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LEGISLATIVE ASSEMBLY.

Thursday, 14th September, 1922.

The Assembly met in the Assembly Chamber at Eleven of the Clock. Mr. President was in the Chair.

PETITION FROM MADRAS VOTERS *RE* PROVINCIAL CONTRIBUTIONS.

M. K. Reddi Garu (South Arcot *cum* Chingleput : Non-Muhammadian Rural) : Sir, I beg leave to present to you a petition signed by 1,04,272 voters of Madras regarding their provincial contributions to the Central Revenues.

Mr. President : Will the Honourable Member come and present it at the table ?

The petition was presented.

RIOTS AT MULTAN.

Dr. Nand Lal (West Punjab : Non-Muhammadian) : Sir, under Standing Order 20, rule 12, paragraph 41 of the Manual of Business and Procedure of the Legislative Assembly, I beg to ask for leave to move a motion for an adjournment of the business of this House for the purpose of discussing the recent outbreak of very serious Muharram riots at Multan. I may at the same time point out, Sir, that I have complied with the provisions of paragraph 42 of the same rule and Standing Order 21.

The Honourable Sir William Vincent (Home Member) : Sir, may I in the first place suggest to the House that the riots are now over and there seems very little reason for discussing them ? In any case it can hardly be said that this is a matter of urgency. In the second place may I say that this is a purely provincial subject ? If this Assembly proposes to discuss on a motion for adjournment every riot and disorder of this kind in the different provinces, then I am afraid it will have no time to direct its attention to matters that really affect the Central Government. In other words, Sir, I suggest to you and to the House that this is a purely provincial matter outside the scope of this Assembly.

Mr. President : I should like to know from the Honourable Member on what date these riots occurred.

Dr. Nand Lal : I believe on the 3rd and 4th September, so far as my information goes. There have been subsequent troubles, but I am

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not sure about them or their character or the dates. The information which I gathered from the most reliable paper is that the riots took place, as I have already stated before this House, on the 3rd and 4th September. I hear that the thing has not subsided as yet ; it is smouldering and that is why the whole matter requires to be discussed fully before this Assembly. The subject, practically, is not a provincial one, because in this case the military has been called upon to help the executive and I have to make reference to the actions of the Military Department also.

The statement in writing, which I have already submitted to the Secretary, will bear me out that this matter is of very great importance and urgency and requires deep consideration of this Honourable House and there are two precedents.....

Mr. President : Order, order. The Honourable Member is entering into the merits of the question which he might be able to discuss if I were to allow his motion, but it seems to me that he is a little late in bringing this forward. I do not wish to give a hard and fast interpretation of the word ' recent ' in the rule, but the intention of the rule is that as soon as a matter of this kind is brought to the notice of the Honourable Member and he wishes discussion thereon, he should at the first available opportunity bring it before the Assembly. I think I must rule that in this case the Honourable Member is too late, as he himself admits that these occurrences took place ten days ago and that, for the most part, they are now over.

Dr. Nand Lal : May I rise to a point of order, Sir ? With due deference to the expression of opinion of the Chair, I may very respectfully submit that Multan is far away from here and no Member of the Assembly could get reliable information in time. The trouble as I am led to believe is still going on.....

Mr. President : May I ask the Honourable Member when this occurrence first came to his notice ?

Dr. Nand Lal : This matter came to my notice for the first time and as a rumour, I think, on the 8th or 9th.

Mr. President : If the Honourable Member was so unfortunate as to be so remote from the scene of the occurrence that it took him 5 or 6 days to get information, I am afraid that does not strengthen his position in asking for an adjournment. I am prepared to hear him further on the point, however.

Dr. Nand Lal : With due deference, I submit, Sir, that I wanted to make an inquiry. I wanted time to get myself equipped with certain information, and I could not, on an earlier day, approach the Secretary of the Legislative Assembly without definitely knowing the facts. I could not place adequate material before this Assembly without having sufficient details and an account of the tragedy, and I think I was right in gathering the material. Since the required and more convincing material came to my possession last evening I gave notice of a motion to-day, and so far as my information goes this matter is one of very vital importance and of great urgency.

Mr. W. M. Hussanally (Sind : Muhammadan Rural) : May I ask the Honourable the Home Member to let us know how many people have been arrested in connection with the Multan riots ? If the number of criminal cases is large, then this motion for adjournment would be out of order again.

The Honourable Sir William Vincent : Sir, I have received reports of the occurrences at Multan, and the disorders have been of a serious character. I will get a statement of the facts placed in the library if the Honourable Member so desires. We do not know as yet whether any persons have been arrested or are under trial in connection with these occurrences, but I hope some persons will be shortly, if they are not already, arrested.

Rao Bahadur T. Rangachariar (Madras City : Non-Muhammadan Urban) : In connection with the point made by the Honourable the Home Member, may I draw his attention to the special article contributed by a visitor to the *Tribune* of Lahore which I read last night ? I draw his special attention to that.

The Honourable Sir William Vincent : I will read the article to which the Honourable Member refers. I have not seen it as yet.

Mr. President : In view of the fact that this case stands on the border line, I will give the Honourable Member the benefit of the doubt. Does any Member object to leave being given ?

The Honourable Sir Malcolm Hailey (Finance Member) : Certainly.

Mr. President : Objection being taken, I have to ask those Honourable Members who are in favour of the discussion being taken to rise in their places.

Mr. President : Less than 25 Members having risen, leave is refused.

THE CODE OF CRIMINAL PROCEDURE (AMENDMENT) BILL.

The Honourable Sir William Vincent (Home Member) : Sir, on the 18th, 19th and 20th it is proposed to take the Bill further to amend the Code of Criminal Procedure, 1898, if it is passed through the Council of State by that time ; and if the Assembly agrees, I propose to move on the 23rd that the Bill be passed.

If leave is given to introduce the Indian Mines Act Amendment Bill by the Assembly on the 15th, it is proposed to refer the Bill to a Joint Committee on the 23rd.

Dr. H. S. Gour (Nagpur Division : Non-Muhammadan) : May I point out, Sir, that there is a general feeling on this side of the House that the Code of Criminal Procedure, which is a very important and voluminous measure, might be deferred for discussion by the Legislative Assembly till the next Session. The Members have not yet had time to go through the draft changes suggested by the Select Committee, and they will not have time to go through the alterations and amendments made by the other

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House. In these circumstances, I hope the Honourable the Home Member will accede to the request of myself and my friends and defer the further progress of the Code of Criminal Procedure till the November Session.

Sir Deva Prasad Sarvadhikary (Calcutta : Non-Muhammadan Urban) : Sir, that idea prevails on this side of the House also, and we should support the suggestion for putting the Bill off till the November Session.

The Honourable Sir William Vincent : Sir, the Bill has been before this Chamber for nearly two years, so that I should have thought that every Member has had ample opportunity of considering it. The report of the Select Committee was laid on the table on the 7th of September. If there is a majority against me when I propose the motion, then it will have to be abandoned, but I think it is a pity that a measure of such great importance should be delayed for such a length of time as the Honourable Member proposes. I admit that it has been postponed many times before. The amendments in the Council of State are not, on the information that I have before me, likely to make much difference to the Bill.

Mr. W. M. Hussarally (Sind : Muhammadan Rural) : May I know what urgency there is in regard to this Bill ? I think the request is very reasonable and the matter might be deferred till the November Session unless it is really of very urgent importance.

Dr. H. S. Gour : May I also in this connection draw the attention of the House to the fact that some three months back I wrote to the Secretary of the Legislative Department to give me a copy of the report of the Select Committee and the draft of the changes made in the Code of Criminal Procedure so that I may be able to study them at my leisure and come prepared at the commencement of the Legislative Session to deal with this very important consolidating measure, but I was told that a copy of the Select Committee's report and of the Bill could not be had and could not be delivered. It was no doubt delivered to us on the 7th September, but Honourable Members will see how difficult it is, in view of the crowded programme of this Session, for any Member to study the very intricate provisions of the Code of Criminal Procedure. I therefore submit,—I hope I am speaking with the concurrence of the non-official Members on this as well as the other side of the House, that it is the general wish of the Members that they must have longer time to consider the provisions of this important Code and that the matter may be deferred till the next Session in Delhi.

The Honourable Sir William Vincent : Sir, some criticism has been directed to the fact that the Government refused to supply an Honourable Member with a copy of the Report of the Joint Committee and the Bill as amended by them. I think Members of this Assembly will agree with me that, if we had acceded to the request of the Honourable Member, we should have been guilty of gross breach of privilege because the first duty of a Joint or Select Committee is to present their report to the House and not to publish it before that. I am certain indeed that in this matter I shall have the support of the Chair. If the Honourable Member thinks that I am personally and particularly anxious to see a Bill of this character through the Assembly, he is under a singular delusion. It has been a most troublesome business to me already. But, as a matter of fact, there are two Members of

the Executive Council who have personal knowledge of the Bill, Dr. Sapru and myself, as we have worked at it for some time, myself indeed for some years, and, partly perhaps for that reason, we wish to get on with the Bill, if possible, this Session.

PROPAGANDA IN CHAMBER.

Mr. President : Rai Bahadur Bakhshi Sohan Lal.

The Honourable Sir Malcolm Hailey (Finance Member) : Sir, before the Honourable Member rises, might I ask for information on a further point of order ? I wish to ask you, Sir, whether it is with your permission that we find in our places to-day a pamphlet which ascribes to Madras the honourable but somewhat humiliating position of a milch cow ? I think it has been the practice hitherto that papers placed before us in the Assembly have been so placed with the assent of the officers acting under your orders.

Mr. President : That is so. Papers can only be circulated here by the order of the Chair. It is improper to use this Chamber as a means of circulating anything in the shape of propaganda not strictly and officially connected with the business of the Assembly.

The Honourable Sir Malcolm Hailey : Thank you, Sir.

Sir Deva Prasad Sarvadhikary (Calcutta : Non-Muhammadan Urban) : It is only specially privileged Members, Sir, who appear to have been so favoured.

The Honourable Sir William Vincent (Home Member) : May I make the Honourable Member a present of my copy ?

Sir Deva Prasad Sarvadhikary : He is entitled to keep his cow to himself.

RESOLUTION *RE* PROVINCIAL CONTRIBUTIONS TO CENTRAL EXCHEQUER.

Rai Bahadur Bakhshi Sohan Lal (Jullundur Division : Non-Muhammadan) : Sir, the Resolution which stands in my name runs as follows :

“ This Assembly recommends to the Governor General in Council that the present total Provincial contributions to the Central Exchequer be reduced by two crores of rupees, the benefit of such reduction being immediately given to the Provinces of Madras, United Provinces, and Punjab.”

Sir, a large number of amendments have been tabled on this Resolution by the Honourable Members from some of the provinces and, with a view to incorporate most of the amendments in my Resolution, I beg leave to amend my original Resolution so that it may read as follows :

“ This Assembly recommends to the Governor General in Council to move the Secretary of State to have the financial relations of the Central and the Provincial Governments re-examined with a view to providing a scheme of devolution and distribution of the finances of the various Governments, so as to do away gradually with the provincial contributions ; and there should be meanwhile a reduction in the present total contribution to the Central Exchequer in respect of two lakhs, the

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benefit of such reduction being immediately given to the Punjab, Madras, the United Provinces, the Central Provinces, and Bihar and Orissa and Assam. And also that immediate steps be taken to examine the whole basis of the present financial relations as now laid down in the devolution rules for allocation of Central to Provincial heads by the appointment of a committee of this House or of a Joint Committee of both Chambers of the Legislature, or by such other Legislature as this Assembly and the Government may agree upon."

The Honourable Sir Malcolm Hailey (Finance Member) : Sir, I am loath to interrupt the Honourable Member, but I understand that he wishes to place before the House an amended Resolution of a somewhat different character to the Resolution which he had originally put forward, and I wish to obtain your orders, Sir, as to the admissibility of the amendment which he has now proposed. Indeed, it would be my duty to place this question before you in any case in connection with the subsequent amendments. Standing Rule 33 lays down that an amendment must be relevant to and within the scope of the motion to which it is proposed. Now, the original motion—I do not wish to argue the case any further than is necessary to place the point of order before you—assumed that the contributions would continue on the existing basis, the existing allocation of revenues would continue, but that certain remissions should be given to three provinces. Is it relevant to and within the scope of a Resolution of that nature to propose an entire reconstruction of the whole character of the allocation of revenues between the provinces and ourselves? Is it within the scope of the original Resolution to assume that a Royal Commission should be appointed which might possibly recommend not only the wiping out of the contributions but an entirely different system of relations between the Central and the Provincial Governments. May I enforce my point by an illustration? If we had before us a Resolution regarding the travelling allowances of the Members of this Assembly, would it be within the scope of that Resolution to propose an amendment asking for a radical alteration in the constitution of India as laid down by the Government of India Act? Or again as a further parallel, if we had before us a Resolution pointing out the insufficient Indianisation of certain railway services managed by Companies, would it be within the scope of that Resolution to propose an amendment asking for the consideration of abolition of Company management and the substitution of management by the State?

Mr. President : The Honourable Member must move the Resolution as it stands on the paper. He is not entitled to incorporate the amendments of his colleagues and then assume that it is his Resolution, for that is usurping the right of the House to decide whether the Resolution shall be amended or not.

With regard to the point of order taken by the Honourable the Finance Member, none of the amendments proposed actually to arrest the operation of the devolution rules. The most substantial amendment, standing in the name of Mr. Jamnadas Dwarkadas, does ask that the whole question of provincial contributions be examined through some agency of inquiry. I consider that that is within the scope of the subject on the paper.

Rai Bahadur Bakhshi Sohan Lal : Sir, I beg to move the Resolution which stands in my name.

At the very outset it will not be out of place for me to lay before this Assembly a brief history of the provincial contributions to the Central Government.

Sir Montagu dePomeroy Webb (Bombay : European) : Sir, on a point of order, may I ask if the Honourable Member is speaking to his original Resolution or to the proposed amendment thereof ?

Rai Bahadur Bakhshi Sohan Lal : We are all aware that, before the introduction of the New Constitutional Reforms in this country, the revenues of all the Provinces practically belonged to the Government of India ; and the Government of India, after calculating their own prospective requirements made allotments for each of the provinces.

This system of allotments left very inadequate sums to allow further development of the Educational, Sanitary and Industrial progress of the provinces. But now under the New Constitutional Reforms, with the grant of the full autonomy to the provincial Government, this system of grants or doles from the Government of India to the provincial Governments becomes quite incompatible with the new conditions created by the Reforms. The Montagu-Chelmsford report, paragraph 200, says :

“ Our first aim has been to find some means of entirely separating the resources of the Central and Provincial Governments.”

Paragraph 201 :

“ If provincial autonomy is to mean anything real, clearly the provinces must not be dependent on the Indian Government for the means of the provincial expenditures.”

Paragraph 207 :

“ We attach great weight to the proposition that the Provinces are to be really self-governing and they ought to adjust their expenditure.”

These pronouncements make the Provincial Governments full masters of their revenues with full power of their own free will to dispose of them for the development of provincial progress. The result was that instead of the Government of India being the master of the purse and allotting sums to the Provinces, according to their own sweet will, from surplus in hand after providing for all their requirements, from all the Indian as well as the Provincial revenues, the Provinces became the owners of the revenues and would first think of their own wants and only out of the surplus, if any, contribute to the Government of India what they could spare. As a matter of fact the framers of the Constitutional Reforms intended to relieve gradually the provinces from their obligation to contribute to the Central Government.

Naturally the development of Educational, Sanitary and Industrial schemes in the provinces which under the old system were kept in the back ground came into the forefront of the popular government of the provinces. It was therefore considered necessary to devise some ways of entirely separating the resources of the Central and Provincial Governments ; and with that end in view the Montagu-Chelmsford report on Indian Constitutional Reforms recommended a complete

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separation of the Central and Provincial revenues ; the provinces having full control over their revenues and expenditure without reference to, or interference by, the Central Government. As a result of this arrangement the income of the Government of India fell short of their estimated expenditure and it became necessary to require the provinces to contribute according to their respective capacity in order to make good the deficit of the Central Government on the basis of " Assessment in ratio of gross surplus." This principle would naturally squeeze most from the most earning and economical provinces and get least from the less earning and more extravagant Governments.

In order to give effect to the above instructions in the Montagu-Chelmsford report a Financial Relation Committee under the presidency of Lord Meston was appointed ; and this Committee better known as Lord Meston's Committee considered the principle of " Scale of contribution rateable to gross surplus " as provided by the Montagu-Chelmsford report and recommended by the Government of India's first despatch, dated 5th March 1919 to be quite unworkable and impracticable and without referring to the Government of India and consulting the Provincial Governments fixed the provincial contribution on an altogether and different basis,—on the principle of " The increased spending power of each province." In estimating this " Increased spending power of the provinces " the Committee took into consideration only the then existing expenditure without anticipating the very large increase in the provincial expenditure for further and ever increasing development of the Educational, Sanitary and Industrial conditions which would naturally come into the forefront of the provincial administration as the inevitable consequence of the introduction of popular government in the provinces. These prospective estimates of income and expenditure made by the Lord Meston's Committee in order to find out " The increased spending power of the provinces " were also found to be grossly incorrect. The estimates of the income were found in some cases so very excessive and the estimate of the expenditure so very much underrated in the Meston Committee report that the principle of " Increased spending power " adopted by Lord Meston's Committee was found to be worse than the principle of " Assessment in the ratio of surplus."

Thus the contribution fixed by Lord Meston's Committee, immediately after their report came out, created a clamour of unfair, unreal, unbearable, unjustifiable and excessive burdens from almost all the provinces.

So far as the Punjab is concerned, the Lord Meston's Committee estimated two crores eighty-nine lakhs to be " The increased spending power " available of which 1 crore and 75 lakhs was fixed to be its contribution to the Central Government. While according to the budgetted and revised estimates of the Punjab for 1921-22, the so-called " increased spending power " of the Punjab did not reach even half the Committee's estimate. It would be quite impossible for the Punjab to contribute the whole quota allocated by the Lord Meston's Committee without starving more or less all its heads of expenditure and without again shelving their Educational Sanitary and

Industrial schemes for indefinite time as they were before the introduction of the new Reforms.

The Punjab paid the contribution fixed by the Meston Committee but not without protest and in the meeting of the Punjab Legislative Council held on the 9th and 10th January 1922 it strongly protested against the heavy burden of contribution to the Central Government and passed a Resolution to the effect that "The Finance Committee of the Council be instructed to examine the question of the financial contribution to be paid by the province to the Governor General in Council under Devolution Rule No. 17 with a view to the total and the immediate extinction of the contribution and further to take such steps as are necessary to that end."

The story of Madras is not less painful. Madras has been persistently and continuously protesting against the burden put upon it by the Indian Government for more than 25 years. In 1897, 1900 and 1901 the Madras Chamber of Commerce raised their loud and strong voice of protest against the burden. In 1911 and 1913 the Madras Provincial Conference passed Resolutions against the heavy burden put by the Indian Government on the Madras Government. In March 1915 a Resolution was moved in the local Legislative Council suggesting that a representation be made to the Government of India for the grant of a larger share of the revenue to Madras. In addition the matter was repeatedly discussed by non-official members of the local Legislative Council at almost every budget debate from 1911 to 1918. The question was also raised by the non-official members in the Imperial Legislative Council in 1913 and 1917. The Madras Government has also all along been submitting their representations against the burden put upon them by the Government of India. But all these efforts to be relieved from the burden have so far failed, as under the old system of financial relation between the Central and Provincial Governments all the revenue belonged to the Central Government and the position of the Provincial Government was that of living on the charity or mercy of the Central Government without any strength of right to control the purse.

Therefore the provincial Governments have always been helpless heretofore. But now the circumstances having changed the Provincial Governments having been made master of the purse, there is no reason why all the above mentioned protests be not gracefully considered by this Assembly and the contribution reduced with a view of gradual extinction of the same.

The contribution of three crores and 48 lakhs fixed by Lord Meston's Committee on Madras and of one crore and 75 lakhs on Punjab is certainly excessive with reference to the increased expenditure on services and to the growing and ever increasing needs of the Educational, Sanitary and Industrial development. Not less than 1,04,272 petitions have recently been despatched from Madras to the Government of India protesting against the burden, which shows that the burden presses heavily on the masses.

The Bombay Chamber of Commerce has recently cabled its protest to the Secretary of State against the inequality and injustice of the allocation

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of revenues and of the contribution to the Central Government by the Meston Committee and urges immediate steps to be taken for examining the financial relations between the Central and the Provincial Governments through a Commission. The Bombay Government has also been submitting their representations against the burden put upon them by the Meston Committee as unfair and unjust.

The Bengal Government has expressed its inability to pay any portion of the contribution fixed by the Meston Committee and has already convinced this Assembly and the Government of India about the justification of the protest and has been exempted by the Government of India from payment for a long course of years. The conditions of the United Provinces, the Central Provinces, the Bihar and Orissa and Assam are also pitiable. The contribution of two crores and 40 lakhs fixed by the Meston Committee on the United Provinces is as heavy as that on Madras and Punjab.

All these provinces while masters of their revenues under the Constitutional Reforms scheme, instead of presenting prosperity budgets had to present deficit budgets. All these provinces are poor agricultural provinces overburdened with heavy land taxes without any margin for increase or for any additional taxes ; and the heavy burdens of the contribution to the Central Government put upon them by Lord Meston's Committee, if not reduced in time, are expected to stunt their growth and mar for ever their growth of further progress specially of Educational, Sanitary and Industrial developments on which depends the real prosperity of a country.

About two years have passed since the introduction of Reforms but none of these provinces have yet been able to stand on their feet, to meet their responsibilities under the Constitutional Reforms on account of the paucity of funds. If any of them has started at all it has started worse on account of the stress of economic conditions coupled with responsibilities to provide for additional expenditure and the heavy burden of contribution to the Central Government and deserve to be relieved of the burden as early as may be compatible with the requirements of the Reforms Scheme by taking immediate steps to re-examine the whole basis of the present financial relations as now laid down in the Devolution Rules for allocation of revenues between the provincial and central heads by appointment of a Committee of this House or by the Joint-Committee of both the Chambers of Indian Legislature, or by such other Agency as this Assembly and the Government agree upon, with a view to providing a scheme of devolution and distribution of the finances of the various Governments, so as to do away gradually with the provincial contribution to the Central Exchequer.....

The Honourable Sir Malcolm Hailey : The Honourable Member seems to be proposing an amendment to his own Resolution, which was previously ruled out of order.

Rai Bahadur Bakhshi Sohan Lal : And that in the meanwhile the present total contribution to the Central Exchequer be reduced by two

crores, the benefit of such reduction being immediately given to the Punjab, Madras, the United Provinces, the Central Provinces, Bihar and Orissa and Assam. With these few words, I commend the Resolution for the acceptance of the House.

Mr. President : Resolution moved :

“ This Assembly recommends to the Governor General in Council that the present total provincial contributions to the Central Exchequer be reduced by two crores of rupees, the benefit of such reduction being immediately given to the Provinces of Madras, United Provinces and Punjab.”

Rao Bahadur T. Rangachariar (Madras City : Non-Muhammadan Urban) : Sir, the attention of this House was drawn this morning to a pamphlet lying before us, which, I am sorry to say, was irregularly placed before the Members. I wish the pamphlet had been placed in a more regular manner, and on behalf of Madras I beg to apologise to the Chair for this irregularity which has been committed. Sir, if Honourable Members will see the title of that pamphlet, they will find that it is called the Milch Cow. Sir, Madras has been the milch cow for all India. I would not advise all India to buy their cows for milking if they really want cows from Madras. Madras cows, especially, Sir, from my part of the country, are very yellow, but they are very thin. Where one cow in this province can supply a whole family, you have to take a dozen Tanjore cows in order to supply the need. Tanjore is supposed to be the richest of the districts in Madras. But, Sir, I may tell you, coming from that district as I do, that I will not advise anyone to go in for a Tanjore cow. Sir, the Madras cows have got one peculiarity. They never kick. The Madras milkman knows that good quality of the Madras cow, and he milks her hard. It is such a stupid cow that it can easily be deceived and duped. I do not know, Sir, how many of you have gone to Madras. The milkman there actually dupes and deceives the cow. He so starves the calves that they die, and when they are dead he embalms the dead calf, keeps the skin tied up, stuffs it with straw and holds it to the poor cow, and the poor cow thinking that she is really feeding her calf proceeds to milk. That is really the pitiable condition of the Madras cow. I wish the forbearance of this House in taxing your patience to the way in which this poor Madras cow, this lean cow, has been treated all along. When a Delhi milkman begins to milk the Madras cow, he thinks of the Delhi buffalo which yields measures and measures of milk, and he thinks he can do similarly with the Madras cow. The history of the unfortunate Madras provincial contributions has been a very painful and sorrowful tale. It divides itself into five periods. In the first period the whole of the revenue and expenditure was in the hands of the Central Government. The Central Government, Sir, was always a far-off cry so far as Madras was concerned. It is only now that we find a Madras Civilian on the Treasury Benches. Very seldom had the Madras Civilian the good fortune to reach all this distant way either to Calcutta, Delhi or Simla, and therefore it was always a far-off cry and to Madras the Central Government at its pleasure allotted revenues and expenditure.

This was the second period. Limited allotments on expenditure for specified services were then the features which again did not work

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satisfactorily. Then we had a third period from 1882 to 1904. Madras was the one that shared in certain items of revenue which were described as "growing heads." This was not really in order to advance the interests of Madras, but to enable the Madras Government to have an interest in collections, so that the people may be fleeced. Many of you are not familiar perhaps with the Ryotwari system in Madras. We have got a system of raising revenue by which once in thirty years our revenues are revised. They have got scientific methods of calculation for finding out produce in lands, and then it is said the Government take half the net profits. They make some allowances for cultivation expenses. Those cultivation expenses are quite out of date, and of course they are calculated on a basis which no cultivator can appreciate or understand. Anyhow, I am not here to complain of the settlements. This gave the Collector zest in putting on the revenues on the land, so that land revenue rose by leaps and bounds to the benefit of the revenues of the Madras Government and the Central Government but to the great burden of the poor taxpayer in the Madras districts.

Then we come to 1904 where we have these quasi-permanent settlements, and this inequality continued. I am not complaining against the partial treatment of other provinces, as I do not wish to create any provincial jealousy to-day. We stand here as beggars in a very pitiable plight, and I therefore wish to avoid any contrast of treatment of other provinces.

I pass from that period to that when doles used to be given. Then, too, Madras was not properly treated. I give a few figures in order to show that Madras was not properly treated. In a population of 41½ millions Madras obtained a recurring grant of 28.50 lakhs for education during the years 1911-12 to 1919-20. Bengal with a population of 45½ millions received 41.81 lakhs during the same period. Bombay with a population of 19½ millions received 21.40 lakhs. Take again the distribution of non-recurring grants. In March 1911, the Government of India distributed the opium surplus. For 1910-11 Madras was given 11 lakhs out of a total of 111 lakhs for education and sanitation, and out of a total grant of 104 lakhs distributed to various provinces for miscellaneous objects, Madras did not receive a single pie. Therefore, it is no wonder that when the Reforms Scheme came, and the two gentlemen went about the country, they had to point out in paragraphs 206 and 207 of the Montagu-Chelmsford Report the inequality of treatment. They say :

"We recognize, of course, that the objection will be taken that some provinces even under this plan will bear a very much heavier proportion of the cost of the Indian Government than others..... Our answer is that the objection is one that applies to existing inequalities which we admit that our scheme fails for the present to remove. It merely continues the disparity which is at present masked by the system of divided heads."

Again dealing with it the Government of India in its despatch of 5th March recognised the position. When we look at the result, however, its inequality is obviously liable to attack. From Madras

we shall be levying five times as much as from Bombay. Bombay, Sir, stands in the happy position of being the *Kamadhenu* cow. I do not know if you understand the significance of the word "*kamadhenu*." She is the richest of the provinces; her merchants are princes; her people are imbued with hereditary instincts as to trade and commerce. They are able to hold their own with the rest of the world, and therefore Bombay can afford to be generous, can afford to be gentle, can afford not to quarrel with her poor neighbours. Then from Madras we shall be levying 5 times as much as from Bombay; from the United Provinces nearly 5 times as much as from Bombay. So that this past iniquitous treatment—I do not use the word "iniquitous" in the sense of attaching any blame to Government—I only mention it in order to emphasize my point—this past iniquitous treatment had to be continued under the Reforms Scheme. Madras was hoping for better financial days when the new Reforms Scheme came, but unfortunately their hopes could not be fulfilled. We recognise the inequality, they said, but you must continue to bear the burden: it is accompanied with a ray of hope, that it is only a temporary burden to last for 8 or 10 years, as the case may be. We took it cheerfully. When the Meston Committee came, we made our humble representation, furnished them with arguments, furnished them with facts and figures, but they resolved to continue this iniquitous treatment, and Madras, as you will notice from the list of contributions to be made to the Central Government, Madras heads the list, benighted Madras! She is behind every other province in other respects, but she tops the list in the matter of provincial contributions. I wish I could be proud of that place, but having regard to the capacity of my province, I am sorry to say it is a top heavy burden, it cripples us, it bends us down. We cannot hold our heads aloft; we have got four Councillors and three Ministers; we have got a Development Minister, an Education Minister, a Local and Municipal Minister. They have got schemes on hand, well thought out schemes, but are unable to move an inch forward. Last year when the Budget was prepared, this poor province required nearly fifteen hundred lakhs for her necessary expenditure, but what was the revenue? The revenue available for incurring that expenditure was only 12¹/₄ lakhs. We had

12 noon.

to meet a deficit, therefore, of nearly 300 lakhs. Where are we to get the 300 lakhs? We are contributing 348 lakhs to the Central Government, that is, Madras bears about nearly 34 per cent. of the total deficit due to the Central Government, whereas her legitimate share, her just share, is only 17 per cent. Therefore, the Government of Madras proceeded to cut down the expenditure in several directions. Madras has been carrying on her administration in a most economical way. With her vast area, with her vast population, she has only 25 districts, whereas, Sir, smaller provinces have a larger number of districts, they have a larger number of Collectors, of Deputy Collectors, Sub-divisional officers, *tahsildars*, *naib-tahsildars* and others. Madras was content to divide her province into a smaller number of districts. Her village officers were nearly starved, would you be surprised to hear, on Rs. 8 per mensem. Till last year village headmen of whom you hear were paid only Rs. 8 per mensem; village *karnams*, who had to keep the village accounts, and they keep them

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remarkably well, were paid only Rs. 8 to Rs. 10 per mensem. We have about 1,300 to 1,400 villages and for all these villages we have to provide village officers. There are petty village police. Will you be surprised to hear the village police are paid from Rs. 8 to Rs. 5 per mensem. Sir, we are an honest set of people in Madras. Notwithstanding the petty pittance, we can hold our head aloft and say we are carrying on our administration successfully. Sir, the Madras Government made up its mind and resolved to cut down the expenditure. Notwithstanding the limited number of district officers, and divisional officers, they proceeded to cut down the number of Deputy Collectors, they proceeded to cut down the number of hands even in that new department, the Labour Department, which only began work recently—I am sure my Honourable friend Mr. Joshi will be pained to hear that—the Co-operative Department and the Agricultural Department. Every nation-building Department had to be deprived of its necessities. Sir, they proceeded to cut down the expenditure by nearly more than a crore. They could not resist the demand for the increased salaries of the school masters. School masters, who had to educate the children in the various villages, *taluks* and towns were paid from Rs. 12 to Rs. 15, a pay which even peons here will not look at. Sir, their condition had to be improved. So, having done all that, they proceeded to cut down the expenditure; they had to make both ends meet. Notwithstanding all this, they were unable to carry on, and, therefore, they proceeded to increase taxation under different heads. They were at their wits' end. Would you be surprised to hear that there was even a solemn proposal to tax betel, the every-day consumption of the poor man? They were reduced to such straits, and that was the thing which nearly made the Government unpopular. A man after a day's toil in the fields takes a bit of *pan* and *supari* and that was proposed to be taxed. Of course, on account of the tumult raised in the press, that had to be abandoned. They raised a little here and a little there and are still working at a deficit. They had to borrow from the Government of India, as the Honourable the Finance Member will tell us, both last year and this year. Therefore, it is impossible, I can assure you, to carry on the government of the country if some relief is not given, and that at once.

Sir, I have given notice of an amendment asking for a re-examination of the question, and when I proceeded to think about it last night, and read the words which are contained in this Joint Committee's Report, I was struck with the weight of the observations made therein. They run as follows :

“ Realising as they do the extent to which the success of the Reforms Scheme will depend upon a satisfactory solution of the difficult question of the allocation of revenues to the Provincial Governments and to the Central Government, respectively, the Committee have given most anxious consideration to the proposals made to this end in the Report of the Financial Relations Committee appointed by the Secretary of State for India and to the opinions of the various Local Governments on this Report. The Committee recognise the intricacy of the problem with which the Financial Relations Committee had to deal and the difficulty, amounting almost to impossibility, of arriving at any solution which was likely to be acceptable to all Local Governments.”

When I saw the conflicting currents in this Hall and outside this Hall, I realised the force of these observations. The Committee say :

“ The proposals made by Lord Meston's Committee and embodied in these rules had met with a varied reception. They are endorsed by the Government of India and some Local Governments are content with the contribution proposed for them, while others dislike the ultimate standards. Certain provinces, particularly the three Presidencies, are dissatisfied with the treatment of their own claims, and we have made the best arrangement we could under the circumstances, and these must be carried out.”

Sir, perhaps it is too soon, far too soon, I feel to have the question re-examined. I do not think the times are propitious. What is the state of affairs now ? When you come to think about it, when you come to see how we had to deal with our Budget both last year and this year, we see that the condition of the Central Government is far worse than what it was anticipated by the Meston Committee. They had to go upon a figure of 42 crores for military expenditure, whereas military expenditure is nearly 70 crores, if not more. They had to go on the basis of a two-shilling exchange, whereas we do not know now what it will be ; it is now ranging between 1s. 3d. and 1s. 4d. Therefore, this is not an appropriate time to have the question re-examined. We have not tried it sufficiently long, and it will be to the detriment of the provinces, I am convinced, (*Mr. Jamnadas Dwarkadas* : “ No, no.”) if we now have the question reopened. I am satisfied it will be. My Honourable friends who think otherwise may have their own reasons, but I have given considerable thought to this point, and I have therefore decided not to propose the amendment which stands in my name.

Sir, apart from that question, Madras stands in urgent need of relief. This reduction of 2 crores is nothing to the Government of India. If you keep the two crores, it will fall upon the three provinces of the Punjab, the United Provinces and Madras ; if you carry it to the general deficit, it falls on all the provinces. I do not think the Honourable the Finance Member will grudge borrowing two crores more. He has got a very fine market. He is borrowing 45 crores without any difficulty. (*Mr. Jamnadas Dwarkadas* : “ What has Madras paid ? ”) He borrowed 52 crores last year without any difficulty. He is borrowing 45 or 50 crores this year without any difficulty, and, therefore, this being an urgent relief to Madras, and this being a fleabite to the Government of India, I earnestly appeal to the Government of India that they should drop this thing, so that these three provinces which stand in urgent need and who admittedly—there is no doubt of that—are contributing more than their just share—the just share has been ascertained by the Meston Committee—may be afforded some relief.

Why does my Honourable friend, Mr. Jamnadas Dwarkadas, who personifies in himself *kamadhenu*, why should he stand up against the grant of relief ? Now you can afford it. Here is a poor neighbour who cries for help, and there are also the United Provinces and the Punjab which are in need of help. Having regard to the fact that an impartial Committee have decided that the just proportion is 17 out of 100, and you are really collecting much more than that, more than double of that,—I say that ought to appeal to all Honourable Members. Let not provincial jealousies come into play. Let us look at the matter in the

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same way as we did last year when Bengal cried for help. May I appeal to the Honourable the Finance Member that Madras has got equal claims on his consideration. He pleaded so eloquently for Bengal last year. May I appeal to him to use that same eloquence on behalf of poor Madras? Benighted as she is, she is ready to help the Central Government whenever the need arises and to place all her intelligence and her resources at the disposal of the Central Government. But just now she is in a very tight place. She is not able to carry on her daily administration. As I stated, railway schemes have to be hung up; hospitals which are urgently needed, cannot be pushed forward; schools which are equally urgently needed cannot be put through, and her educational progress has to be cut down to the smallest proportion. Some assistance I really think, must be given if the new Government is to be a success in that Province, and unless relief is forthcoming I am sorry to say that the reforms are foredoomed to failure in that Province.

Mr. T. A. H. Way (United Provinces : Nominated Official) : Sir, I feel very reluctant to take up in this House a narrow provincial attitude on an important Imperial matter and I feel special reluctance to support a Resolution, the acceptance of which by the Government of India would increase its financial embarrassments. But, Sir, this is a matter upon which the Government and people of the United Provinces feel very strongly that they have not been fairly treated, and as their representative in this House I feel bound to voice their feelings. On the 2nd December 1921 a Resolution was passed by the local Legislative Council asking the Government of India to reduce substantially the contribution payable by the United Provinces to the Central Government and to extinguish it within three years. This Resolution was moved by a non-official Member but was very strongly supported by the officials of Government—by the Honourable the Finance Member, the Honourable the Minister of Education and Industries, and the Financial Secretary. In the course of the debate the Honourable Sir Ludovic Porter, the Finance Member, stated that the Local Government had addressed the Government of India as follows :

“ We are convinced that public opinion in these Provinces under the new régime will not accept the position by which the gross provincial revenue of 13½ crores is to be annually mulcted to the extent of 2½ crores in the form of contribution; nor will it agree indefinitely to contribute one-fourth to the Imperial deficit of 10 crores.”

Sir, the Imperial deficit which the Provinces have to make up is 983 lakhs and out of that the United Provinces have to annually contribute 240 lakhs. The United Provinces Government has to contribute 18 per cent. of its income or about one-fourth of the Imperial deficit.

Sir, the Finance Member of the Local Government in introducing the provincial Budget on the 6th March 1922 said :

“ I now come to the question of the contribution to the Government of India. On this question the feeling in this Council and out of it, official and non-official, is unanimous. It is an impossible position that we should be called upon to contribute to the Government of India 18 per cent. of our available revenues, a portion of which would enable us to carry out all the schemes of progress which are immediately necessary and which we are so anxious to put into effect. It is an

impossible position that three Provinces in India should be called on permanently to contribute 7½ crores out of the 10 crores which the Central Government exact annually from the Provinces."

"Lately a statement was made by the Secretary in the Finance Department of the Government of India which excited I think undue hope in the breasts of those who thought that at last something was going to be done for us. We have since corresponded with the Finance Secretary and the cold facts are these. The Government of India hope, when and if their revenues shall be sufficiently improved, to reduce the provincial contribution by 183 lakhs, of which our share will be 38 lakhs, reducing our contribution to just over 2 crores per annum."

"At the same time I do most heartily welcome one statement which merely emphasises what has been laid down in Rule 18 of the Devolution Rules and which we welcome as a renewed pledge, giving us hope for the future; that is, that when the time comes for reducing the contributions of the Provinces—the first three Provinces to benefit will be the three milch cows,—Madras, the United Provinces and the Punjab. We have now to safeguard ourselves against the attempt (which will certainly be made) to alter this rule, by the deliberate and public pledge of the Government of India."

Sir, the Meston Committee gave the United Provinces an extra 157 lakhs of spending power; but the Local Government pointed out at the time that this was illusory. The increased salaries due to economic conditions, and the cost of the reforms swallowed it all, and nothing was left for development. The Meston Committee assumed that all existing sources of revenue were expanding. Instead of this, the head of Excise has fallen, and Forest revenue is not coming up to expectation. Our adverse balance at the end of the current year will be 70 lakhs at least. The Local Government will be compelled to take a loan next year to carry out the Sarda Canal Scheme, and must increase its revenues to meet the interest charges. Retrenchment and possibly increased stamp duties will help to square the annual account, but will hardly suffice to make up the deficit, and retrenchment of course can only take effect gradually. The Local Government is doing all that it can in this direction. A Retrenchment Committee is exploring every possible avenue of retrenchment. Another Committee is considering the question of the abolition of an alleged superfluous luxury, called Commissioners. Sir, the United Provinces Government is not in its present position owing to its extravagance in the past. In the debate of the 2nd December, 1921, the Honourable Sir Ludovic Porter quoted figures to show that in previous years the scale of public expenditure per head of population had been the lowest in India, and added:

"That is, this Province stands lowest of all, and when you are going into details the results are even more striking. The Province stood lowest in Education. The position was the same with regard to Courts of Law and Medical, while in Sanitation and Agriculture we shared the last place with Bengal. In Civil Works our position was one of startling inferiority,"

and he concluded:

"The Province which has to pay one-fifth of its gross revenue as a contribution and which is meeting one-fourth of the Imperial deficit is the one Province which in previous settlements has been unable to attain the standard of expenditure which has been found absolutely essential elsewhere, and that in every department of its activities."

Sir, for these reasons I very reluctantly support this Resolution.

Mr. T. E. Moir (Madras : Nominated Official): Sir, if I rise to address this Assembly on the motion before the House I think Members will realise that it is not because the Madras Presidency is lacking in other non-

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official Members or representatives who are far more capable of urging the Madras claims than I am. If I do so, it is partly as evidence that on this issue in the Madras Presidency all classes of people, all sects and communities, all parties whether European or Indian, whether official or non-official, are absolutely united. I also do so because I am, accidentally, perhaps more familiar than any other Member or representative from Madras, with the Madras position; and I may be able perhaps to explain some misapprehensions as to our position and also to put forward some other considerations arising out of this matter which transcend the interests of a single province.

Now, I do not propose to deluge the Assembly with figures or statistics. As far as the Madras Presidency is concerned, they have been brought together in a convenient form in this little pamphlet which the Honourable the Finance Member referred to with some derision, because it was called the milch cow of India. It is a non-official document, but the statistics have been taken entirely from published documents and I believe they can be entirely relied on. As an alternative title, I think it might have been called "an Exposition of Scientific Dairy Farming as practised by the Government of India." But the position now is that the docile animal to which Mr. Rangachariar referred has, if I may say so, got its tail up. It is showing symptoms of agitation of the kind which in dealing with such animals generally leads a cautious person to descend on the safe side of the fence. But I should like just to put absolutely briefly the issue as regards the Madras Presidency. Of the total contribution of Rs. 983 lakhs, the Madras Presidency contributes Rs. 348 lakhs. That figure was arrived at after a series of negotiations and calculations which were in our opinion invariably weighted against the Madras Presidency. On the best estimate of available resources—I have never heard that estimate questioned or contradicted—the conclusion came to was that if the Madras Presidency paid its fair and equitable share of that 983 lakhs, it would be paying 167 lakhs; that is to say, that even on the basis of the present contribution we are paying 181 lakhs more than is our due share. As Members are aware, the original intention was that the process of equalisation should have been arrived at within a period of seven years, that being done by a reduction of contribution from provinces which were over-assessed, and an increase in the contribution of provinces which were under-assessed. But in the end that was discarded and the future reduction of contributions was left to chance and to the good will of the Government of India; that is to say, the assurance of an automatic recovery by instalments of 181 lakhs was replaced by the expressed intention—a pious hope so far—that all contributions should cease at the earliest possible moment. The earliest possible moment has, in the Madras Presidency, come to be regarded as synonymous with the Greek Kalends. Now, if this domestic animal, Madras became restive under that solution of the question, it is perhaps not so surprising that it became still more indignant when relief, which it considered was due to it in the first place, was given to others. And here, may I explain here what I consider to be the attitude of the Madras Presidency towards other provinces in this matter? We have no desire to see any other province placed in a worse position than it is now in order to give ours relief. (Hear, hear.) We recognise fully that our difficulties are in many

cases their difficulties and that the embarrassments which we have to face are common to them ; and as regards Bengal let me say that while, at the time, we regarded the windfall which they secured as a case of unearned increment, Madras, an eminently practical province, would accept that fact as settled. Our attitude to Bengal I may express in the words of the Virgilian shepherd *non equidem invideo miror magis* ; which if I may translate it loosely means this, " we do not grudge Bengal its good fortune, but we should like to know how it was done." As far as a plain statement of facts is concerned, I do not think Madras, either through its official or non-official advocates, has been lacking ; and as far as forcible language is concerned I think that the Finance Department of the Government of India would acknowledge that the Madras Presidency has shown considerable capacity in that direction. But we should like to know from our colleagues from Bengal what was the secret spell, the *mantram* by which they were able to force the hands of the Government of India and to secure for themselves an abolition of their contribution (*Mr. J. Chaudhuri* : " Suspension "), because we should like to have the secret of how to induce the Government of India to give effect to their expressed intention before the extinction of hope in our Presidency reduces our province to a condition of administrative and political apathy.

If I may say so, no province entered on the path of reform with greater expectations or with higher hopes than the Madras Presidency did. Every one with few exceptions, negligible exceptions, was ready there to explore the possibilities of reform in the interests of the people. What has happened ? We have simply had two years of a desperate struggle against bankruptcy. The couplet has it : " The toad beneath the harrow knows exactly where each tooth's point goes." But those who drive the harrow have at least some knowledge of its efficacy and as one who has helped to drive it I can express my sympathy with those who have been subjected to its operations. The position in Madras has been most dismal and depressing. Administrative Departments have come forward with scheme after scheme which under any other circumstances we should have gladly welcomed. What has happened ? The Finance Department comes along " like the blind fury with the abhorred shears and slits the thin spun life," and the scheme goes back to the limbo of destruction.

Now I should like to associate myself with what Mr. Rangachariar said as to the position of the Ministers in the province. In Madras we owe a great debt to our Ministers for the way in which they have faced a position which has been neither of their making nor of their seeking. They have realised that for Madras the main consideration had to be first solvency, and they have given us every assistance in striving to attain that goal, and may I say that our desire for economy has not been exercised only at the expense of what is known as the Reserved Departments. The Ministers have exercised the strictest economy in the administration of their own departments and they have had to look on in the same way as other Departments in respect of their schemes, while their own schemes on which they had set their heart have been turned down. This they have done not with any narrow regard to their own personal interests but with regard to the general interests of the Presidency. They have contentedly made the best use of what was available and helped the Madras Government in the process of spreading the butter thin. But the question that

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is being asked in Madras now is, how long is this to continue, this apparently futile and helpless fight against bankruptcy? Even already a blight is descending in our political as well as our social life. For example in Madras we are all proud of our Provincial services, and we consider that they would do credit to any province in India. We must now look forward to their taking over those responsibilities for which they have gradually been trained? And I should like myself to testify to the immense advance that has been made in their efficiency and their integrity in this country. But they are being subjected, as a result of our financial position, to a very severe strain,—people are hitting out blindly and ignorantly all round seeking where money can be got; and the provincial services are bearing very largely the brunt of these attacks; their salaries, their allowances, their emoluments of all kinds are being denounced as being excessive. Now I am perfectly certain that if India in the future is to have efficient services, they must be contented, and if it is to have services on whom integrity and reliance can be placed, they must be amply rewarded for those services, and it is to me a matter of great apprehension to think, that as the result of our present difficulties, these services may be permanently depressed, and that the standard which they have attained may be lost. Further, as you know, in the Madras Presidency, political differences, albeit on constitutional lines, do run high between different parties. We cannot deny that, and no one in Madras would. But what has contributed to embittering those relations? It is this. There are so many claimants for those opportunities which our educational system, which our Government services offer, that it is impossible to satisfy all claims, we have increasing claims, whereas the opportunities of meeting them run the risk of being still further diminished. If this continues, our political life will I fear degenerate into a sordid struggle merely for patronage and privilege. Now if the position to which we have been thus reduced were one which was inevitable, if it were simply that Madras had no resources—then I say that we are a practical province and we would accept the situation and do our best to remedy it—but the position does not seem to us to be inevitable. We have resources, but they are not available to us. If I may say so, the position of the Madras Presidency in respect of its revenues reminds me of the story of the idle and impecunious student. He had taken up economics as a subject for examination. In the examination he was asked to state what he considered would be the benefits derived from a more elastic currency. He had not the faintest idea what the question meant; some answer had to be given, and he replied with reference to his own financial position, the currency is elastic enough all right, what is wrong with it is that it is not sufficiently adhesive.

And that is exactly our position in Madras. Our revenues, our resources, are capable of expansion. We have in this last year done what we could to expand them. We have done so to the extent of 84½ lakhs but what is wrong with them is that they are not sufficiently adhesive at least to our hands; the Honourable the Finance Member knows where they adhere. So far, we have been entirely unable, in spite of our endeavours, to loosen the grip in which they are held.

May I add that, another question is being asked in Madras and that is, granted that our resources are capable of expansion, why should we

further undertake the task of expansion merely in order that the restitution of our contributions, admittedly inequitable, should be still further deferred. I stated at the commencement of my speech that I would like to bring to the notice of the Assembly some considerations which seem to me to transcend the interests of any single province. It was only a few days ago that we were debating a question of the greatest importance to India. It was really the question as to when India will enter upon its full heritage. Now, I have no intention of reviving the logomachy in which we indulged on that occasion. The term "experiment" was used and gave rise to much discussion. It seemed to me that it was a mere question of the mental attitude which the term "experiment" necessarily connotes. Some people possibly regard this experiment with apprehension, others with uncertainty, others with hope, others with faith. But I feel certain that, at the bottom of all our minds, whether expressed or not, was this issue. It is not a question whether anyone or any influence will attempt to baulk or hamper India in achieving its destiny and in the fulfilment of its aspirations, but whether, by the time that either fate or the course of events or it may be the fiat of the British Parliament imposes on India full responsibility for its own progress and for its own defence India will be in a position with confidence to undertake that responsibility. And that depends on whether the unifying tendencies and influences which are we hope spreading throughout India will by that time be sufficiently powerful to keep under control and check those centrifugal tendencies which, I am afraid, are still apparent in many provinces and of which we have had only too recent instances. But how is that unification to be attained? I have here an official document which shows the distribution of responsibilities of subjects between the Government of India and the provinces. Now, no one in this Assembly would wish to belittle the responsibilities that are placed on the Government of India. I admit the importance of question of external defence, of internal communications, of customs, income-tax, post and telegraphs, all that revenue-raising machinery upon which we depend for our financial position; I do not wish to deny their overwhelming importance. But, if you look through the list of subjects entrusted to the Government of India, can it be said that, as regards the moral and social development of the people, the responsibility which is placed on them is at all comparable with those placed upon the provincial administrations? Take Education. As far as I remember, with a few isolated exceptions, such as a certain number of Universities, Archaeology is, I think, the principal matter with which the Government of India are concerned. Now, I am myself interested in Archaeology. I wish more Indians were interested in their own Archaeology. But, after all, India is for the time being concerned more with its present and its future than with its past. Now, where are we to find those influences on which we must largely depend for solidifying India? To me it seems there are two. I do not wish to deny the educative influence of this great Assembly. And, for myself, I admit the few days I have spent here have been an educative process. I do not wish to deny the immense influence that our Local Councils may wield in this matter. But, after all, so far, these influences do not go very far beyond the *intelligentsia*. And what we do require is influences which will permeate not only our Assemblies but throughout the whole country-side. One of these influences it seems to me must be derived from the expansion of and a much greater interest being taken in Local Self-Government. "At present, in Madras—and I

[Mr. T. E. Moir.]

have no doubt it is the same in other provinces—Local Self-Government is stagnating—why? Because owing to our poverty we can make no advance. Another great unifying influence must be Education, and that as I have stated is a question for the provinces. It is stagnating in Madras, and I dare say elsewhere. Why? Again because there are no funds by which it can be promoted. I feel certain that universal education will perhaps do more to alleviate the friction, the differences between castes and communities in this country than almost anything else. The fact that you have been to the same school, or under the same master, with one of your fellow-citizens is in itself a great unifying factor. Take Malabar. I am perfectly certain that one of the great healing influences there must be Education. Education, on revised lines, will I myself sincerely trust help to obliterate the differences which at present exist between the two great communities which form the mass of the population of that district.

These responsibilities rest on the provinces but it is shared by the Government of India so long as they retain part of our proper revenues.

I hope there is nothing in what I have said to offend other provinces. I feel sure that, in pressing these issues upon the Government of India, they will entirely agree with me and support me in regard to the Resolution before the House, though we all know that we are in the hands of the Government of India in this matter. I can only hope—and I know well their difficulties—that, as a result of this debate, the Government of India will approach this matter not from the purely financial aspect, but in the light of those higher issues which I have attempted so feebly to illustrate, and I trust that they will be able to find a solution which will be acceptable not only to my own province but to all the other provinces who have to face similar disabilities and similar embarrassments.

Baba Ujagar Singh Bedi (Punjab : Landholders) : Sir, I rise to associate myself with the Mover of the Resolution. In doing so, may I remind my Honourable friends of the judgment of a wise judge when two persons walking in the street were killed by the collapse of a wall which was under construction. Thereupon, the judge summoned the owner of the house to explain why he should not be hanged. The owner of the house, Sir, replied that it was not his fault, but that the masons were to be blamed. The masons were called, but they pleaded that it was not their fault : the mortar supplied to them was very thin.

The mortar makers were summoned. They in their turn explained that it was not their fault, but that the water carrier, the Bhisti had poured on too much water. The Bhisti was called. He explained that it was not his fault, that the Vizier was passing along the street at that time, that he had to halt, and therefore poured more water than was necessary. The Vizier was called before the Judge. The Vizier replied that it was not his fault, and that it was due to his vanguard shouting out "Clear off the road ; the Vizier Sahib is coming." The verdict of the Judge was that the man in charge of the vanguard should be hanged. But, to his great fortune, Sir, when he was taken near the gallows, it was found that the gallows was too large to meet the thin neck of the accused. The man in charge thereupon ran back to the Judge and explained to him

the difficulty, whereupon the Judge said, "That does not matter; you have to hang somebody; catch hold of a man from the city who is stout and strong so as to fit the gallows." This was the decision that was carried and I am not surprised to see the same principle applied to certain provinces, more especially in the case of the Punjab. If the Punjab was called upon to pay according to the even standard of contribution to the Central Government, it should have paid half of the revenue now paid towards the Central Government. That is, it ought to have paid Rs. 87½ lakhs, while now it has to pay Rs. 175 lakhs. Just to give a fuller idea to the House—August House, I should say—I will read a passage from the speech of the Honourable Sir John Maynard in the Punjab while introducing the Budget. He says:

"In the second place, as the House is aware, the Government had made a representation to the Government of India for the reduction of the annual contribution of Rs. 175 lakhs now paid by the province to the Central revenues. It will be remembered that before the introduction of the reformed constitution important heads of revenue and expenditure were divided between the Central and the Provincial Governments. This arrangement was an obstacle to Provincial autonomy, both financial and administrative, for a Government which is a sharer in the revenues and expenditures of a particular branch of administration."

Further on in the same speech, he says:

"The Committee, having taken into account the indirect contribution of each Province, and in particular the incidence of customs duties and income-tax, and having inquired into its taxable capacity with reference to probable developments, concluded that the standard contribution for the Punjab was 9 per cent. of the total, or Rs. 87½ lakhs per annum. But practical considerations made it impossible to levy an even standard contribution at once from each Province, and the Committee proposed an intermediate contribution from the Punjab of double the standard. It arrived at this figure by certain arguments which we take the liberty of traversing. In the first place, it pointed out that the windfall, which was calculated to be 289 lakhs, but which we calculate to have been substantially less, was a large one."

Sir, that goes to show how in this matter Punjab alone has been differently treated. I should say that all the provinces are equally responsible for their dues towards the Central revenues. If the financial contribution of one province is thrown upon the shoulders of others on the ground of bankruptcy, it naturally follows that we are forcing the other provinces towards bankruptcy. For instance, the Punjab is already on its way. Ultimately the result would be that every province coming to that verge will have to discontinue its contribution to the Central Government, which in turn would shake the foundation of the central structure.

With these few words, Sir, I support the Resolution whole-heartedly.

The Honourable Sir Malcolm Hailey (Finance Member): I shall speak to the Resolution, and to the Resolution only; the Resolution, that is, as you, Sir, put it to the House, and not the Resolution which the Honourable mover, bound no doubt by the inexorable necessities of a written speech, desired finally to place before the Assembly. I recognise, looking at the numerous amendments in the list, that to-day I occupy a somewhat difficult position, and I hope I shall not be guilty of flippancy if I say that I seem somewhat to resemble the case of an early Christian thrown to the lions, proceeding to address those carnivores on the superior advantages of a fruit diet. For I see before me a very large number of Members of this Assembly who representing as they do the

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interests of different provinces, are clearly determined that the Central Government shall somehow add to its deficit in the interests of these provinces ; and it is my difficult task to dissuade them. My single consolation lies in the fact that there seems to be a slight difference of opinion among the prospective diners as to which shall first get the choicest piece in the feast. Very interesting, Sir, are these amendments to the main Resolution—not I mean the amendments which I propose a different treatment of the whole question, but the amendments which build up the substantive proposal now before the House as regards the amount of contribution to be remitted and the manner in which the remission shall be divided. First of all it was merely proposed that Madras, Punjab, and the United Provinces should share in any sum that could be wrested from the Central Government. The case of Madras, not very strongly placed before us, I think, by the Honourable mover, has been reinforced by Mr. Rangachariar and Mr. Moir. May I pause to congratulate Mr. Moir on the strength of the case which he placed before the House and the manner in which he presented it ? I shall of course

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proceed subsequently to destroy it (Laughter) ; but that does not affect my admiration of the method in which he has dealt with the question. But we were not allowed to stop at Madras, the United Provinces and the Punjab ; provincial patriotism had been aroused, and provincial patriotism had to be up and doing. Assam would never have forgiven Rai Bahadur G. C. Nag and Rai Bahadur D. C. Barua unless they could bring back with them some share of the moneys wrested from an iniquitous Central Government. Then, Mr. Samarth, meticulous as ever, claims that we should give up not two crores, but if I understand him aright two crores thirteen lakhs twenty-two thousand two hundred and twenty-two rupees three annas and six and six-ninths pies. Then comes Dr. Nand Lal, not so meticulous perhaps, but more courageous who would have the Central Government surrender 2½ crores. So in goes another amendment. But there is more to come. Mr. Agnihotri, still breathless

Dr. Nand Lal (West Punjab : Non-Muhammadan) : May I rise to a point of order ? Is the Honourable the Finance Member entitled to make reference to the amendments which have not been moved ?

The Honourable Sir Malcolm Hailey : I was not arguing on the amendments, merely referring to them.

Dr. Nand Lal : I ask for a ruling from the Chair. Am I not entitled to ask for a ruling from the Chair on this question ?

Mr. President : The Honourable Member ought to know perfectly well that the whole subject is open on the main Resolution. If the Honourable the Finance Member chooses to refer to amendments on the paper, he is perfectly entitled to do so.

The Honourable Sir Malcolm Hailey : Mr. Agnihotri, I say, still breathless with the effort to prove that the Prime Minister is a betrayer of pledges and violator of contracts, still ruling with the dizzy logic which maintains that we, the Government of India, have insulted the Prince

of Wales because we dared to bring out the Heir to the Throne in circumstances in which we knew that Mr. Agnihotri's friends would boycott him, begins to think of the Central Provinces.....

Mr. K. B. L. Agnihotri (Central Provinces Hindi Divisions : Non-Muhammadan) : I am not going to move that amendment of mine. You need not be anxious about it.

The Honourable Sir Malcolm Hailey : Then my reference has not been entirely fruitless. Already we have one amendment that is not going to be moved. I should not be surprised if Dr. Nand Lal also failed to press his amendment.

Well, that is how the case stands. Some one has persuaded himself that the Central Government is able to surrender 2 crores of rupees ; immediately there comes a claim on the part of a number of the provinces that they should share in the proceeds of this generosity. I say generosity because Mr. Rangachariar placed the case before us—on the ground of generosity, and generosity only. The scene reminds me only too much of the kind of thing which happens when a Bank is known to be involved in difficulties ; up rush the depositors and force their way into the queue at the doors, each trying to get in before the other, anxious that they should not be too late to get a share of the remaining assets. But would it be believed, would anybody who knew the facts credit me when I say that the very gentlemen who are claiming to divide up the assets are also Managing Directors of the institution ? It is this House which is the custodian of Central Revenues. It is this House whose duty it is to see that this particular institution does not go forth to the world as derelict and bankrupt. Those who are seeking remissions to-day are not, as they should be, in the Bank parlour conserving the resources of the Bank and seeing how they can add to the strength of the concern. Far from it. They are in clamouring at the counter, endeavouring to secure their share of the remaining assets of a hard pressed and embarrassed institution. But I have no desire to press a metaphor too far, and I shall perhaps gain more by placing before the House the hard figures and hard facts of this case. I need not go again into the nature of our financial settlement. It is well known to the House. We had to make a clean cut for administrative purposes ; it was accompanied, necessarily as most people thought, by a clean cut for financial purposes. When that clean cut was made, it appeared as a result of handing over to the provinces the financial responsibilities (that is both the revenues and the expenditure) of the subjects which they were to administer, that their combined increase of spending power would be some 18½, or as more recently calculated 20 crores of rupees. In other words, the provinces as a whole gained by that financial settlement to the extent of 20 crores of rupees. Then came the question as to how the Central Government was to be carried on. On an optimistic estimate, an estimate which indeed we know now to have been far too optimistic, for it assumed a 2-shilling rupee, an Army costing 42 crores, and railways in a position to yield, as they had done in the past, 8 to 10 crores of rupees to general revenues, on that optimistic estimate, it was assumed that we could reach equilibrium by a contribution from the provinces of about 9½ crores of rupees. This

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consequently was the sum which the Meston Committee asked them to pay, leaving in their hands for the purpose not only of their ordinary administration, but as was imagined at the time for the purpose of the developments which would ensue as a result of the Reforms, the remainder of the 20 crores of rupees. We are told that this settlement has broken down. Members who have spoken here on behalf of their provinces have referred to the great and undoubted difficulties under which those provinces are now labouring. Do not let it be supposed for a minute that the Government of India is out of sympathy with them, or have failed to be impressed by moving pictures such as have been placed before us by Mr. Rangachariar or Mr. Moir regarding the embarrassments of Madras or the genuine efforts it has made to meet those difficulties. We have not had equally moving pictures, certainly not such convincing pictures in regard to the United Provinces or Punjab, which were joined as first claimants of the charity which we were to extend to the provinces ; but let me draw attention to one fact in regard to Madras. Madras in comparison with its population always had a bigger revenue than any other province. It is said that it was starved in the past. Well, starved if it was, or economical in its expenditure as it may have been, nevertheless, the fact remains that in pre-Reform days while it had a population less than that of the United Provinces or Bengal, it had a revenue considerably larger. And what was the result of the Reform arrangement ? Did we alter that position in any way ? No ; far from it. As I have just said, the provinces combined gained a net increased spending power, taking the figures of 1920-21, of just 10½ crores of rupees. What did Madras gain ? Madras gained far more than any other province. The original figures of the Financial Relations Committee assumed that the increased spending power of Madras, after paying her contribution, would be 2 crores and 28 lakhs, against 6.39 lakhs for all other provinces combined. The nearest approach to this (excluding the somewhat exceptional case of Burma) was the United Provinces, another province which stands at the bar to-day, clothed, we are asked to believe, in the rags of a mendicant ; the increased spending power of the United Provinces, after paying its contribution, was assumed to be 1 crore and 57 lakhs. The Punjab was to get an increased spending power of 1 crore and 14 lakhs. On the later figures of 1920-21, Madras got 2.73 lakhs against 7.75 lakhs by all other provinces combined—a result actually in advance of the Meston Report figures. Now, looking only at the arrangement as such, could it be said that it was framed in any sense unfairly to Madras ? Looking into the future could it be said that the arrangement made by the Meston Committee for the relief to be gradually extended to the provinces was unfair to Madras ? Madras will get the premier benefit from the gradual reduction of contributions, i.e., if the contributions were reduced to 9.00 lakhs, out of the 83 lakhs remitted, Madras would receive 46. If the contributions were reduced to 8 crores, Madras would receive 52 lakhs out of the additional 100 remitted ; if they were reduced to 5 crores, out of the total 4.83 lakhs remitted, Madras would receive 2.28 lakhs. We can only do our best in the matter of remission. It has been described as a promise only, but as we regard it, it is more

than a promise, it is a definite policy, and when it bears fruit, Madras will benefit first of all and to the greatest extent. In some respects the settlement has broken down, but why? Is it for any inherent defect in the settlement itself? It has broken down for causes which are common both to us and to the provinces. It has broken down simply because the provinces have had to spend an increasing amount, owing to the general rise in prices, and to the needs of their establishments. (Mr. Jamnadas Dwarkadas: "That does not apply to Bombay".) If the Honourable Member likes, I will correct my statement, and say that this cause applies to the provinces as a whole, and he will not deny that that analysis is true in regard to the provinces taken generally. But how have we ourselves been affected? There is not only the fact that the Committee proceeded on an entirely optimistic view of our revenues, but we have equally suffered with the provinces in the great increase of expenditure necessitated by the enhancement of prices and the greater cost of working our commercial departments. The provinces are working at a loss, an unhappy and deplorable situation. But what of the deficits under which we are working? There have been 83 crores of deficit in 4 years. There were 9 crores uncovered in the present year, and I had to warn the Assembly that even if our estimates of revenue were realised, even if we keep expenditure down in other respects, we might still have to face an increase in the deficit on account of Waziristan. I can say nothing definite here as to our expectations in regard to the result of the working of the year, for it is too early to do so; but I am justified in saying this, that the position is very far indeed removed from one of optimism. I put it that a common misfortune has overtaken us all, and if the settlement has broken down, it should be considered that there is no special reason why relief should be given by central revenues which have equally, and indeed I contend in even greater proportion, suffered by the untoward circumstances under which we are labouring. You can no doubt prove that the provinces are in an unhappy position. You may by the use of what I can only describe as a somewhat humiliating metaphor, describe Madras as a milch cow, and even claim that the Madras cow, unhappy creature, has had twins in the Punjab and United Provinces. But leaving such metaphors aside, and treating the problem in all seriousness, you have not yet indicated, and I doubt if you can indicate, any source from which we can provide the additional money which it is now sought to provide for the provinces; and that is the crux of the whole situation. Let me remind you that we are now financing ourselves by loans, an unhealthy and indeed as every financier would agree almost an unholy process. Mr. Rangachariar, who, if I may say so, in other respects betrayed so sound a judgment, nevertheless asked us to increase our loans in order to provide additional resources for Madras. But what is the effect of financing ourselves on loan money? We at once lose control of the rate of interest; our floating debt assumes such proportions that we must come, in season and out of season, to the money market and pay any rate which the money market feels it can demand. The consequences are not only reflected in our revenue position (for we set up a vicious circle wherein we have continually to raise fresh loans to meet our interest charges) but they are felt by every commercial undertaking in

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the country which has to live on bank advances. They are felt by every new industrial undertaking which has to apply to the public for subscription for new capital. That is the effect of financing ourselves on loans, and that is the process which Mr. Rangachariar openly asks us to adopt ; indeed, that would be the inevitable result of adhesion to the proposition which now stands before the House. I admit that we can, and should get somewhere nearer to the desired equilibrium by retrenchment. Now, we have often spoken together of this side of the case, and one word will be enough. Whatever may be done for us in the way of retrenchment, it is quite clear that its effects cannot be so immediate as to justify us, I will not say in giving up two crores of revenue, for that would be a totally incorrect description of the effect of accepting the Resolution, but in incurring two crores more of yearly debt. I have already traced the effects of that process to the House, and the House, I think, fully realizes the force of this part of my argument. I merely wish to add this further point, that if we go on financing ourselves on loans, there can be only one final conclusion, namely, the inflation of our Paper Currency. Sir, I have been described, whether truly or not I do not greatly care, as the milkman who is operating on the provincial cow. I shall continue to operate, Sir, as long as I hold this office, with what skill and pertinacity I may. (Laughter.) But, Sir, it will remain even a stronger ambition on my part not to water my milk. (Laughter.)

And, as a last argument, let me add that there is yet one other effect which would follow from adopting the Resolution regarding the remission of two crores. It will be seen that it is to be shared by certain provinces. I will leave, for a moment (for I am still arguing on the main Resolution) the question of the particular provinces which are to receive a share. For the present my point is that, you cannot give certain provinces the benefit of that two crores remission without indirectly injuring other provinces (Hear, hear), because it is clear that, to that extent, we should be deferring the day when we can entirely remit the contributions of the remaining provinces. To this extent you would be favouring those particular provinces at the expense of the rest. I did not mention at the opening of my speech the somewhat curious amendment that had also been moved in favour of Bihar and Orissa. It was moved by a Member—who perhaps forgot that Bihar and Orissa paid no contributions. (Laughter.) Blessed are they who pay nothing ; for they shall receive a share of the contributions which other people have been paying and are now apparently determined to cease paying. (Laughter.) But there are other provinces, Bombay and Burma, for instance, which are vitally interested in this question, and I say at once, that you could not remit the contributions of two crores in favour of the particular provinces named in the amendment without indirectly injuring those other provinces. (Hear, hear.) I have no desire to set one section of the House against the other. (Hear, hear.) It is no purpose of mine, for I am prepared to rest my case on the united sense of the House as a whole. But, equally, though I have every desire to adopt an attitude of the strictest impartiality, I must point out the facts to the House. Now, Sir, we frequently have to face here Resolutions which the Movers well know will be unacceptable to Government; they persist in them however hoping

that Government may see reason and take action on them. But here we have a Resolution of a different character. It is a Resolution of such a character that Government obviously could take no action on it until the House provided it with the necessary funds to do so. It is no case of converting Government from the error of its ways ; it is no case for appealing to Government, as Mr. Moir appealed to Government, to judge of the matter in the light of higher issues than merely financial considerations. There is the clear fact that you are asking us to add two crores to our deficit, knowing well in your hearts that if we propose to supplement that two crores by additional taxation you would not supplement it. You are asking us to do that ; and you are indicating to us no other possible source from which we can supply the money. I go so far as to believe, Sir, that even in the minds of the Honourable Members who have put forward this Resolution, there is probably a conviction not only that Government cannot accept it, not only that it would be criminal on the part of Government to accept it, but that it was absolutely impossible in the present circumstances for Government to accept it. (Hear, hear.) And that is the case as I leave it with the House. I ask those who realise their position not merely as provincial representatives but their position as guardians of central finance, their position as managers of the whole of this vast institution, I ask them, and ask them with confidence, to refuse to assent to the proposition that has been put forward by certain Members in favour of their provinces. (Applause.)

Mr. President : I propose to adjourn now till Half Past Two and in the resumed sitting to call the Bombay amendment.

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

The Assembly re-assembled after Lunch at Half Past Two of the Clock. Mr. President was in the Chair.

Mr. Jamnadas Dwarkadas (Bombay City : Non-Muhammadan Urban) : Sir, I rise to move the amendment that stands in my name on the agenda paper. It runs thus :

“ That all words after the words ‘ the Governor General in Council ’ be omitted and the following be substituted :

‘ that the Provincial contributions as fixed at present under the Devolution Rules having been found unworkable in the case of many provinces, immediate steps be taken to examine through a Royal Commission or any other impartial agency, the financial relations between the Central and Provincial Governments, as now laid down in the Devolution Rules, with a view to a more satisfactory allocation of revenues ’ ”

Sir, my Honourable friend, the Finance Member, has anticipated me in my arguments for not accepting the original Resolution of my friend, Mr. Bakhshi Sohan Lal, and, as far as possible, I shall avoid going over the same arguments. Now, Sir, I confess I was a little surprised when my Honourable friend, the Finance Member, rose to a point of order in order to get my amendment, for all practical purposes, excluded from to-day's discussion, and in order to prove his case he had to draw upon his imagination to use illustrations which did not apply in this case at all. Fortunately, Sir, you have ruled that the subject that I propose to discuss falls within the scope of the subject raised by the Resolution ; and it is obviously so,

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for the contributions are a result of the award made by the Committee of which Lord Meston was the President, and if you take up the question of contributions for discussion you cannot avoid the question of discussing the whole award along with the question of the contributions, and so it rather passes my understanding how my Honourable friend, who is, I believe, an authority on these questions, should have even ventured to get my subject ruled out of order. Well, Sir, fortunately it has been ruled that it is in order and I am happy that it is so.

Sir, I want to make it clear at the very outset that I do not wish to discuss this question from the point of view of narrow provincialism. A discussion of that kind cannot but do harm to the reputation of this Assembly. If I may say so, we, representatives coming from different Provinces, are certainly entitled to champion the cause of our Provinces, but we are not here in a spirit of grabbing in order that our own little Provinces may gain and gain at the expense of the other Provinces and may gain in a manner by which the finances of the Central Government, of which, as my Honourable friend pointed out, we are naturally the custodians, may be entirely crippled. And so I do not want to approach this question in that spirit at all. On the contrary, I want to place before this House some considerations which naturally accord with those that have been placed by other Honourable Members so far as the grievances of the Provinces are concerned, that the revenues allocated to them and the heavy burden of provincial contributions placed on their shoulders do not leave any resources for Provincial Governments to go along the path of advancement which we had expected we would go after the Reforms came into existence. So far as those grievances are concerned, I am entirely at one with the Honourable Members who have spoken; but what is the remedy? My Honourable friend from Madras would suggest "Let Madras have a portion of her contribution." My Honourable friend from the United Provinces would suggest "Let his Provinces have a portion of their contribution." If you take this question piecemeal, if you detach the question of contribution from the main question of the whole award of the Meston Committee, then, if you succeed in getting back these contributions or a portion of them, I am afraid you are doing it at the expense of the other Provinces. I should like to elaborate that point.

Suppose for a moment that this Assembly favoured the idea that two crores should be given and that Madras, Punjab and the United Provinces should share the spoils. What would be the result? First of all Government would have to find from somewhere money to meet the deficit that would occur. As the Honourable Finance Member pointed out, to increase the floating debt of the country is not only to affect ultimately your revenues, but to affect the very foundation of all revenues, namely, trade, and industrial development. So that is out of the question. Where are these two crores, then, to come from? Suppose as a result of the vote of the Assembly two crores were given away, the Honourable the Finance Member and this House will have to find these two crores, perhaps by increasing the revenue from customs; and who will pay the customs revenue? Bombay, if I may say so, and Bengal are the two provinces who are paying the largest portion of the

revenue in customs and the burden will have to fall on them. Now, I say that the fundamental basis of the Meston award is false. It is not merely that the contributions fall heavily upon the shoulders of those who are called upon to pay them ; but the whole basis, if you consider it, of the Meston award is entirely incorrect. What is the basis of the Meston award ? Of course I know that Bengal is practically in the same boat as Bombay is, but I speak with a certain amount of knowledge of Bombay and therefore I shall have to use detailed arguments to prove my case from the point of view of Bombay. I do that of course merely as an illustration ; what applies to Bombay is likely to apply to other provinces ; I know that it does apply to Bengal. Now, what is the basis of the Meston award ? It is that the main heads of provincial revenue should be Excise, Land Revenue and General Stamps and other minor heads which do not count very much. In so far as General Stamps are concerned, our revenue has fallen from the revenue that was expected by the Meston award ; it has gone down. If I may just venture to quote figures, the budget figure for 1920-21, which was taken as the basis by the Meston Committee, was 94 lakhs for General Stamps and the actuals were 102 lakhs. The budget figure for 1921-22 was 103 lakhs ; the revised figure now stands at 86 lakhs ; the Meston Committee anticipated an annual rise of 15 per cent. ; we should therefore have had an increase of 14 lakhs this year above the datum line of 94 lakhs, but actually we have 8 lakhs less ; and the estimates of 1922-23 give 90 lakhs ; that is with regard to General Stamps ; but even that is a minor head. Let us consider the main heads of revenue which are available for the use of the provinces. They are Land Revenue and Excise. Now all those who are acquainted with conditions in Bombay know full well that in Bombay you cannot expect a large increase in land revenue. We are asked to depend for our expenditure on these two sources of revenue practically, namely, Land Revenue, that is, cultivation, and Excise, that is, drink. Now, land revenue cannot yield more. As a matter of fact, during the ten years preceding the Meston award, land revenue has always been between the figures of 3 and 4 crores, or perhaps a little more than that. Well, the Meston Committee anticipated an annual increase of 4 per cent. in land revenue—I do not know on what basis. There is one thing peculiar to Bombay which I must mention. There we experience years of famine and during these years the collection of revenue is suspended ; in the next year, if it is a prosperous year, the suspended revenue is collected and the figure would show the revenue of the past year as well as of the current year. Now, the Meston Committee took as its basis a year which was preceded by a year of famine. The Meston Committee anticipated then an annual increase of 4 per cent. ; they took the budget figure of 1920-21 of 488 lakhs ; the actual figure, however, was 340 lakhs or a loss of 148 lakhs. In the current year we have budgetted for 478 lakhs or 10 lakhs less than the original figure and that only by the collection of famine arrears, and next year we anticipate a higher revenue, namely, 506 lakhs, by a similar surplus collection ; the net result so far is a decrease of 140 lakhs instead of an increase of 38 lakhs. There also the calculations of the Meston Committee have proved absolutely inaccurate ; instead of gaining we have lost in land revenue and no one who knew the conditions of Bombay would have ever taken a year which was preceded by a year of famine as a basis, and no

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one would have ever ventured to suggest that there would be a steady increase in land revenue in Bombay. That is with regard to one of the heads.

Now, take Excise. What is the condition of our Excise ? In the first place, I think the House will agree with me, and I think there is not one Member in the House who would even for a moment dream that it is desirable to increase your excise by means of encouraging the habit of drinking among the masses. As a matter of fact, since the department was transferred to the Minister, the Minister's policy has been steadily to discourage this from the moral point of view and from the point of view of social reform, and the result is that in excise also our revenue has been steadily decreasing and I long for the day when, by the efforts of the Minister to whom the department is transferred, the revenue from excise will amount to nil. But even there the Meston Committee expecting that the habit of drinking among the people would grow anticipated an increase. Fortunately there also it is proved that they are not in the right. As a matter of fact the budget figure of 1920-21 with regard to Excise, taken by the Meston Committee, was 430 lakhs and the revenue realised was 454 lakhs. In 1921-22, although the budget figure was 424 lakhs the revenue now anticipated is 331 lakhs. For the next year we have estimated 371 lakhs ; in these two years 1921-23 where the Meston Committee led the Government of India to anticipate that the revenues would amount with an annual increase of $12\frac{1}{2}$ per cent. on the datum line to 10.2 crores, we shall have realised roughly 7 crores, or a loss of 3 crores roughly. The results are very fortunate from our point of view ; but how does it affect Bombay ? Bombay is left entirely crippled with regard to its resources for carrying on the work of the Government. What was the one head of revenue, a portion of which ought to have been allotted to us ? It is not my business here to suggest a remedy ; but if I were to do so, I would beg of this House to consider the claim of Bombay to a portion, a substantial portion, of the income-tax revenue. Of course my Honourable friend says that the Meston Committee gave their award on the principle that they wanted to have a clear cut division. I can understand a clear cut division between indirect and direct taxation ; I can understand the Central Government taking all the customs revenue for its own purposes and leaving direct taxation to the Provinces, or at least a portion of it. But I cannot conceive of the argument that the Meston Committee wanted to have a clear cut line when in some cases they take indirect taxation and in other cases they take direct taxation. However, it does happen in the case of many countries. I admit that income-tax is a Central revenue. Now as a matter of fact, the Meston Committee were not going even to take into consideration the claim of Bombay to the income-tax revenue, but the Bombay Government urged the importance of taking that into consideration, and the Meston Committee did so, but it was to no purpose, because they decided that as other heads would steadily grow, Bombay must give all its income-tax revenue to the Central Government. What was the result ? Our growing head of income is income-tax. I told you just now that while during 10 years the land revenue has practically been stationary and not grown, with regard to income-tax from a revenue of

48 lakhs we have brought the figure to 6 crores, and even that will not remain fixed. Probably, if our province is allowed to develop, as it ought to be allowed to develop, I am sure that its income-tax revenue will be larger. Well, this consideration weighed so much with the Joint Committee that they decided that the Government of Bombay may be entitled to some portion of its income-tax. But what is that portion? They took the revenue from income-tax which exceeded 6 crores in the year 1920-21. Then they said that on all additional assessments the Government of Bombay should be entitled to three pies in the rupee—very charitable indeed, but what does that amount to? If from 50 crores assessed, the revenue was 6 crores, and if the sum assessed would be 60 crores, then the Government of India would get $7\frac{1}{2}$ crores and Bombay would get 15 lakhs out of that. But further if the rate of income-tax was increased, Bombay was not to get any benefit out of it. Suppose, for instance, that the rate of income-tax was increased to 25 per cent., then on 60 crores assessed, Bombay would be entitled only to 15 lakhs, and not a pie more, while the Government of India would get 9 crores. Now I ask the House to consider this question most impartially. As I said, we are not here in the spirit of narrow provincialism to grab for our provinces at the expense of other provinces. We are here to do justice to every province that is represented in this Assembly. Our main head of revenue, our growing head of revenue, is taken away by the Government of India. We are left with Excise which is falling; we are left with land-revenue which cannot yield more, and the result is that we have actually lost, while other provinces have gained by this allocation, though I may say they may have lost by the method of contributions, our province has realised 49 per cent. less than what the Meston Committee anticipated it would. While the revenues of other provinces have been more than the anticipations of the Meston Committee, so far as Bombay is concerned, we have actually received 49 per cent less than what the Meston Committee anticipated. Now, my Honourable friend, Mr. Rangachariar, referred to the riches of Bombay and to the increasing wealth of the Bombay Presidency and said that he wished that all provinces were like Bombay. Yes, but is it Bombay's crime—I say with all respect to my Honourable friend,—is it Bombay's crime that it developed, when other provinces did not, its trade and industries?

Rao Bahadur T. Rangachariar : We are proud of it.

Mr. Jamnadas Dwarkadas : If it is your pride, are you entitled, I ask the Government of India, to deprive Bombay even of a fraction of the income that she earns by the sweat of her brow for the use of her own province? Bombay gives you a large amount of income-tax, Bombay cannot use any fraction of it except when, if there is any additional assessment made, she is to have the advantage of getting 3 pies in the rupee from this additional assessment. I ask the House to consider the question most impartially, and ask whether it is fair. Are you not crippling the resources of Bombay entirely when you deny to her any portion of her revenue which she has earned by the sweat of her brow? I think Bengal is in the same boat. I grant that the United Provinces and Madras have great possibilities so far as land revenue is concerned, but it must be admitted, and I think the Government of India ought to

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admit, that Bombay has no possibilities so far as land revenue is concerned. What is Bombay to do? My Honourable friend, Mr. Moir, rightly pointed out what the needs of Education, Sanitation and Medical Relief were. We are suffering from the same difficulties in Bombay in every direction. If you are in touch with the newspapers of Bombay, you will find that we have had to reduce the staffs of our hospitals, we have had to dispense with many who were engaged in educational services; our Ministers in charge of Local Self-Government, Agriculture and Education cannot enable Bombay to take one step in advance, they cannot introduce any reform for want of funds. As a matter of fact, in the last meeting of the Legislative Council, the Council knowing that Bombay was being deprived of the source of its real income, refused to accept expenditure to the extent of 60 lakhs of rupees. Well, if after the Reforms when we were expected to make progress by rapid strides from the moral and material point of view, if these strange financial relations between the Government of India and the provinces deprive the provinces of the opportunity for want of funds of making any progress, then I ask the Honourable the Finance Member, is it not the surest way of making "this experiment", to use the Premier's words, shall I say, a failure?

The Honourable Sir Malcolm Hailey : You have said experiment.

Mr. Jamnadas Dwarkadas : I only said that because it was said by Mr. Lloyd George.

Well, you aimed at provincial autonomy when you gave Reforms. Is that what you have got? You gave provincial autonomy in name; you transferred departments, and deprived both the transferred as well as the reserved departments of the opportunity of having any money available for carrying out their schemes. Leave aside the new schemes; they had to exercise stringency even in the ordinary things that they used to do before the Reforms came into existence. I do not say that it is a case peculiar to Bombay; I say it is the case in every province. But I blame entirely the unjust award that the Meston Committee made. Figures conclusively prove that all expectations raised by the Meston Committee have been falsified. Well, if I were to suggest a remedy here, I would have suggested to give us half of the income-tax. I would have been in the same position as I think my Honourable friends from the Punjab, Madras and the United Provinces are. I don't want to take it upon myself to suggest remedy, because I don't want to do anything which might be a gain to Bombay at the expense of other provinces. Therefore, I suggest the most reasonable course I can suggest. We are all dissatisfied with the Meston Committee's Report. It has crippled the finances of all the provinces. It has given them no opportunity for progress, to develop their resources, to make use of the Reforms to promote the moral and material advancement of the people. Is it not fair, then, that we should all say with one voice, if the award is so unjust and if the contributions which rest on it are so unjust—"Let us, for heaven's sake, get the whole question re-examined by means of an impartial agency." I think it is the fairest

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thing to do. I cannot understand how my Honourable friend, the Finance Member, will oppose this suggestion. Is he afraid, I ask him, of putting this whole question to the test of re-examination? He will have the opportunity of putting forward his case again. If he is in need of finances, probably his case will be strengthened. Why, I say, should he oppose this? If as I see my Honourable friend is applauding my arguments, then I feel sure he will jump at my suggestion and accept it. Why won't he do it? Because he is afraid he will not get another impartial Commission to do the same act of injustice as this Committee has unfortunately done. I ask my Honourable friend—"Is the Government of India going always to base its claim on an accidental unjust award made by a Committee which ought to have known its business a little better than it did? Why is he afraid of putting this question again to the test of examination? Bombay is quite prepared to do so. And therefore, I don't suggest an arbitrary remedy. I am so confident of the strength of my case, that I am prepared to put it to any test. Of course, in the amendment I have suggested that it should be gone into by a Royal Commission."

Sir, I must frankly admit that I am not always in love with Royal Commissions. But in this instance, my object in suggesting a Royal Commission was that the Government of India is an interested party. You cannot deny that fact. They want to keep a tight hold over the finances which by an accidental unjust award they have obtained. And naturally provinces would feel—if I may say so—that unconsciously the Government of India might appoint men who may not do justice to the task, who might rather be inclined to the Government of India view. I say—unconsciously. I don't say that the Government of India would deliberately do it. But in these days of stringency, everybody wants to keep any money he has in his pocket. Otherwise I am not in love with Royal Commissions. But I have also provided that, if the idea of a Royal Commission is not acceptable to the Government or to this House, it be done by any impartial Committee. I am not afraid. I will go further and say I am prepared to leave the case to the arbitration of my Honourable friend, Mr. Rangachariar himself. I am so convinced of the strength of my case on its merits, that I am sure that, impartial as my Honourable friend is, he will never be able to deny justice to those provinces which claim it.

Well, if there is anything in the pretence that is made that Bombay has developed the resources of India, that Bombay has, by the development of its industries and the development of its trade, contributed largely to the good name that India enjoys, then I say that this injustice to Bombay should not be prolonged for a minute longer. But do you know of the services Bombay has been rendering you? Take the last loan. My Honourable friend is busy talking there, but I want just to remind him of that. Take the last loan. The total figure is 45½ crores. (*Rao Bahadur T. Rangachariar*: 'That shows your capacity.') What do you think Bombay has contributed to that amount? I want my Honourable friend, the Finance Member, to hear this. What has Bombay contributed to the total figure of the loan? Out of 45½ crores, Bombay has subscribed

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loans worth 23½ crores. Bengal, another province which is affected unfavourably by this arrangement, has contributed 13 crores. The remaining provinces all combined, only 9 crores. Well, I want to give some idea of the feeling that exists in Bombay with regard to this question.

Mr. President : I am afraid I cannot allow the Honourable Member to advance any further points. He has already exceeded his time.

Mr. Jamnadas Dwarkadas : I will just conclude my remarks, Sir. I pointed out when we were discussing the Bengal question, that we have had no question during the last few years where at a public meeting in Bombay we had extremists like Sir Arthur Froom on the one hand and Mr. Gandhi on the other, joining hands to protest against, except on the award made by the Meston Committee. There is such an amount of feeling in Bombay. And think of it. Is it at all fair that we should earn by the sweat of our brow and send it to the Government of India and not have any fraction of it for the advancement of our province? I say it is most unjust and I think it will be to the advantage of all provinces to have the matter re-examined. I am not suggesting an arbitrary remedy, as my friends from Madras and the Punjab are doing. Why should we be afraid of putting the whole question to the test of re-examination by an impartial Commission? When all of us are dissatisfied with the award, that seems to me to be the best course.

Dr. H. S. Gour (Nagpur Division : Non-Muhammadan) : Sir, I accept the invitation of the Honourable Mr. Jamnadas not to approach this question in a narrow parochial provincial spirit and it is from a broad standpoint that I wish to present the main outlines of the case. I think it is not a case of Bengal *versus* Bombay, or of Bombay *versus* Madras. But it is a case of the whole of India *plus* the Legislative Assembly *versus* the Government of India. (Hear, hear.) And I shall explain the position. The Honourable Mr. Jamnadas Dwarkadas repeated a statement made by the Finance Member that we are the custodians of the public purse. Now, are we the custodians of the public purse? I always thought that we illustrated the parable of the monkeys that drew the chestnuts out of the fire for the Finance Member to consume them. Year after year, he comes to you in sackcloth and ashes, tells you that he has spent all the money that you gave him. There is a deficit of 10, 20, and 34 crores. Make good that amount out of added taxation. We find the money : he spends it. And, when we ask him to give us an account of the expenditure, he turns to the Government of India Act, and says, "It is none of your business. You shan't look into the question of expenditure. You shall only have to find the money as often and as much as I want." That is the one-sided partnership between the Government of India and the Legislative Assembly. After that, I observed a little blush on the face of the Finance Member when he asked you as guardians of the public purse and responsible for the finances of the Government of India to see that the resources of the Government of India are not crippled by voting the same two crores of rupees to the needy provinces of Madras, Punjab and the United Provinces. Now, Sir, will the Honourable Members of this Assembly realise that, if the Government of India had managed the finances in the manner expected by the country, there would not have been these annual an annually increasing

deficits which have driven the Government of India to the brink of bankruptcy ? My Honourable friend, the Finance Member, speaks to you of the danger of inflated paper currency. We know the danger. I have no doubt the Honourable Members in this House must know of the parlous position of Russia, of Germany, and Austria. Who is responsible for the inflated paper currency of the Government of India ? The Honourable the Finance Member sitting in that corner. And yet he complains to this House as if it were a grievance of the Government of India against the Legislative Assembly.

Sir, ever since we assumed office, we have been complaining, and complaining with justice, that the Government of India year after year was spending more money than it was entitled to spend. You remember the Budget debate in the first year of our tenure of office. We warned the Government of India that they were burning their candles at both ends, and the Honourable the Finance Member said, "The finances are perfectly sound ; sounder than the finances of most European countries." And if I mistake not, we assured the Government of India and the Honourable the Finance Member that unless he looked out, the finances of the Government of India were going from bad to worse. We suggested a retrenchment committee to overhaul the finances of the Government of India so as to balance the revenue and expenditure. What was the reply ? Twelve months having been spent, the Government of India came up with an ever increasing deficit. Once more we said : " We are placing you on a *locus poenitentiae*. You are exhausting our patience. Our patience is well nigh exhausted. But we give you this last chance. Appoint a committee of people responsible to this House, so that they may go thoroughly into the whole question of your revenue and expenditure and apprise the Members of this House as to how far the Government of India should curtail their expenditure." What was the reply ? The reply of the Honourable the Finance Member was that he on behalf of the Government stoutly and steadfastly refused any demand on the part of the representatives of the people in this House for an inquiry into the arcana of the Imperial finance. Then you will remember, Sir, that one of us brought forward a Resolution suggesting the appointment of a retrenchment committee, and what was the reply ? The Honourable the Finance Member resisted the appointment tooth and nail, and it was over his head that the Resolution was carried by, I believe, a very substantial majority. What effect did he give to it ? He said : " This House wants an inquiry into the revenue and expenditure of the Government of India. I shall satisfy them." And how is the satisfaction given to you ? An outside committee has been appointed to go into the question of the revenue and expenditure of the Government of India. (Hear, hear.) Are you satisfied ? (Some Honourable Members : " No.") Is any one satisfied with this procedure for which the Honourable the Finance Member is primarily responsible ? He now comes up and says : " Our deficits are 34 crores." He came to you and said during the last 3 or 4 years, " Our deficit has gone up to 83 crores." Who is responsible for those deficits ? Who is responsible for the control of the expenditure of the Government of India ? Not the Legislative Assembly. And for the Honourable Member to come up and appeal to you as the guardians of the public purse of the expenditure of the Government of India sounds to me

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like a strange irony. Then the Honourable the Finance Member told us, "If we were to let go the provincial contribution from Madras, the United Provinces and the Punjab, where shall we find the 2 crores of money?" I answer, "In national economy." If you do not know how to economise national expenditure, vacate your places and resign from the Government of India and give place to us. We shall be able to balance our revenue and expenditure. But what is the position? They say, "We intend to remain irresponsible for all we can. But you must be responsible and keep on finding us the money." This is the unconstitutional position in which the Government of India finds itself to-day. And what sympathy can it get from the representatives of the people in this House? I say confidently, "None." Are we controlling your expenditure? Look at the frontier expenditure. For the purpose of subduing one tribe I think you have expended something like 25 crores within the last three years. Is this economy? In Waziristan you are sinking money which cannot be called productive. Is this economy? Has any Member of this House any control over that expenditure? And yet, on occasions like this, when the votes of this House are required, my Honourable friend stands up and says, "You are the custodians of the people's purse; you are the trustees of the people of India; therefore, keep on finding us as much money as we require; and having done so, please don't ask inconvenient questions as to how we spend it." A chit has been handed to me by an Honourable Member of this House which records the pathetic tale that the Government of India is going to spend Rs. 3,30,000 in the cold weather transfer of troops, and that is a reply which was received from the Treasury benches in answer to a question put by my friend, Mr. Girdharilal Agarwala. Have you any voice in the matter? If you had any voice in the matter, would you not then see that the Government of India accounts are balanced and that their expenditure does not outrun their revenue? That is in short the position with which we are faced. We have no sympathy with the Government of India. Their ever increasing deficits year by year do not entitle them to any sympathy at all, and if we had the power, we would turn them out, every one of them, and take their places and point out to the country how the country could be run without additional taxation. But we are powerless there, and all we can do, therefore, is to explain to them our situation under the Indian constitution. We complain, and complain bitterly, that the expenditure of the Government of India is excessive, and unless we have the power to control that expenditure, we are not responsible for finding the money. That, I submit, is the plain answer to the Honourable the Finance Member.

Now, Sir, I turn to Mr. Jamnadas' amendment. If, for one moment, this Honourable House wishes to accept Mr. Jamnadas' amendment, it will be falling into a death trap. What are the deficits of the Government of India? Last year 34 crores. When Meston made the Provincial settlements.....

The Honourable Sir Malcolm Hailey : May I rise to a point of order? I am sorry to interrupt, but I think that a measure of common courtesy is due to a very distinguished Member of the Indian Civil Service, and at

present a Member of the House of Lords. Might I ask that the Honourable Member should refer to Lord Meston by his proper title ?

Dr. H. S. Gour : I am afraid if I ever quoted from Shakespeare, the Honourable Member will get up and call me to order, because I did not call him Mr. Shakespeare, and I am afraid his objection, Sir, is on a par with the rest of his objections. Meston is a great man. When you speak of Meston's award, we speak of a very great man's award and the fact that he was a Member of the Indian Civil Service does not extenuate the fact that he is a great man. (Laughter.)

The Honourable Sir Malcolm Hailey : The Honourable Member will then perhaps pardon me in the future if I refer to him simply as Gour.

Dr. H. S. Gour : Now, Sir, to pass on to the subject. I do not wish to be drawn by these red herrings. I will accept for the sake of argument that the award must be called Lord Meston's award. When that award was made, the deficit of the Government of India was calculated as 10 crores. That you will find recorded in paragraph 9 on page 4, and the Military expenditure was 42 crores. What is the situation now ? The Honourable the Finance Member has told us that the deficit is 83 crores in 4 years, and he says, mark these words : " I do not hold out any hope for the current year's budget." No hope is required. Every newspaper will tell you. The Gazette of India records the sad tale in the monthly statements from which you can see as to what would be the situation in March next. The deficit, Mr. Jamnadas must remember, would be about 4 times as much as when Lord Meston gave his award. Is Mr. Jamnadas prepared to make a fresh provincial contract on that basis ? What would be the result ? The result would be that most of the 23 crores of paper which you have purchased in Bombay will have to be sold in the open market to finance the Government of India. Well, Sir, that is the situation. I strongly oppose the amendment of Mr. Jamnadas, and I hope that this House will throw out his amendment unanimously. Read it. The facts are that you must take for granted the deficits of the Government of India, the ever-increasing deficits of the Government of India ; and whatever may be the proportion of provincial contributions, the result would be that the provinces would be more and more continuously beggared with the Central Government. It will neither benefit the one who gives, nor the one who takes. Year after year, your position would be worse. The real situation, the real crux of the question lies in the fact that the Government of India must set their house in order, and unless they do so, there is no end, I say, to these provincial contracts and committees, Royal or local, partial or impartial. No Committee whatever can solve the question of the revenues of the Government of India, and unless we are able to control the expenditure of the Government of India, there will be no sound finance and this country must suffer perhaps in increasing degree from insolvency. I, Sir, oppose this amendment.

Sir Montagu dePomeroy Webb : Sir, I beg to support the amendment moved by my friend, Mr. Jamnadas Dwarkadas. I do so on somewhat different grounds to those which Mr. Jamnadas advanced and I would ask, therefore, the indulgence of this House to allow me to recall one or two matters in connection with the bases upon which the financial relations

[Sir Montagu deP. Webb.]

between the Central and Provincial Governments now rest. I should like in the first place to say that I agree with Dr. Gour that these questions of financial relations do not concern only one or any province. I certainly do not think that it is for this House to support the claims of one Province or another Province. I consider that this matter which we now have under consideration affects all Provinces equally. (Hear, hear). But I go further. I disagree with Dr. Gour when he puts the Provinces in opposition to the Government of India. I say that it is essential that these financial relations between the Provinces and the Government of India should be put in order not only to the benefit of the Provinces, but also for the benefit of the Government of India. Now, allow me to go back to the time when the Constitutional Reforms Report was first issued. The idea which I think Mr. Montagu and Lord Chelmsford had before them was a group of self-governing provinces linked with a responsible Central Government, and in order to achieve that end, they had to arrange to give to the Provinces the largest possible measure of financial liberty. Their exact words were :

“ Our first aim, therefore, has been to find some means of entirely separating the resources of the Central Government from those of the provinces.”

Now, how did they propose to do this ? Customs, Salt, Opium, were all at that time sources of Imperial revenue, and accordingly those sources of revenue were left to the Government of India. Land revenue, Income-tax, Stamps, Excise, Irrigation, were all divided heads. The Montagu-Chelmsford Report recommended that the whole of the Land Revenue, Stamps, Judicial Stamps, Excise and Irrigation receipts should be given to the Provinces, whilst the Government of India took the whole of the Income-tax. Now, when the financial position was recalculated on this basis, it was found that the Government of India would be left with a large deficit. This deficit, it was suggested, should be made up by contributions from the Provinces. Exactly on what principles those contributions were to be arrived at, the Montagu-Chelmsford Report did not decide. But, as a matter of expediency,—as a temporary arrangement—they suggested that the Provinces should pay back a large proportion—I think it was 87 per cent.—of the surpluses which were being given to the Provinces under the proposed new system of devolutionised finance. That was merely a rough and ready arrangement, which, they recognised, would require investigation and revision after perhaps 5 or 6 years.

These suggestions were placed before Lord Meston's Committee, who after a very hurried tour of the country—I think of only 4 or 5 weeks—produced a Report, dated 31st March 1920, approving generally of the scheme of financial devolution proposed, but they gave General Stamps as well as Judicial Stamps to the Provinces.

But they went further. Greatly daring, Lord Meston's Committee ventured to make certain estimates of the Government of India revenues and probable deficit, and also of Provincial revenues and probable surpluses ; on these results they calculated the contributions which each of the Provinces would have to make to the Central Government varying from 15 lakhs in the case of Assam, up to three and-a-half crores in the case of Madras (348 lakhs to be exact). But Lord Meston's Committee went still further and whilst recognising the very great difficulty of arriving at a reliable basis for calculation, nevertheless estimated a “ Standard

rate of Contribution," at which the Provinces might aim after a period of seven years. These standard contributions vary from 2½ per cent. in the case of Assam, to 19 per cent. in the case of Bengal. Bombay, Madras and the United Provinces, it was expected, would have to contribute 13, 17 and 18 per cent., respectively, of the Central Government's deficit.

Now, I submit, Sir, with all respect to the distinguished authors of the Montagu-Chelmsford Report, that they went radically wrong in attempting to separate entirely the finances of the Provinces from the finances of the Government of India; I submit that when Lord Meston's Committee followed that wrong lead, they went still further astray. Confusion became worse confounded when the Joint Select Committee not only approved of the underlying principle but emphasised their hope that the Government of India "would make it their constant endeavour to render the Central Government independent of provincial assistance at the earliest possible date," whilst the devolution rules which have attempted to crystallize this misdirection mark the climax of a procedure which, wrong from the first, can only result in a perpetuation of error, of injustice, of financial chaos, and, I submit, if persisted in, of the revolt of Provincial Governments against the Central Government.

Let us further examine this matter. What is the real situation we are aiming at? Provincial autonomy under a responsible Central Government. What are the chief functions of the Central Government? First, the general supervision, direction and control of India's affairs as a whole; the protection and defence of India; the conduct of our finances,—the foreign exchange, the service of debt, Home charges, etc.; political relations; frontier administration; railways, post offices and telegraphs (not that I think personally that railways, posts and telegraphs should be a source of State revenue; and altogether about 47 heads of services in all. I submit, Sir, that all these services are being performed for the benefit of the Provinces, and for the benefit of nobody but the Provinces. Why, then, should we aim to relieve the Provinces of their just liability to contribute to the upkeep of the Central Authority? Why should we endeavour to give the impression to the Provinces that they are not in any way concerned in the maintenance of a sound, good, powerful Central Government? Just look at the painful results which have followed! We have heard pitiful stories this morning from Madras of yellow milch cows, of toads beneath the harrow, etc. ! One would never dream when listening to these tales of woe that Madras was given over five crores of extra revenue and only asked to return three ! Who would suspect when listening to the Honourable representative of the United Provinces that those Provinces were given nearly four crores of additional revenues and only asked to return two ! Good gracious ! What is there to complain about, I would ask, as a representative of the Bombay Presidency, in a settlement of this character ? No, Sir, so far from encouraging the Provinces to forget their obligations to Headquarters I think that the correct policy would have been to give to the Provinces the *whole* of their local resources, and then say to them : "Your first duty is to provide a contribution for the maintenance of the Central Government who are performing services of vital importance to you, and this contribution—5 per cent., or 10 per cent., or 15 per cent. or whatever figure it might be—must be the first item in your financial budget to be

[Sir Montagu del' Webb.]

remitted to Headquarters, no matter what other items may go short." I submit, Sir, that this is the only sound and business-like way of financing the Central Government. Remember, after all, the Provinces are adequately and properly represented in this Assembly, and notwithstanding the very pessimistic view put forward by Dr. Gour, in which he likens Honourable Members to monkeys drawing chestnuts out of the fire, I myself feel that I have considerably more power than Dr. Gour suggested, and I venture to think that this Assembly has, as a matter of fact, got it within its power to control both income and expenditure to a very much larger degree perhaps than Honourable Members imagine. That being so, I do not see why, if the Provinces are dissatisfied with the expenditure of the Central Government, they should not show their dissatisfaction in this House, and should not cut down expenditure to a figure which they consider reasonable, in that way reducing contributions from the Provinces.

Now, I admit, Sir, that there may be some difficulty in exactly determining the standard contribution which each Province should make. Lord Meston fully recognised this difficulty ; and not only recognised it, but put forward in considerable detail the whys and the wherefores of each point which would need consideration in making this estimate. Nevertheless I notice that Lord Meston's Committee, although they spent only six or seven weeks on their Report, were not deterred from putting forward a definite " Standard Contribution," and that is the standard contribution at which we are all aiming at the present day. The position at the present moment is one of extreme difficulty. All the Provinces are, in effect, bankrupt, except, perhaps, Burma, which has received a rice windfall. But in regard to the other Provinces, all of them are in difficulties. And the Central Government are in even greater difficulties still. This financial *impasse*, I submit, cannot possibly be overcome by doles, by letting off Bihar and Orissa altogether, as the Devolution Rules appear to contemplate ; or by letting off Bengal for 3 years, as the Government of India in a weak moment agreed to do ; nor, may I add, by letting off for one year Madras and the United Provinces and the Punjab, as the Mover of the Resolution now before the House suggests. That way, I submit, can only lead to chaos. These shifting expedients are of no avail in the present emergency. What we must do is to face the position, re-examine the whole situation and arrive at a sound and reasonable method of allocation between the Provinces and the Headquarters, which, I submit, we have not yet secured. First of all, we must recognise on the one hand, here is the Government of India struggling for five years in succession against a growing and very dangerous deficit : on the other hand, we have the Provinces quietly shutting their eyes to the real situation and blandly asking the Government of India to hand out two crores, or, I think on Mr. Samarth's calculation, over three crores. I submit that the position is absurd. We must recognise, I submit, that the forecasts made by Lord Meston have proved utterly wrong, utterly untrustworthy, and have been utterly falsified by events. (*Voices : " No, no."*) And further that this condition of affairs has come about partly, I concede to my Honourable friend, the Finance Member, partly by circumstances over which no Committee could have had control or could have foreseen, but partly

because they were built on foundations that are radically unsound. The halving of the land revenue and the halving of the income-tax, which produced a satisfactory result before, have now been replaced by an unjust and unfair arrangement, whereby the Government of India take over the whole of the largely expanding item of revenue, namely, income-tax, and hand over to the Provinces (unfortunate Bengal and Bombay), the whole of the stationary item of income, namely, land revenue. What is the result of this Meston Settlement? Everybody is dissatisfied. The Presidencies are all up in arms and, as far as I know, every Province was dissatisfied and, I believe, is still dissatisfied. I submit, Sir, that there is only one course open to us and that is to admit quite frankly that things have not turned out in the least as Lord Meston's Committee and the Government of India anticipated. Let us admit quite frankly that Lord Meston's calculations and the Devolution Rules must be revised, and I submit, the sooner the better. I appeal to Honourable Members of this House not to add to the financial chaos and confusion by asking the Honourable the Finance Member to achieve the impossible, that is, to hand out two or three crores from nowhere. Read the Devolution Rules as you may, you cannot extract blood from a stone, and that is the real position at the present moment. I appeal to my Honourable friend, the Finance Member, also not to delay further in a position of this complexity and difficulty,—not to dole out some quack remedy for this very serious crisis, but to take his courage in both hands and call in the best doctors available, to study and re-examine the whole situation. (Hear, hear). In the present very serious financial crisis (not only in Madras, not only in the Provinces, it is much more serious at Headquarters) I appeal to the Government of India to accept the Honourable Mover's proposition to arrange for the appointment of a Royal Commission or any other authoritative and impartial body to reconsider the situation and lay down a new system financial allocations between the Central Government and the Provinces, a system based, as our Madras friends would put it, not on mere expediency, resting on arrangements admittedly inequitable, but on foundations in which reason, justice and equity would form the sole ingredients. (Applause.)

Munshi Iswar Saran (Cities of the United Provinces : Non-Muhammadian Urban) : Sir, I must confess that this question which we are debating at the present moment is not free from considerable difficulty, and it is true that the Central Government itself is in a very difficult financial position. At the same time it must be admitted that, according to the present arrangement, there are certain provinces which have suffered a great deal. As regards the United Provinces, Madras and the Punjab there can be no manner of doubt that these provinces have suffered considerably. I shall, with your permission, Sir, only refer the House to a debate which took place in another place, and there it was stated on behalf of Government that the plea for relief on behalf of the United Provinces, was perfectly just and perfectly fair. Might I give a short quotation from the speech which was made on that occasion by the representative of Government? He says :

“ The Meston Committee provided that, after a few years, these contributions should be re-arranged and the contributions of the other provinces should be increased,

[Munshi Iswar Saran.]

I think the Council may remember that that recommendation was not accepted by Parliament. Parliament laid down that in no event must the contribution of any individual province be increased, but that, as the total was decreased, and, as the Central Government found it possible to dispense with more and more of the contributions, certain provinces (*I shall beg the House to mark these words*) who started by paying more than their full share should get the first benefit. That decision is embodied in Devolution Rule No. 18. It is rather a complicated rule, but I should like to give the Council, if I may, an illustration of how it works. Let us suppose, for example, that it were possible next year to reduce the total provincial contributions by an amount of 183 lakhs. I give that particular figure because the rule is a very complicated one and this figure works out rather easily arithmetically. The result would be, if the total contribution were reduced by 183 lakhs, the Madras would get a relief at once of 98 lakhs, the Punjab would get a relief of 47 lakhs and the United Provinces would get a relief of 38 lakhs. No other province (*I shall beg my Honourable friend, Mr. Jannadas, to bear this in mind*) would get any relief for the time being. For example, take Bombay. (*Mr. Jannadas Dwarakadas: "We never wanted relief."*) Bombay only started by paying 56 lakhs, and would get no relief at all, until the total contributions had fallen below 4 crores. That is the effect of Devolution Rule No. 18. (*A Voice: "Whose speech is that?"*)

My submission is that our case could not have been better put than it was put on that occasion by a representative of the Government of India itself. In the light of these remarks it is perfectly obvious that there are certain provinces which have been paying more than their just share. And, Sir, I claim here justice. I do not come to you as a beggar. The role of a beggar fits my friend, Mr. Rangachariar, who is a Brahmin. (Laughter.) I say, Sir, to the House, deal with us justly and fairly. If we have been paying more than our just share, give us relief. I am not going to draw a picture of the pitiable condition either of the United Provinces or of Madras. Mr. Way who has spoken on behalf of the United Provinces has done it, and Mr. Rangachariar and Mr. Moir have described the condition of Madras, the one with pathos and the other in excellent language.

I say here that it is up to the Assembly not to look at this question from the provincial point of view. We ought to look at this question from the broader point of view, that is, from the Indian point of view. Does the Indian point of view come into conflict with the plea which is being put forward to-day by those who have been injured and those who are suffering. That is the short question. If the Imperial or the Indian point of view means the ignoring of the just rights and claims of these Provinces, then I say we, who are pleading for relief, are open to the charge of being narrow, of being parochial and of being short-sighted. Sir, there is a good deal of feeling in all these Provinces, but I need not refer to that. It may be that in Bombay and in Bengal they are dissatisfied with the Meston Committee's report and award. That is a larger question, that is a bigger issue. My Honourable friend, Bakshi Sohan Lal, is inviting the House to consider the smaller question at the present moment of doing justice to the Provinces which have been suffering and which have admittedly been suffering, the justice and the equity of whose claims have been recognised even by the Government of India itself. Of course there is no conflict between the Provincial Governments and non-official opinion on this question,

Sir, the Honourable the Finance Member has been pleased to observe that we are the directors of this concern. Sir, I do not wish to say that I want to turn out the Honourable the Finance Member to-morrow ; nor do I pretend to say that I would be able to better manage the affairs than he is able to do ; but I do say, speaking for myself, that I find myself in a peculiarly delicate position. I am a director, but the entire balance-sheet is not placed before me, nor have I control over all the funds. As regards half of it, it is said, " You shan't look at that—you directors ; the general manager of the firm, the assistant managers and the sub-managers will go on managing the concern, to put us in funds, that will be your business ! " I shall ask the Honourable the Finance Member whether it is a very comfortable or very dignified position for us to occupy. I am only placing this consideration before him in the hope that he will in future pause before calling us directors of this concern. If we are called the directors of this concern, let us be directors in truth and in reality.

Mr. Darcy Lindsay (Bengal : European) : Sir, my Honourable friends, Mr. Jamnadas Dwarkadas and Sir Montagu Webb, appear to have jumped to the conclusion that the Honourable the Finance Member is opposed to this amendment. Judging by the happy smile on his face, and his reference to Bombay's crores and Calcutta's crores, I think he would rather welcome the amendment which brings about a re-opening of the whole question. I see him chuckling to himself and wondering how many of these additional crores he could secure from these two Provinces. On those grounds I am not at all sure that it is not best to leave well alone. On the other hand, Sir, I am quite at one with Mr. Jamnadas Dwarkadas in asking that justice should be done to the whole of India and all the Provinces of India, and therefore, speaking on behalf of Bengal, I am not afraid of re-opening the question, and I will support the amendment. It seems to me, Sir, that there are only three courses open to us : one is to support the Resolution, one to support the amendment, and the third, to throw out both. Personally, I think the result will be that both will be thrown out. (Hear, hear.)

Talking on the Resolution, Sir, I asked the House, how can anyone in all conscience support such a Resolution ? It asks for relief for three Provinces. It knows full well that there are other Provinces equally hard pressed for money ; it throws them overboard. There is poor little Assam which has a very small voice in this House that is seldom heard. What is her position ? She is hard up—harder up than many other Provinces. Why should she be left out in the cold ? What is the matter with the Central Provinces ? What is the matter with Burma, who Sir Montagu said was now so wealthy with the windfall she has received ? No, Sir, I think we have got to oppose this Resolution tooth and nail.

Now, Sir, speaking on behalf of Bengal, our case has always been that the Meston settlement was very unfair to many of the Provinces. So far as Bengal is concerned, the revenues are not nearly sufficient to meet our requirements and our expenditure. The remission of 63 lakhs which we obtained last year was certainly most welcome. But

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again it was not nearly sufficient and we were short of, I think, over two crores of rupees. What did we do, Sir? We went into the high-ways and bye-ways to search for means of raising revenue. One of the chief means that we devised was what has been called the Amusement Tax. Now, Sir, the Amusement Tax includes gambling on the race-course. When I tell you that our case has been so desperate that a high-principled Government such as Bengal has had to resort to the acceptance of what has been called "tainted money," I think the House will agree with me that our plight is very serious. By this means they appear to me to have legalised gambling. I can see my Honourable friend the Finance Member looking with horror at me. I regret, Sir, that my Honourable friend, Mr. Moir, should begrudge what he terms Bengal's good fortune in securing this remission of 63 lakhs. And he asks how it was done, as if there was some under-hand method on the part of Bengal in securing this remission. Now, Sir, let me tell him that the voice of the Bengal tiger was sufficiently convincing to persuade the Honourable the Finance Member that our cause was a just one, and he granted us this remission.

(The Honourable Sir Malcolm Hailey, and other Honourable Members: "The House granted it.")

Mr. Darcy Lindsay : Well, he supported our demand and the House granted the remission. My Honourable friend, Mr. Rāngachariar, has put forward, I admit, a very strong case for Madras, especially with his illustrations as to the poor cow that is so badly deceived by having the calf killed, and imagining that the calf is still sucking the milk. And my Honourable friend pleads that the time has not come for a re-examination of the whole question. I do not agree with him, Sir, and again I submit that I will support the amendment.

Mr. W. F. Hudson (Bombay : Nominated Official) : Sir, the case for the re-examination of the financial situation, as we view it from the Bombay side, has been so fully developed by my friends, Mr. Jammadas Dwarkadas and Sir Montagu Webb, that I do not propose to detain the House for more than a few minutes. But I do desire to impress upon this House with all the earnestness and emphasis that I can command that on this question the Government of Bombay is in perfect accord with commercial, industrial and popular opinion. As Honourable Members are aware, it is not always the good fortune of Local Governments to see eye to eye with commercial and other communities on financial matters, and I submit to the House that there is a special significance in the fact that the Government and people of Bombay present an absolutely united front on the two main questions which lie before us in this amendment, namely, that Lord Meston's award and the present Devolution Rules are quite unfair to us and also to certain other provinces which I am not courageous enough to particularise, and that some form of independent body, preferably a Royal Commission, should immediately be asked to re-examine the whole question.

It is not my purpose to-day, Sir, to attempt to argue in detail against the Madras appeal for immediate relief, although after hearing the figures given by the Honourable Finance Member this morning I confess

it seemed to me that this interesting little pamphlet would have been better entitled "The fattened calf" rather than "the milch cow." But, however that may be, the mere fact that, in spite of the well-known embarrassment of the Central Government, Madras finds it necessary to press for the immediate delivery of what she considers her pound of flesh shows clearly that the Meston Award is out of date. There is, I think, no need for us to say anything specially harsh about Lord Meston's award; but one may perhaps be permitted to remark that Lord Meston's Committee was scarcely a representative one and that in the specially urgent circumstances of the case it had to do its work in an impossibly short space of time. It started work on the 7th February and it signed its report on the 30th March, and between those dates it must have spent about 12 days in the train. It is therefore scarcely surprising that the Committee did not find time to pay even a flying visit to Assam or the Central Provinces. As to the fallacies in the report, the Committee cheerfully calculated exchange at a rate which I am afraid we shall never see again, and they gaily described their rather hasty operations as a mere "re-arrangement of abundant general resources." One suspects that the Finance Department would be grateful to them now if they had indicated rather more clearly what those abundant general resources are. Finally, in paragraph 27 of the report they laid down a standard ratio of contributions from the various provinces, but they wisely abstained from giving the grounds on which it was based. Surely, Sir, this can hardly be accepted as a final and scientific settlement of an exceedingly complicated and supremely important problem.

But although it is not necessary to say anything particularly harsh about the Meston Committee, and although it is possible that no other committee working under the same conditions could have done any better, the ultimate fact remains that the settlement which they suggested has broken down. In less than two years after the passing of the devolution rules Bengal put up a case for special treatment which the Government of India felt obliged to accept, although they must have been aware that it would bring a hornets' nest about their ears, and now to-day no less than 6 provinces are tumbling over each other in their eagerness to demand a more rapid reduction of the provincial contribution than the Central Government can possibly allow. And if this demand is granted who can doubt that it will be repeated next year, or that any other province, which may find itself in a tight place, will demand the same sort of concession that was granted to Bengal?

Sir, it is needless to say that this result has occasioned no surprise in Bombay. We always protested strongly against the Meston award, and as far back as June 1920 the Bombay Government gave it as their considered opinion that it was totally unacceptable. Our own special grievance, as Mr. Jannadas Dwarkadas has set out in some detail, is that the Central Government were allotted our only expanding source of revenue, namely, income-tax, representing at least 6 crores now annually, of which, as he said, Bombay is allowed only about 15 lakhs. Meantime our other sources of revenue have by no means followed the sanguine expectations of the Meston award; on the contrary if you take the two years, 1921-22 and 1922-23, our revenues will suffer a loss of five crores as compared with the Meston anticipations, and Bombay revenues alone of all

[Mr. W. F. Hudson.]

the provincial revenues will have failed to expand in accordance with their expectations.

I do not propose to trouble the House with any detailed figures, but I should be very glad to show them to any Honourable Member who may desire to see them. The basic fallacy of the whole arrangement is this : that one arbitrary formula has been applied to entirely different sets of conditions. Some of the provinces depend for their main resources on agriculture, some on commerce and industries ; but in both cases the allocation of revenues between the Central and Provincial Governments is the same. One would have thought that the proposition had only to be stated for its unfairness to be apparent to every one ; but however that may be,

“ The toad beneath the harrow knows

Exactly where each tooth-point goes,”

and we in Bombay know that this particular income-tax tooth-point probes our very vitals and that we cannot carry on, much less develop our own resources properly, as long as the Central Government appropriates 39-40ths of our one and only expanding source of revenue.

And so, Sir, we ask for a reconsideration of the whole position, first, because the Meston inquiry was done in a hurry and makes no real attempt to justify its final and most important suggestion, namely, the ratio of contributions, secondly, because its anticipation of the expansion of provincial revenues has been proved by facts to be entirely incorrect, thirdly, because the rapid reduction in the provincial contributions to which it looked forward is no longer in sight and the whole scheme therefore breaks down, and fourthly, because the present allocation of revenues is obviously unfair to industrial provinces and absolutely bars their progress.

Sir, we do not claim for a moment any originality for this proposal in Bombay ; we are only humbly following the excellent example of Madras, all of whose representatives are of course going to support us in the lobby. The “ milch cow,” as we know, is ever in the van of progress in this country and as far back as September last, my friend, Mr. Reddi, set the ball rolling in this House : he said :

“ I appeal to the Government and to the Honourable Members of this House to reopen the whole question of Lord Meston's award and thus to make the provinces work the Reforms successfully.”

- That was followed up, Sir, by the Madras Government who sent a wire to the Government of India on the 4th October 1921 :

“ Madras Government have always claimed that system and details of distribution of Government of India's demand are inequitable and strongly urge that, if any revision is undertaken, it should not be in favour of Bengal alone, but should take the form of reconsideration of whole question.”

That was supported by the Madras Legislative Council about 10 days later. A telegram again went to the Government of India inform-

ing them of the Resolution. The Resolution runs :

" This Council considers that the Government of Bengal having been exempted from the contribution due by them to the Government of India, the Government of Madras are justly entitled to similar treatment ; and that the whole scheme of Provincial contributions should now be reconsidered so as to relieve this Presidency of the undue burden placed upon it."

Finally, Sir, the Madras Government wrote a letter to the Government of India saying that :

" If any change is to be made in respect of the contributions it should be made only after an examination by the Joint Committee of the case of all provinces and not on a representation made on behalf of a single one of them."

That, Sir, is precisely our attitude and we confidently claim the support of the members from Madras as the real authors of this proposal.

Now, as to the agency, we put a Royal Commission forward as our first alternative for two reasons. It must be remembered that the Devolution Rules were passed with the sanction of Parliament and can only be altered with the sanction of Parliament ; and if I may use a slang expression, it seems to us that a Royal Commission will cut more ice with Parliament than any other body. In the second place, for the examination of this extremely complex question we must have a body of first-class and impartial men. Now, I have heard it seriously suggested that a committee made up of members of the Indian Legislature would do the work equally well much more quickly and much more cheaply. Well, Sir, whatever may be the case with the legislators in another place, we are all modestly conscious of course that in this House we are all first-class men. But can any one of us put his hand on his heart and say that he is really impartial in this matter ? Can any of us dare to affirm that even the Honourable the Finance Member himself is impartial ? In his case it is possible that his affections are divided between his old province and the Government of India. But for most of us, Sir, there is only one love, and that is our own province, and however much we might try to put aside our natural prejudices and prepossessions, human nature being what it is, it would be impossible.

Sir, I have not been long enough a member of this House to understand exactly our party divisions, but I venture to appeal to the members of all parties, to the members who belong to no party, to officials and non-officials alike, even to the august members of the Government of India, to support this amendment, since all are equally concerned in a satisfactory solution of this question. On it far more than on questions of extended franchise or even of " steel frame-work " depends the success of the reformed constitution, and unless and until each province is allowed to develop and utilise its own resources, provincial autonomy, which is the very essence of the Reform scheme, is not much more than a mere political catchword or little better than an empty name.

Rai D. C. Barua Bahadur (Assam Valley : Non-Muhammadan) : Sir, the remedy suggested in the original Resolution of my Honourable friend, Rai Bahadur Bakhshi Sohan Lal, is not an unprecedented one, because exactly a year ago in this very hall we passed a Resolution remitting 63 lakhs of rupees from the contribution to be made by the Government of Bengal, and that Resolution was accepted by this Government. So follow-

[Rai D. C. Barua Bahadur.]

ing that example, there is nothing strange that at least in a year and a half another Resolution for the remission of at least a certain portion of the provincial contribution be made in connection with other provinces. Accordingly this Resolution proposing the remission of 2 crores of rupees has been made at first on behalf of three provinces. Here I venture to submit, Sir, that what Bengal got in the course of three years, is now claimed by three provinces in one year. So there is nothing preposterous in the demand which has been made. And as I belong to a very minor province, I did not expect that if I brought forward an independent Resolution in respect of my province it would carry much weight with this council, so I elected to join the members of the other provinces in the Resolution brought forward by them, so that my province might get a slice. That slice, however small it may be, would be quite welcome, because our resources are very small, the population is small, so a remission of 10 or 12 lakhs would be quite welcome to my province. I could not expect more than 10 or 12 lakhs.

Sir, fault has been found for putting in my amendment on the ground that there was little likelihood of further reductions being made in the provincial contributions, but as I thought that as the request of the Bengal members was acceded to, my request also would be complied with, because I say as there has been an attempt on the part of the Government of India to effect retrenchments in the various departments, more revenue has been and is being realised and will be realised in future by amendments in the Fiscal laws of the land, and therefore I think my amendment should be appreciated by the Government of India because instead of claiming any reduction I have tried my best to participate in what is recommended by other provinces so that no further reductions will be required to be made so as to give redress or to pacify the people of my province. Sir, I have seen it said at the same time that we are to some extent the custodians of the purse of the Government of India, and that we are in duty bound to protect that purse. I fully appreciate that, but at the same time I have seen that no effort is spared for effecting improvements in the territories under the direct control of the Government of India. I have seen the building of new Delhi at considerable expense, I have seen the Delhi University newly established and so forth. Under these circumstances I see no reason why my province, which is in some corner of India, should be left out or should not be given the opportunity to improve itself, and so I expected that ample opportunity will also be given to my province at least by the remission of some 10 or 12 lakhs of rupees, and with this view I put in my amendment.

Now, Sir, while I support the Resolution of Rai Bahadur Bakhshi Sohan Lal for reduction by two crores of rupees in the Provincial Contributions to the Central Exchequer, I beg to move my amendment that the benefit of such reduction should not be confined to the three provinces of Madras, United Provinces and the Punjab, but should also be extended to my province, namely, Assam. I would wish that the benefit in all justice should be participated by all the provinces, for all the Provincial Governments are feeling more or less the pinch of want of funds. But since the original Resolution was advocating the cause of three Provinces only and that the Provinces left out have had their own representatives who can

better put their cases for the consideration of this Honourable House, I have contented myself by putting the case of my own Province.

Sir, at the outset I beg to submit that my Province is the poorest of all the Indian major Provinces in all respects, except in respect of area, which is quite equal to that of its neighbouring Premier Province of Bengal, and except also in regard to its area covered with jungle. Now, these jungles would have fetched some money to the provincial coffer if they could have been worked by the opening of suitable communications and providing other facilities. It is a notorious fact that our Imperial Government have been annually importing railway sleepers and other timbers worth vast sums of money from abroad, and yet we have not been able to open communications to work our forests for want of funds.

Sir, the Province is so very poor that there is no capitalist so to speak. The trades and commerce are in the hands of people foreign to the Province. It cannot boast of a single Chartered Bank throughout its length and breadth. The population is mainly agricultural.

Sir, with a view to give some rough idea of the financial position of the Province, I beg to submit that the opening balance on the 1st of April 1920 was 44 lakhs ; that on the 1st April 1921 it was 57 lakhs ; and that on the corresponding date of 1922 it was 48 lakhs. From these figures it will appear that the resources of the Province are very meagre and that in the last year the expenditure exceeded the income by 9 lakhs. It may be noted here that excise revenue has considerably fallen. In order to reduce expenditure the Local Government have been trying their best. The posts of Excise Commissioner and Sanitary Engineer carrying high salaries have been already abolished.

Sir, it requires no prophet to inform the Honourable House that Assam is after all a frontier Province. It is the North-East Frontier Province of India. It is peopled on its three sides by savage hill tribes. Till about the end of the last century raids and kidnapping were not unfrequent. But, thanks to the careful handling of the Government, these raids and attacks have been replaced by the establishment of peace and safety. And, yet, it is a stern fact that the present condition is maintained by constant vigilance and guarding by the Government, mainly through the instrumentality of Frontier and Military Police. The upkeep of the peace and safety by these guards means a heavy charge on the Local Government.

Sir, the Province is in sore need of development. Beyond the few lower primary, middle vernacular and middle English schools (almost all three of which are maintained by the local bodies), and one Secondary school to each sub-division of a district, and two Arts Colleges and one Law College, and a Medical School, the Province cannot boast of any educational institution. Up to this there is not a single Engineering school. It requires more roads and bridges, and other means of communication and transit, and they can by no means be done by local district bodies. It has here been suggested by some that the matter of the reduction of Provincial contributions to the Central Exchequer be better inquired into by a Royal Commission or so. But I submit, Sir, that the time which will be necessary for such an inquiry will not be less than, according to my humble estimate, two years, with the result that the Provinces, and along with them my Province too, will suffer badly for want of funds.

[Rai D. C. Barua Bahadur.]

There is a proverb in my Province that "the swallow will die before the corn is ripe."

So, considering these suggestions, Sir, I beg to submit that the original Resolution, subject to my amendment and other amendments which may be put in from similarly situated Provinces, may be passed by the Honourable House.

Mr. George Bridge (Assam : European): Sir, in supporting the amendment of the Honourable Member from Assam,—as a resident of the Province of Assam for very many years, I think I have a good knowledge of its requirements and wants. Its requirements are first and last more money, and this may be obtained by lessening its contributions to the Central Exchequer. Every Province, of course, wants more money but Assam I think has a special claim on the Exchequer as a very backward Province, as regards its medical, sanitary and most of all its communications. Since the war the progress in this respect has been more retrograde than progressive. I have lately been elected as the first non-official Chairman of the Mangaldai Local Board and it is not encouraging for a new Chairman to find that Government has cut down its allotment for communications by some Rs. 10,000. We have roughly some 250 miles of road to keep up. Of this only some 5 miles are pucca. Our kutchra roads in the rains are like a morass or a series of buffalo wallows.

The more civilised a country is the better its communications. In this respect, Mangaldi takes a back seat. We require also more money for dispensaries, hospitals, sanitary and water-supply. There are only 5 dispensaries in this large sub-division, and there ought to be double. From the dispensary in Mangaldai to the Dekeagh dispensary, some 50 miles, there is no intermediate dispensary, whilst besides the Assamese there are some thousands of new immigrants from Mymensingh there, and they are increasing yearly. This year the sub-division suffered from a very severe cyclone in April which was no respecter of our schools, houses, our dispensaries or any of our buildings, but simply blew them down altogether or took the roofs off them. The sub-division also suffered from a severe epidemic of cholera and extra Assistant Surgeons had to be employed, besides having to contend with the severe and insidious disease of Kala Azar. The tea gardens, owing to their better medical and sanitary arrangements, did not suffer to the same degree. All this, Sir, requires additional expenditure on a non-increasing revenue. The Local Board, with the best intentions in the world, have to let these good intentions go where others have gone before—to pave the nether regions.

Sir, I cannot altogether hold Government blameless in the matter. As to how the deficit in the Budget was brought about—had Government acted a year earlier with the firmness it showed later on, there would, I maintain, have been no deficit. The Excise would not have probably been lakhs short of its estimate, but, owing to the weakness and ineptitude of Government in not taking action earlier and allowing thousands of Gandhi volunteers to picket the liquor and opium shops, to break up hats and generally intimidate and menace loyal subjects in their daily avocations

this loss would have never occurred. Directly action was taken by the Government, the insurrectionary movement subsided and people can now go about their business in peace and safety. But now we have had to face new taxation to cover this deficit in the revenues and to pay for our new Council, and of course new buildings for the Council—in a multitude of councillors there is said to be safety, but it is not said there is money—and that is what Assam wants before all. Our Local Board must cut its cloth according to its means, but I am afraid it will be a poor quality of cloth, i.e., *kadar*.

I think then, Sir, a good case has been made out for Assam to get a more liberal treatment in the matter of its contribution to the Imperial Revenues, and I trust all Honourable Members of this House will support us.

Khan Bahadur Sarfaraz Hussain Khan (Tirhut Division : Muhammadan): Sir, I have listened to the able speech of the Honourable the Finance Member and I fully and entirely agree with him that we have not only our duty to the Province which we have come to represent here, but also our duty to the Central Government of which we are Members, and as such, taking everything into consideration, I appeal to every Member of this House that it will not only be unjustifiable but criminal to ask the Central Government to reduce the provincial contributions. Circumstanced as the Central Government is financially, when claims of a different nature are made upon it and Resolutions after Resolutions are moved asking that Government to establish a Unani college, or do this thing and that, I do not see how we can with our present state of finances make the two ends meet and keep ourselves going. In these circumstances I rise to oppose the original Resolution. I only beg to remove one impression which might have been given by the speech of the Honourable the Finance Member, and that is, his speech conveyed the impression that we, the members representing the different Provinces, came like so many hungry wolves to tear some flesh from the carcass of a dead body. That is not our position. We simply came to represent the position of our Provinces. I wanted to represent the case of my own Province as a legitimate one if the Government accepted the Resolution to reduce the provincial contribution. Our case has the greatest claim for consideration. I do not however wish to put the claim just now. Even in the Meston Committee Report it is said clearly that our Province—the Province of Bihar and Orissa—is the poorest Province. I have got a book here entitled “Bihar and Orissa in 1921”. There it is said :

“The finances of Bihar and Orissa present difficulties which exceed those with which any other province is faced, owing to three main distinguishing features.”

I do not wish to go into that matter, because, after what I have said, and after listening to the able speech of the Honourable the Finance Member, I do not wish to press my point. I simply rise to oppose the motion. I think this Honourable House will see that the position is such that if the Resolution is carried, it will put the Central Government in a very difficult position indeed. If after considering the state of the finances, the Honourable the Finance Member proposes taxation, everybody is opposed to it. If he raises loans, then also he is attacked. What is to be done ? I appeal to each and every Honourable Member to say, whether under

[Khan Bahāduf Sarfaraz Hussain Khan.]

the circumstances, not only as representatives of the different Provinces but also as Members of this Assembly and with our duty to this Assembly, it would be proper to ask the Central Government to reduce the provincial contributions. I therefore strongly oppose the original Resolution.

As regards Mr. Jamnadas's amendment, there is much in what he has said, but I do think that we have had sufficient time to judge of the Meston award, and it will be complicating matters in my opinion to re-open now the whole question. Next time, at the time of the introduction of the Budget, when we will know the exact financial position, the Mover of the amendment may very aptly bring it as a substantive Resolution. It will be a matter to be discussed then. I therefore oppose the amendment now. I have risen to oppose both the original Resolution and the amendment of Mr. Jamnadas Dwarkadas, and I hope the House will accept my view.

(At this stage three or four Honourable Members rose and moved :
“ That the Question be now put.”)

Mr. President : The Question is that the Question be now put.
The motion was adopted.

The President then called upon Bakhshi Sohan Lal to reply.

Dr. Nand Lal (West Punjab : Non-Muhammadan) : May I rise to a point of order, Sir ? There are so many amendments on the agenda and the Honourable the Finance Member.....

Mr. President : The Honourable Member's interruption is only preventing his getting to those amendments.

Mr. S. C. Shahani (Sind Jagirdars and Zamindars : Landholders) : I rise to a point of order, Sir. I have an amendment which is distinguishable from the amendment that has been put before the House, and I therefore pray that you allow me to move that amendment.

Mr. President again called upon Bakhshi Sohan Lal to reply.

Rai Bahadur Bakhshi Sohan Lal : Sir, I am prepared to accept the amendment moved by the Honourable Member from Assam behind me, but I do not admit the amendments moved by the Honourable.....

Mr. President : The Honourable Member cannot bring in new matter in his reply. We have to dispose of the principal amendment before we touch the other amendments.

Rai Bahadur Bakhshi Sohan Lal : Sir, in reply to the Honourable the Finance Member and certain Members from Bombay and Bengal, I may say that in addition to what has been stated by my friends, Munshi Iswar Saran and Dr. Gour, I have simply to add this much, that my Resolution only demands bare justice being done to those provinces, that is, Madras, the United Provinces and the Punjab, which are the most oppressed by the present Devolution Rules. No other province is so much oppressed by the present distribution. As I said in my speech moving the Resolution, the prosperity of a province depends upon the level of commerce and industry to which that province has arrived. No doubt

~~commerce and industry to which that province has arrived. No doubt~~ Bombay, and probably Bengal have reached the highest level in industry and trade and they do not want any reduction of the contribution. And they have already been dealt with most favourably, the amounts payable by them being very much below the amounts which have been allocated for these three provinces. Bengal has already been relieved of the burden. Bombay is thriving in industrial and commercial prosperity. (Mr. Jamnadas Dwarkadas : "For the benefit of others ?") But the provinces which are the subject of my Resolution depend mainly upon agriculture and agriculture does not leave any profit beyond what can be calculated as the labour of the agriculturist. These provinces, in order to prosper in industry and education, require more favourable treatment than Bombay and Bengal, and that is the reason why these provinces, Madras, the Punjab and the United Provinces, have been selected for being first given the benefit from the reduction claimed in this Resolution. I do not see any force in the argument that the financial condition of the Central Government is not so good as to allow any reduction from any of the provincial contributions. If the condition is not so good, the proper remedy is to reduce the expenditure, but not to refuse the demand of a person or province which is a legitimate demand. Just like a creditor, if he has a right to demand, there is no reason why that should be rejected simply because the debtor is not in a position to pay. As a matter of fact, the provinces have been given provincial autonomy and full power over their purses. There is no reason why they should not cut their coat according to the cloth in their hands, (Hear, hear) and why they should depend upon what is left after the coat of the Central Government is cut. I think that this is not a case of a person claiming anything as a charity or coming before this Government as a beggar. But this is the case of a person who has a right to withhold the whole contribution if he likes, and it would be good grace on the part of the Assembly and the Government of India to consider such a claim of the provinces. The justice of their claim has been admitted over and over again. Just as my friend Mr. Munshi Iswar Saran has pointed out, there is no reason why any further delay should be made in allowing these reductions. If it is not allowed in time, the provinces that I have mentioned will be left very much behind in industrial and educational problems, and that is the first thing in provincial autonomy. They have to meet the aspirations of the people as regards their educational advancement, as regards their industrial advancement and as regards their sanitary conditions. They cannot say a word before the masses as to why these schemes are kept behind, especially after the Reforms Scheme, having given them full powers. Honourable Members who have opposed me have not touched my argument on this point, that these provinces are poor provinces, are mere agricultural provinces and they are in need of fostering their industries, advancing their educational requirements and therefore they ought not to have been treated in the way in which they have been treated by the Lord Meston Committee. The demand is not excessive, rather it is very modest, and very much less than that it ought to have been, and if it is paid, they will start to a certain extent on the principles of full autonomy. But if they are not allowed, they will be working under the control of the Central Government as they were before the

[Rai Bahadur Bakhshi Sohan Lal.]

have been able to start any such schemes which would satisfy the people as regards their legitimate demands and it is time that they should be given full opportunity to grow and the opposition from provinces which are already on the top of prosperity on account of their industrial and commercial concerns cannot be heard against these provinces. I respectfully submit that on these grounds the original Resolution ought to be supported by the House. I have no objection to accept the amendment moved by my Honourable friend from Assam. I am prepared to add the word ' Assam ' to the three provinces, Madras, the United Provinces and the Punjab, but I do not accept the other amendments.

Mr. S. C. Shahani : I rise to a point of order. Your action in shutting out my amendment has appeared to me to be arbitrary. I would therefore request some explanation.

The Honourable Sir Malcolm Hailey : Order, order.

Khan Bahadur Sarfaraz Hussain Khan : Can the President's ruling be challenged ? I want a ruling.

Mr. President : The Honourable Member evidently did not listen to my answer to Dr. Nand Lal.

Dr. Nand Lal : May I rise to a point of order ? I find that the provisions of paragraph 56 of the Manual of Business govern the conduct of amendments, and those provisions read as follows :

" (1) An amendment must be relevant to, and within the scope of, the motion to which it is proposed."

The second clause is :

" (2) An amendment may not be moved which has merely the effect of a negative vote."

The third clause is :

" (3) An amendment on a question must not be inconsistent with a previous decision on the same question given at the same stage of any Bill or other matter."

The fourth clause is :

" The President may refuse to put an amendment which is, in his opinion, frivolous."

Now, one of the amendments or two of the amendments have been moved. Other amendments which are on the agenda have not been allowed to be moved. I quite concede that the Chair is fully competent not to put any amendment which is frivolous, but there is no law, nor any procedure, given in this Manual that the amendment, which is on the agenda cannot be moved. The amendment may be refused, if it is inconsistent, or if it does not fall within the scope of the motion ; but any amendment which is free from all these restrictions is entitled to be moved.

If the Chair may be of the opinion that any amendment is frivolous, then it may not be put to the House, but the mover or author of such amendment, which has been allowed to be placed on the agenda, is entitled to move it. Sir, may I very respectfully demand your ruling on this ? A decision on this question will serve for our future guidance. I beg to be enlightened whether my construction of this provision is correct or not,

and if the Honourable Chair may hold that it is incorrect, then may I suggest that this sort of amendment may not be allowed to be placed on the List of Business, in the interest of economy of time, because we, Members of the House, have a great regard for the value of the time of the Assembly. If these amendments are not to be moved, then it will be better not to admit them at all.

Mr. President : I am afraid I am quite at a loss to know what the Honourable Member's grievance is ; and I do not wish to put an interpretation upon his inquiry which would reflect upon his intelligence. A Resolution has been moved regarding provincial contributions, and a certain course of action invited. An amendment has been moved which proposes a different course of action, and until we know which course of action the House wishes to adopt, we cannot proceed to discuss details. If the House decides to proceed with the suggestion of a Royal Commission or other form of inquiry, all the other amendments necessarily fall to the ground, not by the action of the Chair but by the action of the House.

Dr. Nand Lal : Sir, some other amendments, which are on the agenda, have been alluded to, and have been criticised, but the authors of those amendments have not, as yet, been given an opportunity to make a response to the criticisms. May I ask if this procedure is correct ? If those amendments had not been referred to, then of course the ruling which has been given by the Honourable Chair would be correct. Though I must say that I must abide by it if it is correct or not correct.

Mr. President : That is one of the hardships of Parliamentary life which the Honourable Member must suffer.

The Honourable Sir Malcolm Hailey : I had this morning, unfortunately for myself and perhaps unfortunately also for the House, to deal at some length with the main Resolution, and I do not propose to refer again to any of the arguments which have since been used in support of that Resolution. I shall merely in passing suggest that the House might naturally feel some surprise that the Assam representatives should press their claim for a share of the remissions proposed in the Resolution. For if I am correct, the purport of the movers of that Resolution was to give to the various provinces the sum which they are now paying, over and above what has in some quarters been described as the ideal contribution. Assam, on the other hand, is paying less than the ideal contribution, and if the 2 crores or 2½ crores which it is proposed now to remit were distributed according to Devolution Rule 18, then Assam will pay more instead of less than at present. With that, Sir, I shall leave the Resolution itself to the House. Now for the amendment.

If this morning I expressed to you, Sir, a suggestion that the amendment now before the House was in some sense outside the scope of the original Resolution, I have not been altogether unjustified by events ; for it has provided Dr. Gour with an opportunity of attacking the budget sections of the Government of India Act. That it has also provided him with an opportunity of attacking me in person, I do not regret ; I am sure that the attack must have given the House as much delectation as it has given me. In one way, perhaps, it has been an advantage, for it also has given Dr. Gour an opportunity of proving the

[Sir Malcolm Hailey.]

great versatility of his mind. I am glad to find that he is now an opponent of the amendment. He will not, I hope, mind my reminding him that at an earlier date when the amendment was originally put forward, he proposed to accept it with a slight change, namely, that, instead of a Royal Commission, there should be a Committee of the House. But I rejoice that we have so speedily, and even without putting our own case forward, secured his adherence to our point of view.

Now the amendment seems to suggest an easy, a cheap and an economical course of action, namely, that we should refer the whole question of provincial contributions to a Royal Commission. That is its outward appearance. But let me explore it a little further, and to get at its true meaning, examine the grounds on which it is supported to us. The mover referred primarily to the case of Bombay. Now, Bombay, like other provinces, did not suffer so completely from this re-allocation as perhaps his speech would have led the House to believe. The Committee, it is true, expected in the case of Bombay an increased spending power as a result of the reformed financial arrangements, of only 37 lakhs of rupees, after paying the provincial contribution. But the figures of 1921-22 showed an actual net improvement of income over the pre-Reform period of 1 crore and 15 lakhs of rupees. (*Mr. Jamnadas Dwarkadas* : "I am sorry I have to interrupt the Honourable Member, but I would just like to ask him if it is not true that it was just short of the expectations that were raised by the Meston Committee.") I am perfectly prepared to meet the Honourable Member on that point. The expectations of Lord Meston's Committee in regard to the growth of provincial revenues have unfortunately been short, not only in the case of Bombay but elsewhere, and particularly in the case of the Central Government. If I may be allowed to repeat words used this morning, Bombay is suffering in exactly the same way as everybody else by economic changes which have occurred since the issue of the Report. Now, Sir, Mr. Jamnadas says that the slight increase of spending power may be all very well as far as it goes, but what was assigned to Bombay was sources of revenue which have not expanded, and which have not realized the expectations formed at the time. It is true, I agree, that the expectations in regard to land revenue have not been completely satisfied, though as against 4 crores and 88 lakhs of rupees this year's budget provides for 5 crores and 6 lakhs ; it is also true that stamps have shown a falling off, due no doubt to the depression of trade which

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we may hope to be temporary. It is further true that, owing perhaps to the temperance campaign, the moral results of which no doubt are possibly welcome, though the financial results are certainly less welcome, there has been a falling off in Excise revenue. But I know that Mr. Jamnadas himself, as a business man, would not place the gravamen of his complaint merely on the fact that expectations here as elsewhere have not been fully realised or that there has been a falling off in the matter of several lakhs under these heads. The real point which he puts forward is that Bombay—and he is good enough to include Bengal—has received no share of the income-tax. What he wants, as he definitely says, is half the income-tax. If half the income-tax, approximately 3 crores of rupees, be given up to the province, he might

perhaps be willing to give us up some part of the Land Revenue, some part of Excise and some part of Stamps. How much would he give up ? Is he going to give up 3 crores under those heads, and undergo all the harassment of divided administration of these heads, merely in order to keep 3 crores of income-tax, because it is 3 crores of income-tax ? No ; if he put that proposal forward, I do not think that his province would stand behind him, nor indeed, as far as I could see, was that the sense of that large public meeting to which he referred in which the energies of Mr. Gandhi were called in to support the advocacy of Sir Arthur Froom. What Bombay wants, just like everybody else, is our money. (Laughter.) (Mr. Jamnadas Dwarkadas : " It is our own.") Well, if he does not like the expression " our money," I have no objection to change it ; what Bombay wants is more money ; and you may put your claim on any variety of abstract grounds, such as the injustice of depriving a province of the sweat of its brow, or of the fruit of its labours, but what you really want, what the Ministers in the province want, and what we are told the public of the province wants, is more money. It is not merely because income-tax is income-tax that they want a share. They want it because it would improve their provincial revenues. That is one fact which seems clear enough to me ; I now pass to a second, which I must also make clear to the House. In this matter of possible re-allocation there is an essential difference as between Bombay and Bengal and the other provinces. Bombay and Bengal are industrial provinces, and they claim that they should receive a larger share of the industrial revenues which are earned in their territories ; a re-allocation which gave effect to this desire would not benefit the more industrial provinces. We have a deficit to make up, and, in spite of the economies that Dr. Gour, when he sits in this place, would make, (Laughter), yet that deficit would not disappear ; and it would of course be increased by a re-allocation which took away from us part of income-tax receipts. Is it to be made up at the cost of Central revenues, that is to say, by raising fresh loans or by issuing more paper money ? Or is it to be made up at the cost of other provinces ? (Mr. Jamnadas Dwarkadas : " By division.") That is the question which I have to ask the House. If Mr. Jamnadas and his friends, pleading on the ground now placed before us, or if Sir Montagu Webb, pleading for pure justice but admitting nevertheless the need of contributions from the provinces, if they want a re-allocation of funds which would give the industrial provinces a larger share of income-tax, then there will be a further lacuna in the accounts of the Central Government that will have to be made up somehow. The solution admits only of two alternatives ; either we must provide the money in the manner in which we are now financing the Central Government, that is by fresh taxation or by loans, or we must obtain it from other provinces ; from that conclusion, there is no escape. We have heard at length the supporters of the amendment ; I regret that I have somewhat delayed my reply, for I wished to hear what they had to say. As I anticipated, their arguments have been advanced largely on abstract or theoretical grounds ; they have not touched the practical issue and I would ask the House at large to retain an open mind, because, if it votes for any re-allocation of revenues, which would increase the revenues of two of the provinces, that means that either the deficiency will have to be made up from the Central Government or from other provinces.

[Sir Malcolm Hailey.]

Now, let me turn to the general question of re-allocation of revenues. It is said that the present re-allocation is unjust, and that though it has only been in existence two years, it ought to be swept away. I want to examine the simple facts as to the possibility of re-allocation on different lines. I shall not go into the question of the necessity for a clean cut, though we hold strongly to the necessity for this. The real point I wish to make lies in an enumeration of the resources left to the Central Government by the present allocation, and to discuss the chances of modifying the existing details. We have first Customs, which everyone agrees should be Central, Opium, which, I think, none will dispute, Salt, which probably few will dispute. Those are the main sources of revenue excepting Income-tax. The question whittles down, therefore, really to a question of dividing income-tax. Can you divide income-tax as a source of revenue, apart from any financial effects of so doing, while still retaining it as a subject of Central administration? I myself maintain that there is every justification, and that the Committee had every justification, for making income-tax Central, retaining both the administration and the revenues in our own hands. Let me trace some of the difficulties, and which would follow from such a proposition as that which was put before the House by Mr. Jamnadas, namely, that in some of the Provinces the proceeds should be divided. I will not go at length into the technical questions which have been raised at different times regarding what can be treated as the exact share of a Province, as I do not wish to delay the time of the House. Take the questions arising from the fact that a man lives in one Province, derives his income from a company domiciled in a second Province which itself works in a third. I will not go into the question of whether Bombay does or does not reap the benefits of operations carried on in Bihar and Orissa under the auspices of the Tata Company. I will not go into the question of how you are to allocate the assessment of railway companies suitably between the Provinces, or whether they should be assessed entirely to the Presidencies because their headquarters happen to be in the Presidency towns. Perhaps some more ingenious mind might find a solution for all these difficult questions. The question to which I can find no solution is how we are to maintain the autonomy of the Provincial in face of the Imperial legislature when a head of this importance is divided. It is obvious that if the proposition put forward by Mr. Jamnadas were accepted, namely, that in order to allow his Province to share in Income-tax, Land Revenue or Excise should be divided, there would have to be divided administration of these subjects. Even if we, in the interests of Provincial autonomy, relinquished our claim to share in their administration, then nevertheless we, sitting here, would be affected in our Budget by any administrative measure in regard to those subjects which were carried out in a Province. (*Mr. Jamnadas Dwarkadas* : "What about General Stamps? The same arrangement can be made.") General Stamps does not afford any analogy to the case of such subjects as Excise or Land Revenue.

Mr. Jamnadas Dwarkadas : We are prepared to leave the fixing of the rate to the Imperial Government if they allow us the use of a portion of the Income-tax Revenue.

The Honourable Sir Malcolm Hailey : The income-tax rate must be the same all over India, and it has been universally agreed that the Legislature which lays down what those rates must be, should also have the task of supervising the whole of the income-tax rules and organization. What would be the effect, should a Local Government claiming its half of the income-tax demand equally that it should have the right.....

Mr. Jamnadas Dwarkadas : We do not claim it.

The Honourable Sir Malcolm Hailey :should have the right to vary the local rate ; and what becomes of Provincial autonomy if it cannot do so ? Do you eventually contemplate a state of things in which there are varying rates all over India, and you have an adjustment of double income as between the Provinces ? If you are to give any real autonomy to Provincial legislatures in regard to their sources of income, something like that must eventually happen.

This, then, is the nature of the task which would confront your proposed Royal Commission. Do you seriously believe that any Royal Commission could effect a new allocation of these revenues without at the same time interfering radically with the administrative allocation of which the present financial allocation is only a corollary ? The point at issue is of the utmost simplicity. We have an administrative clean cut. The financial clean cut follows that ; there is really no one who believes that it would be well to go back and divide the administration of the remaining heads of revenue ; the only doubt is about income-tax, and I think I have given the Assembly adequate reasons for believing that Income-tax ought to be Central. That is the simple problem before the House, added to this,—that if the re-allocation in itself, accompanied as it might be with very undesirable administrative consequences—if the re-allocation were to lead to the industrial Provinces getting a substantially larger share of their income-tax than at present, then either we should have to make up the difference or the other Provinces would have to do so. I ask the Assembly, therefore, to dismiss from their minds all theoretical questions of equity, and to concentrate on the practical problem I have stated.

We may be told, of course, and indeed it has been suggested by Sir Montagu Webb, that we need not, in any re-arrangement of our mutual finances, go in for the division of sources of revenue, and may avoid therefore the consequences to which I have referred. All that a Royal Commission need do would be to lay down a proper system of contributions from the Provinces to the Government of India. They would be given as a proportion or a percentage of the total revenues of the Province. Now that of course need not necessarily interfere with our administrative clean cut : it would only amount in some shape or form to a re-adjustment of the present contributing system. But is the proposal in itself feasible ? It assumes that we can now predicate to a Royal Commission what our revised minimum requirements—in other words, our deficit, would amount to. Can we do that at present ? Is the state of finance in India and in the world such that we could with any confidence lay before a Royal Commission a statement of our minimum requirements ? We tried to do so once before, when we placed our budget before Lord Meston's Committee. And perhaps I may in parenthesis transfer from Lord Meston to the Government of India some of the criticism which has been directed against him ; his Committee merely proceeded

[Sir Malcolm Hailey.]

on the figures given in the Budget for 1920-21. The circumstances in which we stood were abnormal, though perhaps we did not recognize the fact fully enough; and our estimate has proved fallacious. Can we proceed with full confidence now, when we still have to explore the effects of retrenchment, when we can prophecy nothing—even the wisest heads among you can prophecy nothing—as to the future course of exchange, when it is exceedingly doubtful whether our railways are going to yield us a clear profit and when it is even doubtful whether we should be allowed to take to general revenues any part of the profit they might yield? That is one difficulty, but it is not the greatest. The greatest difficulty is exactly that to which Sir Montagu Webb referred, but which he did not—and wisely did not—explore, that is to say, that when you have the minimum requirements of the Government of India laid down, when you have achieved the by no means easy task of getting the Provinces also to accept them, when you have that accepted minimum, you have still to hit on some ideal and equitable basis of distribution as between the provinces. Is that a task which anybody here believes could readily be achieved? I know that Lord Meston's Committee laid down what has been called an ideal standard, but that was for temporary purposes only, pending the remission of contributions, and bore reference only to the conditions in which provinces happened to find themselves as the result of pre-Reform finances. What you are suggesting is that a Royal Commission should give over a course of years some absolutely equitable basis of distribution as between the Provinces which will command general acceptance. Imagine how the backward Province would demand that it should not suffer for its backwardness in the past and demand that its scale of expenditure should at once come up to that of a forward Province. Imagine how the maritime Provinces would demand that on the Revenue side should be taken into account what is collected in their ports in the way of Customs. Why, the whole course of our debate to-day shows to my mind that it would be setting the Royal Commission a task which would be almost impossible.

Sir Montagu dePomeroy Webb : Lord Meston's Committee did it in three weeks.

The Honourable Sir Malcolm Hailey : Lord Meston's Committee did not pretend to do it, and I repudiate any suggestion that Lord Meston's Committee claimed to do anything of the kind. They investigated the problem indeed, and the Honourable Member knows as well as I do what they said about its difficulties. They did not pretend to lay down a permanent equitable distribution between the Provinces. They only said that in the existing condition of the Provinces, a reasonable plan to follow until the contributions were remitted would be the one which they laid down. Well, Sir, that is the difficult problem which we are to place before a Royal Commission. And what would be the immediate effects of so doing? We in this Assembly have made some effort to meet our deficits. We have taken courage and put on a very considerable amount of taxation; the problem of attempting equilibrium in this way still lies before the Provinces. Commence your inquiries. Suggest to the Provinces that there is an ideal distribution possible and that somehow or other an allocation might be obtained which would

give relief to one or the other if not to all. And what becomes of any attempt on their part to square their revenue and expenditure? Naturally they stand firm; very naturally there will be a strong party which will hope that there is somewhere in the hands of the Government of India an inexhaustible fund of resources from which their wants may be supplied. You know as well as I know that no such inexhaustible fund exists. If ever this problem is to be inquired into again, it must be inquired into when the whole question of administrative allocation is also taken up. It is, I claim, entirely premature to suggest that we should take it up at present. I have given reasons for thinking that it will be difficult, exceedingly difficult to take it up at any time with any hope of success; I am certain at all events that it would be unwise to take it up until a Royal Commission takes up the question of administrative reallocation. Sir, I have had to oppose this amendment. It might perhaps have been wiser on my part, as Mr. Lindsay suggested, not to have done so. If I had been a little more careful of the interests of the Central Government I should perhaps have come down here, wreathed in some of those smiles which some of my Honourable friends have attributed to me to-day, and I should have accepted this amendment. Why? Because I know that the estimate on which the Meston award was passed was over-sanguine where the interests of the Central Government were concerned. I know that if they were going into the question to-day, they would probably have to ask the provinces, not for $9\frac{1}{2}$ crores, but perhaps for 20 crores. (Cries of "Let them do it.") The Honourable Members who answer in this way have great courage; but are they really prepared to answer for their provinces? They say to-day "Give us our ideal redistribution; and no matter what the province has to pay, we will pay." (Cries of "Certainly.") Well, I admire their valour; I fancy, however, that when they got back to the province and heard what the province had to say their valour would yield to discretion. (*A Voice*: "Why don't you accept it?") I did not accept it for a simple reason; because we want some stability; because great as are our needs, I also think the difficulties of the provinces have to be considered. I did not accept it for these reasons; I would not advise the House to accept it for those reasons. We want at all events, perhaps not a real finality, but some breathing space over this question. I would advise the House that it would do no good by raising this question of a Royal Commission now; I believe there will be great unsettlement in all the provincial legislatures, far exceeding in its practical effects any unsettlement in their minds which may come from the sense that they are paying too much to the Government of India. In other words, I believe that its practical effects would be harmful rather than otherwise.

Mr. President: Amendment moved:

'That all words after the words 'the Governor General in Council,' be omitted and the following be substituted:

'that the Provincial contributions as fixed at present under the Devolution Rules having been found unworkable in the case of many provinces, immediate steps be taken to examine through a Royal Commission or any other impartial agency, the financial relations between the Central and Provincial Governments, as now laid down in the Devolution Rules, with a view to a more satisfactory allocation of revenues.'

[Mr. President.]

The question is that that amendment be made.

The Assembly then divided as follows :

AYES—27.

Abdulla, Mr. S. M.
 Ahmed, Mr. K.
 Akram Hussain, Prince A. M. M.
 Bagde, Mr. K. G.
 Barodawala, Mr. S. K.
 Bridge, Mr. G.
 Chaudhuri, Mr. J.
 Ghose, Mr. S. C.
 Hajeebhoy, Mr. Mahomed.
 Hudson, Mr. W. F.
 Hussanally, Mr. W. M.
 Jannaldas Dwarkadas, Mr.
 Joshi, Mr. N. M.
 Kamat, Mr. B. S.

Latthe, Mr. A. B.
 Lindsay, Mr. Darcy.
 Manmohandas Ramji, Mr.
 Mitter, Mr. K. N.
 Mukherjee, Mr. J. N.
 Mukherjee, Mr. T. P.
 Neogy, Mr. K. C.
 Percival, Mr. P. E.
 Saklatvala, Mr. N. B.
 Sarvadhikary, Sir Deva Prasad.
 Shahani, Mr. S. C.
 Vishindas, Mr. H.
 Webb, Sir. M. dePouroy.

NOES—68.

Abdul Majid, Shaikh.
 Abdul Quadir, Maulvi.
 Agarwala, Lala Girdharilal.
 Allen, Mr. B. C.
 Arbuthnot, Mr. R. E. V.
 Asad Ali, Mir.
 Asjad-ul-lah, Maulvi Miyan.
 Ayyar, Mr. T. V. Seshagiri.
 Bajpai, Mr. S. P.
 Barua, Mr. D. C.
 Bhargava, Pandit J. L.
 Bradley-Birt, Mr. F. B.
 Burdon, Mr. E.
 Butler, Mr. M. S. D.
 Clarke, Mr. G. R.
 Cotelingam, Mr. J. P.
 Crookshank, Sir Sydney.
 Dalal, Sardar B. A.
 Das, Babu B. S.
 Das, Pandit R. K.
 Davies, Mr. R. W.
 Gajjan Singh, Sardar Bahadur.
 Gidney, Lieut.-Col. H. A. J.
 Ginwala, Mr. P. P.
 Gour. Dr. H. S.
 Gulab Singh, Sardar.
 Hailey, the Honourable Sir Malcolm.
 Hullah, Mr. J.
 Iwar Saran, Munshi.
 Jatar, Mr. B. H. R.
 Lakshmi Narayan Lal, Mr.
 Mahadeo Prasad, Munshi.

Man Singh, Bhai.
 Misra, Mr. B. N.
 Misra, Mr. P. L.
 Moir, Mr. T. E.
 Vndaliar, Mr. S.
 Muhammad Hussain, Mr. T.
 Muhammad Ismail, Mr. S.
 Nabi Hadi, Mr. S. M.
 Nand Lal, Dr.
 Pyari Lal, Mr.
 Ramayya Pantulu, Mr. J.
 Rangachariar, Mr. T.
 Reddi, Mr. M. K.
 Sapru, the Honourable Dr. T. B.
 Sarfaraz Hussain Khan, Mr.
 Shahab-ud-Din, Chaudhri.
 Singh, Babu B. P.
 Singh, Mr. S. N.
 Sinha, Babu Adit Prasad
 Sinha, Babu Ambika Prasad.
 Sinha, Babu L. P.
 Slocock, Mr. F. S. A.
 Sohan Lal, Bakhshi.
 Srinavasa Rao, Mr. P. V.
 Ujagar Singh, Baba Bedi.
 Venkatapatiraju, Mr. B.
 Vincent, the Honourable Sir William.
 Waghorn, Colonel W. D.
 Way, Mr. T. A. H.
 Yamin Khan, Mr. M.
 Zahiruddin Ahmed, Mr.

The motion was negatived.

Mr. B. N. Misra (Orissa Division : Non-Muhammadan) : I withdraw my amendment, Sir.

Mr. S. C. Shahani (Sind Jagirdars and Zamindars : Landholders) : Sir, I beg to move that the Provincial Contributions be abolished. My reasons for this amendment are that provincial contributions militate against provincial autonomy and responsible Government. This was the idea which animated the Montagu-Chelmsford Reforms.....

The Honourable Sir Malcolm Hailey : I rise to a point of order, Sir. The Resolution now before the Council is that certain contributions be given. I put it to you that under Standing Orders an amendment cannot be moved which simply amounts to a negative vote.

Mr. President : The proposal would mean a negative vote.

Mr. Nand Lal : Sir, at this late hour of the day, I do not wish to tax the patience of the House.

(*An Honourable Member* : I move, Sir, that the question be now put.)

Mr. President : The question is :

“ This Assembly recommends to the Governor General in Council that the present total Provincial contributions to the Central Exchequer be reduced by two crores of rupees, the benefit of such reduction being immediately given to the provinces of Madras, United Provinces and Punjab.”

The Assembly then divided as follows :

AYES—38.

Abdul Majid, Shaikh.
Abdulla, Mr. S. M.
Agarwala, Lala Girdharilal.
Azad Ali, Mir.
Asjad-ul-lah, Maulvi Miran.
Ayyar, Mr. T. V. Seshagiri.
Bagde, Mr. K. G.
Bajpai, Mr. S. P.
Barua, Mr. D. C.
Bhargava, Pandit J. L.
Cotelingam, Mr. J. P.
Das, Pandit R. K.
Davies, Mr. R. W.
Gajjan Singh, Sardar Bahadur.
Gulab Singh, Sardar.
Iswar Saran, Munshi.
Jatkar, Mr. B. H. R.
Latthe, Mr. A. B.
Mahadeo Prasad, Munshi.

Man Singh, Bhai.
Moir, Mr. T. E.
Mudaliar, Mr. S.
Muhammad Hussain, Mr. T.
Nabi Hadi, Mr. S. M.
Nand Lal, Dr.
Pyari Lal, Mr.
Ramayya Pantu'u, Mr. J.
Rangachariar, Mr. T.
Reddy, Mr. M. K.
Shahab-ud-Din, Chaudhri.
Shahani, Mr. S. C.
Sohan Lal, Bakhshi.
Srinivasa Rao, Mr. P. V.
Subrahmanayam, Mr. C. S.
Ujagar Singh, Baba Bedi.
Venkatapatiraju, Mr. B.
Way, Mr. T. A. H.
Yamin Khan, Mr. H.

NOES—48.

Abdul Quadir, Maulvi.
Agnihotri, Mr. K. B. L.
Ahmed, Mr. K.
Akram Hussain, Prince A.M.M.
Allen, Mr. B.C.
Arbuthnot, Mr. R. E. V.
Barodawala, Mr. S. K.
Bradley-Birt, Mr. F. B.
Bridge, Mr. G.
Burdon, Mr. E.

Butler, Mr. M. S. D.
Crookshank, Sir Sydney.
Dalal, Sardar B. A.
Das, Babu B. S.
Ginwala, Mr. P. P.
Hailey, the Honourable Sir Malcolm.
Hajiebhoy, Mr. Mahomed.
Hudson, Mr. W. F.
Hullah, Mr. J.
Hussanally, Mr. W. M.

[Mr. President.]

NOES—48—*contd.*

Jannadas Dwarkadas, Mr.
Joshi, Mr. N. M.
Kamat, Mr. B. S.
Lakshmi Narayan Lal, Mr.
Lindsay, Mr. Percy.
Mannohandas Ramjee, Mr.
Misra, Mr. B. N.
Misra, Mr. P. L.
Mitter, Mr. K. N.
Muhammad Ismail, Mr. S.
Mukherjee, Mr. J. N.
Mukherjee, Mr. T. P.
Percival, Mr. P. E.
Saklatvala, Mr. N. B.

Sapru, the Honourable Dr. T. B.
Sarfaraz Hussain Khan, Mr.
Satyadhikary, Sir Deva Prasad.
Singh, Babu B. P.
Singh, Mr. S. N.
Sinha, Babu Adit Prasad.
Sinha, Babu Ambika Prasad.
Sinha, Babu L. P.
Sloccock, Mr. F. S. A.
Vincent, the Honourable Sir William.
Vishindas, Mr. H.
Waghorn, Colonel W. D.
Webb, Sir M. dePomeroy.
Zahiruddin Ahmed, Mr.

The motion was negatived.

Mr. President : I may remind Honourable Members that to-morrow is the last day on which nominations for the new Standing Committees attached to Government Departments can be received at the Secretary's office, and that elections will be taken on Monday and Tuesday.

The Assembly then adjourned till Eleven of the Clock on Friday, the 15th September, 1922.