission. Similar considerations apply to the vegetable products manufacture as well, and the amenities of the people who are engaged in this business, such as proper tenements to live in etc. have to be attended to. Unless these are taken

[Shri Altekar]

into consideration, it would not be possible for the State to give any stimulus to the production of such commodities. Under these circumstances, so far as the particular States where these industries like matches and even vegetable products manufacture are going on or where tobacco growing is the main occupation of the people, I do not think proper justice can be said to have been done in this matter. In order that the various States which contribute more by way of excise duty may be in a position to give more impetus to such factories, they should be given some more attention in this connection. Unless that is done, no proper justice can be said to have been done to them. I would like to suggest that at the next earliest opportunity, this particular aspect of the case should be taken into consideration and proper justice done to these provinces.

Shri Sarmah (Goalghat-Jornat): I rise to make a few observations in the hope that this discussion will receive more than academic interest in the hands of the authorities that may be.....

An Hon. Member: The authorities that are.

Shri Sarmah: I correct myself and say the authorities that are. I know that it is difficult to bring the Government to reconsider the recommendations within this period of five years, but I hope they will try to redress the injustice which has been done in the course of these few years, as and when occasion arises.

There was a preliminary discussion which came up rather offhand, whether this House has got the privilege or the right to discuss the recommendations made by the Finance Commission. I hope nobody is suggesting that this Parliament, which is a sovereign one, has got no right to go into or behind matters which have connection with finances, whether it be Central revenues, or revenues to be distributed to States, or revenues in any other form. If we concede that.....

Pandit Thakur Das Bhargava: Are they not bound by the Constitution?

Shri Sarmah: We are bound by the Constitution. If there is any interpretation put on any article of the Constitution that the House is fettered from going into certain things which are of fundamental importance to democracy, then that interpretation will be a perverted one. That inter-

pretation which tends to show that this Parliament cannot go behind certain financial adjustments or financial allocations amounts virtually to mean that this Parliament do not possess Sovereignty, which conception is basically opposed to the Constitution of a Democratic Republic.

This Finance Commission took into elaborate consideration the basis of location of certain portions of the Central revenues as between the States. If it is the fundamental principle underlying this allocation—which I hope it is—that while the Centre may be left affluent, strong and efficient, the States may be helped with certain allocations or appropriations from the Central revenues, in order that they might grow, so as to have nearly equality in administrative efficiency and level of standard of living then I submit the recommendations of the Finance Commission leave certain lacuna. I have to confess to a feeling that fair and adequate justice has not been done to all the States. While we are grateful that the amount which Assam used to receive formerly has been raised by a few lakhs, I have to sound a voice of resentment, that perhaps that all the factors which needed to be taken into consideration in her case were not properly and fully weighed by the Finance Commission. Assam used to receive three per cent. of the income-tax proceeds immediately after 1947, and the same was continued by the Deshmukh award. Now that share has been reduced to 2.25 per cent. From Assam, the Centre derives excise duty on tea of the order of roundabout Rs. seven crores. The Centre also gets roundabout Rs. two crores by way of excise duty on petrol which is produced in Assam. But as regards the allocation of the Central excise duties Assam has been allocated only 2.6 of the divisible pool and both the figures—the share of the income-tax and Union excise duty—come up only to one crore and seventy lakhs for Assam under the recommendations of the Finance Commission.

Now, I will not take much time of the House, but since conditions in that not distant part of the country are not well known as I find from conversation with most of my friends here, I may be permitted to say... (Interruption). Of course, those coming from the South mostly.

For the last two hundred years while India had a "Police State", we in Assam had a police State-cum-planters' raj since we lost indepen-

dence. Till after 1947 Assam had not had a University. University is a big thing. We have not had it. We do not regret it because Calcutta University was catering for us well and we were very happy with Calcutta University. Assam had not had a Medical College. Assam has not had an Engineering College. Assam has not had an Agricultural College. Assam has not had roads excepting those leading from district headquarters to the tea gardens which are mostly owned by the European planters. So during that entire period, till 1947 Assam was completely neglected from all quarters.

Now, there was another difficulty which I may mention incidentally. It was in connection with another matter—the railway matter. When it is suggested that the backwardness of Assam in communications and various other ways was due to historical reasons the big people in the Centre would retort saying "Oh, that is all ancient history". But, Sir, it cannot be denied that ancient history has connection with modern history. We cannot get uprooted from the past all at once.

Mr. Deputy-Speaker: That is why the Centre is retaining 60 per cent. to give Railways to Assam.

Shri Sarmah: But there are no printed tickets for the last one month in the Tezpur Balipara Section of the N.E. Railway, Sir. No printed tickets are sold to the passengers. The officers collect the money and put it in their pockets. I am told by my friend, Mr. Tripathi—he has come from there three days back—that the officers pocket the money and then deposit whatever they like. That is the position still, in the year of grace 1953! (*Interruption*).

Now, reverting to our subject there is a big gap between the budget for normal developmental work in Assam and the revenue that we have got. The gap was roundabout eight crores of rupees. To meet that deficit of eight crores of rupees, Assam has been allocated 3.45 crores of rupees in all. How to meet the deficit? In Assam, there is no elasticity of revenue; there is no business or trade. Tea is 78 per cent. owned by Britishers. There is oil, but it is owned by the Assam Oil Company, where there is discrimination between Indian and non-Indian employees, and a good percentage of Pakistani nationals are also entertained to the deprivation of Indians from employment. Very little perhaps comes to Assam from Oil. Once before I spoke about it. While oil is produced in Digboi, the price of petrol at the near-

est petrol pump from the refinery is very much more than what one pays for it in Calcutta or Kathihar or any other town in U.P. or for that matter, in India. Just to deprive Assam of her rightful dues, what is called 'Gulf parity formula' for fixation of petrol price has been introduced in India. Goodness knows what it means. They say that the price of petrol in India is one which is prevailing in the Gulf of Mexico! That is to say, in other words, price of petrol in the Gulf of Mexico is the price of petrol in India plus the carriage charges from Gulf of Mexico to the different points or selling stations in India, no matter where petrol is produced.

Mr. Deputy-Speaker: All that is very interesting, but what is its relevance to the subject under discussion? We are on distribution of 40 per cent. among the various States. Hon. Members must confine themselves to the 40 per cent.

Shri Sarmah: I would say, Sir, that to do justice to Assam, at least a portion of excise on certain other items namely tea and petrol may be either generally or by special allocation given to Assam. Otherwise the position is very difficult for Assam to manage her affairs. Now there are six autonomous districts and in those autonomous districts the land revenue goes to the District Councils under the Sixth Schedule. So rather than having more revenue, our revenue is getting less. Since we have not got elasticity of revenue. Our main sources of revenue are land revenue, sales tax etc. There is no other elastic source of revenue for Assam.

Then, again population has been taken as the basis for allocation by the Finance Commission. The respective merits and demerits of the basis of collection of income and the basis of population have been discussed at length by the Commission. I will not take up the time of the House on that. But I would submit with all the emphasis that I can command that an un-adjusted population, by itself, cannot be a correct figure for this purpose, because there are far-flung hills and uninhabitable terrains. There are large tracts of unproductive areas and low-lying lands and communications are bad, the population is not very thick. One might say: 'Get more people and get it populated. You are sitting like a dog in the manger'. But the reply would be that it is only the uninformed and un-instructed quarters who would say that Assam is sitting like a dog in the manger and they do not entertain people. It is the old Muslim League cry.

[Shri Sarmah]

Sir, there are the hills uninhabited or sparsely inhabited and the unproductive hills cannot sustain a substantial population. Then there are lands on both banks of the Brahmaputra which are very often under floods during the rains—where you have anything between ten to sixteen feet of water—and the Assam Government has to give relief to these people often. That is a regular item of expenditure for the Assam Government. Muslims from Mymensingh came from the other side of the border and settled in low riverine tracts. When there is a flood and hue and cry is raised that their crops or granaries are destroyed and cattle are washed away, the Assam Government has to give them relief.

Considering all these aspects a fair deal has not been meted out to Assam. I submit that in course of time the hon. Minister may be pleased to take all these factors into consideration and do justice to Assam. After all, Assam is a weak link in the chain. While the Government of India got round-about seven crores till last year by way of excise duty on tea, there in Assam the labourers are having trouble because they are thrown out of employment. It is the Deputy-Commissioner of the district who has to see to feed these people and look after them otherwise law and order will be in jeopardy.

These are the hundred and one difficulties besetting that State and if she does not receive adequate financial aid from the Central Government, things are going to be hard. This weak link is a vital link and if it snaps, things will go very hard for whole of India. Yes, the Ministers go but return from Shillong. They do not see the real Assam.

7 P.M.

Shri M. S. Gurupadaswamy (Mysore): The hon. Finance Minister has sprung us a surprise by bringing this Bill before the House in haste. This is a very important Bill, a Bill concerning both the Centre and the States, a Bill which affects the financial aspect of both the Union and the various units that constitute the Union. I do not know why there should be any haste like this and I do not know why sufficient time has not been given to the House to consider this Bill in detail.

Regarding the Bill itself I want to refer to one or two vital matters. They have been referred to by some of the Members of the House already. The speech of the Member who spoke last was most pathetic. He was ap-

pealing to the hon. Finance Minister that the case of Assam should receive his attention. He was also appealing that the allocation that has been contemplated under this Bill is not sufficient, is not fair and that it has been far less. There are also other Members from other States who expressed the same opinion that the allocation that has been recommended by the Finance Commission and which has been placed before us in the form of this Bill is not equitable. It seems to be the consensus of opinion of this House—that the allocation that is being contemplated by this Bill and the recommendation made by the Finance Commission regarding this matter is not at all fair and acceptable. In other words the general opinion of the House seems to be that there should be more allocation to the States, and the Centre should agree to bring down its share with the corresponding increase in the share of the States. When this is the unanimous opinion of the House, I do not see any reason why the Finance Minister should persist in saying that his formula alone is good and therefore should be accepted. The argument that the Government has already accepted this Commission's recommendation and so they cannot go back on this stand seems not justifiable. It is not a logical argument. I really do not regard the recommendations of the Finance Commission as sacrosanct; they are not unchangeable. They can be revised, if this House feels that revision is necessary. I feel that the rate of allocation that has been made in this Bill is rather unfair to the States. We have often heard from various Ministers on the floor of this House saying *ad nauseam* that they are committed to the principle of welfare State. But when we ask them whether they have implemented the welfare measures they coolly say that it is the responsibility of the States and when we ask them to supply the States with enough funds, give them enough aid or some financial assistance, then they say it is not possible. So, how is it possible for the States to work in this atmosphere? The Constitution provides that all the welfare measures should be undertaken by the States and the Government of India is also saying that the welfare measures should be the responsibility of the units. But the States have not been assured of adequate help from the Union and today they are in a condition of financial paralysis. They have been completely disabled. So, unless the States are provided with more funds they cannot implement welfare measures. They cannot have welfare schemes. People cannot be in any way helped or

supported in their development. I therefore, feel that unless the Centre comes to the aid of the States, unless the Government of India supplies more funds to the States, it is very difficult to reach the ideal of welfare State. The present rate of allocation is rather arbitrary. The Commission have taken into consideration only population. The other factors have been discounted though they are very vital. Population is not the only factor that should enter into calculation. Moreover, my hon. friend on this side suggested that only three articles have been taken for this purpose, matches, tobacco and vegetable products and many other articles on which excise duty has been levied have been left out of the purview. They should have been brought under this Bill and if those articles also have been brought under this Bill, there would have been more allocation. The States would have got more funds. But now the allocation has been very much restricted and the scope is very much limited and the financial help that is given to the States through this Bill is not at all adequate; it will not meet their demands.

There is also another point which is vital. I would draw the attention of the Finance Minister that at the time of financial integration of Part B States and the Centre, many agreements have been concluded. Particularly, I draw the attention of the Finance Minister to the agreement concluded between the Mysore Government and the Central Government. At that time there was a Congress Ministry in the Mysore State and here also there was practically a Congress Ministry at that time. Mr. K. C. Reddy, who is now the Production Minister at the Centre, was the Chief Minister of the State. At that time the agreement that was concluded between the Mysore Government and the Central Government was not a fair and reasonable agreement. The Mysore Government as a result of this agreement is at a disadvantage and the terms of the agreement definitely go more in favour of the Centre than in favour of the State. On this point, there was much agitation against the then Chief Minister of Mysore, Mr. K. C. Reddy and there was criticism that Mr. K. C. Reddy surrendered himself before the Centre.

If this Bill is passed, I fear there will be no further assistance to the Part B States and they will have to satisfy themselves with the allotment of their share given and they will not in any way get any other financial assistance. By passing this

Bill, it will virtually stop all financial aid—legally it may not stop but practically and in the actual working it may stop—we are getting today. So, I feel that the rate of allocation that has been fixed here should be revised. Instead of the State getting 40 per cent, it should get 60 per cent, and the Centre should keep only 40 per cent. This cannot be called an unreasonable suggestion because the Government of India gets full share of the excise duty on articles other than matches, tobacco and vegetable products. It is only out of the net proceeds of duty on these three articles that the States will be allotted funds and so there is no reason why the Finance Minister should not agree to my suggestion that the States should get 60 per cent, and the Centre should have only 40 per cent. I once again say that the recommendation of the Finance Commission is not sacrosanct. It can be revised and changed and an amendment may be brought to this Bill according to my suggestion.

An Hon. Member: Sir, the Finance Minister said that he would give us time.

Mr. Deputy-Speaker: Not on this Bill.

Shri C. D. Deshmukh: I said that I would consider the wish expressed on the part of some Members that they would like a discussion on the Finance Commission's report, not in connection with this Bill, but generally, and certainly not with a view to altering the budget proposals. So far as this Bill is concerned, I feel that there has been no great profit in the discussion, and perhaps one may thank one's stars that the representative of every State has not got up and expressed—though everybody wanted—their views as regards the acceptability of the proposals of the Finance Commission. There is a saying that if any one is popular, then he is not doing his duty. The Finance Commission seems to have displeased everyone uniformly.

Shri B. Das: I am not displeased. I am satisfied.

Shri C. D. Deshmukh: Then I shall add, barring one or two distinguished exceptions.

Shri Syamnandan Sahaya (Muzaffarpur Central): Which only proves the rule.

Shri C. D. Deshmukh: I think that the Finance Commission have discharged their very difficult and delicate duties with a great deal of

[Shri C. D. Deshmukh]

courage, and considering their award as a whole—and I regard it as an award—I think it is as fair as it could be in the circumstances of our country. If one concentrates attention too much on the difficulties of a particular sector, one could certainly make out a very eloquent case for meeting difficulties and removing distress, but as I said, if one takes a bird's-eye-view of the situation, then one would also realise that on a larger scale the Centre has difficulties which are probably far more complex than the difficulties of any single State, no matter how badly placed it might be. We are embarking now on a five year Plan with a view to improving our general economic condition, and maybe the whole picture would change significantly in about five years' time, and certainly we should begin to see some silver lining to the cloud after the end of the present planning period. It seems to me, therefore, that as in considering the Budget proposals that are to come forward, so in considering this Bill, one ought to concentrate one's attention on the implementation of the Five Year Plan, and if one were so to concentrate attention, then one would come to the conclusion that although the award might be regarded as leaving a great deal to be desired, yet by and large it is not unfair.

It is not possible for me to enter into a discussion as regards the correctness and otherwise of the calculations made by some of the hon. Members. For instance, the representative of Assam said that the proportion of the percentage of income-tax which has been allocated to Assam has been reduced from 3 to 2.25 per cent, but so have the percentages been reduced in many other cases. The reason is that the total corpus has been increased and there are many more partners in the income-tax. The Part B States have also been brought into this participation of the benefits of income-tax. In any case, one has to look at the award as an integrated whole.

I could not follow the remarks of the hon. Member who spoke last, who said that if we pass this Bill, then one might say good-bye for ever to any financial assistance to the States. I should have thought that if we did not pass this Bill, then we should say good-bye for ever to any financial assistance to the States. So far as my own selfish interests are concerned as representing the Central Government, maybe that I should not be distressed overmuch if the House did not pass this Bill.

Mr. Deputy-Speaker: Then no allocation.

Shri C. D. Deshmukh: Yes, there will be no allocation of the excise duty.

Pandit Thakurdas Bhargava: But you have already taken action.

Shri M. S. Gurupadaswamy: There will be more agitation.

Shri C. D. Deshmukh: This is really not very different, except that it is more systematic than the grants-in-aid and the loans that we extend to States during the Budget proposals every year. Only this is a systematised grant-in-aid or assistance and the same kind of grant may be made of any grant-in-aid that might come even outside the proposals before the House. This is the essence of budget-making, that is to say, the executive Government decides how much it can afford to part with and for what purposes, and there are general rules which ensure that the House does not increase those amounts but has the power of reducing them. So, as I said, the difference is one of degree and one of orderliness and system. Otherwise, there is no difference, and therefore I think the House ought to be appreciative of the reasonableness shown by the Centre in accepting without demur whatever is the award of the Finance Commission in what I would regard as very difficult circumstances. It would have been open to me to urge, as you, Sir, hinted in the course of some of your observations, that in the present circumstances the Centre cannot possibly afford to part with as much as 40 per cent, and we may have tried to persuade the House to accept only, say, 30 per cent. But I find that the reasonable person always is driven to the wall in this world, whether it is in the national or international or any other sphere. This time I do not intend to be driven to the wall and I have no intention of advising Government to make any change in the present Bill having in view the responsibilities which rest on the Centre in regard to the implementation of the Plan. I am aware that there might be a sense of injustice and unfairness on the part of many representatives who are here or many others outside, but bitter experience has brought home to me the conclusion that there are certain forms of injustice which cannot be cured....

Pandit Thakur Das Bhargava: They can be remedied by special grants.

Shri C. D. Deshmukh: ...and for the time being we have to make the best of what is available, and I would

urge on the House to accept this measure in that spirit.

Shri K. K. Basu: What about a discussion?

Shri S. V. Ramaswamy: I want to raise a point. It is this. In passing this Bill, we would be committing this House in advance to accepting the 40 : 60 ratio.

Mr. Deputy-Speaker: That is clear. All hon. Members are aware of it.

Shri S. V. Ramaswamy: The hon. the Finance Minister has said that he would request the Leader of the House to allot a day for discussion. Any discussion subsequent to the passing of this Bill would be futile.

Mr. Deputy-Speaker: Minus this.

Shri S. V. Ramaswamy: One more submission.

Mr. Deputy-Speaker: He wants to make a second speech.

Shri S. V. Ramaswamy: I only want to draw your attention to article 281 of the Constitution.

Mr. Deputy-Speaker: I will give him an opportunity during the third reading. I am so sorry I cannot allow him now. There is no purpose in his raising any point. This matter is over. The House accepts the 40:60 ratio. In respect of whatever remains, we can always amend. We pass amendments almost every time and if the House is in a position to decide upon that matter, the Government may bring an amending Bill. Therefore, as at present advised, I am not going to allow any more, time so far as this matter is concerned.

The question is:

"That the Bill to provide for the distribution of a part of the net proceeds of certain Union duties of excise among the States be taken into consideration."

The motion was adopted.

Mr. Deputy-Speaker: There are no amendments to the clauses.

Clauses 1 to 5, the Title and the Enacting Formula were added to the Bill.

Shri C. D. Deshmukh: I beg to move:

"That the Bill be passed."

Mr. Deputy-Speaker: Motion moved

"That the Bill be passed."

Shri S. V. Ramaswamy: I was drawing the attention of the House to article 281 which reads:

"The President shall cause every recommendation made by the Finance Commission under the provisions of this Constitution together with an explanatory memorandum as to the action taken thereon to be laid before each House of Parliament."

My submission is that this article does not say that the recommendations of the Commission are binding on this House.

Mr. Deputy-Speaker: Nobody said so.

Shri S. V. Ramaswamy: Nor does it say that there is any finality about the recommendations.

Mr. Deputy-Speaker: Nobody claims it.

Shri S. V. Ramaswamy: When the recommendations are placed before the House, the House is entitled to discuss them.

Mr. Deputy-Speaker: That is what we have done.

Shri S. V. Ramaswamy: So, no purpose would be served if we were to have a discussion subsequent to the passing of this Bill.

Shri Venkataraman (Tanjore): On a point of order. During the third reading, only such of those amendments which have been moved and are either accepted or rejected can be discussed.

Mr. Deputy-Speaker: The hon. Member wants the Bill to be thrown out. That is how I consider his arguments relevant.

Shri S. V. Ramaswamy rose:—

Mr. Deputy-Speaker: I think the hon. Member has said enough about it.

Shri K. K. Basu: May I bargain with the Finance Minister as to whether he is willing to allot one day in which case much of the discussion would be curtailed.

Mr. Deputy-Speaker: This discussion is over. So far as the allotment of a day is concerned, he will have to consult the Leader of the House.

Pandit Thakur Das Bhargava: So far as the merits of this Bill are concerned, I have nothing to say. I have heard the hon. the Finance Minister and the reasons that he has given are fairly convincing so far as the case of the Central Government

[Pandit Thakur Das Bhargava]

is concerned. So far as the States are concerned, we have already heard some of the Members. At the same time what I am submitting for your consideration is that the provisions of article 281 have not been fully complied with. The Bill has been placed before the House. But the action taken on the recommendations of the Finance Commission, together with the explanatory memorandum, etc., has not been placed before the House. So the matter will have to come up before the House again according to article 281.

As I submitted previously I am not satisfied yet that we can adopt this course. According to the general principles of law, if the law provides that a certain action is to be taken in a particular manner it can only be taken in that manner and in no other manner. Since the report of the Finance Commission can only be considered by the House as provided for in article 281 my humble submission is this cannot be the subject matter of a law.

My attention in this connection has been called to article 272. But I submit that article 272 can apply only under circumstances in which no Finance Commission has been appointed. Once the Finance Commission is appointed by the President my humble submission is that all that can be done is that the recommendations of the Commission can be considered by the House. As I have submitted it is not futile to place these things before the House. The House can express itself and whatever the House expresses is binding on the Government in some other ways, but not by virtue of this Bill. I am still doubtful if we are competent to pass a Bill of this nature.

Shri Raghuramiah (Tenali): May I say a word? There seems to be some confusion about the functions and powers of the Finance Commission *vis-a-vis* income-tax and excise duties. As far as income-tax is concerned, the Finance Commission's recommendations are absolutely binding on us. I would like to draw attention to article 270:

"Taxes on income other than agricultural income shall... be distributed among those States in such manner and from such time as may be prescribed."

Article 270(4) (b) (ii) defines prescribed" as

"...after a Finance Commission has been constituted, prescribed by the President by order after considering the recommendations of the Finance Commission."

Therefore, the order of the President, so far as income-tax is concerned will be final and the placing of the memorandum before the House by the President will be only to indicate what has been done and does not affect the merits of the case.

As regards excise duties I quite see it is not incumbent on the President or the Government to have entrusted this matter to the Finance Commission and there is no obligation on them to accept the allocation recommended. Reference to the Finance Commission so far as those duties are concerned is only permissible under article 280. Article 280(3) says:

"It shall be the duty of the Commission to make recommendations to the President as to—

(a) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under this Chapter and the allocation between the States of the respective shares of such proceeds;"

There is a further provision that the President may refer to the Commission—

"(d) any other matter in the interests of sound finance."

And article 272 says:

"Union duties of excise other than such duties of excise on medicinal and toilet preparations as are mentioned in the Union List shall be levied and collected by the Government of India... and those sums shall be distributed among those States in accordance with such principles of distribution as may be formulated by such law."

So that, so far as the distribution of the excise duties between the Centre and the States is concerned, it has got to come before Parliament and I would respectfully submit that the present Bill does only that.

Parliament is supreme so far as excise duties are concerned. It is open to Parliament to accept or not to accept the Finance Commission's recommendations in that respect. The Bill is before this sovereign Parliament and naturally we are considering the whole issue. Therefore, submission of the memorandum by the President as to the action taken by him on the Finance Commission's recommendations is something totally independent of the present Bill. It is open to the President a little later to

place the memorandum before the House and say what action has been taken, for instance in respect of income-tax and again in respect of excise duties. So far as excise duties are concerned, there can be no action other than the action by legislation by the sovereign Parliament. Therefore, until this Parliament passes the measure allocating the excise duties as indicated in article 272 the question of action will remain under suspense. It would be possible for the President to lay a complete memorandum after this Bill is passed. I therefore, respectfully submit that neither the sovereignty of this Parliament is infringed nor any article of the Constitution is infringed, nor even the spirit of it is violated and I would say that the procedure adopted by the hon. the Finance Minister is wholly sound and consistent with the Constitution.

Mr. Deputy-Speaker: The conclusions are accepted whatever might be the arguments. The hon. the Finance Minister.

Shri C. D. Deshmukh: I have nothing more to say, Sir.

Mr. Deputy-Speaker: The question is:

"That the Bill be passed."

The motion was adopted.

BUSINESS OF THE HOUSE

The Minister of Commerce and Industry (Shri T. T. Krishnamachari): Sir, I have got a Bill next in the agenda. It is rather important as the operation of the provisions covered by it expires by the 28th of March. I understand the other House is adjourning on the 6th of March and assembles only somewhere about the 27th. That cuts it very fine. I wish you would make provision for some day for this Bill to be taken up by this House before the other House adjourns.

Pandit Thakur Das Bhargava (Gurgaon): This Bill is a very important Bill, as it relates to the powers of this House and the powers of the executive. You will be pleased to remember that in 1946 an Act was passed and then again in 1949, 1950 and

1951 this measure came up, and the principles involved in it came up for discussion in this House. It is certainly a matter of very great importance. I would respectfully submit that full time should be given to this House for its discussion and it should be taken up after full intimation.

Mr. Deputy-Speaker: If the general discussion will stop at six o'clock tomorrow evening, then we can take up this Bill and devote one hour or one and a half hour. (*Some Hon. Members:* One and a half hours?) There is nothing to prevent us sitting from six o'clock right up to midnight. There is a precedent also that the hon. Minister will stand us dinner. As the hon. Minister said this is an important Bill. Some points may be raised about it, but all that can be gone into tomorrow. We can take up this Bill at six o'clock and spend as much time over it as possible. In view of the fact that the other House is adjourning on the 6th, we have to take it tomorrow.

Pandit Thakur Das Bhargava: Many Members do not know that it will be taken up, unless you specially intimate them.

Mr. Deputy-Speaker: It is on the Order Paper for today; so nobody can complain of want of notice, if it stands over for tomorrow. The difficulty of allowing it to stand over till day after is that the other House will take some time and it has to be reported to this House.

Shrimati Renu Chakravartty (Basirhat): May I know whether the time that is thus taken off will be added on later?

Mr. Deputy-Speaker: I can sit for half an hour more on each of the other days. If we take away one hour, half an hour will be distributed on each of the other days. Tomorrow I will restrict the debate on the general discussion of the Budget to six o'clock. After six discussion on the Bill of the Commerce Minister—the Indian Tariff (Amendment) Bill—will start and will go on till the rest of the time that the House may wish to sit.

The House now stands adjourned till 2 p.m. tomorrow.

The House then adjourned till two of the Clock on Wednesday, the 4th March 1953.