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A.—(a) Yes.

(b) The Government understand that a copy of the inspection report of the Sericultural Expert was sent to the District Advancement Association of which the hon. Member is a member. As South Kanara has a heavy rainfall, experiments have to be conducted for ascertaining the possibility of growing mulberry with success. The Sericultural Expert has arranged with certain gentlemen to start small mulberry plantations of about 10 cents each in extent with a view to ascertaining the possibilities. The question of extending the plantations and undertaking the rearing of worms will be considered if the results of the proposed experiments are encouraging.

[*Note.*—An asterisk (*) at the commencement of a speech indicates revision by the Member.]

III.—STATEMENT *RE* ANSWERING OF QUESTIONS PUT BY NON-OFFICIAL MEMBERS TO GOVERNMENT.

* Diwan Bahadur R. N. AROGYASWAMI MUDALIYAR:—" Mr. President, Sir, I wish to bring to your notice a point I already referred to in regard to the answers to questions. In a number of cases, Government, although they had notice of more than a month, have not taken the trouble of getting the requisite information. Even when allegations are made of a serious nature this is the sort of information we get. I would like to ask for the protection of the Chair, Sir, concerning the attitude adopted by Government although the hon. the Home Member states that inquiries would now be made concerning questions for which notices were given more than a month ago." 12 noon.

* The hon. Khan Bahadur Sir MAHOMED USMAN SAHIB Bahadur:—" As far as I am concerned I have already said that if there are any questions in regard to the civil disobedience movement in which there is no information I shall call for it."

* The hon. the PRESIDENT:—" I wish that the lead given by the hon. the Leader of the House will be followed by all Members on the Treasury Bench."

* The hon. Khan Bahadur Sir MAHOMED USMAN SAHIB Bahadur:—" With regard to questions on the civil disobedience movement, as far as possible, I shall try to call for the information."

IV.—BUDGET FOR 1932–33.

The hon. Mr. H. G. STOKES in introducing the Budget for 1932–33 said—" I rise, Sir, to present to the Council the Revised Estimates of Provincial revenues and expenditure for the current year 1931–1932 and the Budget Estimates for 1932–1933.

" 2. I do not propose to detain the House long by a detailed survey of the agricultural or economic history of the past twelve months. The year has been one of continued depression in trade and commerce generally; there was a further fall in the sea-borne trade of the Presidency as compared with 1930 which was itself a bad year. There are now some signs of improvement, but it would be too much to anticipate in the year for which we have now to estimate, anything more than a slow and gradual upward movement. As regards agriculture, prices have continued to be depressed, on the whole, though there have been, towards the end of 1931, some slight indications of some improvement in ground-nut. The continued low level of prices, especially of food-grains, has been accompanied by a tendency towards a general restriction of credit and shortage of money. By way of some alleviation, as the House will remember, the Government obtained their permission last March to advance for six months a sum of Rs. 10 lakhs for the assistance of various co-operative central banks as temporary accommodation. These advances were distributed, as required, through the Registrar of Co-operative Societies and were all repaid by the end of October. Broadly speaking, Nature has not during the year treated us well in the matter of the rains, and we have some complaint against her as regards their distribution and timing. The south-west monsoon was not as strong as usual although in August it caused heavy floods with some attendant damage in the Ponnani taluk of Malabar district, it was much below the average in several districts, especially, Anantapur, Cuddapah, South Arcot, Coimbatore, Tanjore, Madura, Ramnad and Tinnevelly. The north-east monsoon, though more copious and timely, was ill-distributed. It gave very heavy rain about October in Ganjam and Vizagapatam, with serious flood damage to irrigation works and roads, and some loss of life. In the West Godavari district during November excessive rains caused a certain amount of damage, but in the more southern districts the monsoon failed to develop properly until about December, when several short but violent storms relieved the crop situation though they occasioned considerable flood damage and a loss of some lives in Tinnevelly district. In the Bellary district, which has been the worst off in the matter of rain, it is now reported that in a limited area the people are suffering from severe scarcity and absence of labour, which it is feared, may deepen into famine. The Government are, of course, prepared to take all necessary measures and have, as a preliminary step, placed money at the disposal of the local boards concerned to enable them to expand their road-making and other works activities in the villages affected. The situation is being carefully watched.

"3. So far as politics are concerned, the period under review has been almost entirely covered by the duration of the Irwin-Gandhi 'pact'. This interval, which was from the outset declared by certain Congress leaders to be merely a truce or armistice, has been employed by them mainly in attempting to reorganize and strengthen their organization while keeping the civil disobedience movement before the public eye by a campaign of picketing of foreign cloth shops and liquor shops. These activities, although ostensibly non-violent (A voice: Question) have contributed to sustain the atmosphere of turmoil, and the attitude of contempt for authority, the existence of which forced the Government in 1930 to strengthen their Police forces, and has rendered it impossible to effect in the Police expenditure many economies which in quieter times might have been feasible. They have also contributed to some extent to the decline in the Excise revenue (A voice: Hear, hear), though it is probable that for this collapse we have to thank mainly the general economic depression. Now the 'pact' has come to an end, and although we may hope for great improvement as the labours of the various committees engaged in evolving the future constitution of India and the Provinces proceed, it would certainly be unwise to base our financial expectations on too sanguine a footing. The situation, whether we regard it from the agricultural and economic or from the political standpoint, is not such as to justify any but a most conservative estimate of revenue and a most restricted and cautious policy of expenditure. This attitude, I believe, the Council will find reflected in the estimates which I am about to submit for their consideration.

"4. As the House is aware, the year has been one of retrenchment, and before I come to the detailed figures, there are some general observations to be made.

"5. I may remind the House that, at last year's Budget debate, I indicated as the main object of the policy of Government the adjustment from year to year of revenue receipts and revenue expenditure, 'balances or no balances'. I foreshadowed the necessity of general retrenchment, though I hoped to be able to avoid it, and in the debates which followed, the House gave ample evidence that they endorsed the policy of equilibrium, and that, should general retrenchment be necessary, they accepted, nay, they even enjoined, it. The Retrenchment Committee was accordingly appointed to go into the matter and at one of its earlier meetings, after a general survey of the course of Provincial revenue and expenditure, it decided that we should not for some years to come be able to count on a revenue of more than about Rs. $16\frac{1}{2}$ crores, and that the general level of expenditure would have to be regulated accordingly. It accordingly desired the Government to call upon heads of departments to make suggestions as to how a reduction of expenditure of about 8 per cent, of which not less than half should be recurring expenditure, could be effected without serious detriment. It was intended that the replies to this circular should go direct to the Committee and be considered by them in consultation with the Departmental head, and that thereafter the Committee should submit to Government its recommendations in respect of each department, as soon as dealt with, for final orders. Actually, however, a different course of procedure was forced upon us by the urgent pressure of events. It became evident by May or June 1931, when first the actuals of 1930-1931 began to be available, that the anticipation of the budget for that year would not be realized and that the expenditure for 1931-1932, largely based on the figures of the previous year, would also be seriously affected. It was evident that immediate action was necessary, and Government accordingly decided to proceed to adopt, on their own initiative, a series of urgent retrenchment measures designed to meet, as far as possible, the current year's emergency. A series of orders resulted, with all the details of which I need not trouble the House. The carrying out of Part II schemes for which the Budget Estimate for 1931-1932 had allotted some Rs. 39 lakhs was, as far as possible, held in abeyance; an emergency reduction of the normal provision for supplies and services and contingent expenditure was ordered in all departments; the rates of travelling allowance (both ordinary and fixed) were subjected to an emergency reduction; building and irrigation works were either stopped or their completion slowed down wherever this could be done without loss or serious detriment; expenditure on touring, transfers of staff and travelling generally, was ordered to be restricted, as far as possible, to what was essential. These instances out of many may suffice to indicate the nature of the measures taken. Every such order was communicated without delay to the Retrenchment Committee, and, as far as possible, Government refrained from issuing orders on matters involving large questions of principle without giving the Retrenchment Committee an opportunity of putting forward their views, and, in respect of future years, of formulating independently their recommendations. In the majority of cases the Retrenchment Committee have endorsed the action taken by Government; in some they have made them the basis of their own further recommendations, and in most departments they have been able to make substantial original or contributory suggestions. Their final report will shortly be submitted to Government and laid on the table of the House. I should like, before going further, to express the obligation under which the Retrenchment Committee have placed us all by the public spirit and courage which they have brought to the discharge of the very difficult and unpopular, though necessary, task that the House laid upon them. However much people may advocate retrenchment in the abstract, it is not, I suppose, in human nature to accept its practical application without a murmur. The Committee, notwithstanding, has not been deterred by fear of clamour from adopting in many instances recommendations, which could not but excite opposition, when it was convinced that they were practicable and necessary.

"On the Retrenchment Secretary, Mr. Tottenham, and his staff all the laborious spade work which a general retrenchment enquiry involves has fallen, and the House will, I feel sure, endorse my words if I here express to him and to his assistants my cordial appreciation of their work. (A voice: Hear, hear.)

"The year has also been one of exceptional strain for the Finance Secretary, Mr. Hood, and the officers and staff of the Finance Department proper. One of our oldest and most valued financial officers, Rao Bahadur V. Gopalakrishna Ayyar, Senior Assistant Secretary, has, I greatly regret to say, been obliged under medical advice to desist from work entirely. The duties of the department are at no time easy; how much more laborious they become under circumstances such as have prevailed in the past year, I fear not many will realize who are not in touch with their work from day to day. On behalf of the Government, and on my own behalf, I have to thank them for their loyal and unsparing efforts to enforce the difficult and distasteful, not to say thankless policy of retrenchment which circumstances have forced upon us. (A voice: Hear, hear.)

"6. With these preliminary observations I turn to the Estimates that are now to be laid before the House. I proceed in the first place to examine the position with reference to the actual Receipts and Expenditure of 1930–1931 and the Revised Budget of 1931–1932—the year now closing.

REVENUE ACCOUNT.

Accounts for the year 1930-1931.

"7. The year 1930–1931 opened with a balance of Rupees 451·71 lakhs. The expenditure of that year, however, exceeded the revenue by Rs. 105·75 lakhs, and, after meeting this deficit

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from balances as also Rs. 67·64 lakhs in repaying debt and a sum of Rs. 55·04 lakhs for financing capital expenditure, loans and advances by the Provincial Government, the year 1931-1932 opened with a balance of Rs. 223·28 lakhs.

Revised Estimate for the year 1931-1932.

"8. During the course of the year as I have said it became evident that the expectations on which we had based our revenue estimates were too sanguine, and that it would be impossible to realize the hope of achieving at its close even an approximately balanced budget. The revised estimates of revenue now submitted display under every head a more or less marked fall, the total decrease amounting to no less than Rs. 187 lakhs. The following table exhibits the results under the main revenue heads :—

	Budget estimate, 1931-1932.	Revised estimate, 1931-1932.	Worsening (—).
	LAKHS.	LAKHS.	LAKHS.
II. Taxes on Income ..	5·00	3·00	— 2·00
V. Land Revenue ..	766·09	753·87	— 12·22
VI. Excise	496·33	405·55	— 90·78
VII Stamps	238·84	226·34	— 12·50
VIII. Forest	55·84	44·59	— 11·25
IX. Registration	31·95	29·33	— 2·62
XVI. Interest	37·98	31·02	— 6·96
XXVI. Miscellaneous Departments	82·97	43·36	— 39·61
Other heads	114·70	105·03	— 9·67
Total ..	1,829·70	1,642·09	— 187·61

2-15 p.m. "I propose to give a few brief remarks explanatory of the variations under these heads. Under II. TAXES ON INCOME the fall of Rs. 2 lakhs is probably due to continued economic depression; under V. LAND REVENUE we find a fall of Rs. 12·22 lakhs, which is arrived at on the basis that, while we anticipate to collect during 1931-1932 a part of the outstandings of the previous year, and to realize in addition about Rs. 3 lakhs from the enhanced settlement rates in the Godavari and Kistna districts—the total increased collection being Rs. 28 lakhs—we have felt bound on the other hand to allow for a short collection during the year of about Rs. 34 lakhs due to the continuance of the depression in trade and food-grain prices, the occurrence of floods in various parts of the Presidency and adverse seasonal conditions in others which may involve considerable postponements or remissions of revenue. Further, a consideration of the

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latest actual figures of collections relating to sale-proceeds of waste lands and other miscellaneous items of revenue, coupled with an increased demand of Rs. 1 lakh on account of revenue refunds, has compelled us further to reduce the total anticipated income under the LAND REVENUE head by Rs. 6·22 lakhs. No credit has been taken in the Revised Estimate for 1931–1932 or in the Budget Estimate for 1932–1933 for enhanced revenue due to the introduction of re-settlement in certain taluks of Malabar for which figures have not yet been reported.

"Leaving LAND REVENUE, we find under EXCISE the most marked decline of all. The total is Rs. 90·78 lakhs, and the fall is apparent under every head of the abkari revenue, but particularly under those relating to arrack and toddy. It has been frequently observed that the abkari revenue reflects very faithfully the prevailing adversity or prosperity of the agricultural and labouring classes who, in this Presidency, are the main contributors to it and to few other Provincial taxes or none. There is little doubt that the causes of the present decline are mainly to be found in the general economic stagnation which has been prevalent. FOREST Revenue shows a fall of Rs. 11·25 lakhs due, again, to the same general causes which have resulted in a slump in the timber market and contraction in that for sandal-wood; under INTEREST the decrease is Rs. 6·96 lakhs mainly due to the reduction in the amount of interest earned on the sums deposited with the Government of India. As regards the two heads XXVI. MISCELLANEOUS DEPARTMENTS and OTHER HEADS no special remarks appear necessary, except to note that, under the former the heavy fall of Rs. 39·61 lakhs is almost wholly due to the failure to realize the anticipated revenue from the Motor Vehicles Taxation Act passed by the Council in March 1931. As against an anticipated revenue of Rs. 70 lakhs, the collections, on the basis of nine months' actuals, are not expected to exceed Rs. 31·50 lakhs, a drop of Rs. 38·50 lakhs. Although the Government is not untouched, the main sufferers by this result are the District Boards whose finances cannot but be very adversely affected. As the House will shortly have an opportunity of discussing the matter in connexion with the Government's proposals for the amendment of the Act, I need not go into the question at length in the present context.

"9. The revised estimates of expenditure for the current year disclose the estimated effects of our efforts at retrenchment to which I have already referred. Against the Budget Estimate of Rs 1,822·13 lakhs, the Revised Estimate is now put at Rs. 1,692·83 lakhs, a decrease of Rs. 129·30 lakhs. The estimates provide for an increase of Rs. 3·46 lakhs due to greater

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provision partly for repairs to damage caused by recent floods in Tanjore, Trichinopoly and Tinnevelly and to the more rapid completion of certain works in the Godavari Delta Irrigation system, and partly to provide for increased expenditure under Superannuation allowances and pensions. On the other hand, we contemplate reduction of expenditure amounting to Rupees 132·76 lakhs, of which Rs. 20·15 lakhs is due to the reduced amount payable to local bodies under the Motor Vehicles Taxation Act, to which I have just referred. The remainder, Rs. 112·61 lakhs, is due to measures of retrenchment adopted in the current year including the emergency cut in the salaries of Government servants. I have caused to be prepared, for the information of the House, the statement* which is laid upon the table to-day. This shows in a convenient form the estimated savings in the Revised Estimate for 1931–1932 and the Budget Estimate for 1932–1933, as compared with the Budget Estimate for 1931–1932. These figures include both retrenchments ordered by the Government on their own initiative and also those on the recommendation of the Retrenchment Committee. There are still various other possibilities of economizing which have yet to be explored, or in respect of which, though proposals are before Government, a decision has yet to be reached; in a few cases, again, though orders have issued, exact figures have not yet become available. These have not been included in the statement, which, both as regards the Revised Estimate for 1931–1932 and the Budget Estimate for 1932–1933 takes into account only those retrenchments for which reasonably exact estimates of saving have been available up to date.

"10. In making the above brief explanatory remarks on the statement just referred to, I have been led into a slight digression. I will now, with the permission of the House, complete the brief survey of the Revised Estimate figures for 1931–1932 under Capital and Debt Heads.

CAPITAL AND DEBT HEADS.

Revised Estimate for the year 1931 1932.

"11. For the Cauvery-Mettur Project we budgeted for an expenditure of Rs. 84·82 lakhs, but, owing mainly to more rapid progress due to the working of the concrete-placing towers, a larger quantity of cement has been required raising the Revised Estimate of expenditure to Rs. 104·39 lakhs. To meet this, loans from the Government of India provided Rs. 81·85 lakhs, and for the balance of Rs. 22·54 lakhs we shall draw temporarily

* Printed as Appendix VIII on pages 99–100 infra.

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on our general balances which will be recouped in 1932–1933 by a correspondingly increased loan from the Government of India.

" Under the heads CAPITAL EXPENDITURE other than on the Cauvery-Mettur Project, and LOANS and ADVANCES BY THE PROVINCIAL GOVERNMENT the total disbursements are now estimated at Rs. 110·36 lakhs against the Budget Estimate of Rs. 118·18 lakhs. I do not think I need weary the House by a detailed discussion of the figures. It is enough to observe that, realizing the special difficulties in which the District Boards are likely to be placed by the failure to receive so large a proportion of the revenue anticipated from motor vehicles taxation, we have provided a sum of Rs. 10 lakhs to be used in the form of short-term loans to be recovered in instalments with interest, so that time may be given to them to adjust themselves to the new conditions. The expenditure of Rs. 110·36 lakhs will be financed, as to Rs. 55·09 lakhs by recoveries of loans and advances, and as to Rs. 55·27 lakhs from the revenue balances. "

Closing Balance in the year 1931–1932.

" 12. It is now possible to indicate what the closing revenue balance for 1931–1932 will be. Starting with Rs. 223·28 lakhs as our opening balance in April 1931, we have to deduct Rs. 50·74 lakhs on account of the revenue account deficit, Rs. 55·27 lakhs utilized for capital expenditure on objects other than the Cauvery-Mettur Project, and Rs. 22·54 lakhs being temporary advance to the Cauvery-Mettur Project, the necessity for which I have just explained. The total is Rs. 128·55 lakhs and the result is that by the end of 1931–1932 our revenue balance proper will be reduced to Rs. 94·73 lakhs, excluding the balances under SUSPENSE and DEPOSIT heads. That, in my opinion, represents the lowest to which we should, if we can possibly help it, allow our working balance to decline. With a revenue of about Rs. 16 crores, and an expenditure from revenue of a similar amount, I do not think that, broadly speaking, a working balance of Rs. 1 crore or near it, is an excessive minimum figure to aim at.

REVENUE ACCOUNT.

Budget Estimate for the year 1932–1933.

" 13. I now turn to the Estimates for 1932–1933. We estimate the total revenue at Rs. 1,593·61 lakhs which falls short of the Revised Estimate for 1931–1932 by Rs. 48·48 lakhs and of the Budget Estimate of revenue for the same year by no less than Rs. 236 lakhs.

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"The figures disclose slight increases under LAND REVENUE, FOREST, REGISTRATION and MISCELLANEOUS DEPARTMENTS. These call for no special remarks; it may, however, be observed that, as in the case of the estimates for the current year, while we have taken credit for additional revenue in the Godavari and Kistna districts on account of the resettlement, we have not made any corresponding addition on account of increased revenue for resettlement of certain taluks of Malabar for which no figures are, as yet, available. Under FOREST and REGISTRATION small increases, respectively, of Rs. 2·68 lakhs and Rs. ·90 lakh are due, in the former case partly to changes in methods of accounting, and partly to the fact that about one-half of the sale-proceeds of sandalwood sold in the current year will be realized in 1932–1933, and in the latter case to the credit for a full year of the fees levied from October 1931 on transactions connected with Co-operative Societies. Under EXCISE we have allowed for a further fall, as compared with the revised estimate for 1931–1932, of Rs. 40·49 lakhs. This represents, as compared with the budget estimate figure for Excise presented in February 1931, a fall of no less than Rs. 131·27 lakhs; and, if we compare the budget estimate for next year with the Excise revenue on which my predecessor thought he might count in the Budget for 1930–1931, viz., Rs. 565 lakhs, the fall is no less than Rs. 2 crores. I do not now pause to enquire as to the causes of this phenomenon, or to conjecture whether it is due to a real 'change of heart' or an 'urge to temperance' (A voice: Hear, hear) on the part of the drinking classes, or due rather to the depth of the economic depression coupled with disturbed political conditions such as have obtained in the past one and a half years. If, however, it is to be ascribed mainly or, in any marked degree, to the former, one can only observe that the change must have been miraculous; for, for a number of years prior to 1930–1931 the abkari revenue steadily rose and reached its peak figure (just short of Rs. 6 crores) in 1929–1930. I prefer myself to accept the more prosaic explanation that the fall is mainly to be ascribed to the economic depression. (A voice: Hear, hear). There is no doubt that the liquor trade, like everything else, has been badly hit during the past two years, and it would be unwise to count upon an immediate recovery. In fact, so far as next year is concerned, even if some improvement in general economic conditions and prices begins, it is probable that any corresponding improvement in the abkari revenue will follow on the establishment of better conditions rather than accompany that process. We anticipate for the year just opening that the repercussions of the shock which the liquor trade and the Excise revenue have received

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will continue to be felt, and we have not felt, stified in taking a more hopeful view than the figures now put forward represent.

"I do not think I need detain the House further on this part of the estimates beyond observing that the decrease of Rs. 3·17 lakhs under the head INTEREST is due to the fact that in all probability the depletion of our balance will not enable us to deposit any large portion with the Government of India so as to earn interest.

"14. Turning to the figures of Expenditure, that under Part I is estimated at Rs. 1,585·25 lakhs, a decrease of Rs. 107·58 lakhs as compared with the Revised Estimate for the current year, and of Rs. 236·88 lakhs as compared with the Budget Estimate presented last February. We have been obliged to provide for increased expenditure amounting to Rs. 18·55 lakhs mainly on account of unavoidable charges such as increments on time-scales of pay, debt charges and pensions; there is also a small increase (Rs. ·92) for elementary education. Against these increases we have to place reductions in expenditure amounting to Rs. 255·43 lakhs, and the House will wish to have a few general remarks as to these. Details are given in the appropriate column of the statement* placed on the table to-day, which I have already mentioned. There are, first two items of Rs. 20·13 lakhs and Rs. 4·38 lakhs which are due, in the former case, to the reduction in the amount which we had anticipated would be payable to local bodies under the Motor Vehicles Taxation Act, and, in the latter case, to reduction in the amount of repayments due under the old Provincial Loan Account. These two items cannot be said to be items due to retrenchment. The emergency cut in pay of Government servants gives us Rs. 39·59 lakhs; by the reduction in the rates of travelling allowance and restriction of tours and transfers and in the rates of compensatory allowance and by the curtailment of expenditure in contingencies and supplies and services we hope to save Rs. 22·79 lakhs. We have been able to achieve a reduction of Rs. 13·44 lakhs in recurring grants-in-aid under 'Education,' 'Medical,' 'Co-operative Credit' and 'Industries.' Under non-recurring grants-in-aid the total economy is Rs. 37·84 lakhs, of which the major portion (Rs. 29·70 lakhs) relates to grants for 'Civil Works,' while 'Public Health' and 'Education' contribute respectively Rs. 5·80 lakhs and Rs. 1·58 lakhs. Owing to completion of irrigation schemes and of works such as raising and strengthening banks and the like we anticipate a saving of Rs. 16·83 lakhs. By restricting the general Civil Works programme,

* Printed as Appendix VIII on pages 99—109 infra.

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slowing down expenditure and reducing the provision for minor works, we hope to save Rs. 35·04 lakhs. There are, further, anticipated savings amounting to Rs. 65·39 lakhs due to other miscellaneous specific retrenchments ordered by Government which have been detailed in the statement referred to.

"The actual net savings which we hope to achieve in 1932–1933 are now estimated at Rs. 226·92 lakhs, taking into account only those retrenchments on which orders have been issued by Government and for which definite figures are available.

"15. The result of these economies is that we hope to reduce our expenditure chargeable to Revenue below the revenue and to have a very small surplus of Rs. 8·76 lakhs, which would normally be available for Part II schemes.

"I shall presently have something to say as to the question whether, circumstanced as we are, we shall be justified in so devoting the small surplus. For the moment I have to invite the attention of the House to the significance of the figure. It is infinitesimal as compared with the sums which my predecessors were able to allot in former years. In 1925–1926 the figure was Rs. 62·45 lakhs; in 1927–1928 it was nearly doubled, rising to Rs. 120·42 lakhs. Since then it has declined, but even so late as 1930–1931—the last year for which my predecessor framed a budget—it was as high as Rs. 97·59 lakhs.

12-30 p.m. "To a great extent it was only possible for Government to allocate such large sums for expansion by reason of the existence of ample balances which accrued on the somewhat abrupt remission (completed within two years) of the provincial contribution. In 1930–1931 my predecessor actually budgeted for a revenue deficit of over Rs. 16 lakhs while allotting nearly a crore for expansion. It was obviously impossible that such a policy could be indefinitely pursued. In 1931–1932 the Government decided that revenue and expenditure chargeable thereto must balance, and that we must get away from the hypnotic contemplation of what I referred to in my budget statement last year as 'these fascinating but demoralising balances.' (A voice: Hear, hear). We hoped during 1931–1932 to do this, meeting from balances only a small sum of Rs. 9½ lakhs arising from flood emergencies and to be able at the same time to allot about Rs. 39 lakhs for Part II schemes. In this we have been disappointed owing to the rapid development and deepening of the economic depression which, as soon became apparent, threatened with collapse almost every head of revenue: and, notwithstanding the various efforts to effect economies in the current year, as already explained to you, we

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are confronted with a deficit of over half a crore. The balance remaining is only enough to provide a reasonably safe working balance below which we must endeavour not to fall in future years. This means that the policy of confining expenditure from revenue within the limits of revenue must be continued and enforced: we should seek only to draw on our balances for real urgent and unavoidable non-recurring expenditure. The era of 'fascinating but demoralising balances' has departed, so far as can be foreseen, at least for a number of years to come. And expansion in the shape of Part II schemes can only be contemplated within the limits of revenue.

"16. If this is to be achieved, it follows that, in normal years, it will be necessary to provide a reasonable sum—say Rs. 20 lakhs or Rs. 30 lakhs annually—for expenditure beyond normal commitments. The budget now presented does not provide for this. To the small surplus we have been able to show, the emergency cut in salaries of Rs. 3½ lakhs has largely contributed; and we are under pledge, if we possibly can, to give relief from that reduction at least by 31st March 1933. This means that the saving thus temporarily secured will have to be replaced by economies in other directions if the Budget for 1933–1934 is to be balanced. To produce a satisfactory budget for that year providing for the removal of the salary cut, and a moderate provision for Part II schemes, a further betterment in our position by about Rs. 60 lakhs is essential. Unless by devising new sources of revenue, or by an improvement in our existing ones upon which at present we should be unwise to count, we can only achieve the desired result by a further reduction in expenditure, and this must be our object during the year now opening. I commend these observations to the consideration of those members of this House (if there are any) who are disposed to demand increasing expenditure and also to the spending departments of the Government.

CAPITAL AND DEBT HEADS.

Budget Estimate for the year 1932–1933.

"17. My remarks on the Capital and Debt heads of the budget will not, I hope, detain the House for long. The expenditure in respect of the Cauvery-Mettur Project is estimated at Rs. 78·84 lakhs, a decrease as compared with the revised estimate, of Rs. 26·55 lakhs. This relates mainly to the Head Works, owing to smaller expenditure on special tools and plant, on shutters and gates for sluices and on the main dam itself whose progress will be slower as the level of the dam rises.

The sum of Rs. 78·84 lakhs together with Rs. 22·54 lakhs advanced from the revenue balance in the current year totalling Rs. 100·38 lakhs will be borrowed from the Government of India. For 'Capital Expenditure other than on the Cauvery-Mettur Project' and for 'Loans and Advances by the Provincial Government' the budget (Part I) provision is Rs. 76·49 lakhs against Rs. 110·36 lakhs in the revised estimate for the current year. The decreased provision arises mainly in connexion with the Pykara Hydro-Electric Scheme; it is reported that the bulk of the machinery and plant will be paid for in the current year. The expenditure on the Pykara main scheme during 1932–1933 is put at Rs. 26·71 lakhs; for the supply of power to Salem and Erode Rs. ·13 lakh is provided, while, for the distribution of power in the Coimbatore district, Rs. 4·88 lakhs is proposed. The main Pykara scheme will, we hope, be completed in the year; the cost of doing so and of the other connected works mentioned amounts to Rs. 31·72 lakhs. For the Kattalai scheme Rs. 6½ lakhs is provided and Rs. 10 lakhs for the instalment contribution to be made by this Government in 1932–1923 for the Fourth Stage works of the Cochin Harbour. It is proposed, in all, to borrow from the Government of India Rs. 150·23 lakhs.

"The House will note, with reference to this part of the Budget, that for the completion of the Pykara Hydro-Electric Scheme and the Kattalai irrigation scheme, we must rely on borrowed money. The depletion of our balances renders it impossible to continue to use that source for financing large schemes of expenditure of the kind. The effect of the change will be to add to our annual charges for interest and debt repayment, but on the other hand to distribute the financial burden of these enterprises over a series of years, which is also the theoretically correct and equitable procedure in such cases.

Part II Schemes for the year 1932-1933.

"18. The amount available for Part II schemes is, on the present estimate, Rs. 8·76 lakhs. In certain quarters the question has very naturally been asked 'Why, if you have any surplus at all do you comtemplate any expansion of expenditure, when you have been obliged to impose on your servants an emergency reduction of salary? Is not the relief of your servants from the emergeney cut to be placed as a first charge on your resources, and are you not pledged so to treat it?' The point was raised, in somewhat different language, by the Finance Committee, to whom, in accordance with our usual procedure, the proposals of departments in respect of Part II schemes were submitted. After examining the various proposals and classifying them in order of necessity or urgency, the Finance Committee added to their report the following rider :—

"The Committee considered the Part II schemes for 1932–1933 placed before it and made its recommendations as to which are necessary and urgent.

"In this connexion, however, its attention has been called to the fact that the Government of India and the Provincial Government have undertaken to restore the cuts in pay of Government servants immediately the exceptional emergency has passed and the financial conditions of the country have improved. The Committee fully accepts the implications of this undertaking and suggests that the Government should bear in mind this obligation in coming to a conclusion on the Committee's recommendations."

"19. I may first recall to the House the exact pronouncements that have been made by this Government and by the Government of India on this subject. In their communiqué published on 14th December 1931 this Government said :—

"In conformity with the announcement made by the Finance Member of the Government of India regarding the duration of the cut, these measures will be of a temporary nature not extending beyond the needs of the present exceptional emergency and will be removed as a first measure of relief as soon as financial conditions improve. There is no present intention that the cut should remain in operation after 31st March 1933."

"The Government's intention was to follow in all respects the line taken up in his pronouncement on this question by the Finance Member of the Government of India. In the course of his speech to the Assembly on 29th September 1931 the Hon'ble Sir George Schuster said :—

"It must be clearly explained that there is no intention that they should remain operative beyond March 31, 1933. They will not be continued beyond that date without further examination of economic conditions; and if economic conditions so required or permitted, we should reconsider them before that date."

"Later in his speech Sir George Schuster, in describing how the anticipated surplus as on March 31, 1933, would be utilized, stated :—

"It is perhaps forecasting events too much to say in what order these reductions should be made. But there are certain principles which we consider must be observed. Relief must come first in restoring the emergency cuts in pay and secondly in taking off the surcharge on the income-tax now to be imposed. I think we may predict with as much certainty as is possible for any such forecasts that these special impositions will not in any case be extended beyond March 31, 1933."

"The view which, as I said, has been urged in some quarters amounts to saying that Government would not be justified in contemplating the spending of a single anna on any Part II scheme so long as the 'pay cut' remains in force. In the view of Government that is an extreme position, and not consistent with the meaning or the intention of the pronouncements that have been made. The meaning and intention of those pronouncements is, in their view, that, when the Government's general financial position is so far improved as to enable relief to be given, it is their duty, as it is their intention, that the relief of their officers from the emergency cut in pay shall receive the first place in their consideration. In any case, unless Parliament sanctions for the All-India Services an extension of the 'cut' beyond the end of March 1933, it must then come to an end, both for those services, and also for the Provincial and Subordinate Services affected. For it would not be equitable or right, in our view, that the 'cut' should be retained for the latter and not for the former. (Voice: Hear, hear). It cannot be said that for us the time has already come to give relief. The anticipated surplus is anticipated only; it remains yet to be seen if it is to be realized. And, in any case, to say that our financial condition is restored because we hope in 1932–1933 to have a trifling surplus of Rs. 8¾ lakhs in a budget which runs into Rs. 16 crores or so, is an unduly sanguine proposition.

"We shall have to realize, or at least have well in sight, a very much more substantial margin of revenue over expenditure than this before we can claim to be 'out of the wood.' There are only three methods of success this, to any or all of which we can resort. Either the revenues must improve: or we must improve them by increased taxation; or we must reduce expenditure. The 'pay cut' is an expedient of a temporary character sanctioned for (practically) a single year only, with the object of enabling us to set our house in order to meet the new conditions which events have produced or are likely to produce in the near future. It does not get us out of the wood; it only enables us to feel our way out of the wood. We are bound therefore to refrain from expansion as far as possible and to devise, within the period of grace secured, means for restoring the pay cut in accordance with the undertakings given, and for balancing our revenue and expenditure without its aid.

24th February 1932] [Mr. H. G. Stokes]

"It is partly for this reason that I have so strongly emphasised earlier in my speech the necessity of devising further economies in the year now about to commence. I trust what I have said will assure all concerned that we fully realize the implications of the pronouncements which we have made.

"But it would scarcely be reasonable to go further and say that no money whatever must be spent on any Part II schemes so long as the 'cut' subsists. The business of Government is not so simple that one can draw a line and say 'Here is our limit: further expenditure beyond this is unnecessary.' The further expenditure may be for administrative reasons unavoidable; the High Court, for instance, has asked for provision during 1932–1933 for two temporary courts for a few months in areas where arrears have been unavoidably accumulating. Are we to say to suitors 'No, you cannot get your cases heard because the Judges are still having their pay cut?' Or again, the expenditure may be such that we shall lose money if we do not incur it; that applies to several of the schemes now in question; or again, the scheme may be one for which, though we do not recognize a standing liability, we are to some extent committed by past action. Certain schools, for instance, have in the past usually been able to count on grants-in-aid for equipment, and the abrupt cessation of such aid may be the cause of serious embarrassment.

"I need not weary the House with further instances. I quite realize that the line of argument I have been advancing can be pressed too far; however large the surplus, claims on Government can be swelled to correspond, and the ingenuity of those who press such claims will usually find no difficulty in urging in support of their claims one or other of the considerations to which I have alluded. But, within due limits, the Government consider that, in the present circumstances, Part II schemes may be admitted, provided that they are of pressing necessity, that they do not commit us, or materially commit us, beyond the year 1932–1933, and that the amount is modest and in no case such as may affect our ability to redeem the undertakings given. I believe that the schemes now submitted to the House comply with these conditions.

"Taking the proposed Part II expenditure and that for Part I together, our estimated expenditure chargeable to Revenue works out to Rs. 1,593·61 lakhs and balances the estimated revenue. To Rs. 94·73 lakhs, the opening balance of the year, we hope to add Rs. 13·10 lakhs being recoveries of loans and advances, and Rs. 22·54 lakhs by recoupment from loans of the advance made from the balances of the current year to the Cauvery-Mettur Project expenditure; the result is that we hope to close 1932-1933 with a balance of Rs. 130·37 lakhs. That is indeed a modest figure, but it is a matter for congratulation that it is on the right and not the wrong side of the account.

CONCLUSION.

12-45 p.m. "20. In the concluding passages of my Budget speech last March I indicated that we were entering on a period in which, though there was every need for caution and for patience and care in utilizing our resources, there was yet no need of despair. To that general position I adhere. The course of events of the past twelve months, I would urge, justifies and reinforces that forecast. During the year 1932-1933, and possibly for several years to come, the expansion of the activities of Government, which the affluence of the preceding period rendered possible, must be curtailed; we must, so to speak, be content to live at a less rapid rate and be content with a less ambitious programme. Apart from the difficulties of our fallen revenues, and of satisfying even in a small degree the urgent needs of the province in so many directions, we are faced with the uncertainty as to how we shall be affected financially by the great constitutional changes which the near future will bring. It has yet to be seen whether a system of federal finance can be devised that will not entail, in some form or other, direct demands on the provincial resources in the shape of a provincial contribution, while it is not improbable that, with an enlarged electorate and legislative council, the cost of the provincial administrative machinery will under provincial autonomy be higher than heretofore. It is impossible for us, consistently with the maintenance of provincial solvency, to contemplate on the existing basis of provincial taxation a forward policy such as that adopted in the past five or six years. We must be content to take in sail, or even to heave our ship to altogether, while we refit her after the storm. A general advance along many lines will no longer be possible: if any advance is contemplated at all, it will be necessary to concentrate upon one or two and confine ourselves to those, whether it be primary education, or medical relief, or whatever it may be. Expenditure must be regulated in greater degree with reference to a fixed and settled policy, rather than to pressure from this or that section or body of opinion. There will certainly not be enough money to satisfy all. And it will still be necessary to scrutinize closely our existing administrative system as well as future schemes with a view to the elimination or avoidance of waste.