

1st March, 1921

THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)

FIRST SESSION
OF THE
LEGISLATIVE ASSEMBLY, 1921



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CONTENTS

	PAGE
THURSDAY, 3RD FEBRUARY, 1921	1-4
Opening Speech.	
Oaths.	
Election of Deputy President.	
Closing Speech.	
SATURDAY, 5TH FEBRUARY, 1921	5-6
Oaths	
Election of Deputy President.	
Government Business for 15th February, 1921.	
WEDNESDAY, 8TH FEBRUARY, 1921	7-18
Oath	
H. E. the Viceroy's Speech.	
H. R. H. the Duke of Connaught's Speech.	
Speeches by the Presidents of the Council of State and Legislative Assembly	
H. E. the Viceroy's Closing Speech	
TUESDAY, 15TH FEBRUARY, 1921	19-
Questions and Answers.	
Procedure as regards Questions.	
Legislative Assembly (Deputy President's Salary) Bill.	
Indian Tea Cess (Amendment) Bill.	
Resolution re Martial Law Administration in the Panjab.	
THURSDAY, 17TH FEBRUARY, 1921	103-108
Oath.	
Questions and Answers.	
Precedence of Resolutions.	
Resolution re Military Expenditure of the Government of India.	
Resolution re Listed Posts in the Indian Civil Service.	
Resolution re Third Class Passengers.	
Resolution re Army in India.	
SATURDAY, 19TH FEBRUARY, 1921	109-
Questions and Answers.	
The Indian Tea Cess (Amendment) Bill.	
The Indian Penal Code (Amendment) Bill.	
The Indian Limitation (Amendment) Bill.	
The Indigo Cess (Amendment) Bill.	
The Import and Export of Goods (Amendment) Bill.	
Resolutions re the Washington Labour Conference.	

TUESDAY, 22ND FEBRUARY, 1921 295-354

Oath

Questions and Answers.

Deputy President's Salary Bill.

The Indian Limitation (Amendment) Bill.

The Indigo Cess (Amendment) Bill.

The Import and Export of Goods (Amendment) Bill.

Committee on Public Accounts.

Standing Finance Committee.

Resolution re Press Legislations.

THURSDAY, 24TH FEBRUARY, 1921 355-410

Questions and Answers.

Resolution re Female Education.

Resolution re Creation of an Indian Bar.

Resolution re Reports of Commissions and Committees.

Resolution re Raids in the N.-W. F. Province.

Nankana Sahib Tragedy.

TUESDAY, 1ST MARCH, 1921 411-506

Questions and Answers.

Committee on Public Accounts and Standing Finance Committee.

Budget for 1921-22.

The Indian Finance Bill.

The Code of Criminal Procedure (Amendment) Bill.

Bills passed by the Council of State.

The Indian Penal Code (Amendment) Bill.

The Code of Civil Procedure (Amendment) Bill.

The Calcutta University Bill.

The Indian Electricity (Amendment) Bill.

The Indian Factories (Amendment) Bill.

The Hindu Transfers and Bequests (City of Madras) Bill.

Resolution re Legislation for Registration of Trade Unions.

WEDNESDAY, 2ND MARCH, 1921 507-574

Questions and Answers.

Resolution re Raids in the North-West Frontier Province.

Resolution re Export of Cattle.

Resolution re Equality of Status of Two Chambers.

Resolution re 3 and 8½ per cent. Securities.

Resolution re Meetings of the Legislative Assembly.

SATURDAY, 5TH MARCH, 1921 575-650

Questions and Answers.

Resolution re Meetings of the Legislative Assembly.

Resolution re English Translation of Accounts and Statements of Income.

Resolution re Bihar and Orissa Executive Council.

Resolution re Inquiry into the Causes of Non-Co-Operation Movement.

	PAGE
MONDAY, 7TH MARCH, 1921	651—714
Oaths.	
Questions and Answers.	
Notice <i>re</i> Discussion on General Demands.	
Resolution <i>re</i> Select Committee on Esher Committee's Report.	
General Discussion on the Budget.	
TUESDAY, 8TH MARCH, 1921	715—794
Questions and Answers.	
General Discussion on the Budget.	
WEDNESDAY, 9TH MARCH, 1921	795--812
Oath.	
Statement laid on the Table.	
The Budget :	
Discussion on Demands .	
(Second Stage).	
THURSDAY, 10TH MARCH, 1921	813—905
Questions and Answers.	
The Budget :	
Discussion on Demands.	
(Second Stage).	
APPENDIX	i—lvii

LEGISLATIVE ASSEMBLY.

Tuesday, 1st March, 1921.

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

MEMBERS SWORN :

Rai Nishikanta Sen Bahadur, M.L.A.; Mr. Syed Haider Karrar Jafri, M.L.A.

QUESTIONS AND ANSWERS.

RANGOON UNIVERSITY BILL.

299. **Mr. P. P. Ginwala :** Will the Government be pleased to state whether before according its administrative approval to the Rangoon University Bill, 1920, the Bill was scrutinised by it in the light of such of the general recommendations of the Sadler Commission, as were applicable to all new Universities of the centralized and residential type to be established in the future, and, if so, which of such recommendations were in respect of the Rangoon University :

- (i) adopted by the Government of India ;
- (ii) suggested as worthy of adoption by the Government of Burma ;
and
- (iii) adopted by the Government of Burma ?

Mr. H. Sharp : Before the Government of India accorded approval to the introduction of the Rangoon University Bill, the question of the extent to which its provisions accorded with the general recommendations of the Calcutta University Commission was carefully considered. The Government of India held that the divergencies in the Bill from those recommendations were largely due to the peculiar conditions prevailing in Burma and that the scheme set forth, as it developed, would, in time to come, conform with the more important of those recommendations. It may also be mentioned that the Government of Burma delayed the submission of the scheme in order that the Commission's recommendations might be considered.

LEGISLATION FOR THE RANGOON UNIVERSITY.

300. **Mr. P. P. Ginwala :** Will the Government be pleased to state :

- (a) whether the Sadler Commission did not in paragraph 3 of Chapter L of their report lay it down as a general proposition that it was 'essential that fundamental University legislation should continue to be, for British India, a function of the Imperial Government'?

- (b) If the answer is in the affirmative, whether any, and if so, what special reasons existed for a departure by the Government of India from this recommendation in the case of the Rangoon University ?

Mr. H. Sharp: (a) The reply is in the affirmative.

(b) The Government of India considered that, in view of the position of Burma, legislation in the local Council would be suitable. As regards the general question of legislation for new Universities, the attention of the Honourable Member is drawn to section 80A of the Government of India Act and the rules framed under section 45A.

OFFICIALIZATION OF THE RANGOON UNIVERSITY.

301. Mr. P. P. Ginwala: Will the Government be pleased to state :

- (a) whether the Sadler Commission did not generally recommend that the Universities of the future should, as far as possible, be autonomous, and free from internal Government control ? and
- (b) if so, whether the Government is aware that the University 'Authorities' constituted under the Rangoon University Act, 1920, consist of :
- (i) the Chancellor who is the Lieutenant-Governor,
 - (ii) the Vice-Chancellor who is appointed by the Lieutenant-Governor as Chancellor,
 - (iii) the Council, of whom by far the larger majority are either Government officials or nominees of the Lieutenant-Governor as Chancellor ?
 - (iv) the Senate, of which all except four members are, directly or indirectly, nominated by the Lieutenant-Governor as Chancellor ?

Mr. H. Sharp: (a) The reply is in the affirmative.

(b) The Government of India are aware of the constitution of the authorities under the Rangoon University Act. The description of the Senate given by the Honourable Member appears to be correct. But it is doubtful whether the same can be said of the Council.

PROFESSORIAL APPOINTMENTS IN THE RANGOON UNIVERSITY.

302. Mr. P. P. Ginwala: Will the Government be pleased to state :

- (a) whether it is a fact that in the case of the Dacca University and of all Universities to be established in Bengal, the Sadler Commission recommended that the Professors of the University should be appointed by special selection committees ?
- (b) whether it is aware that all Professors under the Rangoon University Act are to be appointed by the Chancellor, and if so, whether there are any special reasons for allowing the Chancellor to make such appointments in Rangoon ?

Mr. H. Sharp: (a) The reply is in the affirmative.

(b) The Professors will be appointed by the Chancellor. The number of these Professors was, at least in the first instance, to be ten, and all Professors must be members of the staff of one or other of the constituent colleges. One of these colleges is placed, by the provisions of the Act, under a Governing Body. The other is a privately managed institution. Hence the arrangement at Rangoon is different from that contemplated by the Commission at Dacca and Calcutta.

HEDJAZ PILGRIMS.

303. Haji Wajihuddin: Will the Honourable Member in charge of the Foreign Department please say whether the Government is aware of the hardships and sufferings that Hedjaz pilgrims underwent last year on their journey from Mecca to Medina? And of anarchy and want of peace prevailing in Medina?

Mr. H. Sharp (on behalf of the Honourable Mr. Denys Bray): The Government of India have received reports that the Hedjaz pilgrims met with hardships last year on the road from Mecca to Medina, but the reports did not indicate the existence of a state of anarchy and want of peace in Medina.

NON-CO-OPERATION MOVEMENT.

304. Mr. Darcy Lindsay: Will the Government of India state what course they propose adopting to counteract the non-co-operation movement and arrest its spread and otherwise afford protection to those who oppose the movement and wish to live in peace?

Mr. S. P. O'Donnell: The policy of the Government of India has been indicated in the Resolution published on 6th November. The Government of India are consulting Local Governments as to the necessity for further action, but all replies have not been received.

COMPOSITION OF THE PUBLICITY DEPARTMENT.

305. Mr. Darcy Lindsay: Will the Government of India give information as to the composition of the Publicity Department, its present activities and ability to undertake and deal with the work of distributing true knowledge to the people of India on the aims and objects of the new form of government, and also the wide distribution of a *résumé* of the speeches delivered by His Royal Highness the Duke of Connaught, His Excellency the Viceroy and the Princes of India at the recent ceremonies held in Delhi and Raisina including the speeches to the Indian Army?

Mr. S. P. O'Donnell: The Honourable Member no doubt refers to the Central Bureau of Information. It is under the general control of the Home Department and consists of Professor Rushbrook-Williams and Mr. R. S. Bajpai, with a small office staff.

The present activities of the Central Bureau of Information fall under the following heads:

- (a) Collecting and supplying to provincial publicity organisations authoritative information upon matters of all-India interest in which the public is interested.

- (b) Bringing to the notice of the different Departments of the Government of India topics upon which statements can usefully be made.
- (c) Placing before the public information which Government considers should be made widely known.
- (d) Supervising the diffusion of correct information about India in other countries, especially England and America.

Government is satisfied of the ability of the Bureau and of the provincial departments affiliated to it to disseminate true knowledge of the aims and objects of the new form of Government, and the Bureau has in fact done a great deal in this direction by the use of leaflets, pamphlets and posters. The attention of many newspapers, English and vernacular, have also been drawn to the necessity for explaining the Reforms. The Bureau is also assisting in the steps taken for the wide distribution of the speeches delivered by His Royal Highness the Duke of Connaught.

INDUSTRIAL DISPUTES.

306. **Mr. N. M. Joshi :** (a) Have Government formulated any scheme for the settling of industrial disputes? And, if so, what is its nature?

(b) Will Government be pleased to place a copy of the scheme together with the opinions of the Local Governments, if any, on the table?

(c) Do Government propose to take any legislative steps as regards this matter?

The Honourable Sir Thomas Holland : The Honourable Member is referred to the answer given to Question No. 266 put by Mr. Mahmood S'Chamnad Sahib Bahadur on the 22nd February 1921. As stated then, it is not possible to put forward any uniform proposals on this subject. The Government of India have given continuous attention to this matter for some months past, and I believe several Local Governments have done the same, but no definite scheme has been prepared, and, for the reasons given before, it does not seem practicable to take any legislative steps in the near future.

MADRAS LOCAL BOARDS ACT, 1920.

307. **Mr. M. K. Reddiyar :** (a) Will the Government be pleased to state if any memorial has been received from the Jennies and Market owners of Malabar regarding certain provisions of the Madras Local Boards Act of 1920 and to lay on the table a copy of the same, if the answer is in the affirmative?

(b) Is it a fact that certain provisions in the said Act will diminish the income-tax now levied on the income from private markets, and, if so, do the Government of India propose to direct that no action of the Local Government ought to encroach on the financial resources of the Government of India?

Mr. H. Sharp : (a) Memorials, as described in the question, were received addressed to His Excellency the Viceroy and Governor General in Council, objecting to certain provisions of the Madras Local Boards Act, 1920. These memorials, which were rejected by the Governor General in Council after careful consideration, were returned in original to the Government of Madras who had forwarded them.

(b) No information is available regarding the income tax at present levied on incomes from private markets in the Madras Presidency, but it may be pointed out that 'a tax on private markets' is one of the taxes which local bodies are authorised to impose under schedule II of the Scheduled Tax Rules.

MADRAS LOCAL BOARDS ACT, 1920.

308. **Mr. K. M. Nayar**: Will the Government be pleased to state if there has been any encroachment on the financial resources of the Government of India by certain provisions regarding private markets in the Madras Local Boards Act of 1920?

The Honourable Mr. W. M. Hailey: I would refer the Honourable Member to the answer which has just been given to the Honourable Mr. Krishnaswamy Reddiyar by my Honourable friend, Mr. Sharp.

RAILWAY LINE FROM MANGALORE TO BOMBAY.

309. **Mr. K. M. Nayar**: Will the Government be pleased to state if there is a proposal to extend the railway line from Mangalore to Bombay?

Colonel W. D. Waghorn: There is no proposal before Government to extend the railway line from Mangalore to Bombay.

PROVISION FOR FAMILIES OF GOVERNMENT SERVANTS.

310. **Mr. K. M. Nayar**: Do the Government propose to consider the desirability of instituting some method of providing for the families of Government servants who happen to die after long and faithful service before earning a pension?

Mr. S. P. O'Donnell: Government has now under consideration the recommendation made by the Public Services Commission for the institution of a general family pension fund.

At present provision can be made for the families of Government servants (excluding the Indian Civil Service) in the following ways: For families of Government servants who may meet with death in the performance of a duty which is attended with extraordinary bodily risk, provision already exists in the Civil Service Regulations for the grant of a pension or gratuity—*vide* Articles 734—744, Civil Service Regulations.

There is also in existence a fund known as the 'Compassionate Fund' which is intended for the relief of families of Government servants left in indigent circumstances through the premature death of the person upon whom they depended for support. But, as the annual grant sanctioned for the purpose is only Rs. 35,000, the concession is restricted to cases of an exceptional character.

Government servants are expected to make suitable provision for their families during their lifetime, and inducements for this purpose are offered by Government in the shape of various Funds, *e.g.*, General Provident Fund, Bengal and Madras Service Family Pension Fund and the Postal Insurance Fund; it may be mentioned that the maximum limit of the amount for which

an insurance can be effected has recently been raised from Rs. 4,000 to Rs. 10,000.

PROVINCIAL CIVIL SERVICE.

311. **Mr. K. M. Nayar** : Will the Government be pleased to state when final orders may be expected as regards the revised scale of pay for the officers of the Provincial Civil Service holding listed appointments?

Mr. S. P. O'Donnell : The Secretary of State is being addressed on the subject and it is hoped that final orders will not be long delayed.

INDIAN LAW REPORTS.

312. **Dr. H. S. Gour** : (a) Is the Government aware that the publication of the Indian Law Reports series is causing grave dissatisfaction to its subscribers, both on account of the long delay in publishing cases, many cases months after their appearance in private reports, and the issue of the monthly parts and the general Index several months in arrears; and the publication therein of ill-chosen cases and omission therefrom of many important ones?

(b) Do the Government propose to direct an inquiry and consider the advisability of appointing an independent Council of Law Reporting for India in order to ensure the better selection and earlier publication of all cases of importance determined by the several High Courts?

(c) In this connection would the Government be pleased to lay on the table a statement showing :

- (i) the number of copies of the Indian Law Reports sold;
- (ii) if any are distributed free; or at concession rates;
- (iii) the remuneration paid to the Editor and Reporters;
- (iv) the net profits realized by Government?

The Honourable Dr. T. B. Sapru : Parts (a) and (b). I would refer the Honourable Member to the answer given by me on the 17th February last to Question No. 122 asked by Lala Girdhari Lal Agarwala. If a Committee can be appointed as suggested in that answer, it might possibly consider the question of an independent Council of Law Reporting for India.

Part (c)—(i) the number of copies of the complete series of the Indian Law Reports sold during 1920 was 2,485. In addition to these, copies of the different local series were also sold but figures are not available;

(ii) the number of copies distributed free of charge to Government officials during 1920 was 1,758. No copies are supplied at concession rates;

(iii) the remuneration paid to Editors and Reporters including establishment charges during 1919 was Rs. 60,409-7-0;

(iv) during 1919 a loss was sustained by Government on account of Indian Law Reports amounting to Rs. 2,244-2-6 as against a net profit of Rs. 11,326-9-8 during the preceding year.

The figures under heads (iii) and (iv) of this part of the question are not yet available in respect of the year 1920.

IRRIGATION WORKS.

313. **Babu K. C. Neogy :** (a) Will the Government be pleased to make a statement showing, province by province, the total capital sums spent by the Governor General in Council upon the construction of productive and protective irrigation works and of such other works financed from loan funds, that are henceforth to be treated as advances made to the Local Governments from the revenues of India?

(b) What would be the total amount of interest annually due from each Provincial Government on these advances?

The Honourable Mr. W. M. Hailey : A statement is laid on the table.

	Outlay on Productive and Protective Ir- rigation Works to end of 1920-21.	Interest payable by Provincial Government.
	Rs.	Rs.
Madras	9,17,21,000	31,29,000
Bombay	1,32,07,000	32,54,000
Bengal	1,17,61,000	4,04,000
United Provinces	12,28,98,000	42,01,000
Punjab	31,92,36,000	74,24,000
Burma	2,66,84,000	(a)
Bihar and Orissa	6,08,66,000	20,35,000
Central Provinces	3,54,82,000	14,54,000
Total	68,18,55,000	2,19,01,000

(a) The Government of Burma will repay the whole amount of capital outlay from the Provincial balance at the end of the current year.

PIECE-WORKERS IN THE GOVERNMENT OF INDIA PRESSES.

314. **Babu K. C. Neogy :** (a) With reference to the statement made by the Honourable Sir Thomas Holland in the Indian Legislative Council on the 14th September 1920, that he would review, month by month, the pay sheets of the piece-workers in the Government of India Presses, in order to have an exact idea of the effect of the new piece-rates, will Government be pleased to state the result of the said monthly review in the case of the different classes of employees (from 29 class to 19 class) up to the end of December 1920?

(b) Is it a fact that certain Mono and Lino correctors petitioned Government on or about the 17th November 1920, alleging that their earnings for the month of October showed a marked falling off from their earnings under the old system?

(c) What action do Government propose to take if the said allegation be true?

The Honourable Sir Thomas Holland: (a) The pay sheets of the different classes of piece-work employees in the Government of India presses at Calcutta, Delhi and Simla have been reviewed. The figures for the month of October do not afford a fair basis for comparison on account of the fact that in many cases the men did not work the full number of days. In November and December, as was expected, there has been a considerable increase in the hourly earnings of the men in all classes and as a rule the earnings of the men who have worked for the full time permissible under the new conditions have been greater during these two months than their earnings in the corresponding months of the previous year, in spite of the fact that the number of hours worked was less. It has not been possible to tabulate the average earnings of each class under the old rates and the new rates for purposes of ready comparison within the time available but I shall be glad to shew the Honourable Member the comparative statements available in my office.

(b) The answer is in the affirmative.

(c) It is true that the earnings of most of the men in the machine composition correcting section of the Calcutta Press were in the month of October 1920 less than their earnings in the corresponding month of the previous year, but these men are paid at hourly rates and the fall in their earnings during the month of October 1920 was due to the fact that the numbers of hours worked were considerably less than the numbers of hours worked in October 1919. The average hourly earnings of the men in question increased from 2 annas 8·8 pies in October 1919 to 3 annas 1·3 pies in October 1920. In the months of November and December 1920, the total as well as the hourly earnings of every man who worked a reasonable number of hours were greater than his earnings in November and December 1919.

STANDING COMMITTEES OF THE INDIAN LEGISLATURE.

315. **Babu K. C. Neogy:** Will Government be pleased to state their intentions in regard to the proposal of associating Standing Committees of the Indian Legislature with different Departments of the Government of India, and the particulars of any scheme which they may have drawn up in connection therewith?

Mr. S. P. O'Donnell: As the Honourable Member is aware a Standing Finance Committee of this Assembly has been appointed. It is not proposed—at present at any rate—to appoint any other Standing Committee of the Legislature.

INSPECTOR OF OFFICE PROCEDURE.

316. **Babu K. C. Neogy:** Will the Government be pleased to state:

(a) the functions of the office of the Inspector of Office Procedure?

- (b) the name of the officer in charge of the office, his previous appointments and special qualifications for holding the appointment and his pay?
- (c) whether the appointment was advertised before it was filled by the present incumbent?
- (d) the consideration that determined his rate of pay?
- (e) the expenditure incurred up to the end of December 1920, for maintaining the office?
- (f) whether any material changes have been introduced by the officer in the working in any of the Departments, and, if so, the nature of such changes?

Mr. S. P. O'Donnell : (a) the attention of the Honourable Member is invited to the Government of India Resolution No. 2866, dated the 15th September 1920, published in the Gazette of India, of the 18th September 1920, in which the recommendations of the Government of India Secretariat Procedure Committee and the action taken or decision arrived at by the Government of India were set out. The appointment of Inspector of Office Procedure was created on the recommendation of that Committee, and the functions of the officer holding this appointment are to give effect to the recommendations of the Committee for the improvement of the organization of, and the procedure in, the Government of India Secretariat and attached offices. The present incumbent of the appointment is also a member of the Staff Selection Board.

(b) **Mr. R. J. Watson.** Prior to his appointment as Inspector of Office Procedure, Mr. Watson had had very considerable experience in the organization of commercial offices in England and in India, and he was then Controller of Office Systems and Inspector of Judicial Offices in Bengal, Bihar and Orissa and Assam for many years. Mr. Watson at present draws Rs. 2,250 per month.

(c) No.

(d) The duties of the appointment.

(e) Rs. 16,745-11-0.

(f) It had originally been proposed that the revised procedure recommended by the Secretariat Procedure Committee should be given a trial in one Department of the Government of India. Owing to various circumstances that trial has not yet begun. Mr. Watson has, however, been very fully employed in examining and reporting on the organization of certain Departments of the Government of India and of certain attached offices and has already effected economies in the recurring expenditure of these offices which amount to sums many times in excess of his annual salary. He has also worked as a Member of the Staff Selection Board.

GOVERNMENT OF INDIA CLERKS.

317. **Mr. M. G. Ayyangar :** (a) Have the Government received memorials from the clerks of the second division of the Government of India Secretariat praying that the period of 25 years at the end of which only they get the maximum pay of the grade be reduced to 20 years as in the case of assistants?

(b) If so, when?

(c) Is the matter receiving the consideration of the Government?

Mr. S. P. O'Donnell: (a) Yes.

(b) Between July and September 1920.

(c) Yes.

PRISON LIFE IN THE ANDAMANS.

318. **Rai G. C. Nag Bahadur:** (a) Has the attention of Government been drawn to the letter of Colonel Wedgwood published in the *Daily Herald* and the comments evoked thereby in the public press of this country, e.g., the *Servant*, a Calcutta daily, dated the 4th February 1921, and the *Bombay Chronicle*, dated the 1st February 1921, regarding the horrors of prison life in the Andamans?

(b) Are the disclosures of Colonel Wedgwood said to be based on a report supplied by Bhai Paramanand, a political prisoner recently released from the Andamans confirmed by Sir Reginald Craddock's report of his own visit to the Andamans, while Home Member of the Viceroy's Council, and by the report of Sir James DuBoulay's Prison Commission?

(c) Will the two later reports be published to put the public in possession of correct information regarding prison life in these Islands?

(d) Do the Government propose to consider the desirability of abolishing the Andamans as a penal settlement or of altering the conditions of prison life therein?

Mr. S. P. O'Donnell: (a) The attention of Government has been drawn to Colonel Wedgwood's letter, but they have not seen the newspaper comments to which the Honourable Member refers.

(b) and (c). I would refer the Honourable Member to the answer given to the question asked by Mr. Seshagiri Ayyar.

(d) The decision of the Government regarding the system of transportation to the Andamans will be announced in the Resolution referred to in that answer.

EXTENSION OF MEERUT.

319. **Haji Wajihuddin:** Will the Honourable Member in the Army Department please say if there is any foundation in the rumour that Meerut is being extended by including certain villages, and if so, for what purpose?

Sir Godfrey Fell: So far as the Government of India are aware, there is no foundation for the rumour referred to by the Honourable Member. There was a proposal, some 3 years ago, to include within the Cantonment limits of Meerut, 3 villages on the ground that their insanitary condition was a menace to the health of the troops. The proposal was, however, dropped.

There is a proposal under consideration to acquire a small area to the north-east of the Cantonment as a training ground, but it is understood that there is no village on this area.

REFORMS IN CANTONMENTS.

320. **Haji Wajihuddin:** (a) Is the Government aware of the sentiments of the cantonment residents all over India to have the long overdue reforms in cantonments as soon as possible?

(b) Will the Government be pleased to state when legislation on the basis of the proposals submitted by the All-India Cantonment Association is likely to be introduced into this House?

(c) Until such legislation takes the form of an Act, do Government propose to instruct the respective Cantonment Magistrates by means of circular notices to give effect to such proposals as far as practicable?

Sir Godfrey Fell: (a) The Government of India are aware that there is a general demand on the part of the cantonment residents in India for the introduction of reforms in cantonment law. A Government of India committee is at present sitting to consider what reforms are necessary. This committee includes 4 Indian gentlemen to represent the interests of cantonment house owners and residents. The committee are, of course, taking into consideration the views expressed by the All-India Cantonments Association.

(b) Government are not able to state how soon legislation will be undertaken. The report of this committee will require consideration by the Government of India, and some little time must necessarily elapse before a bill can be introduced in this Assembly.

(c) The Government of India regret that they cannot issue instructions at present as suggested in this question. The proposals submitted by the All-India Cantonments Association would, if accepted, involve alterations in the constitution of Cantonment authorities and their duties and functions, which would require legislation to make them valid, and would also involve interference with existing leases and rights of tenancy.

Srijut Debi Charan Barua: Sir, there is a rumour that the penal settlement is going to be shifted to the Lakhimpur District of Assam. I want to ask whether there is any truth in that rumour?

Mr. S. P. O'Donnell: None.

CANTONMENT CASES.

321. **Haji Wajihuddin:** (a) Is the Government aware of the practice common in all the cantonments that the cases under the cantonment codes, etc., instituted by Cantonment Magistrates or Assistant Cantonment Magistrates or at their initiative by their subordinates, are tried by such Cantonment Magistrate or Assistant Cantonment Magistrate themselves?

(b) Do the Government propose to consider the question of issuing standing instructions that such cases may be transferred to the files of Cantonment Bench Magistrates, where such benches exist, or to any Magistrate in the headquarters of the district, where such benches do not exist?

Sir Godfrey Fell: (a) Yes.

(b) The matter is at present under the consideration of a committee convened by the Government of India to deal *inter alia* with the revision of Cantonment Law and Administration.

EXTRA ASSISTANT CANTONMENT MAGISTRATES.

322. **Haji Wajihuddin:** (a) Will the Honourable Member in the Army Department please say what is the present cadre of the Extra Assistant Cantonment Magistrates?

(b) Has there been any addition or alteration in the cadre, since it was first introduced?

(c) Is the Government aware that these officers are stationed at their respective cantonments since their first appointments, about 10 or 12 years ago?

(d) Will the Government be pleased to extend the usual practice of transference of public servants, after a certain period in the case of these officers also?

Sir Godfrey Fell: (a) The present cadre is 3.

(b) No.

(c) One of these officers has been 10 years and 6 months in his present station, the other two have been less than 9 years in their respective stations.

(d) There is nothing to prevent the transfer of these officers; the sole test to be applied is whether the public interest would best be served by transferring them or leaving them where they are.

INCOMES IN CANTONMENTS.

323. **Haji Wajihuddin:** (a) Will the Government be pleased to lay a statement on the table of the incomes derived in the principal cantonments in India, from house, water and conservancy taxes, with details showing how much of the same comes from the parts inhabited by the European and the Indian population respectively?

(b) What amount is spent for the upkeep of sanitation, light, road-watering, etc., every year, in the Bazars and on the area outside the Bazar limits?

Sir Godfrey Fell: The information asked for by the Honourable Member, so far as it is available, is being collected, and when ready a statement will be laid on the table.

HYDRO-ELECTRIC SYSTEM IN MEERUT CANTONMENT.

324. **Haji Wajihuddin:** (a) Is the Government aware that there was a joint scheme under discussion to introduce the Hydro-Electric system into the Meerut Cantonment and Municipality, and that the cantonment has not now joined in the scheme, since tenders are now being invited on behalf of the Municipality only?

(b) Will the Government be pleased to give reasons for this? Is there any separate scheme under consideration to introduce this system into the Meerut Cantonment? If not, then, do the Government propose to take steps at an early date for the introduction of this scheme?

Sir Godfrey Fell: Government are aware that a scheme for a joint hydro-electric system for the Meerut Cantonment and the Meerut Municipality has been put forward. The matter is still under the consideration of the Government of India, and it has not yet been finally decided whether the Cantonment authorities should join in the scheme or not.

Mr. Muhammad Yamin Khan: Sir, I should like to ask a supplementary question. Is Government aware that a hydro-electric scheme has already been

taken up by the Meerut Municipality and that if the Cantonments did not join in that scheme as partners now, they would not be able to join in later on.

Sir Godfrey Fell: Government are fully aware of the fact and the matter is at present under their immediate consideration.

WATER TAX IN MEERUT CANTONMENT.

325. **Haji Wajihuddin:** Is the Government aware that there is a water-tax levied in Meerut Cantonment? Is it also aware that house connections of pipe water are not available in this cantonment, and that a part of thickly populated Sudder Bazar has no stand-posts at all? Do the Government propose to consider how far this tax is justified, and what step it should take in the matter?

Sir Godfrey Fell: The answer to the first part of the question is in the affirmative.

Government has no information regarding the arrangements for the distribution of water in the Meerut Cantonment. The existence of a water-tax imposes no obligation on the Cantonment authority other than to supply sufficient water for domestic purposes at public stand-posts.

The Honourable Member's question will be brought to the notice of the local military authorities, who are primarily responsible for the administration of the Cantonment.

ARTICLE IN THE *FATEH*.

326. **Haji Wajihuddin:** Will the Honourable Member in the Education Department please say if the attention of Government has been drawn towards the article published in a daily vernacular organ of Delhi, the *Fateh*, of the 28th January 1921, on page 2 under the heading '*Mohammed Rsoolullah Sullallahowasallam ki Tohin*,' if so, (1) whether the facts are true and (2) has the Government taken or does it intend to take any action in the matter?

Mr. H. Sharp: The Government of India have seen the passage in the *Fateh* to which allusion is made. The Government of India do not know for what purpose or by what authority the book in question has been prescribed. It appears from the passage alluded to that it is prescribed for study in certain educational institutions. Such institutions form part of a provincial transferred subject. The Government of India, however, have already suggested to Local Governments and Administrations that if that book figured on the provincial list of prescribed or approved books, the desirability of removing it should be considered.

RAILWAY CARRIAGES OF 1ST AND 2ND CLASSES.

327. **Haji Wajihuddin:** (a) Will the President, Railway Board, please say if the Government has ever considered the feasibility of having railway carriages of 1st and 2nd classes to consist of equal numbers of compartments marked for '*Europeans*' and '*Indians*' separately?

(b) Do the Government propose to issue necessary instructions to the various Railway companies in the near future to carry out the above suggestion?

Colonel W. D. Waghorn: (a) and (b). Government have considered the feasibility of having railway carriages of 1st and 2nd class marked for Europeans and Indians separately, but they do not consider it desirable to make the distinction suggested.

ASSESSMENT OF INCOME-TAX.

323. Haji Wajihuddin: Will the Honourable Finance Member please lay on the table a detailed statement showing the percentage of profits (gross and net, as well as wholesale and retail) at which the income-tax was assessed during the years 1918-19, 1919-20 and 1920-21 in the cities of the United Provinces and the Punjab on the following goods:

- (1) General merchandise.
- (2) Piece goods.
- (3) Timber.
- (4) Kerosine oil.
- (5) Petrol.
- (6) Motors—sale and hire respectively.
- (7) Cycles—sale and hire respectively.
- (8) Niwar.
- (9) Medicines.
- (10) Leather goods.
- (11) Fancy goods.
- (12) Building contracts.
- (13) Bricks and lime.
- (14) Metal ware.
- (15) Furniture and crockery.

The Honourable Mr. W. M. Hailey: The question, I think, refers to rates of profit assumed by assessing officers where complete returns are not sent in. Such rates vary from place to place according to local circumstances and our income-tax returns contain no information on which the figures required could be supplied.

DEPUTY SUPERINTENDENTS OF POLICE.

329. Mr. T. M. Hussain Sahib Bahadur: (a) Is it a fact that there is serious discontent amongst the Deputy Superintendents of Police consequent on their scale of pay having the lowest minimum and maximum and the increments being spread over the longest period?

(b) Is it a fact that Deputy Superintendents stood second in order in their average pay before recommendation and they stand lowest as the result of it?

(c) Have they submitted representations on this subject, and, if so, do the Government of India propose to consider them and pass orders at an early date?

Mr. S. P. O'Donnell: (a) The officers referred to are not satisfied with the scales of pay sanctioned for them.

(b) The information is not readily available, but I will have the necessary calculation made if the Honourable Member so desires.

(c) Representations have been received. The Government will deal with them as expeditiously as possible.

APPOINTMENTS IN THE IMPERIAL POLICE.

330. **Mr. T. M. Hussain Sahib Bahadur:** (a) Has the Secretary of State fixed 11 per cent. of the appointments in the Imperial Police to be set apart for Deputy Superintendents?

(b) Is it not suggested by him that half of these should go to the directly recruited Deputy Superintendents and half to promoted Deputy Superintendents?

(c) Have different interpretations been put on this order in different provinces?

(d) If so, do the Government of India propose to fix the number of Superintendentships in each province to be thrown open to Deputy Superintendents?

Mr. S. P. O'Donnell: (a) Except in the case of the North-West Frontier Province and Burma, officers of the Provincial service will be promoted to the Indian (Imperial) Police so as eventually to hold 11 per cent. of the superior appointments.

(b) No such suggestion has been made.

(c) and (d). The Government of India are not aware that different interpretations have been put upon the orders in different provinces. These orders lay down clearly the percentage of superior appointments which is to be secured to the provincial service, but naturally the time which must elapse before this percentage can be worked up to will vary with the conditions obtaining in regard to the Imperial Service cadre in each province.

SUPERINTENDENTS OF POLICE IN MADRAS.

331. **Mr. T. M. Hussain Sahib Bahadur:** (a) Is it a fact that the number of Superintendentships in Madras thrown open to Deputy Superintendents is still 2, being the same as it was ten years ago?

(b) Do the Government of India propose to fix the period within which the District Superintendentships thrown open to Deputy Superintendents should be filled up in each province?

Mr. S. P. O'Donnell: During the last ten years the number of posts of Superintendents of Police for which members of the Provincial Police Service in Madras were eligible has been 5 per cent. of the total number of such posts in the Presidency. The system of recruitment to the Indian (Imperial) Police has now been changed and will be so regulated that eventually 11 per cent. of the superior appointments will be filled by the promotion of Provincial Service Officers. The time which must elapse before this percentage can be worked up to, will vary with the conditions obtaining in regard to the Imperial Service cadre in each province and action, such as that suggested by the Hon'ble Member, is not, therefore, practicable.

POLITICAL PRISONERS IN THE ANDAMANS.

332. **Mr. Pyari Lal Misra :** (a) Will Government be pleased to give the total number of political prisoners in the Andaman Island ?

(b) How many such prisoners were released under the Royal Proclamation of December 1919 ?

(c) How many still remain ? Will Government be pleased to give reasons for their detention ?

Mr. S. P. O'Donnell : (a) and (c) 47.

(b) 24.

Government consider that the release of the remaining prisoners at the present time would not be compatible with the public safety.

EXPENDITURE FOR PYLONS.

333. **Mr. Pyari Lal Misra :** Will Government be pleased to state the amount spent in erecting the pylons in honour of His Royal Highness the Duke of Connaught's visit to Delhi ?

Colonel Sir S. D'A. Crookshank : Until the accounts are closed, it is not possible to give the figure of cost of these pylons and obelisks. The estimated cost is, however, Rs. 32,500 and the sale value will probably be at least Rs. 8,000. It is anticipated, however, that there will be a saving on the estimate of about Rs. 4,000 or Rs. 5,000 which will further reduce the actual cost.

ENTRY OF MOTOR CARS IN VICEREGAL LODGE.

334. **Mr. Mohammad Faiyaz Khan :** Will the Government be pleased to state if there was any order issued to the Police authorities of Delhi, during the visit of His Royal Highness the Duke of Connaught in Delhi last week, not to allow any motor or other conveyances of Indian gentlemen (other than the Indian Ruling Princes) to enter the Viceregal Lodge ?

Mr. S. P. O'Donnell : No such order was issued.

EXEMPTION FROM THE ARMS ACT.

335. **Beohar Raghubir Sinha :** (a) Has the attention of the Government been drawn to the discussion on the Resolution in connection with the exemption from the Arms Act, moved and carried in the United Provinces Legislative Council on Tuesday, the 15th February 1921, and the reply of the Home Member sending up the proceedings of the debate to the Government of India ?

If so, will the Government make a statement in connection with the above question ?

(b) Do the Government realize that the rules under the Arms Act are not clear on the point of the exemptions or otherwise of the successors of the hereditary titleholders. If so, will the Government make clear the position of the successors of the hereditary titleholders so far as their exemption from the Arms Act is concerned ?

Mr. S. P. O'Donnell : (a) Government have seen references in newspapers to the discussion, but the formal proceedings have not yet reached them. In the circumstances, Government are not at present prepared to make any statement.

(b) Government do not share the doubt expressed by the Honourable Member. The heading to the schedule of exemptions appended to the Arms Rules clearly lays down that the persons or classes of persons specified in it are, subject to certain provisos and restrictions, exempted in respect of the arms and ammunition when carried or possessed (save where otherwise expressly stated) for their own personal use. Successors of such hereditary titleholders are consequently not exempt as such, save when they actually succeed to the title.

DISALLOWED QUESTIONS.

336. Beohar Raghubir Sinha : Do the Government realize the necessity of :

(a) informing the Members of their question or questions having been disallowed, if any, and the reasons for disallowance as early as possible prior to the holding of the Assembly meeting, in order to guide them in drafting their questions in future ?

(b) Supplying all members with printed copies of questions and answers before the Assembly meets ?

The Honourable Dr. T. B. Sapru : (a) This matter had been considered and a decision had already been arrived at, before receipt of this question, to give intimation to Honourable Members as early as possible of the disallowance of question in whole or in part, or of formal modifications made therein for the purpose of bringing the questions within the Rules and Standing Orders. The Assembly Office cannot, in these circumstances, enter into detailed explanations of the application of the Rules and Standing Orders to particular questions but the Secretary or any of his Assistants will be pleased to explain to any Honourable Member the reasons why his question either does not appear, or appears, in a modified form in the Question List.

(b) As the Honourable Member is aware, a printed list of Questions is circulated before the date of the meeting at which they are to be put and replied to. Under the Standing Orders of the Assembly answers to Questions can only be given at meetings. There is no provision either in the Rules or Standing Orders enabling answers to be supplied beforehand and there are obvious objections to the introduction of any such practice.

SCALES OF PAY IN ATTACHED OFFICES.

337. Rai Bahadur Bakshi Sohan Lal : (a) Is it a fact that in introducing a time-scale of pay in the Secretariat offices, Government have allowed past service to be counted to earn annual increments but that the members of the attached offices have not been given the benefit of this time-scale. If so, what provision has been made for the present incumbents to reach the maximum of their new grades before retirement ?

(b) Is the revised scale of pay sanctioned for the members of the attached offices proportionately much lower than that sanctioned for the Secretariat and Army Headquarters offices ?

(c) In sanctioning the percentage of pay to afford an immediate relief was the percentage adopted in proportion to the high cost of living?

(d) Has the revised scale of pay for the attached offices had effect from the 1st April 1920, while that for the Secretariat offices was sanctioned with effect from the 1st December 1919?

(e) Is it a fact that no house rent is granted to the members of the attached offices in Simla while such rent is allowed to the members of the Secretariat offices?

Mr. S. P. O'Donnell : (a) In introducing time-scales of pay, past service has been allowed to count for increments in the Secretariat offices, but not in the attached offices in which an immediate percentage increase of pay was allowed. No provision has been made in either case for the present incumbents to reach the maximum of their new grades before retirement.

(b) The scales of pay sanctioned for the attached offices are lower than those of the Secretariat or the Army Headquarters, the difference between the scales for the Secretariat and those for attached offices being based upon the class of work performed.

(c) In sanctioning percentages of pay to afford immediate relief, the rise in the cost of living was one of the factors taken into account, the percentage being higher in the lower grades which are most affected by the increase in prices.

(d) and (e). The answer is in the affirmative.

SCALES OF PAY IN ATTACHED OFFICES.

388. **Rai Bahadur Bakshi Sohan Lal :** Will the Government be pleased to state :

(a) whether it is correct or not that according to the principle laid down in paragraph 3 of the Secretary of State's Despatch No. 107, dated the 22nd September 1911, ministerial servants serving in the same station and under similar conditions should as far as possible be accorded equal treatment, and

(b) whether this principle was followed in sanctioning the revised scale of pay to the members of the Secretariat attached offices?

Mr. S. P. O'Donnell : (a) Paragraph 3 of the Secretary of State's Despatch No. 107, dated the 22nd September 1911, runs as follows :

'It is highly desirable that the remuneration of all ministerial establishments employed at any particular station, whether their salaries fall on the Military, the Imperial, Civil or the Provincial budget, should be so pitched, either directly or indirectly by means of allowances, as to give such equality of remuneration for *similar labour* as will prevent just cause of discontent.'

(b) The revision recently sanctioned for the attached offices is consistent with this principle.

REGISTRATION FEE ON V. P. ARTICLES.

339. **Chaudhuri Shahab-ud-Din:** (a) How many articles were transmitted by inland V. P. system during the twelve months preceding the date on which a registration fee of as. 2 per V. P. article was imposed last year?

(b) How many of those articles were in value :

- (i) below Re. 1,
- (ii) between Re. 1 and R2,
- (iii) between R2 and R5,
- (iv) between R5 and R10,
- (v) between R10 and R15,
- (vi) between R15 and R25,
- (vii) above R25?

(c) How many articles of the aforesaid respective values have been transmitted by V. P. system since the imposition of the registration fee of as. 2 per article?

(d) Are Government aware that this uniform rate of as. 2 per V. P. article regardless of its money value, has seriously affected the poor classes who buy medicines and books by V. P. system?

(e) Are Government prepared to reconsider the question of registration fee on V. P. articles, and

(i) to exempt medicines and books below R5 in value, or

(ii) to fix a registration fee varying according to the value of the V. P. article as is the case of fee for money orders so that the burden may fall proportionately and not uniformly as at present?

Mr. C. A. Innes: (a) The total number of articles transmitted by inland V. P. P. during the 12 months preceding the introduction of the 2 anna registration fee was 11,971,377.

(b) and (c) The Honourable Member will, I hope, understand that it is quite impossible for us to supply the detailed statistics for which he has asked. I can, however, give him the total number of articles transmitted during the 3 months following the introduction of the 2 anna registration fee. It was 2,774,952.

(d) The Honourable Member will observe that there has been no considerable falling off in the number of articles transmitted.

(e) The Honourable Member appears to be unaware that a commission is already charged for the transmission of V. P. P. articles which varies according to the value on exactly the same scale as is charged for money orders. The registration fee is a separate charge which is made in order to remunerate the Post Office for the special service required to secure the safe transmission of such articles. The Honourable Member will, I am sure, agree that safety in

transmission is necessary for all articles of value ; and at the same time, the Post Office is entitled to remuneration for the special services rendered.

EXPORT DUTY ON HIDES AND SKINS.

340. **Chaudhuri Shahab-ud-Din** : Will Government be pleased to state :

(a) what articles are at present paying an export duty and when was that duty imposed last on those articles ?

(b) what quantity of raw and tanned hides and skins was exported in the twelve months preceding the 11th September 1919, when an export duty of 15 per cent. was imposed on raw hides and skins ; and what quantity has been exported since then ?

(c) what quantity of raw hides and skins has India produced from 11th September 1919, up to the end of January 1921 ?

(d) what quantity of hides and skins has been tanned during the said period ?

(e) what quantity of hides and skins is in excess of India's own requirements ?

(f) whether they are aware that the export trade of hides and skins has suffered enormously owing to the imposition of export duty ?

(g) whether they are aware that owing to restricted export of hides and skins on account of the heavy export duty there is a great fall in their prices and consequently there is a heavy rise in the price of meat ?

(h) whether Government is prepared to reconsider the question of export duty, especially on skins ?

Mr. C. A. Innes : (a) The articles at present paying export duties are :

Rice, tea, jute and raw hides and skins. These duties were imposed in 1882, 1916, 1917 and 1919, respectively.

(b) Two statements are laid on the table.

(c) }
(d) } The Government of India have no information.
(e) }

(f) The Government are aware that the export trade in raw hides and skins is in a state of stagnation. Representations have been received from the trade that in view of this stagnation the export duty should be removed, but it has never yet been alleged by any responsible body that the export duty was the cause of the stagnation.

(g) The Government are aware that there has been a great fall in the prices of raw hides and skins owing partly no doubt to decreased exports, but they have no information that the decline in the prices of hides and skins has caused a rise in the price of meat.

(h) The Honourable Member must wait for the Budget statement.

STATEMENT I.

Statement showing the quantity (in tons) of Hides and Skins (raw and tanned) exported from India during each of the months September 1918 to September 1919.

Months.	HIDES.		SKINS.	
	Raw.	Tanned.	Raw.	Tanned.
	tons.	tons.	tons.	tons.
September 1918	722	2,385	559	...
October "	973	4,579	1,309	297
November "	427	101	582	8
December "	438	3,179	3,979	52
January 1919	1,095	5,132	2,952	904
February "	1,325	1,341	4,008	811
March "	2,765	1,474	3,587	898
April "	4,626	2,745	4,526	274
May "	5,905	1,798	2,304	452
June "	3,479	947	2,122	432
July "	7,052	2,380	4,354	449
August "	4,153	3,518	2,724	456
Total 12 months	32,960	29,577	33,006	5,033
September 1919	5,645	4,069	3,616	501

STATEMENT II.

Statement showing the quantity (in tons) of Hides and Skins (raw and tanned) exported from India during each of the months October 1919 to December 1920.

Months.	HIDES.		SKINS.	
	Raw.	Tanned.	Raw.	Tanned.
	tons.	tons.	tons.	tons.
October 1919	2,398	2,323	3,267	506
November "	6,378	1,365	1,315	360
December "	4,530	887	3,475	322
January 1920	4,279	956	1,175	370
February "	1,487	1,269	2,905	367
March "	4,818	1,766	2,665	371
April "	2,731	1,154	2,294	263
May "	3,520	186	2,310	31
June "	2,133	112	1,077	67
July "	1,099	88	1,174	62
August "	1,117	175	634	414
September "	784	229	295	184
October "	938	304	466	421
November "	554	268	638	264
December "	1,492	671	453	271
TOTAL	38,258	11,763	24,143	4,323

FISCAL COMMISSION.

341. **Mr. Jamnadas Dwarkadas:** (a) Are the Government in a position to say whether in accordance with the recommendations of the Committee of the Indian Legislative Council they propose to appoint a Fiscal Commission?

(b) If so, what are the terms of reference to the Commission?

(c) If the question of the adhesion of India to any scheme of Imperial Preference is included in the terms of reference, can the Government give any assurance that no decision will be taken as to Imperial Preference until the Commission has submitted its Report and it has been discussed in the Legislative Assembly?

Mr. C. A. Innes: With the approval of His Majesty's Secretary of State for India, the Government of India have decided to appoint a Fiscal Commission with the following terms of reference, 'to examine with reference to all the interests concerned the Tariff policy of the Government of India, including the question of the desirability of adopting the principle of Imperial Preference, and to make recommendations.' The Government of India desire to take advantage of the Honourable Member's reference to the question of Imperial Preference to make their own attitude in regard to this subject clear. In the event of some scheme of Imperial Preference being found consistent with India's interests, the Government of India hope that India will not stand aloof from such a scheme, so that India's solicitude for the solidarity of the Empire may be established. But they propose to take no decision until the question has been examined by the Commission. If, on the Report of that Commission, the principle is accepted, the principle can be given effect to only by legislation, and it will be for this Assembly to decide whether that legislation should be passed or not.

Mr. Jamnadas Dwarkadas: May I put a supplementary question, Sir? Is the Honourable Member in a position to give us the approximate date of the appointment of the Commission?

Mr. C. A. Innes: We hope that we shall be able to get the Commission started early next cold weather.

INSPECTORS AND SUB-INSPECTORS OF THE MADRAS POLICE.

342. **Mr. T. M. Hussain Sahib Bahadur:** (a) Is it a fact that the scale of pay which the Madras Government propose to give to the Inspectors and Sub-Inspectors of Police is lower than what has been sanctioned in all other provinces?

(b) Has not the Police Commission recommended a uniform scale of pay in all provinces?

(c) Have these subordinate officers submitted a large number of memorials and got no reply?

(d) Is it a fact that consequent on this information about a lower scale that there is serious discontent in Madras Presidency amongst these officers?

(e) Will the Government of India be pleased to take this into account when this matter comes up for their consideration?

Mr. S. P. O'Donnell: (a) So far as the Government of India are aware, the fact is substantially as stated.

(b) The answer is in the affirmative.

(c) and (d). The Government of India have no information.

(e) The Government of India have already accepted the proposals of the Government of Madras. The matter is one which is primarily the concern of the Local Government, and any action to modify the orders which have now been passed must be initiated by them.

COMMITTEE ON PUBLIC ACCOUNTS AND STANDING FINANCE COMMITTEE.

The Honourable the President: As the result of the election held on the 26th February 1921, I have to announce that the following Members have been elected to serve on the Committee on Public Accounts:

Mir Asad Ali Khan Bahadur.

Mr. T. V. Seshagiri Ayyar.

Babu K. C. Neogy.

Khan Sahib Mirza Muhammad Ikramulla Khan.

Chaudhuri Shahab-ud-Din.

Mr. N. M. Samarth.

Dr. H. S. Gour.

Mr. A. B. Latthe.

I have further to announce that as the result of the election held on the 26th February 1921 the following Members have been elected to serve on the Standing Finance Committee:

Mir Asad Ali Khan Bahadur.

Mr. T. Rangachariar.

Mr. Bhupatiraju Venkatapatiraju.

Mr. N. M. Joshi.

Mr. Jamnadas Dwarkadas.

Mr. J. P. Cotelingam.

Rai Jadu Nath Majumdar Bahadur.

Chaudhuri Shahab-ud-Din.

Mr. N. C. Sarkar.

Mr. J. K. N. Kabraji.

I have to make an announcement regarding two points of procedure. The Assembly will recollect that at a meeting on February the 19th, I gave a ruling that where the Member in whose name a question stands was absent, the question would lapse unless the Member of the Government to whom it was addressed elected under Standing Order 19 to answer it on grounds of public interest, and further that a fresh notice would be required if the absent Member desired to ask the question at some future meeting. I have since

[The President.]

reconsidered this matter in consultation with the Honourable the President of the Council of State and have decided that it will be more in accordance with the general convenience, on occasions where the question is not answered under Standing Order 19, to send the answer to the Member in whose name the question stood and to print it in the proceedings of the day. This procedure will accordingly be adopted in all such cases. The second point concerns the laying on the table of information supplied to a Member individually in response to a question asked by him. It has been represented to me that inasmuch as any matter which is laid on the table must also be printed in the Assembly's Proceedings, the laying on the table of all such information, which may often be of an exceedingly copious nature, will inevitably have the effect of swelling the proceedings to an inconvenient size, and will add greatly to the difficulty of expeditiously securing their publication in print. I have accordingly decided to modify the previous ruling on this point and to direct that such information shall only be laid on the table and printed in the proceedings when, in the opinion of the Member of the Government concerned, it is likely to be of general public interest. Where in pursuance of this direction the Department of the Government concerned decides, not to lay the information on the table, any Member desiring to obtain the same should apply to that Department for a copy of the information supplied to the Member asking the original question.

The following message has been received from the Council of State through the Secretary to that Council :

'I am directed to inform the Legislative Assembly that the Council of State have, at a meeting on the 28th February, agreed without amendment to the Bill to amend the Indian Tea Cess Act, 1903, which was passed by the Legislative Assembly on the 19th February 1921.

(Sd.) H. MONCRIEFF SMITH,
Secretary to the Council of State.'

Also the following message :

'I am directed to inform the Legislative Assembly that the following motion was carried in the Council of State at their meeting on the 28th February and to request the concurrence of the Legislative Assembly in the recommendation contained therein, namely, that this Council recommends to the Legislative Assembly that the Bill further to amend the Code of Criminal Procedure, 1898, and the Court-Fees Act, 1870, be referred to a Joint Committee of this Council and the Legislative Assembly and that the Joint Committee do consist of 12 Members.

(Sd.) H. MONCRIEFF SMITH,
Secretary to the Council of State.'

BUDGET FOR 1921-22.

The Honourable Mr. W. M. Hailey : Mr. President, I have before me to-day a task which is by no means an easy one ; it is a task indeed which I fancy that few Members of this House can envy me. That the prevailing commercial depression, and the turn of the balance of trade against India has had, and must continue to have, a sinister influence on the finances of the State, is patent to every one : and the press has been full of dark prophecies of a

Effect of constitutional changes.

heavy deficit and increased taxation. I stand before a House which must already be under the influence of gloomy anticipations of what I may have to tell it; what is more, I stand before the House in a different attitude, almost a different capacity, from that of any of my predecessors. They have had their lean years and their fat years; at times they have come before the public, smiling and comfortable men, with their tale of swelling revenues and an assured surplus; at times they have had to confess ruefully to coffers depleted by disasters due, as the law would say, either to the hand of God or the malice of the King's enemies, the effects of which my prosaic department expresses in deficits and fresh taxation. But their circumstances were different. They addressed an audience which had the power of criticism, and nothing more. Their budget proposals were laid before the Council for information and discussion; they did not require the specific approval of Council, and the most unqualified expression of disapproval did not necessarily entail their modification. Very different is my case to-day. Every one will, I think, agree that it is the section of the Government of India Act in relation to the budget which constitutes, as far as this Assembly is concerned, the substance of the advance in the transfer of power to the representatives of the people. Save for the items of expenditure mentioned in section 67 A (3) of the Act, all proposals for expenditure are subject to the vote of the House; and this is qualified only by the power of the Governor General in Council to restore any provision if he can certify that such provision is essential to the discharge of his responsibilities. But the change goes far beyond this. What I have just said relates to the power of the House to give or withhold its assent to proposed expenditure when this can be met from the estimated revenues of the year. If those revenues are insufficient, and it becomes necessary to supplement them by finding additional sources of revenue in new taxation, then the power of the Indian legislature, with its non-official majority in both Houses, assumes an even more decisive character. These are the new circumstances to which I have referred; and it is to an Assembly so constituted that a Finance Member has for the first time to justify his stewardship. I might fairly be excused if I envied my predecessors their more spacious days. But I have no such feeling. This House may, no doubt will, criticize the wisdom of measures that have been undertaken by us in the past, when the sole responsibility was ours. But for the future they will have to share that responsibility. If we incur expenditure, it will be under their mandate. If we impose taxation, it will be by their vote. If the burden pressing on any class of the community has to be lightened; if large concessions have to be given to any class of Government employes; if large schemes of development on any project of social or moral improvement have to be financed, the House will have to share with us the responsibility to the general tax payer. Through its Public Accounts Committee the Assembly will have a powerful weapon for criticising the manner in which grants voted by it have been disposed of or for exploring the possibility of economy in standing expenditure. Speaking here to-day I frankly, and with no feeling of regret at the curtailment of our former powers, welcome the measure which has given us so powerful a partner in the trusteeship for the finances of India.

Enhanced powers of Assembly as compared with the former Councils.

With equal-sincerity, I would add that from what we, on our side, have already seen of the temper and attitude of this House, I am confident that it will endeavour to rise to the height of the responsibilities now devolving on it. But let me add one word of caution. The world will be watching to see how

[Mr. W. M. Hailey.]

we satisfy this, perhaps the most critical, test of the capacity of a representative Assembly. We shall be judged mainly by the measures we take in regard to the larger questions of finance, the amortisation of our public debt, the handling of our currency note issue, the conscious avoidance of the resort to floating debt to tide over temporary shortage of revenues. In the larger finance there are no short cuts or cheap expedients; an inexorable law forbids us to attempt to secure immediate solvency by overpledging the future.

Again, as regards economy in expenditure, let us strive for it by every means in our power. But it is not economical to attempt sudden or insufficiently explored changes in administration; nor is it economical to curtail the essential measures of national defence. I utter these warnings not because I desire to anticipate criticism, or to prejudge the issues that will arise in regard to this budget. I put them forward as canons of good finance; because we must observe them if we are to prove to the world that this representative Assembly is determined to regulate India's finances on sound and healthy lines. And that, I take it, is the common purpose that actuates us all. Let us succeed in that purpose, and neither India nor the world will have reason to doubt of the success of the great constitutional experiment which we, officials and non-officials alike, are pledged to bring to fruition.

2. The House will no doubt desire to have information of the programme we intend to observe. The statements, summarizing our revised estimates of the current year and the Budget estimates of next year, will be laid on the table this morning. We want the House to have the fullest information regarding the component items of the various demands for grants that will be subject to its vote. The estimates of the expenditure under each head have accordingly been prepared by my department in very much greater detail than usual; their preparation and printing has involved a considerable amount of labour, but we have managed to get them ready and they will be placed in the members' hands to-day. As the House has already heard, the Governor

Programme of budget
discussion.

General has fixed six days, *viz.*, the 9th, 10th, 11th, 14th, 15th and 16th instant, for the discussion and voting of the various grants. Meanwhile, on the 7th and 8th there will be a general discussion on the budget as a whole, which will give Honourable Members an opportunity of expressing their opinion more on the general principles involved in the budget proposals than on the details of expenditure contained in the various demands for grants. Subsequent discussion on matters connected with the budget will depend to a large extent upon the discussion involved by certain legislation which I shall ask you, Sir, to allow me to introduce this morning.

THE YEAR 1920-21.

General Characteristics.

3. I have spoken of the great constitutional changes which have taken place since the Government of India's budget proposals were last laid before the legislature. Equally far-reaching though, as I believe, vastly less permanent, are the changes which the same period has witnessed in the general

trade and financial conditions of the country. Consider the conditions which existed when I presented my Financial Statement a year ago. I was then able to record a year of considerable prosperity. We had certain anxieties as regards our financial future, due to the heavy load of floating debt which we were carrying, the inflation of our currency which imperatively demanded remedial treatment, and the liabilities ahead of us in the shape of large quantities of war bonds due for early maturity; but the outlook was generally bright. The Armistice of November 1918 had been followed by a general trade boom in most countries of the world. Though there were signs that this boom rested on no sure foundation, and that the chaotic condition into which most of the belligerent countries had allowed their finances to fall

The trade boom of 1919. would sooner or later react upon their economic and industrial position, nevertheless the foreign demand for India's produce was still strong, and as the result of a huge balance of trade in India's favour, exchange had risen to heights previously undreamt of. The 1919 monsoon had been an excellent one, the public revenues had grown considerably during the year, and the only event which had seriously disturbed the anticipations of Lord Meston's budget was the Afghan War in the summer of 1919, which had converted an expected small surplus into a deficit of some 23 crores. There seemed, in fact, to be only two clouds on India's financial horizon. There was first the legacy of war finance, to which I have just referred, which pointed to the need for severe economy until our finances had been rehabilitated, and secondly, the continuance of high internal prices, which not only pressed severely on the mass of India's population but threatened to involve the taxpayer in considerable expense for wholesale revisions of the pay of all our public servants. But with a maintenance of the prosperity of the previous year, and a continued growth in the public revenues, we felt that we could face the future without fear or misgiving. And I think that the public generally joined with us in our somewhat roseate vision.

4. That vision has alas faded, and has given place to a somewhat grim reality. The trade boom passed away with an uncanny rapidity; and it has left behind it a trough of depression, of which it is possible we have not yet seen the worst. On the one hand, the great purchasing power which India had accumulated after the war, and which was itself enhanced by the high exchange value of the rupee which obtained last cold weather, has been used to import very large quantities of manufactured goods of which during the war her markets were starved. So persistent has been the rush of imports that not only have our customs receipts broken all records, but the Indian markets are now seriously overstocked and dealers have found themselves face to face with a very difficult financial position. On the other hand, the last 8 or 9 months

Followed by present Trade depression. have shown that the recovery of the greater part of the Continent from the economic collapse resulting from the war is likely to be much more protracted than any one had anticipated; the power of India's customers to purchase her produce has been severely restricted, and the export trade is suffering an almost unparalleled depression. To use the words of the British Prime Minister, the countries of Europe have been like a starving man in rags looking longingly through a shop window at commodities which he badly needs but for which he has not the money to pay. The consequence of the inability of our

Its causes.

[Mr. W. M. Hailey.]

customers to purchase our raw produce has been not only a general contraction for the time being in the demand for India's products, but the piling up of stocks of many of her raw commodities, such as hides and tea. Simultaneously, it has been necessary in the interests of the Indian consumer to continue many restrictions on the export from India of foodgrains, and there has also been a marked falling off in Japan's consumption of raw cotton. All these factors have contributed to a violent swing of the pendulum and the large balance of trade in India's favour existing up to a year ago has now been

Poor monsoon of 1920. converted into an adverse balance. The Providence

which controls our rainfall has chosen this inopportune moment to add to our difficulties; and the monsoon of 1920 has been on the whole a disappointment. It started well, but ended badly. The average rainfall of the monsoon period over the plains of India as a whole was 12 per cent. below normal, and as a consequence of its very early withdrawal from the wheat-growing provinces the sowings of the rabi crop were much restricted. The effects of all these untoward events are necessarily writ large upon the public finances. But before I touch the figures of the revenue and expenditure of the year, the House would probably like me to deal with certain aspects of the present trade position, in their relation to and reaction on those problems of exchange and currency which have in the past few years occupied so much of the public attention.

Exchange and Currency.

5. I have spoken of the great swing of the pendulum of India's trade. The close of the preceding financial year had shown a trade balance of 95 crores in favour of India, taking into account movements of gold and silver. The persistent growth in imports, which increased from 21 crores in April to no less than 32 crores in December, coupled with a decline in exports in those months from 28 crores to 20 crores resulted in the balance of 95 crores in our favour

The adverse balance of trade.

being replaced by September by an insignificant balance of less than 2 crores since when it has been continuously against us.

The adverse balance of trade so created has had a very powerful effect upon

Exchange merely the reflection of trade conditions. the rupee-sterling exchange. Twelve months ago to-day the market rate was 2s. 7d., to-day it is in the neighbourhood of 1s. 4d. I know that there are

some people who, by shutting their eyes to the conditions obtaining abroad, and forgetting that India with her large foreign trade cannot possibly remain unaffected thereby, have convinced themselves that the present overstocking of the import markets, and the existing depression in the export trade, is in some undefined way attributable to the exchange policy followed by Government. There are some people with whom it is impossible to reason. But I would ask any one here who may honestly believe that the present (as I believe quite temporary) condition of India's trade has been due mainly to Government's sins of commission or omission, to bear in mind a few considerations. I do not propose to detain the House by attempting any dissertation on the precise relations between internal prices, the inflation of the currency, and the external exchanges, although the general connection between the three is admitted by every person who thinks about these problems. It will be sufficient for me to quote from the remarks made by Lord Cullen, Governor of the Bank of

England, at the Brussels Conference, during the course of the debate on currency and exchange: 'I would like to confine myself,' said Lord Cullen, 'to drawing attention to the very elementary fact that the exchange of any country is merely a reflection or symptom of that country's conditions * * * We must continue to pay our way both externally and internally and then, unless there are special conditions which impair our neighbours' confidence in us, exchange will right itself.' To attribute the present trade conditions in India to a policy which was enunciated twelve months ago and has obviously not yet been made effective in practice, is such a curious inversion of actual facts, and I should have hesitated to mention it at all were it not that it has received wide expression in some quarters in this country.

6. There is, however, a certain feeling at the back of many people's minds

Complaints that Gov- for which I must confess I have some sympathy. It ernment have misled the is a feeling of acute disappointment, tinged by public. .

some resentment against Government, not because they have succeeded in carrying out that policy, but because they have failed to do so. I put their case as follows: 'Government told us last year that they were going to adopt the advice of the Indian Exchange and Currency Committee, and had determined to link the rupee to gold at the ratio of

Re. 1 = $\frac{1}{10}$ th of the gold contained in a sovereign. We were told that this

was the correct remedy, both for the currency troubles from which the country had been suffering, inasmuch as it would provide a very substantial guarantee of the convertibility of our note issue, and also that it would in course of time provide a cure for certain economic troubles, more especially the enormous rise in internal prices. Incidentally, it was mentioned to us that India's home charges could thereby be met by a smaller expenditure of rupees. This was the picture that you drew for us, and many of us made our business arrangements on the strength of that assurance. We entered into contracts for imports which, now that the goods arrived in the country, we cannot, owing to the slump in exchange, fulfil except at a very heavy loss. The only visible results of the new policy that we can see are, firstly, that it has failed, with the result that dealers in imported goods are in very serious financial difficulties; secondly, that the export trade is languishing; and, thirdly, that the finances of the country have suffered serious losses in the wasteful efforts to make your policy good.'

7. Well, that is the charge against us; and it should not remain unanswered. I have no wish nor indeed am I able to be

No assurance by Gov- ernment of stability.

otherwise than perfectly frank on this subject. It would be futile for me to pretend that our own

expectations have not been falsified. It would be equally futile to pretend that the attempt to make those expectations good has not seriously diminished India's sterling resources, has not caused other losses which will have eventually to be made good, and has not to some extent contributed to the excess of imports. But let me recapitulate briefly the course of events during the past two years. Throughout 1918 the enormous balance of trade in India's favour had by stages forced up the exchange value of the rupee, until in January 1919 the situation was as follows: The successive rises in exchange, and the very great uncertainty as to the future, had led to an insistent demand from the business public, both Indian and European, for the formulation and

The Currency Committee. announcement of a clear policy. As the House knows, a strong Committee was appointed by the

[Mr. W. M. Hailey.]

Secretary of State, which sat from May to December 1919. The Secretary of State and the Government of India decided to adopt the main recommendations of that Committee, and an announcement to that effect was made early in February last year. Looking back, it is easy enough to realise that the circumstances in which the new policy was launched were exceptional; currency conditions throughout the world were in a highly abnormal state, and even neutral countries, which had escaped much of the worst consequences of the war and had, indeed, increased their prosperity, had found it difficult to maintain their exchanges at par with the only country, the United States, where a free market in gold had been declared. In India we had to contend against a combination of particularly adverse forces. Just as the new policy was introduced, the London-New York exchange markedly weakened, with the result that the rise in the rupee exchange required to give full practical effect to the Currency Committee's recommendations, was far steeper than any one could have anticipated. One must admit further that the conditions under which Reverse Councils were at first sold gave a powerful stimulus to the demand for remittance of funds from India to England, and aggravated the deficiency in the supply of exchange available to meet the demand. This deficiency, indeed, and the consequent great disparity between the market rate and the 2s. gold rate, became so great that it would have been necessary for us to have sold Reverse Councils to an almost unlimited extent

Attempt to maintain if the theoretical gold parity of the rupee could be exchange by sale of made effective in practice. We have frequently been Reverse Councils.

asked to explain how far the persistence in the selling of Reverse Councils on the system first adopted was due to our deliberate choice or how far the responsibility lay with the Home authorities. Particular emphasis has been laid on the failure to adopt the system of sale by competitive tender. I regret that it is not within the power of Government to answer these inquiries. It is sufficient to say that the situation itself compelled a change of system at the end of June, when it was decided to sell at a rate based, not on 2s. gold, but on 2s. sterling. We ourselves had hoped, and I think I can justly say that our expectations were shared by the majority of the commercial community, that the abnormal conditions, prevailing in most of the countries which are usually our customers, would before long improve. But as time went on, it became impossible to resist the conclusion that it would be unsafe to count on a return in the near future of the usual balance of trade in favour of India; and the gradual reduction which the prolonged sales of Reverse Councils had effected in the sterling resources available for the support of exchange made it incumbent on us to withdraw from the market. Since September last there has been no attempt on the part of Government to regulate the course of exchange, and with the withdrawal of the support afforded by the sale of Reverse Councils, the market rate has sagged from a level of about 1s. 10d. at the end of September to the present level of about 1s. 4d. It has fluctuated from day to day according to the supply of and demand for exchange, and, at a time of general slackness in foreign trade, it has naturally been particularly sensitive to the export and import of gold and silver bullion. That is the plain unvarnished tale: and if our efforts to maintain the Currency Committee's rate have so far failed, I maintain firstly that they were based on expectations regarding the course of trade which were at the time not unreasonable in themselves and were largely shared by commercial opinion in this country; and secondly that the causes which rendered

it necessary to abandon those efforts were causes entirely beyond our own control. But I would ask the House to remember that I definitely told the Legislative Council last year that it was impossible to say what variations might take place in the rupee sterling exchange throughout the year. Ordinary commercial prudence should have led merchants to cover their exchange. Common commercial morality should at all events prevent those who desire to dishonour their contracts from pleading so unsubstantial an excuse as the failure of Government to make its policy good. I can imagine no severer blow to the international credit of India than that there should be a general movement on the part of some sections of her merchants to announce a policy of general repudiation.

8. I can imagine, however, Honourable Members feeling somewhat impatient at what they may regard as merely an apology for the obvious fact that Government is not infallible. What they probably desire to know is, what practical steps does Government propose to take to ameliorate the present trade position? Have we any plan which will restore exchange to the 2s. level? If not, what alternative policy have we in view? Do we propose to have the matter re-examined *de novo* by some fresh Committee or Commission? Have we, in short, any policy at all? I desire to say quite frankly to the House that in our opinion there is no practical step which Government can take at present which would put an end to the trade depression and to the general feeling of uncertainty now existing. If Honourable Members have followed what I have already said regarding the present inability of our customers to purchase our produce, and the highly abnormal condition of the world's trade and exchanges, they will realise that the factors which are responsible for the present position are such that no Government, whatever its resources, could possibly control, and that the problems which they present are of the kind for which no Committee, however expert, could be likely to propound an immediate or radical solution.

Within these limitations, we are, I need hardly say, anxious to initiate or join in any practical measures that can be devised to remedy the present ills from which India's foreign trade is suffering. For example, we have expressed our readiness to join in any practicable scheme that can be evolved for enabling those countries, whose financial position is at present embarrassed to obtain sufficient credit to allow them to purchase the raw produce of which they are in need, and which India is eager to sell to them, provided that payment can somehow be arranged for. More than one scheme for the establishment of a system of international credits has been suggested in Europe. One of these, regarding which there has been a good deal of discussion, is that put forward at the Brussels Conference and associated with the name of Myaheer Van Ter Meulen, whose scheme, as amplified by suggestions made by Sir Marshall Reid, was recently referred by us to the Indian Chambers of Commerce. The latter have heartily welcomed any such scheme and we have expressed to the Secretary of State our readiness to participate in any practicable system of international guarantee. Whether that or any similar scheme can be put into actual effect depends upon the question whether certain practical difficulties, which are, I think, well known to those Members who represent commercial interests, can be overcome. Should the efforts to do so be successful, then I anticipate that the scheme

[Mr. W. M. Hailey.]

will be of some appreciable assistance to the export trade. But, save for measures such as this which, I fear, cannot at the best be regarded as more than palliatives, I am afraid that we can only wait upon events, and upon the efforts which are being made to put on their legs again those countries which in the past have been, and we hope also in the not distant future will again be, our principal customers.

9. Nevertheless, I do not wish to conclude my remarks on the trade and

exchange outlook on a note of pessimism. As regards imports, I think the position will before long cure itself. I understand that few new orders have been sent from India for some time, and it can therefore be only a question of time for the present stocks in India to be absorbed. I shall, indeed, be very surprised if the coming financial year does not show a very large decline in the aggregate amount of imports, and this in itself will of course help very largely to rectify the balance of trade, and thus in time to strengthen exchange. If we are blessed with a reasonably good monsoon next summer, there ought to be a sufficient surplus of foodstuffs in this country to allow of their export, and, as for other articles of export, it cannot be long before the stocks in

America and elsewhere are sufficiently cleared to enable some at least of our customers to resume their purchases. What, however, is at the bottom of

my refusal to be pessimistic as to the future is the fact that the present condition of India's trade is due almost entirely to factors external to India herself. Unlike many of the European countries, there is so far nothing inherently wrong in India's own financial, industrial or commercial position. There are, it is true, certain aspects of our finances in which, in common with all other countries, we still feel the effects and after-effects of war; but we are not in the unhappy state of many other countries, where the financial situation is such as to be only remediable at the cost of efforts and sacrifices which may extend over several generations. If this Assembly will join with Government in adopting all practicable measures to ensure a speedy restoration of the country to its normal financial health, then I think we shall be able to face the future in the confidence that India will be in a far better position than most other countries to extract the maximum advantage from that revival of world trade on normal lines which the present troubles in Europe are hindering but cannot indefinitely postpone.

10. It would, moreover, be wrong of me to leave the House under the impression that India's general currency and exchange position has in no single direction shown improvement since the war. It is true, that, owing to the public revenues having been for several years continuously insufficient to meet the expenditure falling on them, the State has been obliged to finance itself to a considerable extent by the issue of currency notes against its own notes of hand—when I come to speak of our ways and means difficulties I shall tell the House the extent to which we have been obliged to resort

to this expedient in the current year. I fully admit that our currency can never be regarded as on a satisfactory basis so long as the fiduciary portion of the note issue is to so large an extent backed by our own Treasury Bills created *ad hoc*. But that is only one side of the currency position. To measure the real improvement or relapse, I would ask Honourable Members

to turn their minds back to the position which existed in 1918, and to some extent in the following year. Most Members will have read, if they did not hear, the graphic account given by Lord Meston of the currency crisis of 1918 and the steps which were taken to save the country from the dangers of our note issue becoming inconvertible. At one time in that year the rupees in the Currency Reserve available for encashment of notes amounted to little more than four crores against a total note circulation of 115 crores. Throughout 1919 the position slowly improved, owing to the fact that the output of the mints was at last able to overtake the issues. The absorption of rupees was, however, still large, and the position this time last year was that we were still unable to contemplate any return to the free and unrestricted issue of rupees or encashment of notes at district treasuries throughout the country. But in the current year there has been a very substantial return of rupees from circulation, amounting up to the middle of February to about 24 crores. As soon as we saw, in June last, that the position of the note issue was sufficiently secure, we hastened to remove all the then existing restrictions both on the encashment of notes and on the internal movement of coin by rail. We have also been able to effect a contraction in the circulation of notes, the total circulation standing at present at 164 crores against 185 crores the maximum reached at the end of January 1920. The result is that the percentage borne by the metallic portion of the Currency Reserve to the total circulation is now no less than 53 as against 46 this time last year, and 35 on March 1st, 1919. In consequence, we no longer hear of currency notes going to a substantial discount, as compared with coin, as was the case a year or so ago throughout the country. Further we took the earliest opportunity of removing the restrictions on the import of gold into India and on the export of silver. The fact that we have been able to remove the restrictions on the movements of the precious metals, which war necessities had forced upon us and which still remain in most European countries, added to the great strengthening of the metallic portion of the currency reserve, is surely a matter for some satisfaction, for they are a necessary preliminary to any return to a sound currency system.

11. There may be some people who do not share this feeling of satisfaction at the large return of rupees from circulation and who would contend that our currency barque has only escaped the rocks of inconvertibility to be submerged in the whirlpool of redundancy. I would certainly go so far with

Necessary prelude to those critics as to agree that the large return of rupees from circulation is a reflection of the slackness in internal trade, but I would join issue with them

as to its significance. I suggest that the reaction is in every way a healthy one. Personally, I regard the ebb tide, which is flowing so strongly in most of the countries of the world, and from the influence of which India cannot expect to escape, as nothing more than the result of the natural forces which must always mark the transition from a higher level of prices to a lower. Already we see signs, not as yet, perhaps, very striking or dramatic, but unmistakable in their tendency, of the long awaited break in prices, and I think we have some justification for feeling that we have at last reached and passed the summit. In spite of the poor monsoon, the price of food grains has on the whole appreciably decreased during the year; in the case of rice the decrease has been over 25 per cent. while the very marked decline in the prices of commodities like hides, jute, tea, and cotton, hardly though it has pressed

[Mr. W. M. Hailey.]

on merchants and holders of stocks must surely, if one takes a long view, be regarded as the indispensable prelude to a revival of trade on a new and lower level of general prices.

Revenue and Expenditure in the Current Year.

12. If I have dealt at some length with the exchange and currency aspects of this abnormal year, it is not only because of their importance to the general well-being and prosperity of the country, but also because of their inevitable reaction upon our own revenues and expenditure. It was necessary, therefore, to clear the way before I could give the House an account of the public finances of the year and of our budget proposals for the coming year. I need to make two further remarks by way of preface. As the result of the Reforms procedure, the Government of India's revenue and expenditure will from the end of the present month be entirely separate from those of the provinces. Although therefore in the current year the former division of revenue and expenditure between the provinces and the Government of India has remained, nevertheless my general remarks this morning, and the budget proposals which I shall lay before the House, refer solely to what will henceforth be called the Central Revenues. The only effect which the finances of the provinces have upon our own is the extent to which the net drawings on, or additions to, the provincial balances affect the ways and means position of the Central Government, who are the common bankers.

Complete separation of central and provincial revenues.

Secondly, I must explain that the budget for the current year as presented to the Legislative Council last March was framed on the old basis of Rs 15 = £1, which was of course out of all relation to the then existing conditions, with the consequence that the figures on both sides of the account were in many cases swollen to such an extent as to lose much of their reality, and I was obliged therefore in my budget speech last year to put in a good deal of somewhat technical explanation. I shall fortunately

Accounts kept on a 2s. basis.

not have to trouble the House with any appreciable repetition of this, because with effect from April 1st last our accounts have been kept on a 2s. basis, and this has resulted in the disappearance of most of the artificialities in question. It is true that exchange stands now at considerably less than 2s., but the average rate for the year is expected to work out to about 1s. 9d. and the difference between these two rates is very much less than the similar difference with which we had to deal last year. The House will understand therefore that when I speak of the current year's budget, and estimate the extent to which the budget anticipations will or will not be realised, I am speaking of the budget as recast on a 2s. basis; the figures as thus recast are given in the budget statements for purposes of comparison. Honourable Members will also notice that in the budget statements the combined figures of revenue and expenditure for India and England together are now expressed in rupees and not in £ sterling as hitherto. This change has been adopted with the approval of the Secretary of State in the interests of clearness.

13. Now as to the facts and figures of the current year's revenue and expenditure. The budget anticipated a total revenue of 132 crores against an expenditure of 130 crores, i.e., a surplus of 2 crores. The expenditure, however, included an item of $8\frac{1}{4}$ crores representing an appropriation from revenue for meeting the deficiency in the Paper Currency Reserve resulting from the revaluation of the sterling portion of the latter on a 2s. basis. It was subsequently decided (and the decision was embodied in the new Paper Currency Act passed at the last Simla session of the Legislative Council) to make up that deficiency in a different way, namely, by appropriating the income from the Paper Currency investments with effect from next year, and the appropriation of $8\frac{1}{4}$ crores, made for this purpose in the current year's budget, accordingly drops out. On the whole, therefore, if all our budget anticipations had been realised, we ought at the end of this year to show a surplus of $10\frac{1}{4}$ crores. In point of fact, present indications point to our working to a deficit of $11\frac{1}{4}$ crores. I will now describe how this large deterioration of 22 crores has come about.

14. In some directions our revenue is going to be much better than estimated, for under the two important heads of Customs and Income Tax there is likely to be a large improvement over the budget anticipations. We budgeted for a *Customs* revenue of $25\frac{1}{2}$ crores; actually we expect to get no less than 33 crores, i.e., an improvement of $7\frac{1}{2}$ crores, due, I need hardly say, to the abnormal causes which have led to a great rush of imports into India during the year. The revenue from *taxes on income* is expected to be 4 crores better than the estimate; $1\frac{1}{2}$ crores of this improvement relates to ordinary income-tax, 1 crore to super-tax, and $1\frac{1}{2}$ crores to arrear collections of the excess profits duty. Under these two heads, therefore, we expect an improvement of $11\frac{1}{4}$ crores. I now come to the other side of the picture.

15. We expect the net receipts from *railways* to be some $7\frac{1}{2}$ crores less than the amount estimated. We naturally framed our budget on the supposition that the goods and passenger traffic would be such as one might expect if agricultural conditions were normal. In spite of the poor monsoon, our estimate of 84 crores for gross traffic receipts is not likely to prove very wide of the mark, for we now expect to get 82 crores. It is the working expenses of railways, which have been increasing month by month, that have been mainly responsible for falsifying our estimate of net receipts; the bulk of this increase is due to increases of pay given to the railway staffs. The other items of worseness under civil revenue and expenditure are spread over a number of heads and aggregate some 11 crores. Of these, I need only refer to the adjustment for *exchange* which will amount to slightly over $2\frac{1}{2}$ crores. The necessity for this arises in respect of what are known as our 'home charges.' These are brought to account at the equivalent of Rs10 to the £ sterling, although in point of fact, owing to the average rate of exchange throughout the year being somewhat less than 2s. (probably about 1s. 9d.), the actual number of rupees that we shall have had to send home to meet these charges will amount to more than the rupee

[Mr. W. M. Hailey.]

expenditure shown in our accounts. We have of course to show the difference somewhere. In respect of our capital expenditure (railways, irrigation, Delhi, etc.) the difference is shown in the capital accounts, and does not concern us here. In respect of expenditure debitable to the revenue account the portion pertaining to the commercial heads, *viz.*, railways, irrigation works and posts and telegraphs is shown against the respective heads, and the balance is lumped together under the head 'exchange'; thus, to give one example, our home expenditure this year, debitable to the military head, will be shown in our accounts as about 11½ crores of rupees, sterling having been converted into rupees at £1=R10, though actually the sterling charges will have cost us about 13½ crores of rupees—the difference is one of the items making up the total of 2½ crores which I have mentioned. *

16. Altogether, then, the improvement of R11½ crores under Customs and Income-Tax will be more than counterbalanced by a deterioration of R18½ crores under the other civil heads. It is excess military expenditure which is answerable for the remainder of the total deterioration of R22 crores in the budget anticipations, for we expect a total military expenditure of R70.4 crores against the budget provision of R55.2 crores. I hope that His Excellency the Commander-in-Chief or the Army Secretary will have an opportunity, during the course of the budget discussion, not only of giving a

far more authoritative account than I can furnish of the precise objects to which our present military expenditure is devoted, but also of justifying to the

House the scale of expenditure which the ordinary normal charges of our post-war Army involve. Meanwhile, I will confine myself to a brief explanation of the items composing the excess of R15½ crores over the budget provision.

17. That provision, as I have just said, was R55 crores. In my budget speech last year I explained that the detailed grants working up to the total figure had not yet been definitely settled. The disturbed conditions which still prevailed in India and the Middle East had rendered it equally impossible to obtain any clear assessment of our normal military liabilities in the future or to guarantee immediate reduction to any peace standard which it might be decided to adopt. I stated then that the provision which we were adopting was the least which could safely be inserted in the budget,

and I warned the Council that if the operations on the frontier should continue into the present year, the provision proposed would not suffice. As the Members of this House are aware, the events of the year have most unfortunately justified the warning which I gave. Active operations continued in connection with the closing stages of the advance into the Mahsud country. Further, as announced in August by His Excellency the Viceroy it was decided with the approval of His Majesty's Government that our military forces should remain in occupation of Central Waziristan. Finally, in November, a new and unforeseen military liability was imposed upon us in the shape of fresh military operations in Southern Waziristan as a result of the hostile activities of the Wana Wazirs. The extra outlay arising out of this regrettable sequence of events was necessarily large; it was equally unavoidable. We had in the first place to retain in service and provide for the ordinary charges on account of the pay, rations, etc., of bodies of Indian troops additional to our contemplated post-war establishments, which would otherwise have been demobilised or disbanded. The second large item of cost is represented by the field service concessions

which have inevitably to be granted while troops are engaged on active operations. To these must be added the cost of the ancillary services, such as Transport and Medical, required for the maintenance of the fighting troops, and the cost of the construction and maintenance of roads, temporary buildings and defences in the field. The point which I wish to make to the Assembly is that while the total military expenditure has been 70½ instead of 55 crores, there has been but a comparatively small excess over the budget figure on the ordinary expenditure of the Army. An analysis shows that of the excess of 15½ crores 12 were due to the war operations referred to, or to the delay in demobilization to post-war strength necessitated by those operations. 2½ crores were due to arrear payments in England on account of stores. We were therefore on the whole successful in keeping the ordinary expenditure on the Army within the original estimate. I have only one remark to add ; but it is an important one.

I desire to remove once and for all the impression which still appears to prevail in many quarters that our military expenditure is swollen by charges on account of the Indian troops employed overseas in Mesopotamia, Palestine, East Persia and other places. The impression is entirely erroneous. Every item of expenditure involved by the employment of these troops overseas is borne by His Majesty's Government. Under the arrangements laid down by the Government of India, His Majesty's Government pay not only all the effective charges of these troops while they are out of India but also pay the cost of their depôts in India, the cost of the leave granted to such troops when they return to India and a proportionate share of the cost of the administrative services of the Army in India together with a proportionate share of non-effective charges.

18. The net effect of all these variations, both civil and military, is shown below :

	(Crores.)
Customs revenue more	+7.3
Railways (inclusive of adjustment for exchange) worse	-7.6
Income-tax revenue more	+3.9
<div> <div>Excess profits . 1½</div> <div>Super-tax . 1</div> <div>Income-tax . 1½</div> </div>	
Military expenditure more	-15.2
Profit on wheat purchases	+9
Exchange charged to non-commercial revenue heads	-2.6
Paper Currency Reserve interest less	-1
Interest charges on debt more	-2.5
Land revenue less	-1.4
Opium revenue less	-8
Net revenue from posts and telegraphs less	-8
Other variations, representing mainly increases in civil expenditure	-2.5
Net variation from budget	-22.3

19. The House will be able to draw the obvious moral from the figures which I have just given of the excess of expenditure over revenue in the current year. Members will perhaps recollect that the deficit in the previous financial year, 1919-20, was Rs 23 crores, due, I need hardly say, entirely to the Afghan War, and that in 1918-19 the deficit was Rs 6 crores. These deficits, including that of the current year, have been, or are being, met either by

[Mr. W. M. Hailey.]

increasing our floating debit, *i.e.*, by issuing fresh treasury bills to the public or by issuing fresh currency notes against the security of treasury bills created *ad hoc*, *i.e.*, against our own I. O. Us. I feel confident that the House will agree with me that it is

Necessity for making both ends meet.

impossible to allow this process to proceed further.

The path which the necessities of the war, and the chaotic condition of the world's trade and exchanges which followed the termination of the war, have forced us to tread, in common with all other countries though fortunately to a smaller extent, is a broad and easy one, but, if followed continuously, can only lead to national bankruptcy. Certain of the countries of the world have slipped so far down the hill of financial demoralisation that it needed the International Conference at Brussels to emphasise this elementary fact. It is true that India has sinned less than most other countries; it is also true that our recent deficits have in the main been due to war or warlike operations on our frontiers. But the fact remains that we have been outspending our income, and unless we take early steps to make both ends meet we shall assuredly find sooner or later that, with our revenues mortgaged and our credit impaired, not only will there be no money for the development, moral and material, which India so greatly needs, but it will even be difficult to carry on the administration at its present level of efficiency. To retrace one's steps uphill is never a pleasant process, but it is a process which must be followed by every country which is determined to set its finances in order. I lay down two propositions as elemental and essential. In the first place we must either by decreasing our expenditure, or by increasing our revenue, or by a combination of both measures, make our accounts balance. In the next place, in so far as we are not able to fund our floating debt or a reasonable portion of our fiduciary note issue in our long-term loans, we must also direct our financial policy in such a way as to replace from revenue the deficits which we have been financing by the expedients which I have mentioned. For, camouflage the situation how it may, no country can continue indefinitely to live on its overdrafts; even worse is it to attempt to paper over the chasm between revenue and expenditure by the simple process of printing currency notes.

20. There is still something more to be said if I am to give the House a full and complete idea of our real position. In the first place, there is the effect upon central revenues of the Reforms system of finance; Honourable

Effect on central revenues of new financial arrangements with the Provinces.

Members will be able to gauge this effect when I mention that if the new classification, which is to come into force on April 1st next, had been in existence in the current year, then, according to the budget esti-

mates of revenue and expenditure, the provinces, after paying to the Central Government the contributions fixed by Parliament, would have had in the aggregate about 11 crores more revenue at their disposal, and, therefore, the Central Government 11 crores less. I do not wish to draw a picture of the Provincial Governments luxuriating in newly found riches; the extra revenues which they are about to receive have been, in the case of most provinces, to a large extent already hypothecated to the financing of the whole-sale revisions of pay of all establishments and particularly subordinate establishments, which have been sanctioned during the past two years. My point is that, but for the new financial arrangements, those increases of pay could not have been financed at all, and it is upon central revenues, therefore, that the burden of doing so has really fallen.

Secondly, although no specified programme of reduction has been laid down, we are committed to the progressive reduction of the provincial contributions—an undefined but to fall on revenue in the future. none the less certain liability on central revenues. The third point is rather more technical but I will endeavour to describe it shortly. Certain of our gains or losses by exchange are credited or debited as the case may be to the revenue account. (I have mentioned above that in the current year the direct debit to the exchange head will be slightly over 2½ crores, besides which a sum of 1½ crores will be charged to the commercial heads.) Such revenue credits or debits do not, however, cover the whole field of our exchange gains or losses. During the course of each year our balances are continually being remitted one way or the other by what are called our 'remittance' transactions (*e.g.*, Council Bills, Reverse Councils, recovery in London of expenditure incurred by us in India on behalf of the Home Government, and other similar transactions). In all such transactions there is a real gain or loss. During 1919-20 there was on the whole a gain; this was not credited to revenue but remained in suspense, the final credit outstanding at the end of the year being 5 crores. During the current year, however, the net loss, other than the loss which has been met from revenue or has been debited to our capital accounts, has been 23½ crores and the net result is that during the year we shall actually have had to find from our balances about 18 crores. Sooner or later that suspense head must be cleared, and, save in so far as it may not be cleared by the accrual of direct gains in future years, it can only be cleared by appropriations from revenue. I do not propose any specific appropriation from revenue in the current year (over and above the loss on exchange which the revenue account already has to bear) because it serves no useful purpose to make a paper appropriation in a year which is already deficit; nor, for reasons which will be fully obvious to Honourable Members by the time I have finished this speech do I propose any specific appropriation in the coming year. But the fact that we have this uncleared head, and are committed to reduce the provincial contributions, must be borne in mind in discussing India's general financial position and the various liabilities which the revenues of the country will sooner or later have to bear. The problems which we shall have to face are not solely due to temporary and transient causes, such as the Afghan War or other military operations on the frontier.

Revenue and Expenditure.

21. I have dealt with the past; now for the stage of the case at which the Assembly will take up its responsibilities, I mean the finances of the coming year.

I estimate that the expenditure next year, chargeable to Central Revenues, will be 129 crores, against a revenue, on the basis of existing taxation and including the provincial contributions of 983 lakhs, which will amount to 110½

Deficit of 18½ crores.	crores. I will give an explanation, as brief as possible, of the estimates which I have taken under the principal heads of revenue.
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I have already mentioned the abnormal situation in respect of imports which has resulted in an inflated *Customs* revenue during the current year, namely, 33 crores as against a budget of 25½. We must certainly expect a serious slump before long, but the fact that it is quite impossible to gauge

[Mr. W. M. Hailey.]

either its extent or the time when it will occur makes estimating difficult, and in taking a gross Customs revenue next year of 30½ crores I feel that I am going as high as safety allows.

Customs.

The next important factor is the *Railways*. Here while the gross traffic

Railways.

receipts have been steadily increasing, working expenses have increased at a far greater rate, and our net receipts for the past two or three years have been steadily diminishing. After taking a very liberal estimate of 87 crores for gross traffic receipts and nearly 60 crores for working expenses (inclusive of payment of surplus profits) I estimate net receipts of about 27 crores, as against 26 expected in the current year and 31½ actually received in 1919-20. We estimate gross receipts from *taxes on income* of about 18½ crores inclusive of assignments from Provincial Governments in respect of their share of income-tax revenue; we have allowed for a reasonable amount of growth in revenue but have been obliged to make some allowance for the present trade depression.

Taxes on Income.

22. As for expenditure, I need hardly assure the House that, in view of the deficit we have anyhow to face, we are making provision for ordinary civil expenditure on the lowest possible scale. I have been obliged to ask those of my

Civil Expenditure.

Honourable Colleagues who are in charge of the spending departments to forego new expenditure on objects which I know they have much at heart, and I am sure they will bear witness to the ruthless pruning to which their own budget estimates have been subjected by my Department. I can only express my gratitude to them for agreeing to postpone, perhaps against their better judgment, the many schemes for which they had asked for funds. I know the misgivings they feel as regards the effect which some of these economies will have upon the efficient working of their departments.

23. But while we have avoided all fresh civil expenditure as far as this was humanly possible, there are two items for which it was necessary to make some provision, and which require some explanation. I feel very strongly that the time has come when, whether convenient or not, we must no longer delay

Sinking fund for long-term loans.

making some provision for meeting our heavy war indebtedness. As the House knows, we have a large amount of War Bonds maturing between now and 1930, all of which will have to be met on maturity and for which we have provided no sinking fund. Our policy so far has been to endeavour to fund in one or other of our longer loans as much of this short-term debt as possible, and also a portion of our outstanding Treasury Bills (the amount of which is much too high for safety) and to trust to the ways and means resources of the time to meet the remainder of such bonds as they fall due. Unfortunately, owing to the large amounts which we have been obliged to borrow, both our long-term loans, namely, the 5 per cent. loan of 1929-47 and the 5 per cent. income-tax free loan of 1945-55, are now at a very large discount, and if we are to get any substantial portion of our War Bonds and Treasury Bills converted into these longer loans it is imperative that we should do our best to rehabilitate them. That is one consideration; another is the obvious desirability of providing for the amortising of these two longer loans when they

fall due, instead of leaving the entire burden to our successors. Each of these two loans has what is called a 'depreciation' fund of $1\frac{1}{2}$ per cent. of the total issue of the loan, which is used each year to purchase and cancel scrip. These funds, however, are insufficient to amortise the two loans completely by maturity, nor are they large enough for the annual purchases to make an appreciable impression upon the popularity of the loans. I propose, therefore, with effect from next year, to set aside a further sum of 80 lakhs, to be devoted to supplementing these two depreciation funds. The result should be to enable us to amortise these loans by maturity. I do not think I need say more in justification of this proposal; I feel that I ought rather to apologise for its meagreness. The position is one which must be viewed with all seriousness; we ought really to set apart from revenue some provision for the direct repayment of our short-term bonds, the repayment of which handicaps us in providing funds for railways and other capital purposes. It is only because I do not wish to add to the difficult problems which the House already has to face in the way of finding additional resources that I refrain from proposing a much more heroic measure.

I know that there is a feeling in the country that something should be done for the holders of our 3 and $3\frac{1}{2}$ per cent. paper, large numbers of whom are people of very moderate means, whose holdings have suffered serious depreciation owing to the raising of large loans in recent years at increasingly high rates of interest. I regret that I do not see how any concession can at present be made to these people, with due regard to the higher interests of the taxpayer. Assuming, as I think the House will agree we must, that we can afford no more than the sum I have mentioned for the purpose of rehabilitating our credit, then the question is one as to the way in which that sum can be spent to the best advantage. If devoted to the granting of some concession to the holders of 3 and $3\frac{1}{2}$ per cent. paper, its effect in assisting the country to meet the many financial difficulties in front of it will be negligible. If spent in improving the position of these two terminable loans, and in helping to provide for their repayment at maturity, its effect should be material.

24. The other item of expenditure which I must mention is the entry of Exchange. 5.42 lakhs for the adjustment on account of exchange, of which 3.28 lakhs are shown against the head 'exchange' and the balance is distributed among the commercial heads. I have already explained the nature of this entry in my remarks regarding the corresponding item in the current years' accounts and I need only add here that this loss is based on an average rate of exchange for next year of 1s. 8d. He would be a very rash person who would make any prophecy as regards the course of exchange next year, but it is necessary for the purpose of the budget programme to make some rough assumption as to the level at which exchange is likely to stand, taking the coming year as a whole. All I can say, and I hesitate to commit myself even to this, is that present probabilities point to exchange remaining low during the first half of the year, but that, if we have a good monsoon, then it is not unlikely that there will be a substantial recovery during the second half. If the average rate works out eventually at less than 1s. 8d., then I fear that the deficit will be still further increased. If, on the other hand, the average rate is higher, then, for reasons which I hope will be clear from what I have said regarding the necessity for replacing some of the losses which have so far been met by issuing Treasury Bills, I do not think we should make any deductions in the debit to revenue; in other words, I propose that we should commit ourselves

[Mr. W. M. Hailey.]

to a definite appropriation of a minimum amount of 5.42 crores on account of exchange.

25. I have left to the last the item which looms largest in our expenditure heads—the provision for Defence. The budget provision for next year has been taken at 62.20 crores. Military Budget.

I divide this for the present purpose into ordinary and extraordinary expenditure. It is not proper that we should leave to chance, or in other words should meet from overdrafts, military expenditure which we know to be inevitable. We cannot budget for war; but we ought not to exclude from our budget items to which we are definitely committed, even though they are not of a permanent nature. For this reason I have included 4 crores of extraordinary expenditure, 3 crores representing the continuance of the special expenditure entailed by the occupation of Central Waziristan and 1 crore representing a provision for another special liability, namely, the grant of compensatory concessions to troops disbanded under certain proposals for reduction of establishments which I shall mention later. If there are any savings in such extraordinary provision, they will not be available for increasing the ordinary military budget, but will go towards the general surplus. The balance, 58.20 crores, represents the provision required in 1921-22 for the ordinary charges of the army in India. The figures for military expenditure will, I hope, be justified to this House by His Excellency the Army Member. Meanwhile, it is proper that I should inform the House what this figure of 58.20 crores represents. When we budgeted last year, we had no standard or accepted strength of the army or its attached services. The pre-war standards had gone by the board; nor were the conditions on the frontier and elsewhere then ripe for the drawing up of a definite scheme of post-war strength either of combatant or attached services. We have been busily engaged on this problem ever since; it is a problem on which not only the Army but the civil portion of the Executive Government has bestowed anxious and unremitting labour. I doubt if there has ever been a time in the past when military expenditure and the policy underlying it has been subject to a more complete and drastic scrutiny. The actual combatant strength for the post-war Army at which we arrived last summer is actually somewhat lower than that of 1913-14. It is for that strength that we have provided in the budget and it is because there will be no inconsiderable reduction of personnel under this scheme that I have found it necessary to make a provision for the grant of concessions to troops which will be disbanded. While, however, we are reducing combatant strength, reduction of expenditure on this score is counterbalanced to some extent by increases in other directions. We have firstly the creation of new services such as the Royal Air Force and Mechanical Transport, and secondly developments and organisation required for the purpose of securing a proportion which the present day military opinion considers essential as between the auxiliary services of the army and the fighting troops. I need not say that the provision made is entirely for our own troops. There is nothing in our budget for troops maintained for overseas garrisons or warlike operations overseas, nor for depôts necessary to maintain their strength; but it will be no secret to the House that the rate of cost of army services has risen even since last year and the effect of this on the budget of 1921-22 is reflected in the fact that we have had to provide a sum of no less than 1.29 lakhs to cover the cost of certain recommendations of the Esher Committee for enhancing the pay and amenities of our troops.

of which 83 lakhs will be spent on the Indian officer and soldier. We have also had to provide for the grant of certain allowances to British soldiers recently authorised by His Majesty's Government for British soldiers in general.

26. The total of 58·20 crores at which we have arrived and which is based as I have said on the post-war strength arrived at last summer represents the minimum sum which we have been able to put forward: I may say that the military authorities originally pressed for and have been denied a very much higher figure than that now placed in the budget. I freely admit that that figure even so is a much higher one than the Government of India can contemplate with equanimity on financial grounds. But we have arrived at the definite conclusion that it was impossible to take a lower figure without a further considerable reduction of establishments both in the fighting units and in the auxiliary services. There were two obstacles to making such reductions. It must be remembered that the responsibility for the safety of India rests on His Majesty's Government no less than on ourselves. It is His Majesty's Government which would come to our assistance with the Imperial Forces if we were hard-pressed in this country, and that Government could not be prepared without the most careful examination to agree that in the present state of affairs in Central Asia, with matters standing as they do between ourselves and our immediate neighbour on the North-West, and indeed in view of certain factors within India itself, a further reduction of our fighting forces is justifiable. In the second place, it must be noted that with regard to British troops at all events we are in a semi-contractual relation with His Majesty's Government, which cannot be terminated at short notice. His Majesty's Government have made it clear to us, and we have been obliged to accept that conclusion as reasonable, that they could not be expected to bear the cost of British troops transferred at short notice from the Indian to the Home establishment. To meet both these obligations, it has now been decided by His Majesty's Government that an investigation shall at once be undertaken regarding the combatant strength of the army in India by a Sub-Committee of the Committee of Imperial Defence. The Home Government has agreed that before we forward to London the material for which we have been asked in this connection, the matter shall be dealt with by a Committee of the Executive Council on which of course some of my Indian Colleagues will sit with power to take evidence including that of non-officials. That is how the matter now stands. I ask the House to take it from one who feels no less concern than they must do at this steady growth of our military expenditure, from one whose every instinct has been to seek economy in this respect, that no effort has been spared, that no avenue has been left unexplored in order to keep the budget figure of the present year within its lowest bounds. Let me further assure the House that the financial authorities have in the past year made every effort so to reorganise the machinery which deals with the finances of the army that they have in their hands the very fullest sources of information and the fullest powers of control. Among other measures, a body of expert Accountants from one of the leading firms in England is now touring India with the object of introducing in all army supply departments a system of commercial costing accounts such as was adopted with excellent results in the United Kingdom during the Great War: and finally we have endeavoured to fulfil our obligations towards this House by presenting the army estimates for 1921-22 in a new form. Though the

[Mr. W. M. Hailey.]

military grant is not itself votable, we have thought it right to give the complete details both of strength and cost, following in this respect the form adopted by His Majesty's Government on the recommendations of the Select Parliamentary Committee on National expenditure. I hope that the Assembly will appreciate the great advance that this represents.

27. Taking now all the items of expenditure together, they will amount as I have said to 129 crores leaving on our estimates a deficit of R18 crores. I think our financial arrangements should be directed to obtaining a surplus of not much less than R1 crore.

That was the surplus at which former Finance Members have always endeavoured to aim, and at the present time when it is by no means certain that we have got to the end of increased expenditure in regard to the pay of the lower grades of public servants, and when moreover there are so many elements of uncertainty in the revenue outlook for next year, I feel that the dictates of ordinary prudence render it all the more necessary not to unduly diminish this margin. The total new resources which it will be necessary to find will thus amount to slightly above R19 crores.

28. Before I proceed to explain the measures of increased taxation which I propose in order to produce the above sum I must anticipate a question which I think may have arisen in the minds of many Honourable Members. I can imagine a Member, who has done me the honour to follow what I have already said, putting the case to himself somewhat as follows :

" Causes of deterioration in position as envisaged by Lord Meston's Committee. I realise that the new classification of revenue and expenditure under the Reforms Scheme has resulted in the revenues assigned to the Central Government falling considerably short of the expenditure which those revenues have to bear. I was under the impression, however, that, in order to make good that deficit, Parliament on the Report of the Meston Committee decided that contributions amounting to nearly 10 crores should be taken from the provinces. Why then this sudden and large deterioration in the position of the Central Government ? "

Some of my preceding remarks will already have suggested to the House the explanation for this deterioration in the outlook as appreciated by every one a year ago. It will probably however be useful to Members if I summarise briefly the principal variations which have led to it. I have mentioned that the deficit to be faced next year is 18½ crores. Omitting the estimated expenditure necessitated by the occupation of Waziristan and by demobilisation concessions, the net deterioration in the position as envisaged by the Meston Committee is about 14 crores. This is the resultant of the following factors :

	Crores.
(i) Loss of interest receipts (owing to the earmarking of interest on Paper Currency Reserve investments to the discharge of Treasury Bills issued to the Reserve to cover the loss from revaluation of sterling holdings in it).	3.1
(ii) Falling off in net revenue from Railways and Posts and Telegraphs (which may be taken as representing mainly the cost of increases of pay of superior and subordinate staff).	7
(iii) Increase in interest charges (while formerly the bulk of our investments of the Paper Currency Reserve was in British Treasury Bills, on which we received interest, the bulk of investments now is in the form of Indian Treasury Bills, the interest on which is earmarked for a definite purpose).	2.5

(iv) Loss by exchange on expenditure on revenue account in England (inclusive of expenditure on commercial services) owing to exchange falling below 2s.	5.4
(v) Increase in military expenditure (present estimate exclusive of special expenditure referred to above is Rs58.2 crores against Rs55.2 crores adopted by the Meston Committee).	3
(vi) Loss of net opium revenue (demand for our opium has recently declined)	.7
(vii) Constitution of sinking fund for our long term loans	.8
	<hr/> 22.5
Partly set off by increase in Customs and Income-tax revenue and other minor variations.	8.5

14 crores.

I think that it is fair to say that no one who considered the matter a year ago could have had any reason to apprehend any such deterioration in the position. The developments which have led thereto have in the main arisen within the past 9 or 10 months : I refer more particularly to the fall in exchange and to the enormous increases in pay which circumstances have since then forced on us. I do not imply that those who thought about the matter were entirely confident that the anticipations upon which the Meston Report was based would be fully realised ; but most people were probably moved by two important considerations. In the first place, there was the obvious necessity, in the interests of the success of the Reforms Scheme, to give the new Provincial Governments as generous a start as possible. Secondly it was a commonplace that the heads of revenue retained by the Central Government were mainly, not only heads of growing revenue, but also those in respect of which there was undoubtedly a substantial margin for increased taxation, which was much less the case with the heads of revenue given over to the provinces.

Proposals for additional taxation.

29. We have now to obtain from central revenues an additional sum of 19 crores. The first additional source of revenue available is Customs. I think that the House will agree that the existing tariff heads are such that, in the case of most articles, both the trade and the consumer can undoubtedly bear some increase. The tariff proposals to which I shall ask this House to agree and which are contained in the Finance Bill which I shall ask your leave, Sir, to introduce this morning, are as follows :

- (1) In the first place, we propose to increase the general *ad valorem* duty of 7½ per cent. to 11 per cent. except in the case of matches and of certain articles of luxury which I shall mention later, but inclusive of cotton manufactures. I estimate that this measure will produce an additional revenue of Rs3,84 lakhs. We do not propose any increase in the existing cotton excise of 3½ per cent. In view of the previous discussions upon this matter, which must be well known to all Honourable Members, we felt it our duty to make a previous reference on the subject to His Majesty's Government. We did not, indeed, anticipate that there would be any question of vetoing our proposals in view of what the Secretary of State said in the House of Commons when the Government of India Bill was under discussion, and also of the recommendation made in the Joint Select Committee's Report, that in fiscal measures such as this the views of the Government of India, if they succeed

[Mr. W. M. Hailey.]

in carrying with them the approval of the Indian legislature, should be entitled to prevail. We felt, however, that, in view of the very great trade depression in England, which is far worse than anything which now obtains in India, it would not only be desirable, but our duty to make clear to His Majesty's Government, on behalf of India, that our proposals for increasing the import duty on cotton goods, among other articles subject to the general tariff, had the sole object of producing additional revenue and had no ulterior motive of a protective or any other kind. Nay, I will go further and say that it would ill-become this country, at a time when the senior partner of the Empire, upon whom fell by far the severest burden of the war, both in blood and money, is anxiously endeavouring to face the most acute problems of unemployment and trade distress, to requite the services which Great Britain has rendered to the rest of the Empire, including India, by taking the first opportunity to introduce a measure of protection against her manufactures. We made it clear therefore that it is solely our financial necessities, and no new departure of fiscal policy, which have obliged us to propose to the legislature this particular measure. We trust that our fellow-subjects in the United Kingdom will appreciate this and will acquit the Indian Government and legislature of any desire to use their newly conferred liberty of action to injure the country which on a year ago conferred that liberty upon them. It would, indeed, be manifestly impossible for this Government to initiate any fundamental departure in fiscal policy at the present juncture. At present our tariff is purely a revenue-producing tariff which, whatever may be its effects here and there on any particular trade, is admittedly not devised with any object other than that of revenue. We feel confident that not only this House, but also the country at large, would hesitate, and very properly hesitate, to commit themselves to any fundamental departure until the whole question of India's fiscal policy has been thoroughly and exhaustively examined by a competent and impartial body. We feel, however, that the time has now come when that examination should be begun; we feel further that this examination should not be confined to India's own fiscal needs, but should embrace an enquiry into the steps which India can take in order to recognise her fiscal obligations to the other members of the Empire of which she is a part. We have been in correspondence with the Secretary of State and an announcement on the subject has been made this morning.

I do not propose to obtain any increased revenue from the articles now dutiable at $2\frac{1}{2}$ per cent. *ad valorem*. The principal of these are machinery, metals and railway plant, and the House will probably agree that in the interests of India's industrial development increased taxation on these articles is undesirable.

In view of my proposal to raise the general *ad valorem* rate from $7\frac{1}{2}$ to 11 per cent., while leaving the cotton excise duty at its present figure $3\frac{1}{2}$ per cent., I propose to withdraw the concession allowed by the existing tariff by which machinery and stores imported for use in a cotton spinning or weaving mill are admitted free of import duty. I propose that such articles—they are detailed in items 17, 18, 19 and 27 of the import tariff schedule—should now be subject to the appropriate duty under the revised schedule. Most of them, certainly most of the important articles, will be liable to duty at $2\frac{1}{2}$ per cent. I think that Honourable Members will agree that the removal of this concession is reasonable. The concession was granted when an excise duty was imposed on piece-goods made in this country equal to the duty on imported

piece-goods. It was obviously unfair that the Indian millowners should be handicapped against the English manufacturer by having to pay not only this excise duty but also duty on the machinery and the stores which are required from the United Kingdom. But there is so material a difference between the rate of the cotton excise duty and the rate which I propose on imported piece-goods, that it is no longer necessary to continue this concession. I estimate that the withdrawal of the concession will yield a sum of 10 lakhs of rupees. It will also be a great administrative convenience since the concession throws a great deal of extra work upon our customs staff.

(2) The second Customs measure which we propose is the levy on matches of a specific import duty of 12 annas per gross boxes in place of the present *ad valorem* duty of $7\frac{1}{2}$ per cent. This rate would work out to one pie per box of matches, and if, as I hope, there is no substantial decrease of consumption as a result, I estimate the additional revenue at Rs. 1,10 lakhs. I may point out to the House that the duty in the United Kingdom is 5s. 2d. per gross boxes, while in many other countries it is considerably higher.

(3) Thirdly, we propose to increase the duties on imported liquors as follows :

	Present duty.			Proposed duty.		
	Rs.	a.	p.	Rs.	a.	p.
Ale, beer, cider, etc., per gallon . . .	0	4 $\frac{1}{2}$	0	0	6 $\frac{1}{2}$	0
Liqueurs, untested, per gallon . . .	14	10	0	25	0	0
Liqueurs, tested, per proof gallon . . .	11	4	0	18	12	0
Perfumed spirits, per gallon . . .	18	12	0	30	0	0
All other spirits, per proof gallon . . .	11	4	0	18	12	0
Wines—						
(a) Sparkling, per gallon . . .	4	8	0	9	0	0
(b) Other sorts, per gallon . . .	1	12	0	4	8	0

The new rates work out to exactly 3 annas per degree of proof per gallon. I do not propose that we should raise the $7\frac{1}{2}$ per cent. duty on denatured spirits which are used in several forms of industry. Allowing for some reduction in import as a result of the higher duty, I estimate that the above increases will yield additional revenue to the extent of 94 lakhs.

These duties as raised will still be substantially lower than the duties levied in the United Kingdom. We have come to the conclusion, however, that for the present any attempt to go substantially higher would probably not yield any further revenue and might in fact yield less. I may remind the House that the present high scale of duties on alcohol in the United Kingdom was not arrived at *per saltum* but worked up to by a series of increases spread over a number of years.

(4) The fourth measure is the raising of the general *ad valorem* duty of $7\frac{1}{2}$ per cent. to 20 per cent. in the case of certain articles of luxury, such as motor cars, motor cycles and tyres (excluding lorries), silk piece-goods, fireworks, umbrellas, clocks and watches, musical instruments, cinematograph films, etc., a full list of which is given in the Finance Bill which I shall shortly introduce. The additional revenue from this measure is estimated at Rs. 1,14 lakhs.

(5) The fifth customs measure is the raising of the present import duty on foreign sugar from 10 to 15 per cent.; I estimate the additional yield at 65 lakhs.

[Mr. W. M. Hailey.]

(6) Sixthly—and this is the last of my tariff proposals—I propose that the duties on tobacco, other than unmanufactured tobacco, be increased by 50 per cent. In other words, I propose a duty of Rs 2-4 instead of Rs 1-8 per lb. on manufactured tobacco, and 75 per cent. instead of 50 per cent. *ad valorem* on cigarettes and cigars. After making some allowance for a probable decrease in consumption next year, I estimate that this measure will produce an additional revenue of 40 lakhs.

Any proposal to enhance the tobacco duties usually raises the question of a tobacco excise. An excise duty on manufactured cigars has been considered from time to time, and has in the past been the subject of some discussion with the Secretary of State. On the last occasion it was held that an excise on cigars was undesirable as it would almost certainly damage the cigar industry in Madras, and involved moreover considerable practical difficulties in collection. We have again considered the matter but feel that we might possibly damage what is to a large extent a cottage industry, and a source of livelihood to many people in Southern India, and that in any case it is very doubtful whether in view of the amount likely to be obtained and of the practical difficulties in the way the matter is worth pursuing. I admit that there is much more to be said for an excise duty on machine-made cigarettes. The industry is prosperous and an excise duty of 8 annas per 1,000 cigarettes would probably bring in some 10 or 15 lakhs. In favour of the proposal it might also with considerable justice be urged that, if the duties on imported tobacco are increased by 50 per cent. while tobacco manufactured in India is left untouched, the whole of the increase will be borne by that small section of the populace which buys the imported article, and the rest of the tobacco users in India will escape altogether. I admit the force of this argument, and previous discussions have shown that the proposal, unlike that for an excise on cigars, is quite practicable. Our view, however, is that an excise tax on Indian made cigars being impracticable, an excise tax on Indian made cigarettes will be open to the objection that the poor man's smoke is being taxed and not that of the comparatively richer European or Indian whose smoke is an Indian cheroot.

§0. I now come to the question of the income derived by the country from its immense and valuable railway estate. It is probably no news to the House that the net income from railways, after allowing for interest charges, has recently in spite of a steady increase in gross traffic receipts, been decreasing. In the year before the war the net profit to the State, after defraying all interest charges and paying to the managing companies their share of the surplus profits, came to 7.19 crores. During the war working expenses were abnormally low, mainly owing to the fact that material for replacements and renewals could not be obtained from abroad. In 1916-17, therefore, the net profit rose to 11.22 crores, and in 1917-18 and 1918-19 to 14.87 and 15.85 crores, respectively. With the return of more normal conditions, the profit has considerably decreased; in 1919-20 it fell to 9.35 crores, and in the current year it will probably be no more than 5.08 crores. On the basis of our estimates for next year, and assuming that no change be made in the rates, the profit would be only 4.09 crores. I submit therefore that, quite apart from our present financial necessities, a moderate increase of rates, particularly on goods traffic, the rates for which are mostly still on a pre-war basis, could

be amply justified on business grounds. It is not possible, however, to re-adjust the various rates in time enough to give us the money we need during the next financial year. In the case of goods rates, it is a particularly cumbrous business, and requires very careful consideration in consultation with our traffic experts and with the railway companies. We have asked the Railway Board to examine the matter carefully during the course of next year in order to see what enhancements of rates are possible. Meanwhile, as a temporary measure, we propose to make a substantial increase in the surcharge on goods traffic which was imposed in 1917. The existing rates are 1 pie per maund on coal, coke and firewood and 2 pies on all other goods. We propose to substitute the following rates :—(1) 6 pies per maund on coal, coke, firewood, food grains and fodder ; (2) 2 annas per maund on certain valuable commodities which can bear a high rate of tax, such as piece-goods, pressed cotton, jute and ironware, timber and oils ; (3) 1 anna per maund on all other articles of general merchandise not falling within those two categories. At present there is a free zone for goods carried 10 miles or less, which we propose to extend to 20 miles.

The existing surcharge is small and is probably not felt appreciably by the traffic. I fully recognise that any substantial increase must have a somewhat uneven incidence, as the surcharge has no reference to length of journey and its effect is practically the same as a terminal tax. The increase now proposed is therefore intended to be in temporary substitution for a general increase of goods rates. In the event of it being found possible before the end of the year to raise the latter to the necessary extent, such increases will be substituted next year for part or whole of the additional surcharge now to be imposed. We anticipate that the additional revenue so obtained will amount to approximately 5½ crores.

31. The remarks which I have just made, regarding the justification, as a business proposition, for an increase in railway rates, 2½ crores from increased postal rates. apply with somewhat greater force to the case of our postal rates. It has not hitherto been easy to say precisely what we are making or losing over the administration of our post offices, as our general accounts do not show as debits or credits to the Post Office certain items of expenditure and revenue which, if the accounts were kept on a strictly commercial basis, would appear therein ; the administration report of the Department does, indeed, attempt to work out the profit and loss, but we cannot place too much reliance on the figures. (I hope to remedy this before long, as I have made arrangements with the firm of chartered accountants in London of whom I spoke above to overhaul our Post and Telegraph accounts.) Meanwhile, it is at any rate safe to say that our net revenue from the Post Office has been steadily diminishing, owing to the very large growth in working expenses mainly due to increased pay of the staff, and that next year the Postal Department will, unless the charges we make to the public for postal services are raised, actually be running at an appreciable loss. I propose the following measures :

(1) Abolition of the half-anna postage for letters, the charges in future to be one anna for letters not exceeding 2½ tolas in weight, and half an anna for every additional 2½ tolas.

(2) Raising to half an anna the quarter-anna postcard.

(3) Rate for book, pattern and sample packets to be raised from half an anna for every 10 tolas to half an anna for every 5 tolas or fraction thereof.

[Mr. W. M. Hailey.]

(4) At present the initial rate is $\frac{1}{4}$ anna for registered newspapers not exceeding 8 tolas in weight, and $\frac{1}{2}$ anna for papers not exceeding 40 tolas. I propose that the maximum weight to be carried for a quarter of an anna be reduced to 5 tolas, and that for half an anna to 20 tolas.

(5) I do not propose any revision in the parcel postage rates which were revised as recently as May 1919. It is true that if we raise the initial charge for the letter from half to one anna for $2\frac{1}{2}$ tolas, it is somewhat anomalous to carry a parcel not exceeding 20 tolas in weight for 2 annas; but in view of the revision made 18 months ago and of the fact that the matter is one of great importance to small industries, we believe that it would be a mistake to revise the parcel rates again so soon.

(6) Raising of rates of commission charged on inland money-orders to the level of those in force up to 1902.

The net result of the above measures will probably be an increased revenue of $2\frac{1}{2}$ crores. I fully appreciate the objections which I know that the House will feel to altering the present postal rates, and personally I shall be very sorry to see the pice postcard and the half-anna rate for letters abandoned. Cheap postal communications are of the highest importance to this country, and there is no doubt that the fact that we have probably the cheapest postal service in the world has been of immense benefit in aiding the country's progress. Further, it might be argued that it is not fair to consider the postal service apart from the telegraph service, as the two form one Department. Owing to the fact that our inland telegraph rates are now decidedly high, having been deliberately raised in order to enable the Department to cope with the immensely increased traffic, it is possible that the combined Department may show some profit though I should not be willing to affirm this definitely until we get a true costing account. But the claim may be made in some quarters that, so long as we are not showing a proved loss on the combined Department, the justification on business grounds for raising the postal rates does not hold good. To such arguments I have only one reply, and that is, financial necessity. Postal rates as cheap as they are at present are a luxury which the country can no longer afford.

32. The increases of taxation which I have so far mentioned should in the aggregate, if nothing untoward occurs, yield an additional revenue of 16 crores. To obtain the remainder it will be necessary, if we are to avoid an increase in the salt duty, to resort to increased direct taxation, namely, an increase in the present taxes on income. As regards ordinary income-tax, an examination of the figures shows that, even if it were not undesirable to do so, we should not obtain much additional revenue by raising the present rates of tax on the smaller incomes. We propose therefore to leave the lower grades of income-tax alone, and to increase the upper grades so as to work up to a maximum of 16 pies instead of 12 pies as at present. The result will be to increase substantially the tax on companies' dividends, for under the income-tax law the tax is levied on dividends at the maximum rate, subject to certain refunds. I am afraid it would not be practicable, however, to give any concession to companies, for it is from the latter that most of our income-tax proceeds is realised. As regards super-tax on individuals we propose to increase the rates on the higher grades of income so as to work up to a maximum of 4 annas in the rupee on any excess over $3\frac{1}{2}$ lakhs of income.

The Finance Bill, which will be in Members' hands this morning, will show the exact scale of the new grading. We estimate that the increases in income-tax and super-tax combined will yield a total additional revenue of 3½ crores.

33. The total yield of the additional taxation which I have proposed will amount to ₹19,17 lakhs, the deficit of ₹18½ crores for 1921-22 being thus converted into a surplus of 84 lakhs. While my other proposals, if accepted by the Legislature, will have effect from the 1st April, the revision of the Customs tariff will come into force from to-day, and the additional revenue during the current year which is estimated at ₹70 lakhs will go to reduce to that extent the deficit of 11½ crores which we anticipate in the current year.

WAYS AND MEANS.

(A) *Current Year.*

34. There are many Members of the House who will no doubt consider the statement of our revenue position and our proposals for taxation as of primary importance. But I must, in the interests of those who desire to appreciate the whole financial position, detain the House while I refer to our ways and means position and to our capital expenditure. First, as to the current year. Very briefly, the position in the current year, taking the figures on a 2s. basis, is that we anticipated that we would have to meet liabilities, either in India or in England, to the extent of slightly over 46 crores, of which the most important were a railway capital expenditure of 19 crores (after allowing for a gain of 3½ crores from exchange), 19½ crores for repayment of the 1920 War Bonds, and drawings by the provinces upon their balances to the extent of 6 crores. We expected to finance this by drawing on our opening balance to the extent of 12 crores, raising a loan in India of 15 crores, a credit of 10½ crores from the disposal of war stores and another of 8 crores from exchange gains, and various miscellaneous receipts aggregating about 11 crores in all. We hoped that these resources would not only be sufficient, but more than sufficient, to meet the abovementioned liabilities, and that we should be able to reduce our floating debt, in the shape of treasury bills issued to the public, by some 10½ crores.

Actually, our liabilities have amounted to 96 crores ; our railway capital expenditure has been some 25 crores (owing to the difference in the rate of exchange at which the sterling outlay will now be brought to account), and, further, we have discharged not only the whole of the 1920 War Bonds, but some 9 crores of the 1921 Bonds which were accepted in payment of the 6 per cent. loan issued this year. In addition to what may be called the above more or less normal transactions, we have, however, had to finance from our ways and means resources a heavy loss due to the sales of Reverse Councils. In order to meet the Reverse Councils sold by us, which since the 1st April have amounted to £31 million, the Secretary of State has had to withdraw and realise a large amount of the sterling securities held in the Paper Currency Reserve. These were of course originally valued on a 1s. 4d. basis, and the net result has been a loss of some 17 crores in the course of the current year ; added to which, a further loss of 2½ crores resulted from our selling Reverse Councils at a rate above 2s. These and other losses which have resulted from our remittance transactions are at present held in suspense, but as I have already mentioned, will sooner or

Mainly financed by new
currency issues.

[Mr. W. M. Hailey.]

later, except in so far as they may be reduced by a demand for Councils at above 2s., have to be met from revenue. As already stated, the Imperial surplus of 2 crores anticipated in the budget has been converted into a deficit of 11 crores. Even, therefore, with a large increase over the expected loan receipts (30 crores against 15), our resources have fallen considerably short of our requirements, and we have been obliged to resort to the temporary expedient of supplying the gap by a further issue of currency notes backed only by our own securities, *viz.*, treasury bills created *ad hoc*. This issue of unbacked notes has during the current year so far been to the extent of 32½ crores, apart from the issue of 18½ crores made in October last in accordance with the recent Paper Currency Legislation to cover the deficiency in the revaluation of sterling holdings in the Reserve, which does not however affect our ways and means position. On the other hand, I hope that by the end of the year we shall have reduced the amount of treasury bills outstanding in the hands of the public from 43 crores at the beginning of the year to 37½ crores.

85. Altogether, then, the ways and means operations of the year may be

Summary of year's summarised as follows :
operations.

<i>Liabilities.</i>	Crores.
(1) Railway capital outlay (inclusive of exchange) . . .	25.5
(2) Delhi capital outlay (inclusive of exchange) . . .	1.2
(3) Irrigation capital outlay (inclusive of exchange)7
(4) Discharge of debt	28.3
(5) Discharge of railway debentures5
(6) Imperial deficit	11.1
(7) Discharge of treasury bills issued to the public . . .	5.2
(8) Exchange loss on remittance transactions, gold transactions, etc.	23.5
(9) Miscellaneous items2
Total	96.2

which have been met as follows :

(1) Reduction of cash balances	14.9
(2) Rupee loan in India	29.8
(3) Issue of treasury bills to Paper Currency reserve . . .	32.8
(4) Net receipts from Savings Bank deposits and cash certificates .	3.2
(5) Credits under the War Stores suspense account . . .	14.1
(6) Provincial surplus	1.4
Total	96.2

The above summary refers of course to our ways and means position as a whole, *i.e.*, in India and England combined, and omits remittance transactions which merely effect the transfer of our balances from India to England, or *vice versa*. As regards our balances in England, I have already referred to the extent to which the Secretary of State has had to draw on the sterling securities in the Paper Currency Reserve in order to meet our sales of Reverse Councils. The extent to which he had to have resort to the Currency Reserve was, however, £2 million less than the Reverse Councils and gold purchases for which he had to pay; the remainder, together with his other outgoings,

i.e., our ordinary home charges, he has been able to meet by means of his recoveries from the Home Government in respect of our rupee expenditure on their behalf, the total amount of such recoveries during the current year being probably about £53 million.

(B) *Next Year.*

36. I now turn to our capital liabilities and probable assets for next year. Our first important liability is the discharge of the 1921 war bonds for which we have to find 15½ crores, and there is an undischarged balance of about ½ crore of the current year's loan for which it is necessary to make provision. Secondly, although under the Reforms Scheme irrigation is entirely a provincial subject, several provinces will need to borrow from us in order to finance the irrigation projects now in progress; some of them have also asked for loans to cover various items of *quasi-capital* expenditure. These latter we have been obliged to restrict substantially, but in the net we have undertaken to make provision for loans, including those required for irrigation purposes, aggregating a crore and three-quarters. Thirdly, the provinces expect to draw on their balances with us to the extent of 6½ crores. These three liabilities, therefore, amount to 24½ crores.

37. Before I consider our further liabilities such as the amount to be allotted for the railway capital programme, for capital expenditure on New Delhi, and for certain other purposes, it will be convenient if I turn for a moment to the question of what provision we shall enter for our own rupee loan. We are budgeting for a rupee loan in India of 15 crores. I hope that we shall get more, but, as I shall show presently, any such excess should, I think, not be taken into our present calculations, but earmarked for a purpose which I shall mention. As regards the amount we are likely to obtain, I cannot of course say anything here as to the terms which we shall offer. We have to remember that we have been working the Indian money market assiduously for a number of years and have raised sums far beyond the dreams of pre-war financiers. We have been enabled to do this, partly as a result of public patriotism and of energetic propaganda during the war itself, and partly, and I think to a greater extent, owing to the very great trade prosperity which the war brought to India. Nevertheless, we have had gradually to advance our rate of interest. In 1914 we were borrowing on a 3½ per cent. basis; we have in successive years had to offer 4 per cent., 5 per cent., 5½ per cent. income-tax free for short-term loans, and in the current year we were obliged to offer 6 per cent. income-tax free. Further, various Provincial Governments will probably be competing with us in the market; one of them indeed has already done so with considerable success. I do not wish to strike an undue note of pessimism here, but the House will probably agree that there is an obvious limit to the extent to which we can go on depreciating our credit. We have already suffered considerable loss of money power by the very heavy depreciation in the price of our main securities. Further, we have seen the end of the big trade boom, and there are unmistakable signs of our having already entered upon that period of trade depression which always characterises a transition from higher to lower prices. Altogether, I do not think it would be right to expect that we can hope to raise anything like the large sums which we succeeded in raising during several of the war years.

[Mr. W. M. Hailey.]

We have, I need hardly say, also turned our attention to the feasibility of raising a sterling loan in the London market. Honourable Members are

Sterling loan.

probably aware of the conditions obtaining in England, and will understand the practical difficulties in the way of our raising a substantial sterling loan; nevertheless, we hope the Secretary of State will be able to effect something in this direction, and we are accordingly budgeting for a sterling loan of £5 million.

38. I now turn to our remaining liabilities. I do not think I need lay

No specific provision for reduction of floating debt or deflation of currency.

stress on the necessity for freeing ourselves as early as possible from the embarrassments which follow from the present volume of our floating debt and from an inflated currency. Nevertheless, in view of the

necessity for finding what money we can for the railway programme we have felt unable for the present to make any specific provision for a reduction in our floating debt, or for the cancellation of the treasury bills held in the Paper Currency Reserve, save in so far as this is automatically provided for by the Indian Paper Currency (Amendment) Act, XLV of 1920. I am afraid that some of our financial critics will place their finger upon this meagre provision as being a weak point in our ways and means budget. We propose, however, should the rupee loan bring in more than the 15 crores budgeted for, to devote such excess to the purpose of making a further reduction in our floating debt or of the deflation of the currency. I feel very strongly that these objects have the first call upon any surplus assets that the operations of next year may give rise to. I have already spoken at some length on the urgent necessity for taking early steps to rehabilitate our financial position. I will only add here that in my opinion the interests of the country will be best served by our

But these objects to have first call on any surplus assets.

concentrating our energies upon freeing ourselves as soon as possible from the financial embarrassments which are a legacy of the war. The sooner we

do this, the sooner will our hands be free to make additional funds available for purposes of railway expansion, or for loans to the provinces to assist their industrial progress and development and to help them to finance the very large irrigation projects which in the course of the next few years will, we hope, be ready for construction.

39. In these conditions we have not felt justified in making provision for a

Railway grant for next year.

railway capital programme larger than 15 crores, as against the 22½ crores programme budgeted for in the current year. Indeed, we have felt some hesi-

tation as to whether we could justly find even this figure, but anything less than this will so restrict the provision of necessary renewals, and of new rolling stock, as to react very seriously upon the carrying capacity of our railways. I am fully aware that in many circles this provision will be regarded as inadequate. I realise also that it would be a penny-wise and pound-foolish policy to kill the goose that lays for the tax-payer so many golden eggs. Nevertheless, in the opinion of Government, great as are the interests concerned in a progressive railway policy, the interests of the country as a whole are greater, and in the long run it will be to the latter's interests, and, indeed, to those of the railways themselves, that we should first clear the way by putting our finances in such a position that they will in future be able to bear the burden of larger capital expenditure in various directions of development, of which railway development is no doubt the most important. Otherwise, our credit will

continue to depreciate, and we shall be able to borrow less and less. Further I would suggest to this House that, as guardians of the tax-payers' interests, they cannot altogether overlook the fact that the net receipts from railways excluding interest charges, amount at present to just under five per cent. of the total capital at charge. I do not wish to stress this point unduly; the best way of improving our railway dividend is (apart from raising fares and rates) to increase the railways' carrying capacity, and that cannot be done without an adequate supply of capital. My point is that, until we free ourselves of the various financial embarrassments which I have mentioned, and thereby improve our credit, it is hopeless for us to expect to raise money except at a rate higher than that which the railways at present earn on their capital. As the House is aware, various schemes for enabling more money to be found for railways have been suggested in the evidence taken by Sir William Ackworth's Committee, such as raising by the railway companies, or by some Indian domiciled companies founded to take their place, special railway debentures. We shall of course consider very carefully any recommendations that the Railway Committee may submit to us, and should any such schemes mature, no one will be more pleased than myself, but, so far as next year is concerned, I am afraid that we can only rely on the funds that Government itself can make available from its own borrowing.

Meanwhile, I must invite the House's special attention to the fact that the difference between the railway capital grant for the current year, namely, 22½ crores, and the 15 crores which we propose to fix for the coming year, is not so great as the figures might imply. This time last year, as Honourable Members know, we anticipated that exchange would remain above 2s., and that consequently the financing of a capital grant of £22½ million would require a rupee expenditure of only 19 crores. For next year we are, as I have mentioned, assuming an average rate of exchange of 1s. 8d. This will mean that to finance a capital programme of £15 million, a rupee expenditure of 17 crores 80 lakhs will be necessary, so that, so far as actual expenditure of rupees is concerned, the difference between the two years is only just over a crore.

40. The only other item to which I need draw the House's attention is an entry of one crore for the Delhi capital outlay. As regards irrigation, I have already reminded the House that under the Reforms scheme irrigation projects will in future be financed by the Provincial Governments concerned.

Delhi.

Irrigation.

If they cannot find the money from their own balances, they will either borrow the necessary capital from us (as several Governments will do in the coming year) or raise it in the open market. Although we ourselves are no longer directly concerned with the financing of irrigation projects, the House will probably be interested to know that there are now several large projects which have been some years under consideration, but the schemes for which have either reached or are approaching maturity. The two most important of these are the Sukkur barrage project and the Sardha canal in the United Provinces. There has for various causes been for several years a comparative lull in the amount of irrigation construction in progress, but before long, when the projects which I have mentioned and several others are in full construction, the amount of funds necessary to finance them will reach a considerable figure. In fact, according to an estimate made some months ago, it will be necessary if the programme as at present envisaged is to be worked up to, for the various

[Mr. W. M. Hailey.]

provinces to find a total sum of no less than 72 crores for irrigation during the next fifteen years.

41. Altogether, the ways and means transactions of the coming year may be summarised as follows:

Capital requirements.

	(Crores.)
(i) Railway capital outlay (inclusive of exchange)	17.8
(ii) Delhi capital outlay (inclusive of exchange)	1.1
Summary of next year's transactions. (iii) Discharge of Debt (War Bonds)	16.2
(iv) Loans to Provincial Governments	1.7
(v) Drawings by Provincial Governments from their balances	6.3
Total	43.1

Resources from which met.

(vi) Reduction of cash balances	6.6
(vii) Rupee loan	15.0
(viii) Sterling loan	5.0
(ix) Net receipts from Savings Bank Deposits and Cash Certificates.	4.2
(x) Recovery in respect of money orders issued by Iraq Administration in 1919-20.	3.5
(xi) Imperial surplus8
(xii) Net credit from exchange	5.0
(xiii) Other items	3.0
Total	43.1

42. In concluding my remarks upon our ways and means operations I must say a few words regarding the Secretary of State's position next year. This is a matter which at the present time is of particular interest and importance, because of its bearing upon the future course of exchange. We anticipate that the total expenditure which the Secretary of State will have to meet in London will be about £46 million. Now it will be obvious at once to Honourable Members that if it were necessary next year to put the Secretary of State in funds by means of the sale of Council Bills in London, such Council Bills, if sold to any large extent, would act as a very severe deterrent to any recovery in exchange which the trade conditions of next year might otherwise lead to. Fortunately we do not anticipate that, humanly speaking, there will be any necessity for the sale of Council Bills during the year. In the first place, we shall be recovering from the War Office about £20 million in respect of rupee disbursements made by us on their behalf. From his own cash balances and from certain other sources the Secretary of State will probably be able to find another £12 million. We also hope, as I have already stated, that he will be able to raise a sterling loan of about £5 million. He will need therefore a further £8½ million. Now what is the position as regards our sterling reserves? We have some £8 million in the Paper Currency Reserve and no less than £38 million in the Gold Standard Reserve. It is obvious, therefore, that the Secretary of State, by operating on those reserves, *i.e.*, by transferring them to India, should be able to avoid the sale of Councils for a considerable period. He would draw upon those reserves in London, while we should

credit thereto in India an equivalent amount of rupees, the net result being a transfer of the reserves, to that extent, from England to India. During the next financial year we expect, as I have said, that he will only have to place himself in funds from these reserves to the extent of £8½ million, and this can be found almost entirely from the Paper Currency Reserve.

43. A year ago we were being criticised very severely for supporting exchange, at the high level then existing, by the sale of Reverse Councils.

More recently we have been criticised in several quarters for not making use of the Gold Standard Reserve to stabilise exchange at the level to which it has subsequently fallen. Our more recent critics point out that the very *raison d'être* of the Gold Standard Reserve is to support exchange. I entirely agree. My reply is that the best and most effective way of utilising that reserve is in order to keep the Secretary of State in funds and to avoid his having to sell Councils at a low rate of exchange. When one considers that the Secretary of State has over £46 million of sterling reserves, apart from his cash balances and apart from any other assets that may accrue to him in England, there is surely some justification for a refusal to feel unduly pessimistic about the future course of exchange. For unless it be contended, and I have not yet heard the assertion made, that the balance of trade has now set permanently against India, and if it be agreed that the present trade conditions are highly abnormal, then it can only be a question of time before a return commences towards a more normal state of affairs. When that happens, there must be a balance of trade in India's favour and unless that balance be satisfied by the sale of Council Bills exchange must rise. Then, and not till then, will in our opinion be the psychological moment to make full use of our sterling reserves, rather than to dissipate these now in efforts to stabilise exchange at some rate which, from the very nature of the existing conditions of the world's trade, could not be made permanent. If there is one lesson that can be drawn from the events of 1920 it is surely this; if, as we are told, a mistake was made last year in endeavouring to stabilise exchange when conditions were so abnormal, let us not repeat that mistake by trying to do a similar thing when, owing to a violent swing of the pendulum, the converse position is equally abnormal.

A few days ago, Sir, in speaking to this House I told them that we might have to delay for a few days placing the Civil Estimates before them. I am glad to say my staff has been able to get through the preparation and the printing of those voluminous estimates in time for their presentation to-day. I feel that it will be wrong if I did not—even at the risk of taking a little more of the time of the House—express gratitude to the members of my Department for the efforts they have made to comply with the requirements of this House, in spite of the extra burdens of a very difficult year. It is owing to the great efforts made by these men—men, let it be remembered whose names will not come before the public, but men to whom we must all of us in the discharge of our financial business in this House always be under the greatest obligation, that I am now able to place the Civil Estimates to-day on the table of this House. The military estimates will be distributed on Thursday.

Conclusion.

44. I have concluded my task. For the deficit of the present year the House, knowing the facts regarding the unusual expenditure which we have

[Mr. W. M. Hailey.]

had to incur on the frontier, and on heavy increases of pay to all our establishments, was not I think unprepared. I can appreciate its disappointment at finding that our deficit for the coming year will be so heavy as to involve taxation on the scale which I have had to propose. My own personal feelings must, I am aware, at such a moment count for little. But for myself, the regret which I feel is not at having to announce a deficit or propose fresh taxation; my regret is that this Assembly should at the outset of its career be forced to face problems for which I feel that it can find no solution which will not bring it some unpopularity in the country. I believe whole-heartedly that the immediate political future of India depends on the strengthening and consolidation of the forces now represented in this Assembly. It is an unkind stroke of fate that circumstances should force us to place on this Assembly a burden which would be no easy one for a body occupying a position compacted by tradition and fortified by a long career of national service. But regrets will not cure hard facts. Circumstances have turned against us as they have turned against so many countries in the last year, and the circumstances must be faced. But let us bear in mind, that in proportion as we confront our present difficulties with courage and with breadth of vision, by so much shall we justify this, the first Imperial Assembly, to those who will come after us, the future Assemblies of a greater India.

THE INDIAN FINANCE BILL.

The Honourable Mr. W. M. Hailey : With your permission, Sir, I move for leave to introduce a Bill further to amend the Indian Tariff Act, 1894, the Indian Post Office Act, 1898, the Indian Income-tax Act, 1918, and the Super-tax Act, 1920, and to amend the Freight (Railway and Inland Steam-vessel) Tax Act, 1917. Your permission is necessary, under the Standing Rules for me to make this motion, and with that permission, Sir, I will make the motion without further delay in the House. I feel that after the very full explanation which I have endeavoured to give to the House just now of our difficulties and of the way in which we desire to meet those difficulties, it is unnecessary that I should say more than that this Finance Bill is a consolidated Bill intended to give effect to the various measures I have proposed in my recent speech. The mere introduction of this Bill does not commit the House in any way either to the acceptance of the expenditure which goes to form the deficit, nor to the exact method with which we propose to meet it. This is a motion for introduction, pure and simple, and though I do not wish to prejudice the action of the House in any way, I would merely suggest that it be left purely as an introductory motion and that criticisms and discussion be deferred until I make the motion for a second reading, namely, on the 17th instant. I then hope to propose that the Bill be taken into consideration and referred to a Joint Committee of both Houses of the Legislature. I now, Sir, beg for leave to move.

The motion was adopted.

The Honourable Mr. W. M. Hailey : I now introduce the Bill.

THE CODE OF CRIMINAL PROCEDURE (AMENDMENT) BILL.

Mr. S. P. O'Donnell : Sir, with reference to the message from the Council of State which has been communicated to-day, I beg to move the following motion :

'That this Assembly do agree to the recommendation of the Council of State that the Bill further to amend the Code of Criminal Procedure, 1898, and the Court Fees Act, 1870, be referred to a Joint Committee of the Council of State and of the Legislative Assembly and that the Joint Committee do consist of 12 Members.'

Sir, it does not seem necessary that I should detain the House for long in support of this motion. A Bill to amend the Criminal Procedure Code was introduced as far back as 1914 in the Indian Legislative Council. That Bill was referred to a Committee in view of certain opinions which had been received on it. The Committee was a strong one and contained a number of eminent lawyers. The Bill was later revised in the light of the criticisms of the Committee. For various reasons it was not found possible to proceed further with it, and in the interval a number of minor amendments were suggested which have been incorporated. The main amendments which the Bill introduced into the Criminal Procedure Code are explained in the report of the Committee. The amendments are intended to remove defects which have been found in the existing law and no important change of principle is contained in this Bill. At the same time, 22 years have elapsed since the revision of the Code and I think it will be agreed that the time has come when the Code should be overhauled. I hope also that it will be agreed that the most expeditious method of doing that is the proposal contained in the motion which I have just made. It is intended that the Committee, if appointed, should contain a majority of non-officials.

Mr. J. Chaudhuri : Sir, may I rise to a point of order. I would draw your attention to the ruling you have given before regarding the introduction of a motion and the reference to a Select Committee. Now with regard to this big measure of legislation, I think that we should be given enough time to consider it. As a matter of fact, I received a copy of the Bill a little before midnight last night, so I hardly had time to look at it. I draw your attention to Rule 68 regarding the reference of a motion to a Select Committee. The Proviso says :

'Provided that no such motion shall be made until after copies of the Bill have been made available for the use of Members, and that any Member may object to any such motion being made unless copies of the Bill have been so made available for three days.'

The Honourable the President : Order, order. This Bill did not originate in this Chamber. The Honourable Member is reading out a Standing Order regarding a motion which originates in this Assembly. The Bill has already passed through its first stages in the Council of State and the motion before us now is that the Bill which originated in the other Chamber be referred to a Joint Select Committee. Therefore, the motion made by the Honourable Mover is in order.

Mr. J. Chaudhuri : Then I move that the Bill be circulated under the provisions of Rule 69 because this Assembly is not the same as the Council in which the Bill originated, and Rule 69 (b) says :

'If the Member in charge moves that his Bill be referred to a Select Committee, any Member may move as an amendment that the Bill be circulated for the purpose of eliciting opinion thereon by a date to be specified in the motion.'

[Mr. J. Chaudhuri.]

The reason why I want this Bill circulated is that I want enough time to examine the Bill, it is a very big measure of legislation and it is desirable that the Bill should not be passed either in this session or during this year. My reason is, that this Assembly is a newly constituted one and it is necessary that all the Members of both Houses should have enough time to acquaint themselves with the provisions of the Bill. So instead of referring this Bill to a Select Committee, time should be given to the Members of this Assembly to consider and make themselves thoroughly acquainted with its provisions. Further, I find that there are Resolutions which many Members will move and which, if passed, will require important modifications in this Bill. A further reason is that the Viceroy-designate, who will shortly arrive, was one of the ablest criminal lawyers and has presided over the Criminal Appellate Court in England for many years; I think we should have the benefit of his experience and advice with regard to the Bill. My motion, therefore, is that this Bill be circulated now and that the appointment of a Select Committee be deferred until the end of the session.

The Honourable the President: Does the Honourable Member mean by his motion, circulated in the technical sense?

Mr. J. Chaudhuri: Yes, Sir.

Dr. H. S. Gour: Sir, I am in a somewhat worse predicament than my friend, Mr. Chaudhuri, because, though he got a copy of the Bill last night at midnight, I have not received a copy at all. I cannot consent to the passing of the motion that the Bill be referred to a Select Committee of which I know nothing. I beg therefore to move that a copy of the proposed Bill be circulated amongst Members of this Assembly and . . .

The Honourable the President: Does the Honourable Member wish to second the motion put before the Assembly that the Bill be circulated?

Dr. H. S. Gour: Yes, Sir.

The Honourable the President: I hope the Honourable Member understands the difference between circulation with a small 'c' and circulation with a big 'C.'

Mr. J. Chaudhuri: I shall be quite satisfied, Sir, if the Bill is circulated amongst the Members of this House.

The Honourable the President: That is not 'circulation' in the technical sense. I understand that the Bill has already been sent to Members. Is that so, Mr. O'Donnell?

Mr. S. P. O'Donnell: It was introduced in the Council of State and copies of it have already been sent out to the press.

The Honourable the President: The complaint made by the Honourable Member is not really reasonable. The measure has been before the other Chamber and now comes before this Chamber under a procedure laid down by the Standing Orders. The fact that it originated in the other

Chamber is a mere question of convenience. It was accepted in the other Chamber and I think it may reasonably be accepted in this one. This procedure in no way precludes the fullest consideration by this House when the Bill comes back.

AYES—21.

The House thus divided.

Ayer, Sir Sivaswamy.
Bryant, Mr. J. F.
Burdon, Mr. E.
Fell, Sir Godfrey.
Habibullah, Mr. Mahomed.
Holland, The Honourable Sir Thomas.
Hullah, Mr. J.
Hutchinson, Mr. H. N.
Innes, Mr. C. A.
Kabiraji, Mr. J. K. N.
Maw, Mr. W. N.

Mitter, Mr. D. K.
Muhammad Hussain, Mr. T.
O'Donnell, Mr. S. P.
Percival, Mr. P. E.
Rao, Mr. C. Krishnaswamy.
Sapru, The Honourable Dr. T. B.
Sarfaraz Hussain Khan, Mr.
Sharp, Mr. H.
Waghorn, Col. W. D.
Wajid Hussain, Mr.

NOES—66.

Abdulla, Mr. S. M.
Abdul Quadir, Maulvi.
Afsar-ul-Mulk Akram Hussain, Prince.
Agarwala, Lala G. L.
Ahmed, Mr. K.
Ahmed, Mr. Zahir-ud-din.
Ayyangar, Mr. M. G. Mukundaraja.
Ayyar, Mr. T. V. Seshagiri.
Bagde, Mr. K. G.
Barua, Sriput Debi Charan.
Bhargava, Mr. J.
Carter, Sir Frank.
Chatterji, Mr. J. C.
Chaudhuri, Mr. J. C.
Cotelingam, Mr. J. P.
Crookshank, Sir Sydney.
Das, Babu Braja Sundar.
Dwarkanadas, Mr. J.
Faiyaz Khan, Mr. Mahammad.
Gajjan Singh, Mr.
Garu-Jayanti, Mr. R. P.
Ghosh, Mr. S. C.
Ginwala, Mr. P. P.
Gour, Dr. H. S.
Habibullah, Nawab Khwaja.
Herbert, Lieutenant-Colonel D.
Ibrahim Ali Khan, Nawab Muhammad.
Ikramulla Khan, Mr. Mirza Md.
Iswar Saran, Mr.
Jafri, Mr. S. H. K.
Joshi, Mr. N. M.
Keith, Mr. W. J.
Lakshmi Narayan Lal, Mr.

Latthe, Mr. A. B.
Lindsay, Mr. Darcy.
Mahadeo Prasad, Mr.
Mahmood Schamnad, Mr.
Majid, Sheikh Abdul.
Majumdar, Mr. J. N.
McCarthy, Mr. Frank.
Mitter, Mr. N. C.
Mir Asad Ali, Khan Bahadur.
Misra, Mr. Pyari Lal.
Mudaliar, Mr. Sambanda.
Mukherjee, Babu J. N.
Nag, Mr. Givish Chandra.
Nayar, Mr. Kavalappera Muppil.
Neogy, Babu Khistish Chandra.
Pickford, Mr. A. D.
Price, Mr. E. L.
Ramji, Mr. M.
Rama Varma Valia Raja.
Ranga-Chariar, Mr. Tiruvankata.
Reddiyar, Mr. M. K.
Renouf, Mr. W. C.
Samarth, Mr. N. M.
Sen, Mr. Nishikanta.
Sen, Mr. Sarat Chandra.
Shahani, Mr. S. C.
Singh, Babu B. P.
Sircar, Mr. N. C.
Subrahmanyam, Mr. C. S.
Ujagar Singh, Baba Bedi.
Venkatapatiraju, Mr. B.
Wajihuddin, Haji.
Yamin Khan, Mr. Muhammad.

The Honourable the President: The 'Ayes' are 21, the 'Noes' 66.
The 'Noes' have it.

The motion was negatived.

BILLS PASSED BY THE COUNCIL OF STATE.

In accordance with Rule 25 of the Indian Legislative Rules, the following Bills passed by the Council of State at its meeting of the 28th February were laid on the table:—

A Bill further to amend the Code of Civil Procedure, 1908, and

A Bill to facilitate the enforcement in British India of Maintenance Orders made in other parts of His Majesty's Dominions and Protectorates and *vice versa*.

THE INDIAN PENAL CODE (AMENDMENT) BILL.

Mr. S. P. O'Donnell: Sir, I rise to move that the Bill further to amend the Indian Penal Code, 1860, be taken into consideration. I explained the provisions of the Bill on a previous occasion. They are of a simple character, and it is not, I think, necessary for me to say anything more at this stage.

Rao Bahadur T. Rangachariar: As regards this Bill I welcome the measure. I am afraid that the Acts which require amendment in consequence of this amendment have been overlooked. I refer to the Forfeiture Act, XXV of 1857, which by section 2 thereof makes it obligatory upon a court to order forfeiture of property in the case of offenders who commit offences under sections 121 and 122 of the Penal Code where the offender is either killed or dies or is not found. Under the present law, as it stands, sections 121 and 122, the law declares on conviction, forfeiture of property without any order of the court, and one is not needed. Now in the case of offenders who have been convicted, the amendment now proposed leaves it to the discretion of the courts, which try the offender, to impose or not to impose this punishment of forfeiture. Why in the case of persons who have died, or in the case of persons who have been killed, such an obligatory procedure, as to make it compulsory on the court to order forfeiture of property should remain, I fail to see. I do not know if the matter was considered and left like that or whether the matter was ignored. That is the first point I wish to make in connection with this Bill. The second point which I wish to make is this. I do not know whether the intention of the amendments is to leave it to the discretion of the court to impose a fine or an order of forfeiture, that is to say, whether the court trying the offender can omit altogether to impose either sentence, that is punishment of forfeiture or a sentence of fine. The amendment as it stands leaves it to the discretion of the court to impose one of two things—forfeiture of property or fine. I rather think from the speech made by the Honourable Member the other day in introducing the Bill that he wanted to leave it to the discretion of the trying court, whether it should do anything in addition to imprisonment, or death, or transportation, as the case may be; whether the courts should have further powers to impose any other sentence in addition. I thought he wanted to leave it to the discretion of the court. As the amendment now runs, the court will have to do one of two things, namely, either impose a fine or order of forfeiture. I do not know if that was the real object. If it is the intention merely to leave it to the court to impose an additional sentence, or not, then

the language will have to be modified. That is the second point which I wish to make in connection with the amendments. The third point which I wish to make is this—in leaving it to the discretion of the court to impose an order of forfeiture—are you going to include all his property or leave it to the discretion of the court to exercise its discretion either to order the forfeiture of immoveable property only or moveable property also? As the amendment stands now, if the court imposes a punishment of forfeiture, it has no option but to order the forfeiture of all his property.

I do not know whether that is the intention of the amendment.

The other point which I wish to make is this. The proposed amendment of sections 121 and 122 makes it obligatory upon the court to impose an additional punishment. That is involved in the first point which I made, namely, to add either the punishment of fine or the punishment of forfeiture. One of these two things must be done by the court.

These being the points which arise, I should like to know what the Mover of the Bill has to say with reference to these points.

Dr. H. S. Gour : Sir, while I congratulate the Honourable Mover for thinking of amending the Indian Penal Code, as regards the forfeiture of property, I suggest to him that the whole clause dealing with the forfeiture of property be deleted from the Penal Code. When this provision became part of the Indian Penal Code, the Select Committee introduced the clause relating to the forfeiture of property because it was then in conformity with the existing law of England; but subsequently in 1870, by Statutes 33 and 34, Victoria, Chapter 23, section 1, passed on the 4th July 1870, the English law of forfeiture was completely altered by a statutory repeal of all penalties of forfeiture except only in the case of outlawry. The result has been that the Indian Penal Code of 1860, which was enacted on the lines of the English law, requires to be now revised, in view of the English Statutes 33 and 34 Vict.

I venture to think that in the English Common Law the penalty of forfeiture was introduced from the times of the Scandinavian Kings and followed, as Blackstone points out, upon the peculiar view of English law that all property belongs to Society and that the individual enjoys it by an implied contract or compact, and that if any of the King's subjects misbehaved themselves, the King's court had the right and discretion to confiscate their property. Now I will read a passage to illustrate what I mean. Blackstone says :

'The true reason and only substantial ground of any forfeiture for crimes consist in this, that all property is derived from society, being one of those civil rights which are conferred upon individuals, in exchange for that degree of natural freedom, which every man must sacrifice when he enters into social communities. If, therefore, a member of any national community violates the fundamental contract of his association, by transgressing the municipal law, he forfeits his right to such privileges, as he claims by that contract, and the State may justly resume that portion of the property, or any part of it, which the laws before have assigned it.'

This means that if any member of any national community violates the fundamental contract of his association by transgressing the municipal law he forfeits his right to the privileges which he claims by that contract, and the State may justly rule that a portion of his property or any part of it which the laws have before assigned him be forfeited.

This view of Society, based on a mutual pact, was a favourite view in Blackstone's day, and he naturally adopts it to justify the practice which, as has been shown, was introduced into English law since the days of the

[Dr. H. S. Gour..]

Scandinavian Kings. I think, Sir, that now that the penalty of forfeiture has been abolished in England since 1870, there is no reason why it should be perpetuated in the manner in which it is proposed to do by this amending Act which is before the House at the present moment. The sentence of imprisonment and the sentence of fine are in my opinion sufficient punishments in the case of crimes of the nature described in sections 121 and 122. To add to them is not only unnecessary and uncalled for but it is not in accordance with the English law. I would amend clause 2 in the following way :

'In sections 121 and 122 of the Indian Penal Code (hereinafter referred to as the said Code), the words ' and shall forfeit all his property ' shall be deleted.'

I am leaving out the rest of the passage: the words "and shall also be liable to forfeiture of all his property or to fine" will be left out altogether.

Then, coming to clause 3 of the Bill, the Honourable Mover proposes to insert some words which do not come into the Indian Penal Code at all, in section 121A. The first paragraph of that section ends thus :

'Whoever commits the offence described there shall be punished with transportation for life or any shorter term or for imprisonment of either description which may extend to 10 years.'

There the section ends. The Honourable Mover proposes to add by this clause the words 'and shall also be liable to fine.' Now, I submit, that so far as this section 121A is concerned, it is self-contained. It lays down certain procedure, and it says that there will be certain imprisonment which may extend to 10 years, and there the whole section ends, and there I would let it end. I have already given to Honourable Members a history of sections 61 and 62. I agree that they should both be deleted from the Code, and those sections being deleted, the amendment proposed to sections 121 and 121A should both be dropped.

The Honourable the President : The Honourable Member is taking a little too much latitude. This stage of the Bill is for consideration of its principle, and though the principle of the Bill covers the amendment in detail of an existing Act, the Honourable Member, I think, is going into too great detail. He must confine himself to the principle of the measure. He has been giving us a catalogue of the changes which he proposes to effect. Those changes are certainly not in order at this stage.

Mr. J. Chaudhuri : Sir, I have sent to the Honourable Member in charge of this Bill the amendment which I propose to make in the Bill, and it is quite a simple one. It is that in section 121 which is in these terms :

'Whoever wages war against the Queen or attempts to wage such war or abets the waging of such war, shall be punished with death or transportation for life, etc.'

Mr. S. P. O'Donnell : I understand that Mr. Chaudhuri is moving an amendment to the Bill. Of this amendment, no notice has been received except that half an hour ago he sent me round a slip to say he intended to move the amendment.

The Honourable the President : I understand the Honourable Member is now moving an amendment to the Bill?

Mr. J. Chaudhuri : In my speech I propose such an amendment.

The Honourable the President : The Honourable Member cannot move an amendment to the Bill seeing that the question before the House is that the Bill be taken into consideration.

Mr. J. Chaudhuri : Then, Sir, I move that the Bill be referred to a Select Committee composed of Sir Sivaswami Aiyer,

The Honourable the President : I have already ruled that where a Select Committee for a Bill is moved for, the Honourable Member must give notice beforehand and must assure himself of the individual authority of each Member whom he proposes to name. At the present stage, we are discussing that the Bill be taken into consideration, and if the Honourable Member will refer to Standing Order 45 he will find that only when a motion, that the Bill be taken into consideration, *has been carried*, may any Member propose an amendment to the Bill. Amendments to the Bill are not in order at this stage.

Mr. J. Chaudhuri : I have taken the permission of these gentlemen, Sir. I had previously consulted them and have taken their permission to name them,—Sir Sivaswamy Aiyer, Mr. T. V. Seshagiri Ayyar, Dr. Gour, Mr. P. P. Ginwala, Babu J. N. Mukherjea and the Honourable Member in charge of the Bill.

The Honourable the President : I cannot accept that motion at this stage. The Honourable Member must realise that the ruling laid down from the Chair must be observed. It is very inconvenient for the House that it should decide on the spur of the moment whether these gentlemen are or are not the right Members to put on a Committee. The motion referring to a Select Committee as a rule must be placed on the Order paper and must contain the names of all those composing the Committee.

Mr. Amjad Ali : The Agenda shows, that the Honourable Mr. O'Donnell moves that the Bill be taken into consideration and my Honourable friend, Dr. Gour, says he wishes to move an amendment. The ruling from the Chair is that this is not the proper stage to move an amendment to the proposed Bill. What I have to submit, is this. This Bill has been presented here for consideration and if the Members of this Assembly are not allowed to discuss the desirability of passing the Bill—of course there are other stages open to them, but is there any impediment in their way for discussing the desirability of passing this Bill? I want a ruling from the Chair. I think it should remain open to the Members of this Assembly, when a Bill is presented for consideration, to discuss as to the desirability or otherwise of passing the Bill.

The Honourable the President : If the Honourable Member will refer to the Order paper, he will find that there are no less than two motions referring to this measure on which he can discuss all day if he chooses whether this Bill ought to be passed or not. The first is the motion which we are now discussing and on which the Honourable Member is making his speech.

Mr. Amjad Ali : On principle, I may be allowed to say, as my Honourable friend, Dr. Gour, asks that the words 'shall forfeit all his property' be omitted, that we should proceed to consider this. This House has to decide once for all whether it should be considered further or should be stopped here. Dr. Gour suggests that the words 'shall forfeit all his property' should be deleted, and I think the best way of proceeding would be to allow this House to have their say as to whether these words should be deleted or not. What is the good of prolonging the matter? If the House is of one mind that this

[Mr. Amjad Ali.]

portion of the Bill should remain here and should proceed no further, what is the good of going further?

The Honourable Sir William Vincent: Sir, I am afraid that there has been some misconception about the intention of Government in regard to this Bill and as to the effect of rejecting a motion to take it into consideration. We propose to relax the law in certain respects regarding the forfeiture of property and the result of refusing to consider our Bill would be merely to leave the law in its present state, that is, much more drastic than Honourable Members wish it to be. We have gone as far in the direction of modifying the law as we thought it advisable to proceed. But if any Honourable Member had given us reasonable notice of further amendments, we should have been only too glad to consider them. As it is, I think that anyone who has any experience of drafting will bear me out—and I am quite sure that the Honourable the Law Member will support me in this matter—that it would be most unwise in an Assembly of this character to attempt suddenly and without notice, without examination by experts, to alter the drafting of any Bill. If any Member thinks that further amendments in the Law are required, and will give notice of a separate Bill we shall be very glad to consider it. On the merits we have only, as a matter of fact, retained this penalty of forfeiture of property for two very serious offences, namely, the offences of waging war against the King and conspiracy to wage such war. It may be—I quite admit it—that Members may think that the penalty should also be abrogated even for these offences so that a man should be entitled at the same time, while he is waging war against the King, to claim the protection of the King's Government for his property; that is a matter in which there may be room for different opinions, but that is not the question. The question really is whether this Assembly wishes to adopt the limited relaxations proposed by the present Bill.

Another point, I want to deal with, is the argument which was raised by an Honourable gentleman opposite. I am sorry I was detained by other business and I did not hear the first part of this argument, but I understood him to refer to Act XXV of 1857. (He will correct me if I am wrong). That Act deals with an entirely different matter. The important section runs as follows:

‘If any person who shall have committed treason or any offence for which (by the Indian Penal Code, section 121 or 122, or the Indian Articles of War, article 24) his property is declared to be forfeited shall have been killed, or shall have died or shall have escaped out of the territories of the East India Company, before he shall have been convicted * * *

The Assembly will see therefore that it deals with the case of an absconding person, an entirely different matter from an amendment of the Penal Code which prescribes punishments to be awarded after conviction. As a matter of fact, this particular Act which the Honourable Member mentioned, is also one of the measures for examination by a committee which has been appointed, on the recommendation of the Council of State, by the Government, and the necessity for amendment will be separately investigated there. In any case this is an entirely different matter from amending the Penal Code and I am quite sure that every lawyer in this House will appreciate that distinction. The Honourable Member went on to say that the words ‘and shall also be liable to fine or forfeiture’ implied that a man must either be fined or have his property forfeited.

This is an incorrect interpretation of the law I think. Let me refer to the words used in other more familiar sections of the Code.

Section 380 of the Code runs :

‘Whoever commits theft in any building shall be punished with imprisonmentfor a term which may extend to seven years, and shall also be liable to fine.’

This means that he is liable to one or to both punishments at the discretion of the Court and that is the way in which this liability has been interpreted by every Court of Justice in this country so far as I am aware. I defy anyone to say that under section 380, it is necessary in every case to impose a fine and if this is so, the liability either to fine or forfeiture under the Bill is purely a matter for the Court. I am not, however, responsible for the drafting of this Bill, but I believe that this is the real interpretation of it.

Rao Bahadur T. Rangachariar : Such a clause makes it obligatory to impose a fine as well as imprisonment

The Honourable Sir William Vincent : The words used are ‘shall also be liable to forfeiture or to fine.’ However, this is purely a matter of drafting. Another point raised was as to the authority to decide the question of liability to forfeiture, that is clearly a matter which will be decided by the Courts and all that Government thought it advisable to do was to retain the liability for this penalty in certain very grave cases, subject to the discretion of the Court. The next criticism of the Bill related to sections 61 and 62 of the Penal Code. I think, it was Dr. Gour, who cited these sections. May I point out that the object of this Bill is to repeal those sections. It is no use making a grievance about these when they are going to be repealed. I am, however, anxious to meet the Members of this Assembly in regard to this Bill in any way. If they had only given me previous notice of amendments I could have considered them and even now if they give us notice of a Bill further to amend the Code in regard to forfeiture, the Government will do their best to expedite the examination and discussion of that Bill, but in the meantime I hope that the Assembly will not delay what is admittedly a beneficial measure and one which at any rate to some extent relaxes severity of the present law.

Dr. H. S. Gour : May I explain, Sir, what I feel on the subject ?

The Honourable the President : A point of personal explanation is allowed. ‘What you feel’ sounds like the beginning of another speech.

Dr. H. S. Gour : I wanted to say, for the information of the Honourable the Home Member that I desire to move an amendment to section 74(2) that the Bill be circulated for the purpose of obtaining further opinions thereon. The complaint—I have to make against the present Bill is this : When the Indian Penal Code of 1860 was passed,

The Honourable the President : Is the Honourable Member speaking to his amendment ? There is only one motion before the House, and that is, that the Bill be taken into consideration.

Sir Sivaswamy Aiyer : Sir, may I move that the question be adjourned for one week ?

The Honourable Sir William Vincent : We should have no objection to that at all, Sir.

Sir Sivaswamy Aiyer : I beg to move that the debate at this juncture be adjourned for one week and my reasons are these. It has been remarked by the Honourable the Home Member that the object of this Bill is to effect an improvement in the existing provisions of the Penal

[Sir Sivaswamy Aiyer.]

Code, to mitigate the severity of the punishment to which an offender is liable, and he puts it to us, 'if you think that the severity should be mitigated, then take this Bill, if not, you may drop it'.

I do not think that is a fair way of dealing with the subject. Our object here is not to obstruct the passage of the Bill but to see if it is capable of being improved, and I do not think that the Honourable the Home Member or any of the gentlemen on the other side can say that it is not possible to effect any improvement in the Bill or that the matters which have been brought forward by some of my friends are altogether unworthy of consideration. It seems to me, Sir, that the points which have been raised, do deserve the consideration of this Assembly and the best way of dealing with these matters would be probably by reference to a Select Committee. If it were possible to propose a reference to a Select Committee at this stage, I should be disposed to move for it but our rules and standing orders are somewhat peculiar and it has been ruled by the Honourable the President that if you do move for a Select Committee you must immediately give the names of the Members who are to serve thereon. Now, I do not propose to question the ruling of the Honourable the President but it does put us to some inconvenience in regard to this matter. Therefore, the only course open to us is to move for an adjournment of the question to some date when I suppose someone will come forward either with a proposition for reference to a Select Committee of which due notice shall have been given, or with specific amendments to particular sections. In cases of this sort where some provision of law is objected to, it would be much more satisfactory for the Bill to be referred to a Select Committee and then deal with the Bill on the report of that Select Committee, than have the whole Assembly devoting its consideration to questions of that nature.

It is in the hope that we may be able to take the one step or the other that I now move for the adjournment of the debate on this question for a week.

The Honourable Sir William Vincent: I only wish to say, Sir, that we welcome the suggestion of the Honourable Member. We were
2 P.M. anxious—I think I gave every indication of it—to meet the wishes of this Assembly. My only complaint was of the method in which they were put forward, because I thought it was not treating us with reasonable consideration to propose amendments at the last moment. This proposal is fair and meets me entirely.

The Honourable the President: The question is, that this debate be adjourned for one week.

The motion was adopted.

The Assembly then adjourned for Lunch till 3 p.m.

The Assembly re-assembled after Lunch at Three of the Clock. The Honourable the President in the Chair.

THE CODE OF CIVIL PROCEDURE (AMENDMENT) BILL.

Mr. S. P. O'Donnell: Sir, I rise to move for leave to introduce a Bill further to amend the Code of Civil Procedure. Probably all
3 Honourable Members are aware of the evil which this Bill is intended to deal with. There are a certain number of unscrupulous persons who make a practice of using civil courts for the purpose of obtaining fraudulent decrees.

One of these persons living, let us say, in Calcutta or Madras or Bombay, files a suit against a man who lives in Delhi or Peshawar. In many cases the plaintiff obtains a false return of service and the first time the defendant learns anything about the matter is when an ex-parte decree has been passed against him. Of course it is quite open to the defendant to endeavour to get the ex-parte decree set aside, but if he adopts that course he is liable to find himself involved in considerable trouble and also probably in heavy expenditure which the costs awarded by the court will by no means cover. Therefore very often the defendant decides to cut his losses and to take no further action. In fact the plaintiff usually endeavours to fix the amount claimed at a sum which he thinks the defendant would pay rather than fight the matter in the courts. This is an evil which the Government for many years have been endeavouring to deal with. Whenever a Collector is moved in the matter by the defendant he has a searching investigation made and does everything possible to defeat these fraudulent claims. Still the strenuous efforts that have been made have been only partially successful and it is now considered that the time has come when a further remedy should be applied. Under the provisions of this Bill if a defendant objects at the earliest stage possible that the claim against him is fraudulent and if he establishes that claim the court will award compensatory costs. The Bill is one regarding which all Local Governments and high judicial officers were consulted and there is a balance of opinion in favour of the principle of the Bill. At the same time it is recognised of course that this Bill will have to be very carefully considered and if leave is given to introduce the Bill, it is proposed at a later stage to move that it be referred to a Select Committee."

The motion was adopted.

Mr. S. P. O'Donnell : I introduce the Bill.

THE CALCUTTA UNIVERSITY BILL;

Mr. H. Sharp : Sir, I beg to move for leave to introduce a Bill to amend the law relating to the Calcutta University. The Bill, as Honourable Members will have seen, is of a very simple description. It seeks to do no more than to carry out one of the recommendations of the Calcutta University Commission and that, by no means, I think, the most important of its recommendations. It seeks to assimilate the position of the Government of Bengal *vis-a-vis* this university with the position occupied by other Local Governments in reference to the four other old affiliating universities of India. It seeks also to place the Governor of Bengal in the position of Chancellor of the University. That is all that it does. The other repeals which will be found in the schedule are merely of a consequential nature, such as that dealing with the position of the Governor as Rector.

I do feel however that some brief explanation is due to Honourable Members as to the apparent reversal of policy in this matter. It will be within the recollection of many Honourable Members here that in January 1920 the Government of India issued a Resolution in which they were going to introduce a Bill very shortly in the Imperial Legislative Council and that they would very shortly also publish the text of that Bill. It was perfectly clear at the time that the Bill in question was going to be an important measure and was going to embody some important conclusions of the Calcutta University Commission. The reasons for this apparent change are as follows : The Secretary of State for India saw difficulties in the proposals put forward by the

[Mr. H. Sharp.]

Government of India and he suggested the transfer of the task of legislating to the Provincial Government. Secondly, as many here are aware, the Senate of the University was in favour of legislation in the local Legislative Council and the Senate has recently passed a Resolution to that effect. Thirdly, the whole position has been changed by the Reforms and the Government of Bengal are now wishful that this question of legislation and the handling of these problems should be left to them. Fourthly, the Government of India are agreeable to this course. The result is that all the parties most nearly concerned with this problem concur in the procedure which is now being adopted. It may possibly occur to some Honourable Member to ask why, on the threshold of the reforms, the Government of India ever contemplated the introduction into the Imperial Legislative Council of a measure dealing with a subject which, in three or four months, was going to be a provincial subject? The answer is this: The matter was regarded as a very urgent one. Moreover, it was decided that, if that legislation were introduced during the last session of the Imperial Legislative Council, the official *blac* would not be used and that, if substantial opposition developed, the Bill would be withdrawn. Of course resort would not have been had to withdrawal until Government had explored every method of meeting reasonable criticism with reasonable compromise; and in view of the very difficult and complicated nature of the matter in hand the Government of India would have been very grateful for the assistance and the advice of the Honourable Members of that Council.

So much for this change of procedure which has been decided upon. There is a second matter which I must just very briefly explain. Why, it may be asked, if it has now been decided to leave the decisions in these major matters of the Commissions Report to the Government of Bengal and to the Bengal Legislative Council, why should the Government of India desire to introduce this little Bill at all? The answer is that the Government of Bengal have expressed a wish that this should be done, and the wish, I think, is not at all an unnatural one. When one considers the long-standing connection of the Government of India and of the Governor General with this University, it does, I think, seem quite appropriate and seemly that the action for the abandonment of that long-standing connection should be initiated by the Government of India and that it should not appear that the Government of Bengal were assuming a new position.

The Bill then is of a very simple character. It seeks to carry out only this one change. For the rest it will be for the Government of Bengal and the Bengal Legislative Council to handle this question—subject of course to the provisions of section 80-A of the Government of India Act and the devolution rules. It may be that the Government of Bengal will not wish to take action—at least just at present. We all know the financial difficulties of the situation. It may be that the Government of Bengal will want to introduce measures carrying out the major recommendations of the Commission either simultaneously or one by one. It may be that it will desire to modify those recommendations in some respects. Or it may be that it will wish to approach the problem along some other line. I cannot prophesy. These matters now rest with the local authorities. All that I have to do is to move for leave to introduce this simple and modest Bill.

The motion was adopted.

Mr. H. Sharp: Sir, I introduce the Bill.

THE INDIAN ELECTRICITY (AMENDMENT) BILL.

The Honourable Sir Thomas Holland: Sir, as we have not yet received from the Secretary of State sanction to certain particulars in the proposed Bill to amend the Indian Electricity Act, I will ask permission of this House to introduce the Bill on a future date, if I may do so.

Permission was accorded.

THE INDIAN FACTORIES (AMENDMENT) BILL.

The Honourable Sir Thomas Holland: Mr. President, I move for leave to introduce a Bill to amend the Indian Factories Act, 1911.

To the Statement of Objects and Reasons I have appended a series of notes explaining the way in which the proposed amendments conspire together to embody the important principles of reform now generally recognised as necessary in the humanitarian interests of labour. I do not propose at this stage to review the whole Bill, but merely to point out some of its distinctive characteristics. Most of the amendments—at any rate, the most important—are designed to give effect to the decisions given already by this Assembly on the 19th February. The decisions given in this House have since been endorsed by the Council of State and may therefore be taken as the general wishes of India as a whole. It is consequently unnecessary now to review the great mass of evidence which was collected through various Commissions, Committees and Conferences, through the Local Governments and through other official channels, before the Resolutions were drafted for your final judgment. Nor is it necessary any longer to defend the merits of the reforms which they foreshadow. I have thus merely to explain the way in which the Government of India now propose to give effect to your mandate, so far as factories are concerned. We are not ready yet to make concrete proposals in legislative form regarding mines and transport occupations; but we hope to bring them forward at some future date.

Before dealing with a few of the modified principles embodied in the amending Bill, I will remind the Assembly again that the conventions and recommendations which were accepted by it last month were one-sided limits only.

Our law cannot now be less liberal than you decided on that occasion. We cannot work factory labour under normal conditions more than 60 hours a week, but we are still at liberty to restrict that maximum for some, or for all, industries, and we can still define daily limits so as to provide one or more weekly holidays for the men. We cannot, for instance, in future recruit for our factories children under 12 years of age; but we have yet to decide for how long they must remain as 'children' and how long they are to be classified as half-timers. This much liberty is still within the powers of the Legislature to decide and within the right, too, of any Member here to propose when, with your approval, the Bill comes up at a later stage for consideration. Remarks of this sort may appear unnecessary, but they are made because since the Washington Conventions were discussed in this Assembly, I have received telegrams from bodies—bodies which in the absence of a legal definition, one might call for the time being Trades Unions—protesting in the strongest terms transmissible by the Morse Code, against being compelled to work for 60 hours a week. Now these protestants forget that, whatever we may decide here they are still at liberty to bargain with their own employers for shorter hours. We have to be careful to

[Sir Thomas Holland.]

remember that our limitations are to apply to all factories, those in which work may be relatively light as well as those factories in which the work is strenuous. What we wish to ensure just now is simply that every adult worker in a factory shall be sure of having at least 108 hours a week to himself—time that he can call his own. We are certain that all enlightened employers are ready to adjust their organizations so far as that, but we may do harm to industries without acquiring compensatory benefits for the workers if, at this stage in the industrial evolution of India, we narrow the general limit that we have already laid down. What the Bill proposes to do is to proceed from this general limit, which you have already decided on, and to provide in detail, in the first place, that textile factories are no longer to stand alone, but that, in all kinds of factories, no person shall be ordinarily employed for more than 12 hours a day. The old Act, as you know, referred to textile factories only. In the second place, that when a factory is specially or temporarily exempted by the Local Government from the operation of the 60-hour rule, the workers shall be paid overtime at least $1\frac{1}{2}$ times the normal rate. That is one of our obligations under the Treaties with Germany and Austria. In the third place, that, instead of half an hour all full-time workers shall, in future, be granted an hour's rest every day at the end of each six hours of work. And in the fourth place, that all factory workers shall ordinarily be entitled to a weekly day of rest which will preferably be Sunday.

So much in outline for the secondary limitations following the general law which was laid down in this House.

Another distinctive feature of the Bill is an advance in the protection of children. You have already approved of the proposal to raise the minimum age for recruits to 12, and in this connection we are now suggesting that certifying surgeons should no longer have the power to delegate their certifying powers to persons who merely practise medicine and surgery. What we require is that their delegates should have at any rate the qualifications necessary for registration. We also think it desirable to provide for re-examination and, if necessary, for the removal from factories of children who may be found, in the course of their work, to have become unfit. Now, so far this Assembly has laid down no indication as to the upper limit of age for children, that is, the age at which they can be employed as adults for full working days, and I have no doubt that on this point a great deal of discussion will arise when the Bill comes up for consideration. The upper limit is at present 14 years, but the Government of India consider that a liberalisation of the law is even more necessary here than at recruitment. Since the Act of 1911 became law, India has moved slowly, I am afraid far too slowly, in providing means for technical education; but there are, nevertheless, facilities now that never existed before. There are classes attached to workshops as well as independent and separate technical schools, and one hopes that with the transfer of industrial education to the control of popular Ministers we shall soon see the practical realisation of the popular cry for a form of technical education which will enable our boys to rise from the ranks of mere labourers and to qualify themselves for supervising positions as chargemen, foremen, assistant managers and even as managers. Somewhen, soon after 18 years of age, the ambitious and intelligent boy looks ahead for opportunities to better his position and he wants to do that by proficiency and not only through strikes. As a half-timer he gets a very thin chance, but with the help of scholarships he still may get more. Without

provision, however, for technical training in his out-of-shift hours, he has hitherto been content to accept his lot and bury his undiscovered talents in the ranks of unremitting labour at the early age of 14. We ask for another year for the boy, and I blush to think that India is still unable to justify our asking for more, that we have nothing to give in exchange to boys who are half-timers except in very limited areas. In some areas, however, another year, or possibly even two years of half-time conditions, might be useful. There are some areas where we have already provided a certain amount of facilities for technical education. But we must remember that our law, as manufactured here, takes a purely prohibitory form, and it applies to all factories wherever they are situated. It is still open to local authorities to make it easy for a boy to remain a half-timer beyond the age of 15 and so fit himself for a wider career of industrial usefulness. Unless we do something to protect the boy, India will never be self-contained in men, as we know it to be, in materials.

Now the next important distinctive feature of the Bill is an extension of the meaning of the term 'factory'. We propose to extend the term from an institution employing 50 to one employing 20 workers, with some form of mechanical power. I explained on the 19th February, why, in this Legislature, we are not justified yet in following Mr. Joshi any further towards his ideal. The reform now proposed will extend very seriously the cost of effective inspection—and we want no inspection that is not effective—for the cost of this will fall on Local Governments. But we, nevertheless, propose to give Local Governments power to go further and to extend the meaning of the term to establishments of ten persons, whether they use mechanical power or not. That will be within the power of Local Governments. Honourable Members will realise that this change reacts to a great and still unknown degree on many of the other proposals of what, I hope, will generally be regarded as liberal in direction—on the hours of work, on the new restrictions regarding the employment of children and their exclusion from full-time work till the age of fifteen, especially in those areas where educational facilities are backward; and for that reason we should be justified in taking no greater step than that now proposed, and reduce the definition from one employing 50 to one employing 20 workers.

Finally, we propose to wash out the old schedules of permanent exemptions—lists of industries that give one the superficial impression that under the factory law of India any employer might do what he likes, except in a textile mill. I will not pursue this line further; for some of you are convinced that the imposition of restrictive factory laws in India originated in a well known textile area outside India; but, as the late Dr. Nair said, the 'abuses which exist in connection with factory labour in India are certainly not of Lancashire's creation', even if complaints about these started there from business motives.

But the real reason for singling out textile factories in the old law is obviously due to the fact that textile mills are uniform in type, and it was easy to design a law that would be applied safely to all of them. There is another reason. Until recently they employed by far the largest number of ordinary workers. During the last ten years, however, other large factory industries have sprung up and correspondingly large numbers of people have been drawn off the land to take up a new life. We wish to protect these and their children, and we do it by a form of prohibitory legislation which will, nevertheless, be

[Sir Thomas Holland.]

of full benefit to the workers only when we provide supplementary amenities and opportunities for education.

Exemptions will still be necessary in many cases, but we propose to leave these to the Local Governments' discretion to prescribe by rule or special order limited by certain principles laid down in the Bill. And, in this connection, I think it advisable to explain that, although Local Governments administer the Act, and have powers to depart in certain particulars from the lines laid down, it is still necessary to proceed by all-India legislation. It is desirable that we should have a certain amount of uniformity among the provinces and especially in those that compete with one another in similar classes of business. We have to allow for a certain amount of local variation, but the main lines of advance ordinarily ought to be uniform. One of the reasons which originally delayed the introduction of protective factory legislation in India was the proposal to make it only locally permissive. The way in which Bengal and Bombay agreed in the 'seventies, in condemning any proposal from the other side of India, and their united condemnation of provincial option in applying the new factory law, show that even then the two communities had something in common in being suspicious of one another. In any case, we want reasonable uniformity throughout India.

I will not detain the Assembly any longer: for I feel sure, from the debate that occurred on the 19th of last month, that this House realises that another step in advance is now due to our factory workers. The previous history of factory legislation shows, that the Government were always a little ahead of what seemed to be public opinion; but a Government which is not representative of the people is justified in moving only by easy stages. This Legislature, however, on whom the responsibility now rests entirely, should be able to act with greater confidence, and should, nonetheless, have the interests of the people at heart. For this reason, I ask with confidence for leave to introduce the Bill.

The motion was adopted.

The Honourable Sir Thomas Holland: Sir, I introduce the Bill.

THE HINDU TRANSFERS AND BEQUESTS (CITY OF MADRAS) BILL.

Mr. T. V. Seshagiri Ayyar: Sir, I rise to take your permission for leave to introduce the Bill which stands in my name to declare the rights of Hindus to make transfers and bequests in favour of unborn persons in the City of Madras.

I have in the Statement of Objects and Reasons fully explained the reasons which have led me to ask for leave to introduce this Bill, but I may supplement those reasons with a few observations. The difficulty arose in connection with the judgment of the Judicial Committee of the Privy Council in the Tagore case. In that case, the Judicial Committee held a very complicated will to examine. They made a number of pronouncements. One of them was that under the Hindu Law as administered in India there was no power in a testator to make bequests in favour of unborn persons. This

statement was made in a case from Bengal, but the Judicial Committee, instead of limiting their observations to the Bengal School of Law, made a general observation that under the Hindu Law, as administered in India, no bequests to unborn persons can be made. That statement was criticised even by the Bengal lawyers. But there can be no doubt that under the *Mitakshara* system of law which applies to Madras, to Allahabad and to portions of Bengal also, that statement was quite inaccurate. Therefore, when I was in the Legislative Council of Madras in 1911, I first asked for permission in the Madras Council to introduce a Bill, so far as Madras was concerned, to get over the difficulty caused by the pronouncement of the Judicial Committee. Leave was given and a Bill was introduced and it became law. I was under the impression at that time that the law which was passed by the Madras Council would apply not only to the mufasil in Madras but also to the City of Madras. Unfortunately it did not occur to me then that the Madras Council had no power to make a law with reference to the City of Madras in this matter.

In a very recent case which came before the Madras High Court for the City, the learned Judges, of whom the Chief Justice was one, have pointed out that the power of changing the Hindu Law, so far as the City of Madras is concerned, could not be exercised by the local legislature. The learned Chief Justice was good enough to credit me with knowledge of this when I introduced the Bill in the Local Legislative Council. But I must say that I was not aware at that time that the Madras Legislature could not pass a law with reference to the City of Madras. The position as explained by the learned Chief Justice is this: When George III issued a Charter for the establishment of a Supreme Court in the Presidency towns of Madras, Bombay and Calcutta, the Sovereign guaranteed to apply to the Hindus the Hindu Law, to Muhammadans the Muhammadan Law, and to Englishmen the English Law. That guarantee was repeated in the subsequent Charters issued by later Sovereigns. In the Charter Act constituting the High Court, by section 11, power was reserved to the Governor General in Council to vary any of the Charters which may have been issued by the Sovereigns. That power was never given to the local legislature, and therefore, if you want to change the Hindu Law as observed in the City of Madras, you have to come to the Supreme Council, you cannot get the law changed by the local Legislative Councils. This decision was given about two or three months ago. Relying upon the Act which was passed at my instance in Madras, a large number of Wills have been made by residents of the City of Madras. The results of this pronouncement of the Madras High Court is to render all those testamentary instruments invalid. Therefore, I was obliged to come to you to ask for leave to introduce this Bill, so that the law in the City of Madras may be the same as it is in the mufasil.

Now, Sir, there is one matter which I would like to mention. After I had introduced my Bill and after it had been passed to Madras, Mr. Setalvad introduced in the Supreme Council a Bill on similar lines. That was intended to apply to the whole of India, and in that Bill power was reserved to the Governor General in Council by section 2 to extend to any province the provisions of that Bill. I was originally under the impression that Mr. Setalvad's Bill could be extended to the City of Madras. But I found there were two objections to that. One was, power is only reserved to extend it to a province and not to a particular portion of the province. That is one difficulty. The greater difficulty is this. In the law which was passed at my instance in the

[Mr. T. V. Seshagiri Ayyar.]

Madras Legislative Council, I had taken care to give retrospective effect to the provision. In the law passed in the Supreme Council by Mr. Setalvad, no retrospective effect has been provided. The result is, if Mr. Setalvad's Act is extended to the City of Madras, there will be one law in the City of Madras and another law in the mufassil. Therefore, I thought it necessary to ask this Assembly to allow me to introduce a Bill on the same lines as the law in the mufassil of the Madras Presidency.

For these reasons, Sir, I ask that leave may be given to me to introduce the Bill.

The motion was adopted.

Mr. T. V. Seshagiri Ayyar: Sir, I introduce the Bill.

RESOLUTION *RE* LEGISLATION FOR REGISTRATION OF TRADE UNIONS.

Mr. N. M. Joshi: Sir, I beg to move that :

'This Assembly recommends to the Governor General in Council that he should take steps to introduce, at an early date, in the Indian Legislature, such legislation as may be necessary for the registration of trade unions and for the protection of trade unionists and trade union officials from civil and criminal liability for *bonâ fide* trade union activities.'

Sir, the subject-matter of my Resolution inasmuch as it concerns the status, the rights and the privileges of a large number of working classes, is very important, and deserves the serious attention of this Assembly. During the last half a century and more this country is passing through an industrial revolution, though steadily but surely. A large number of industries and factories have grown and are growing daily. A large number of people are leaving villages and flocking to towns and cities. A large number of people, who in former times worked for themselves and as their own masters, although in humble capacities, have now been turned into wage-earners, and are working for other masters and under conditions over which they have no control. All this has made a great change in the position of the working classes, especially in their relation towards their employers. Formerly, when a labourer was in his village, he was his own master, although he may be a small cultivator or a small artisan. Now he has become a wage-earner. Moreover, even if a man in former times was a wage-earner in a village, he could settle the conditions of his work with his master individually. But now a labourer working in a large factory where there are sometimes more than one thousand men cannot settle the conditions of his work with his master individually. If he wants an increase of wage, if he wants working hours to be reduced, he cannot approach his master individually and secure what he wants. Under the present conditions, therefore, it is necessary for the working classes to secure either an increased wage or other better conditions by collective bargaining. Unless they organise themselves and make a joint demand, there is no likelihood of their getting whatever they want.

The only means by which collective bargaining becomes possible is by the workers organizing themselves into some associations which are commonly called trade unions. Some of the means of collective bargaining are these.

In the first place these organizations try to secure betterment of their conditions by negotiation ; but when negotiation fails, as it fails on several occasions, the trade unions have to resort to a step which amounts to withdrawal of labour, and which in common language is called a strike. Now these organizations for collective bargaining are not only found amongst the workers. The employers who are in a very strong position also organize themselves for protection, and they too are anxious to bargain with their servants collectively and not individually. It will be clearly seen that under present conditions the trade union organizations, are absolutely necessary and desirable. Sir, even before the war, the working classes had shown signs of being aroused to self-consciousness and had shown signs of organizing themselves into some kinds of organizations, whether they are called trade unions or by some other name. During the war and since the armistice the labour movement in this country as in other countries grew much stronger and it is growing stronger still day by day. The working class have during this period organized themselves into several unions. Their number to-day may be estimated between 50 and 100 with a membership of several hundreds of thousands. Unfortunately as these organizations are of recent growth they are not yet put on a proper footing. You will find that in a great number of them the membership is not still large enough. In some of them even subscriptions are not regularly collected. Some of them do not even have rules framed. Their status also in the eyes of the law is not well defined. It is therefore necessary that if trade unions are desirable, we should take steps at this stage to put these organizations on a sound and proper footing. In England several laws, known by the name of Trade Union laws, have been passed during the last 50 years and more. We should copy the example of England in this respect and make a beginning. It is necessary, in the first place, that trade unions should have good rules and if we pass a law registering such trade unions, they can be compelled to have good and proper rules. The registration will also enforce on the trade unions the appointment of necessary officials. It will also put on the trade union officials the responsibility of protecting the funds of the trade unions. In the English trade union laws, some concessions have been given to the unionists such as their provident fund is free from income-tax. Even in our own country by the Co-operative Credit Societies Act, the working classes have been given certain other concessions such as the exemption from the stamp duty. If these organizations of the working classes are to be encouraged, Government can give similar concessions to these organizations also, namely, the trade unions, by means of their registration. But more than this, what is important is that the status of the trade unionists and trade union officials and trade union organizations must be determined and fixed in the eyes of the law. At present the position is very doubtful. In England some years back the trade unions were illegal. I do not know what the position in India is. I am not a lawyer ; but I take it that here a trade union is a legal organization. In England, strikes were not legal for a number of years. I do not know what the position of strikes to-day in India is. It may be legal or it may be illegal. At least for the present nobody has come forward and said that strikes are illegal. Then there is the question of civil liability. A strike means withdrawal of labour. Sometimes it involves breach of contract of service. According to the Code of Civil Procedure, injunctions can be issued against persons who induce persons to break their contracts of service and those persons who induce others to break their contract of service also can be

[Mr. N. M. Joshi.]

sued for damages. Now this liability for trade union activity, namely, strikes, is not imaginary. Only a few months ago, a case arose in Madras. In October last, Mr. B. P. Wadia, who was for some time the Editor of *New India* and who was the President of the Madras Labour Union, was prosecuted in Madras. An injunction was issued against him prohibiting him from engaging himself in the activities of the trade unions. The charge against him was that he induced some of the workers in the Buckingham Mills to commit a breach of their contract and induced others not to enter into contract of service with that company. The Judge issued the injunction. Now this clearly shows that trade unions are not free from civil liability. One of the trade union activities is to declare a strike, and this has been recognised all over the world as a legitimate weapon of collective bargaining. Therefore, if we feel that trade unions are necessary and desirable, it is also equally incumbent on us to see that *bona fide* trade union activity does not involve for those engaged in it any civil liability.

It will be said that in the case of Mr. Wadia, an injunction was issued against him on the ground that his action was a wrongful action
 4 P.M. and it was also alleged that his activities were actuated by malice. Now it is very easy to prove in such cases that the action of a man is actuated by malice, that is, with intention to do injury to some other person. A strike necessarily involves injury to the employer, and, therefore, it will not be very difficult to prove that the activities of a trade union official are malicious. Moreover, in the case of Mr. Wadia, malice was proved by the fact that he was a politician. Now, I do not know how many people really can say that they are not politicians. If they give votes at elections, they are politicians. If they are Members of this Assembly, they are politicians. Sir, those are the facts of Mr. Wadia's case according to my light: they can be put in some other light also. But for my purpose it is sufficient that there was a case made in Madras in which an injunction was issued against a trade union official for trade union activity. Therefore, when we propose to legislate for trade unions, it is necessary that we should consider the position of trade unionists in the eyes of the civil law very carefully and afford trade unionists the same protection which is afforded to them in England. Sir, the English section on this point is very clear, and absolutely protects trade unionists and trade union officials from civil liability. I shall read that section from the Trade Disputes Act of 1906 for the benefit of this Assembly :

' An act done by a person in contemplation or furtherance of a trade dispute shall not be actionable on the ground only that it induces some other person to commit a breach of contract of employment or that it is an interference with the trade, business or employment of some other person or with the right of some other person to dispose of his capital or labour as he will.'

This section and other sections, which I need not read here, clearly protect the trade union officials and trade unions from civil liability for a breach of contract or inducing people to break contracts of service. If the English law affords trade unionists such protection, I do not see why in India the Indian trade unionists and their officials should not be similarly protected. Sir, this Assembly knows that we in India—I mean, Indians—have always claimed that we should be in our country what the English people are in their country. I would, therefore, request the Members of this Assembly to consider whether the Indian workers

should not be in India what the English workers are in England. Therefore, this protection of the trade unionists in India similar to that given to the trade unionists in England, is absolutely necessary.

Sir, as regards criminal liability, the point is not quite clear. So far no criminal case has been made, but I believe that it is not right for us to wait till a case has been made. Sir, there is the Indian Penal Code. There are several Acts, such as the Workmen's Breach of Contract Act. The Assam Labour and Emigration Acts, the Madras Planters' Labour Act, and other Acts according to which it will not be impossible for the ingenuity of lawyers, stimulated by the wealth of employers, to find out some sections to bring the working classes of this country under criminal liability. Sir, I, therefore, appeal to this House that it is necessary once for all to lay down in an Act that *bonâ fide* trade union activities cannot be considered as a criminal act. In the English law this has been done; and I believe that it should also be done here.

Sir, it will be said that as in India there are some Acts under which societies are registered, there is no need for separate legislation. In the first place, there is the Companies Act, under which the organizations of employers are generally registered; but it will be seen that a trade union, which does not issue any shares and which does not distribute any profits or dividends, is not a company and therefore that Act is not suitable for the registration of trade unions. Then there is an Act to register societies promoting literature, science and art; but a trade union is not a literary society nor a scientific society; it is not also a charitable society. Therefore that Act will not be a suitable Act for our purposes. Moreover, as I have said, the important reason for which I ask for registration is the protection of trade unionists and trade union officials and organizations which cannot be so protected by any of the present Acts. Separate legislation therefore is necessary; and I request the Government to undertake this legislation for this reason. The Government in this country has always claimed that it makes a special effort to protect the interests of the masses and the working classes. If that is so, I think it is their duty to undertake legislation for this purpose. Moreover, Government in the past has helped the working classes by legislating for them separately. They passed the Co-operative Societies Act which helps the working classes by making them their own capitalists, by making them their own landlords, by making them their own shopkeepers, thus removing the distinction between capitalist and labourer, between tenant and landlord, between customer and shopkeeper. Unfortunately, these distinctions of classes will remain for a long time, and, therefore, as long as these distinctions remain, it is necessary to protect the weaker against the stronger. I, therefore, urge the Government that as they helped the working classes by passing the Co-operative Societies Act, they should also help them by passing the Act I suggest, which is only a complement of the Co-operative Societies Act. Sir, I would also request the employers in this Assembly to help in the passing of this legislation. Every employer will find that it is to his interest that these workers should be organized. It is always seen during strikes that it is more easy to deal with an organized mass of people than to deal with an unorganized and illiterate mass of people.

Moreover, the employers know that they generally organize themselves into their Chambers of Commerce, Millowners Associations, Jute Manufacturers Associations and several other Associations to protect themselves and to

[Mr. N. M. Joshi.]

bargain collectively with their workers, and naturally they should also expect their workers to combine and organize themselves to bargain collectively with their masters as equal parties in the bargain. I would, therefore, request the employers to help in the passing of this legislation.

Sir, there is one point on which a difference of opinion several times arises and it is this. The employers, some Government officials and some members of the educated public say that they are in favour of trades unions, but unfortunately the present trades unions are in the hands of agitators, outsiders and people who are not workers themselves ; therefore, they cannot sympathise with the present trades union movement. But the Members of this Assembly, if they take into consideration the present state of education of the working classes of this country, will clearly see that a man who professes sympathy with the trades union movement and says he does not like the movement assisted by educated people, has no real sympathy at all. At the present time it is impossible for the working classes of this country, illiterate as they are, to manage their own organizations which some times grow very big. Even Government have found out that in the case of co-operative societies, it becomes necessary that some outside guidance should be given to them and Government often appoint honorary organizers for this purpose. I would request Government to appoint honorary organizers for the trades union movement also. It is thus clear that some outside guidance is necessary, in the present circumstances, for the trade union organization.

There is another point. There are some people, good-natured they are and very amiable, who say we want to improve the condition of the working classes but we do not want to see the bitter class war which is seen in Europe. The trades union movement encourages this bitter class war and we do not, therefore, want it. If the bitterness of the class war which is seen in Europe is to be avoided in India, we must, in the first place, see why there is bitterness and why the war is required to be waged. We all know that society at present is divided into classes, and industrial society is divided into capitalists and labourers. There is a conflict of interests between these two classes and as long as this conflict of interests lasts, there will be some wars and some struggles. They cannot be avoided. And when the struggles become protracted and involve great sacrifices, the parties become bitter. But the only remedy to avoid this is to get rid of the classes, to get rid of the conflict of interests, to cease to treat the labourers as mere wage-earners. If the employers want to avoid the bitterness of class war, they should, without a struggle, improve the conditions of work of their workmen, treat them as their children, younger brothers and younger sisters, and give them opportunities of developing, in course of time, into equal partners, and in that case they and the labourers will enjoy peace and prosperity.

With these words, Sir, I commend my Resolution to the acceptance of this Assembly.

The Honourable the President : The question is :

‘ That this Assembly recommends to the Governor General in Council that he should take steps to introduce, at an early date, in the Indian Legislature, such legislation as may be necessary for the registration of trade unions and for the protection of trade unionists and trade union officials from civil and criminal liability for *bond fide* trade union activities. ’

The Honourable Sir Thomas Holland : Mr. President, it will probably save the Members of the House a certain amount of unnecessary discussion if I put before the House at once what information we have on the part of Government that may assist the object that Mr. Joshi has in view. It is not only Mr. Joshi's Resolution that all of us are now thinking about, but an amendment has been proposed to cut off the tail of it and I have seen a notice given by Sir Logie Watson of a Resolution which presumably was intended as an amendment to this, asking that the Governor General should invite the opinions of Local Governments and of various commercial interests in the country to look into this matter with a view of the registration and protection of trades unions. These three motions that may come before the House must, therefore, be in the minds of everybody, and as I said, it may save a certain amount of time if I clear up the situation as I understand it to be now. I think everybody will agree that Mr. Joshi has put his case very fairly so far as the object he has in view. I also think that nearly every Member of this House, including the employers, will be willing to walk with him for a certain distance. Our trouble will be to find out where we have to part company. My friend, Mr. Joshi, has in view the same ideal for which we in my Department have been searching for some months past. His study of the question has revealed to him no difficulties at all. Our search, however, has led to the discovery of an uncomfortable number of pitfalls and snags, and we feel sure, therefore, that we shall proceed in the long run more quickly if we move with greater caution than his Resolution suggests. Now, I take as accepted that trades unions are inevitable. We need not waste any time in discussing as to whether they should or should not be encouraged. They must come in any case, and it is the business of everybody who is connected in any way with industries to help their development along healthy lines. So far my friend, Mr. Joshi, and I are in complete agreement, and I think most people here who have considered this question will agree with both of us. Trades unions are not only inevitable, but our treaty conditions with Germany and Austria demand that we shall recognise 'the right of association for all lawful purposes by the employed as well as by the employer.' We cannot now go back on our obligations, obligations incurred by treaties that have been ratified on behalf of India as well as on behalf of other parts of the British Empire. Now so far the position is quite simple.

It is all very well to urge the Governor General to take steps to introduce *at an early date* the legislation necessary for the registration of trades unions. What we want first of all to know is how many real trade unions exist in India. There are some associations, it is true, in this country, but possibly they could be counted on the fingers of one hand, that have a clearly stated constitution, and a recognised membership, with audited accounts. But Mr. Joshi will say, I have no doubt, that we want trade unions developed along healthy lines. Simply because there are no, or very few, trade unions, as we know them, now in India, there is no justification for postponing legislation. I understand that he wants legislation of such a kind that a healthy trade union could come into being and begin activities at once. Now, the difficulty before us is to design that legislation. I will show you a little later, what is convincing to me at any rate, that the English legislation which Mr. Joshi quotes as our guide is not only legislation which we dare not undertake in India but legislation which would never be passed in England if a Bill were put

[Sir Thomas Holland.]

before Parliament to-day. Mr. Joshi quoted two Acts to-day by which trade unions could be registered, one is the well-known Act XXI of 1860, which is an Act for the registration of literary, scientific and charitable societies. The only advantage of that Act is that the registered Society can be sued or may sue in the name of its President, Chairman, or Trustees, as determined by the registered rules and regulations of the Society; but no statutory provision is made for the auditing of its accounts. Mr. Joshi has correctly stated that a trade union is not directly a literary or scientific society; possibly it might come within the definition of a charitable society.

Then he takes up the equally well-known Act—Act VII of 1913—and he states that trade unions cannot be regarded as established for ordinary trade.

But there is a whole section of that Act, known to everybody, which is devoted to the registration of associations formed for promoting commerce or science, charity, or any other object and which applies or intends to apply its profits or other income in promoting its objects; but does not intend to pay dividends. Now, I cannot say whether there is any objection to trade unions registering under that Act. Such an association as a trades union would be a company with limited liability—and so much the better for its members—and it would enjoy the privilege of all limited companies, as well as be subject to all their obligations. In other words, its accounts would come under a recognised system of audit.

I know of no reason why a trades union should not register under that Act as well, for instance, as the new Institution of Engineers that was inaugurated in Calcutta last week and has registered under the Companies Act of 1913, and under this particular section. But I have never seen nor heard of an instance in which a trades union in India, properly constituted, has applied for registration and has been refused by the Registrar. Mr. Joshi has not quoted, I think, an instance in which a trades union has been refused registration under the Indian Companies Act. At the same time, I have not the slightest hesitation in stating that I have seen little evidence of eagerness on the part of some so-called labour leaders to press upon their unions the advantages of registration.

My first point, therefore, is, first of all, there are very few trade unions, properly constituted, for registration; secondly, that the trade union leaders generally show no indecent desire for registration under the statutory facilities that exist already. It is for the second reason, that is for the protection of simple workers themselves from the activities of self-constituted leaders, that I consider it desirable as soon as possible to find some practical way to attain Mr. Joshi's ideal.

Then there is the second and very great consideration which Mr. Joshi has raised. That is the matter of the civil or criminal liability of trade union officials on account of their *bond fide* trade union activities. I may say at once that I should be ready to support any measure of protection that could be, at the same time, satisfactorily safeguarded against abuse. If we, as we must, recognise the right of association of workers to protect their own interests, there should be some way by which their associations can be protected against the crude operations of the common law of conspiracy. Workers have a perfect

right to strike; whether they are under Government or under private employers they have an absolute right to strike; and I hope no one here will dispute that *moral* right. But have they, under common law, a *legal* right to conspire together to strike? And here comes another of Mr. Joshi's points—a point on which we should like to help him and a point for which we are looking out for some scheme—some means by which we can protect the trade union official undertaking work on behalf of his fellows in perfect good faith. It is right that he should be protected and at the same time prevented from abusing his position. Now, Mr. Joshi has quoted an instance in which trade union officials have been prosecuted. I refer to the case in Madras and he quite fairly stated that that was not a simple instance of a trade union official being prosecuted because of his activities as such.

As Mr. Joshi stated, malice was alleged by the plaintiffs against the first and principal defendant, who was accused of making speeches not with the sole intent of benefiting the workmen themselves, but partly with the malicious desire of injuring employers by making workmen break their contracts. The judgment therefore is not a very simple one, not a simple issue of conspiracy. It is also fair to remember that that judgment was merely an interlocutory judgment pending the hearing of the suit that was filed for damages. Mr. Joshi also points out that the judgment was complicated by the fact that the first and principal defendant was accused of being a politician.

I agree with him that this is a term of abuse. But if you turn up the full text of the judgment delivered by Mr. Justice Phillips, you will find that the other defendants, Nos. 2 to 10, were not in any way so abused either by the Judge or by the plaintiffs. They formed what was called a lock-out Committee, and this is what the Judge said of them :

'The Committee induced the men to break their contracts, and it is a legitimate inference from the words and actions of its members that the committee was formed with that object and it, thus, formed a conspiracy of ten people whose intention was to induce the workpeople to break this contract. Defendants 2 to 10 are, therefore, equally responsible with the first defendant.'

So far as I can see, that judgment against defendants Nos. 2 to 10, made it clear—and it was supported also by illustrations given in the judgment—that the judge was under the impression that to induce a workman to break his contract was in itself an act of conspiracy which thereby made the strike officials liable in damages. So far, that is the law in India if it is accepted as a final interpretation. But I wish to point out before we go on that we have no other illustrations, and no other rulings to guide us. So far as it goes, it does bear out what Mr. Joshi says, that if a trade union official, during a time of strike, induces men to leave their employers' work, he becomes liable to this charge; and the existence of the contract may be as simple as that in the case of Madras where the men were provided with pass-books indicating the obligations on their part as well as on the part of their employers. So that we do want, as Mr. Joshi wants, some legislative formula in India under which these men can carry on what we recognise as fair business on behalf of workmen.

The law in India as we read it now, or as it has been read in this instance, seems to be very similar indeed to the law in England before the Trade Disputes Act of 1906 was passed. That is the Act which Mr. Joshi quoted just

[Sir Thomas Holland.]

now. Some years before that Act was passed, we had a well-known suit known as the Taff Vale Railway Strike Suit, which illustrated almost exactly the same point as the Madras case quoted by Mr. Joshi. In the Taff Vale Railway case, Mr. Bell and other officials of the Amalgamated Society of Railway Servants were sued by the Railway Company on account of their action in persuading the imported so-called blacklegs to break their agreements and to go back to London. Mr. Justice Farwell gave in the same way an interim injunction to restrain the defendants 'from watching or besetting, or causing to be watched or beset, the Great Western Railway Station at Cardiff, or the works of the plaintiffs, and so forth.' I need not read the whole of the judgment. I mention that because it is important for us to remember that the action of Mr. Bell and his colleagues has been described by very good authorities as perfectly fair and perfectly just or at any rate intended to be so, and intended really to prevent riots on account of the disturbances that would have arisen if these blacklegs had been allowed to work. The end of the litigation in the Taff Vale Railway case produced considerable sensation, as it practically exposed to action for damages trade union officials taking active part during strikes by way of peaceful picketting and other methods to dissuade men to continue their work. The judgment probably influenced the elections of January 1906, and soon after the assembly of the new Parliament, a law was passed known as the Trade Disputes Act of 1906. This Act showed a tendency for the pendulum to swing too far in the opposite direction. It legalised peaceful picketting among other things, and one knows to what extent such privileges have been abused. In order to get an independent opinion of the meaning of the Trade Disputes Act that Mr. Joshi has quoted as an example, I will read an extract from the views published by Lord Askwith, who has had probably more experience than any one else in England in connection with labour disputes.

Lord Askwith says :

'This Act is now regarded as a charter of liberty by some trade unionists, and is denounced as a charter of license by some employers. It is neither one nor the other, but it has been used to shield some acts by individual officials which, in the interests of the community, might well not be shielded, under the cry of proposed infringement of privileges of a trade union. It has also caused a bitterness of feeling against many actions of trade unions which sensible laws would not have touched, in the belief that, but for the Trade Disputes Act, they ought to have and would have been made amenable to results everyone else had to risk. Class feeling on the part of employers has been increased by suspicion and anger at its supposed effects, often quite irrationally. The people as a whole have a grudge against presumed privileges being accorded to one section of the community. It was passed under pressure, and believed to be passed for the sake of a temporary political advantage.'

According to Lord Askwith, therefore, that Act, instead of removing class feeling as Mr. Joshi hopes and wishes, actually engendered class bitterness; and it is wise to remember the conditions under which it was passed. When the new Government came into power at the general election of 1906, they had in support not only 29 Labour Members but a large number of men of labour interests who had been formally returned with liberal tickets.

That is Lord Askwith's opinion, and I will give you now a very short extract from another authority on trade unionism, and I do not think that

you can accuse Sydney Webb and his wife of being disposed directly in favour of employers and the capitalists. This is what they say :

'The Trade Disputes Act, which remains the main charter of trade unionism, explicitly declares, without any qualification or exception that no civil action shall be entertained against a Trade Union in respect of any wrongful act committed by or on behalf of the Union; an extraordinary and unlimited immunity, however great may be the damage caused, and however unwarranted the act, which most lawyers, as well as employers, regard as nothing less than monstrous.'

Now, my point is this, that Mr. Joshi in offering the only practical scheme to help us has quoted an Act, which has gone, in the opinion of nearly everybody, far too far. We do not want to facilitate actions like that of Taff Vale nor any further repetitions of the action that occurred in Madras. We do want nevertheless to improve the lot of the workers. The Taff Vale case, as I have shown, resulted in reaction to an undue extent. It was the action in the case of Taff Vale that gave rise to a reaction in favour of the Trade Unions, resulting in the return of Labour Members to Parliament and then in the rush of the tide, the passing of that Trade Disputes Act of 1906. We have also to be careful that we are not unduly influenced by the Madras case or by the possible danger to which honest trade union workers are even now apparently exposed. If we are to devise a legislative formula to protect *bona fide* trade union activities, we must be careful to devise also safeguards to prevent the abuse of privileges so secured. This is the practical difficulty to find a well-balanced formula, a fairly proportioned law that will be for the benefit of workers without trespassing on the legitimate rights of employers.

Honestly, Sir, I confess that at present Government is not ready to design a formula that will work. Even if you force upon us this Resolution to-day we shall be utterly unable to come before you with a measure that you will consider satisfactory. If, instead, the Resolution had assumed a form somewhat similar to that suggested by Sir Logie Watson it would be easier to accept; for it is obvious that we cannot deal with this, without, as Sir Logie Watson suggests, first consulting Local Governments and the various commercial associations that will be affected. If Mr. Joshi insists on immediate action, I do not think he ought to force on others the duty of solving this difficult problem. He says that Government, following their action in promoting the Co-operative Societies Acts and the Factory laws, ought now to obey his demand for a trades union Bill along the lines which he lays down. I do not think it is necessarily the business of Government to carry out the wishes of every Member. Mr. Joshi is perfectly at liberty to bring in a private Bill himself, and I should very much like to see him attempt it. So far as my Department is concerned, Mr. Joshi will get every possible assistance in our power, and he shall have all the information that we have at our disposal if he will attempt to draft a Bill that will solve this difficult question. But I think we have a right to insist that Members of this Assembly should not think their duty ended when they preach an ideal and do nothing to show the way by which that ideal may be attained. Members of this Assembly are no longer irresponsible critics of Government, but they are constructive workers beside us in the legislature. I suggest therefore that Mr. Joshi should either withdraw his Resolution, possibly in favour of something of the kind suggested by Sir Logie Watson, or alternatively, as I said before, that he should give us a private Bill on which he could begin to work. I myself do not think that Sir Logie Watson's proposal goes nearly far enough. He merely wants us to invite opinions as to the desirability of registering and protecting trade unions. I have myself not

[Sir Thomas Holland.]

the slightest doubt as to the desirability of this move. So far I go absolutely with Mr. Joshi. What we want from Local Governments and private associations also are practical suggestions as to how we can act effectively. That is the step we want to take. That is the practical difficulty, the fence that we have to get over. So, if this House accepts Mr. Joshi's Resolution well, all I can say is, that we shall be unable to carry it out in its literal entirety. If, on the other hand, the Assembly accepts Sir Logie Watson's proposed Resolution, then, I tell you, that we shall feel it our duty to go very much further than he asks us to do.

Sir Logie Watson: I do not desire to carry on with my Resolution provided Mr. Joshi withdraws his.

The Honourable Sir Thomas Holland: I will therefore content myself with putting the issues in that way on behalf of Government, that we do desire some measure of protection of the kind that Mr. Joshi wants. Our difficulty is to find a formula that will work in practice. We leave it to Mr. Joshi to suggest a formula, or to introduce a private Bill, or to allow us to go on the lines suggested after consulting the principal interests in the country through the Local Governments as to the possibility of framing some form of legislation that will protect trade unionists in *bonâ fide* trade union operations, on the distinct understanding that there are sufficient safeguards to prevent the privileges from being abused.

Mr. A. D. Pickford: The subject of the Resolution which Mr. Joshi has put before the House is of absorbing interest and importance not only to those who have the interest of the industrial worker at heart but also to those who are engaged in industry. In asking the House not to accept the Resolution in its present form I wish to make it clear at the outset that my objection is not founded on any opposition to trade unions as such and I cordially endorse and accept Mr. Joshi's invitation for co-operation so far as I am permitted to speak for employers. The House will consider very carefully what the effect of legislation based on the Resolution before it would be. It would mean nothing less than complete immunity for trade unionists and trade union officials from the consequences of their actions. I hope to show that in the conditions prevailing in India this would be a very dangerous measure likely to result not merely in injury to existing industries and, therefore, be it noted, finally to the worker himself but to prove a menace to that industrial regeneration of India in which Indians are at the present time most specially interested. I ask the House not to accept the Resolution in the present form, first, because its scope, as the Honourable Sir Thomas Holland has pointed out, is too wide, secondly, because it is premature and, thirdly, because the conditions in India will probably require and should in that case obtain special treatment. I have already dealt with the first of these. As regards the second, that is to say, that it is premature, I would remind the House of what the Honourable Sir Thomas Holland said as lately as last January in a speech delivered at the discussion on Labour Unrest at the Conference of the Associated Chambers of Commerce. He announced that a special Labour Bureau had been established with the specific purpose of collecting as soon as possible information about the legislation in other countries. Surely it would be wise to await the result of these inquiries. The Honourable Sir Thomas Holland has to-day given us partially the result of

those inquiries and one would only urge that in view of the universal interest which the subject is arousing the wheels of Government should be plentifully greased, if so be, Delhi possesses such a commodity. My third point, Sir, relates to the special conditions prevailing in India and since the Resolution and Mr. Joshi's speech on it show a desire to imitate the Trade Disputes Act passed in the United Kingdom in 1906 and amended in 1913, I beg for the patience of the House if I spend a minute or two in elaborating the special circumstances described by the Honourable Sir Thomas Holland which led up to that legislation and then showing why most probably it is inapplicable to India. Members will agree that a slavish imitation of British or any other legislation as such is to be deprecated and I am surprised to hear Mr. Joshi say that he desires that any legislation which exists in the United Kingdom should also exist in India.

I think there will be a great many people in the United Kingdom who would exclaim 'Poor India!' The Act of 1906—and this perhaps is a point that the Honourable Sir Thomas Holland did not make fully clear—was the culmination of an evolutionary process ranging over several centuries, having its origin—and this also I think is most important—in labour conditions for which old time employers in the United Kingdom should feel heartily ashamed. For my purpose it is sufficient to point out that as long ago as the beginning of the last century Acts relating to labour combinations were in existence in the United Kingdom, the effect of which, so far from giving immunity from the ordinary processes of law, was to render such combinations liable to criminal prosecution. Legitimate agitation resulted in 1825 in the recognition of the right of collective bargaining. It was in consequence of this that trade unions sprang up, but not until 1871 was the Trade Union Act placed on the Statute Book. One of the largest combinations—the Amalgamated Society of Engineers—was formed over 20 years earlier, in 1851. In other words, trade unions existed years before trade union legislation was introduced. In that connection Mr. Joshi made the statement—I confess to me extremely surprising—that there are between 50 and 100 unions in existence in India with a membership of several hundreds of thousands. As the Mover has, I believe, the right of reply, I trust that he will accept the challenge to name, say, 20 of that number. The Act of 1906 I need not further allude to, as its scope and the special reasons which caused it to be passed have been very fully explained by the Honourable Sir Thomas Holland. But there is an important point connected with it. It is very much out of date. Between the year in which that Act was passed and the present time, there have been two processes at work—one beneficial, the other quite the reverse. While, on the one hand, mediation and conciliation have been brought to bear on trade disputes, on the other hand, workers have shown a regrettable tendency to strike in defiance of their own executives. It adds force to the opposition to the Resolution before the House that in this country this indiscipline has been very conspicuous in recent strikes, as, for instance, in the case of the strike of the Bengal Nagpur Railway operatives at Kharagpur, and the Taxi drivers' and Tramway operatives' strike in Calcutta.

From this brief survey we learn, firstly, that the labour disputes and the resulting legislation in the United Kingdom had their origin in the last century in gross ill-treatment of workers by employers. Secondly, that trade unions existed before the passing of direct trade union legislation. Thirdly, that there has been further evolution since the Act of 1906 which Act embodies the spirit of legislation such as my Honourable friend, the Mover, has in

[Mr. A. D. Pickford.]

view. Let us now consider what bearing this has on the problem with which we are confronted in this country, and therefore on the desire or otherwise of accepting the Resolution, which implies legislative imitation of United Kingdom methods. In the first place, no one can seriously suggest—no fair-minded man can seriously suggest—that labour troubles in this country have their origin in any general ill-treatment of the workers. There is ample testimony to the contrary. This is not due to any special virtue on the part of employers in India. The reason is simple. In the United Kingdom labour exceeds the demand. Here the reverse is the case. The employer has to compete for labour, and accordingly treats it well. In the second place, organised trade unions can hardly be said to exist in this country. We wait for the Honourable Member of this Resolution to prove the existence of these 50 or 100 unions. Therefore it is premature to apply to a practically non-existent condition legislation which in the United Kingdom was introduced to meet actual known conditions. On the third point, may it not be that an examination of labour legislation in other countries will point to legislation of quite a different kind, legislation which may—who knows?—avoid both for capital and labour in India the pitfalls which have undoubtedly beset it in other countries. It is a consideration which at least should suggest caution. Yet perhaps the most important difference lies in the character of the labour to which it is suggested this ready made legislation should be applied. The Indian operative is primarily an agriculturist—simple, easily led, excitable and, as the Honourable Sir Thomas Holland pointed out in the speech already alluded to, imitative. He has not the education to withstand the wiles of those who may induce him to strike for reasons entirely unconnected with his welfare. We have no right, I submit, to lay either the employer or the operative open to the possibility of labour disputes being fomented by persons whom, under the Act which this Resolution contemplates, the law could not touch or only reach with great difficulty. How are trade unions to be defined? How are ‘*bond fide* trade union activities’ to be defined? The responsibility which rests on this House is great, if it encourages any method of legislation which will leave it open to mischief makers by indirect incitement to trade on the gullibility of operatives.

I said at the beginning that my opposition had nothing to do with any dislike of trade unionism. Under modern conditions, as has been pointed out, they are inevitable, and, in spite of serious un wisdom at different times, the general effect of trade unions has been beneficial. By all means let trade unions be regularised by registration and protected, if need be, from capitalistic oppression; but let us beware lest by giving undue immunity from responsibility we let loose forces which will destroy the industrial development on which the economic future of India very largely depends.

All this may be deemed destructive criticism, and it is intended to be destructive criticism of the Resolution as it has been presented to the House. I suggest that labour legislation, if it is to be a means of protection and not of oppression, must work in another direction. It must regard trade unions as a means and not as an end,—not the legalised promotion of strikes, but the establishment of machinery to prevent strikes, should be the objective; the establishing of what are known as ‘shop committees’, committees on which the employer and the workman are alike represented, and by means of which differences will be settled amicably across the table. By such means the

trouble will be localised and the dislocation of industries prevented. I candidly ask the House to welcome Mr. Joshi's Resolution as giving a needed opportunity for discussion of a vitally important subject but to reject it as being both premature and dangerous.

Khan Bahadur Zahir-ud-Din Ahmed: Sir, I rise to oppose the Resolution which has been moved by Mr. Joshi, and my reason is this: This Resolution, if accepted by the House, will mean that the Government is going to take the responsibility of organising strikes against capitalists.

Why should the Government organise a thing which would in the end work both against capital and labour as well? And I should like to know what is the authority of the Honourable Mover of the Resolution and whether he represents the labourers or not? How many labourers have given him votes to come to this Assembly? Has he ever consulted the labour of Bengal? I am a man coming from Bengal and I have studied this question for 30 years and I have worked side by side with the working classes. In our place, there are no trades unions, but attempts are always being made by agitators to come among the men and create trouble. There are men who call themselves secretaries of various associations, but none of them are labourers, and, if this Resolution is accepted, it will mean the ruin of the workers and not so much of the capitalists. Capitalists are working in the interests of the workers. Supposing they remove their capital to China or elsewhere and put it into industries there, what will happen to the working classes in India? Before we try to harm the capitalists we must be certain that we are not harming the workers. I look on this point in this way and in no other. I have never known before that labourers have got a friend in Mr. Joshi or even in Sir Thomas Holland. Two days ago I was near the Juma Musjid and I saw there small boys, street waifs, begging. Now I was told the other day that the boys working in the mills do not keep good health. I ask Sir Thomas Holland and Mr. Joshi to go there and have a look at these boys. First let them know about the country before they try to improve it. Some day the labourers will cry: 'Save us from such friends.'

Babu J. N. Mukherjee: Sir, I gave notice of an amendment to the Resolution before the House propounded by Mr. Joshi, but I do not know if I am in time or if my amendment has been accepted. My notice, I think, was received on the 28th February 1921. My amendment is to the effect

'That the words 'from civil and criminal liability for *bona fide* trade union activities' be omitted.'

That is to say, I thought that there would be no harm in Government looking into this matter and keeping itself in touch with the activities of the movement that was going on in this country, a movement which seemed to me at times to have been engineered to some extent for certain purposes. I stand, Sir, not as an employer of labour, nor am I a capitalist or a labourer in the sense in which the word is used now-a-days; but I am a labourer in another field altogether unconnected with the employment of labour or with the actual performance of labour tasks in factories and other places in which manual labour in large quantity is employed. Therefore, I, as one who has simply the peaceful progress of the country at heart, rise to say that the Resolution, as it has been worded, if accepted, will mean the destruction of all orderly progress in the country. What is the language of the Resolution? It asks for the protection of trade unionists and trade union officials from civil and criminal liability for *bona fide* trade union activities. That would mean the termination of all civil and criminal administration in

[Babu J. N. Mukherjee.]

the country. We cannot give the trade unionists such a long rope, and I have, therefore, proposed that the last words—the sting is in the tail—be omitted. And if they were omitted, the first part of the Resolution would not mean very much. It would then read :

‘ That this Assembly recommends to the Governor General in Council that he should take steps to introduce, at an early date, in the Indian Legislature, such legislation as may be necessary for the registration of trade unions and for the protection of trade unionists and trade union officials.’

So far it is all right. If Government finds that there is oppression from capitalists, Government can intervene and protect the oppressed against such oppression. But to protect them from civil and criminal liability for trade union activities, is quite another matter. The Resolution speaks of *bond fide* activities, but does not define what they are, and does not speak of legal or lawful activities; the expression *bond fide* does not mean ‘lawfully.’ The activities of trade unionists are very often of a disorderly sort, sometimes resulting in the breaking of somebody’s head or the shooting of somebody. So that, if the Resolution was not withdrawn, but pressed before the House, I would move my amendment to the effect that Government cannot undertake legislation in a way that would give the trade unionists absolute liberty to do what they liked. We, with the development gained in this country, are perfectly aware that Government cannot sit on the fence and watch the progress of events in the country with indifference. Government must therefore intervene; it must regulate and direct these new activities and, if possible, drive them into channels where they can have their legitimate operations. Protect the trade unionists by all means, and legislate for their good, wherever necessary, but certainly Government ought not to undertake legislation in the way the Resolution proposes that it should undertake to legislate. Sir, if the Resolution is not going to be withdrawn, and is to stand as it is after my amendment is lost, my submission is, that the House should not accept it, but vote against it.

The Honourable the President: The original question was :

‘ That this Assembly recommends to the Governor General in Council that he should take steps to introduce, at an early date, in the Indian Legislature, such legislation as may be necessary for the registration of trade unions and for the protection of trade unionists and trade union officials from civil and criminal liability for *bond fide* trade union activities.’

Since which an amendment has been moved :

‘ That the words ‘from civil and criminal liability for *bond fide* trade union activities’ be deleted.’

The question is that that amendment be made.

Mr. Jamnadas Dwarkadas: Sir, may I enquire whether I should confine my remarks only to the amendment or to both the Resolution and the amendment?

The Honourable the President: Strictly speaking, the Honourable Member should confine his remarks to the motion I have just put from the Chair; but he can hardly make a speech about that without saying something about the Resolution!

Mr. Jamnadas Dwarkadas: I may say at the outset that I rise to support the Resolution so ably moved by my Honourable friend, Mr. Joshi. I really see no difficulty in this House accepting the Resolution as moved by Mr. Joshi. The amendment of my Honourable friend, Mr. Mukherjee, suggests the deletion of the words ‘from civil and criminal liability for *bond fide* trade union activities.’ I do not know how that will alter the

meaning that Mr. Joshi gives to his Resolution. Mr. Joshi aims at giving protection to trade unionists and trade union officials from civil and criminal liability for *bona fide* trade union activities. In dealing with his amendment, my Honourable friend, Mr. Mukherjea, I think, lost sight, not voluntarily, of the words *bona fide* on which Mr. Joshi lays stress in his Resolution. If the activities of any trade unionists or any trade union official is proved not to be *bona fide*, then certainly—and I think that Mr. Joshi is going to say it himself when he gets up to reply on his Resolution—that all those who are in sympathy with this Resolution and Honourable Members in this Assembly would be the first to ask for the prosecution of those persons who are not *bona fide* trade unionists or trades union officials.

Therefore I do not see any difference between the Resolution as it has been moved by my Honourable friend, Mr. Joshi, and the amendment moved by my Honourable friend, Mr. Mukherjea. I think Mr. Mukherjea appreciates the necessity of legislation on the part of Government for the purpose of giving protection to trade unionists; but he would drop the last line for fear that mischief-mongers might by such legislation escape scotfree, even though if they were instrumental in stirring up the workers for their own purposes.

Mr. Joshi, I am sure, would have no objection to meeting his wishes, and the Resolution as it is worded certainly meets those wishes, inasmuch as it provides for giving protection to *bona fide* trade unionist and trade union officials.

Now I come to the objections raised by the Honourable Sir Thomas Holland. Though there is a good deal of force in the arguments which he has put forward, I remain totally unconvinced as to the reason why he would not accept Mr. Joshi's Resolution. The only argument, it seemed to me in which there was a good deal of strength was, that while he wished from the bottom of his heart that something should be done to afford protection to trade unionists and trade union officials, he was not at this moment prepared to make any practical suggestions and that Government were, at the present moment or at an early date, not in a position to give effect to Mr. Joshi's Resolution. Now it may be, that the Government probably are not just now in a position to suggest a practical method of solving the question raised by my Honourable friend, Mr. Joshi. But the Honourable Sir Thomas Holland goes further. He challenges Mr. Joshi and asks him to bring forward, if he can, a Bill which will be in accordance with the objects of the Resolution he has moved. Now, with due deference to the Honourable Sir Thomas Holland, I do believe that not only Mr. Joshi—I do not know whether Mr. Joshi would, but there are many other Members of this Assembly who would be quite prepared to bring in legislation for the purpose of giving effect to the Resolution which my Honourable friend has moved. I say this because I am unconvinced from the arguments advanced by Sir Thomas Holland. That he and the Government of India are in sympathy with the object of this Resolution, I have not the slightest doubt myself.

The only difficulty, in giving effect to the Resolution, is the practical one that they are at this moment not prepared to bring in legislation and, therefore, Sir Thomas Holland would ask us to throw off this Resolution. To me, Sir, it appears that it would be a mistake on the part of this Honourable Assembly to throw out a Resolution of this character.

In the first place we should be entirely misunderstood in the country, and justifiably so. We should not be helping to put down the present turmoil nor to calm it in any degree; but we should be enhancing it. I agree with

[Mr. Jamnadas, Dwarkadas.]

the Honourable Sir Thomas Holland and my Honourable friend, Mr. Pickford, that we have, unfortunately, in the country to-day agitators who would take advantage of the ignorance of the workers for the purpose of furthering their own undesirable ends. I say, and I say emphatically, that if we reject this Resolution, the fact of our throwing out this Resolution will be used by those agitators to create and foster greater dissatisfaction among the ignorant workers whom, I am sure, all of us wish to protect.

We want to prevent exploitation of the workers by capitalists and by agitators who would use them for their own purposes. I say, therefore, that if this Resolution is not accepted, we shall defeat the object which all of us have in view, namely, the protection of those who are being exploited by capitalists, and far worse are being exploited by mischief mongers. I ask this House, if we are prepared to do that having regard to the present situation of the country? At the same time we shall not be doing anything wrong or committing ourselves to any serious mistake by accepting the Resolution. On the contrary, we shall be making it clear once and for all that, so far as this Assembly is concerned, it is as anxious as the best worker who works in the interests of the labouring classes to secure justifiable protection for the working classes.

If the Government have any difficulty in suggesting practical legislation, I am sure that by the co-operation of Members, like my Honourable friend, Mr. Joshi, this difficulty can soon be removed, and if the Government are not prepared to undertake legislation in the terms of the Resolution, then, as I said before—and I repeat it again—that my Honourable friend, Mr. Joshi, himself, or any other Member who is in sympathy with the object of this Resolution, would be prepared, in the course of a few days, to bring in a Bill to give effect to the Resolution. But, Sir, I want again to emphasise that we should be committing a great mistake at this moment, and we would be giving a handle to those who exploit labourers if we throw out this legislation. What is happening now in the country? There is a dispute as to whether there are, or are not trade unions. I submit, Sir, that to my knowledge trade unions have grown in sufficiently large numbers in the course of the last few years, but I do believe that they are not adequately organised. The want of sufficient organization in the so-called trade unions is not a matter of congratulations to the employers, but it is this fact which is confronting employers with great obstacles every now and then when a strike occurs or when a dispute has to be settled. I fully believe that if trade unions were properly organised and were recognised and if responsible officials were forthcoming, then I believe employers would welcome bodies which would mediate between them and the working classes in times of stress or difficulty.

I believe, Sir, that throwing off this Resolution is tantamount to taking a great risk for this Assembly, especially in view of the present situation in this country, and I therefore think that this Assembly will be well advised in accepting the Resolution of my Honourable friend, Mr. Joshi.

Rao Bahadur C. S. Subrahmanyam : Sir, the point before the House is a very simple one. My Honourable friend, Mr. Joshi, wants legislation to be undertaken by the Government. The Government tell us : ' Well, we are not equal to the work '. They go further and say : ' If you bring in a Bill, by all means do it '. Now, there are two simple statements, one by Mr. Joshi asking Government to introduce legislation—not so much to

introduce legislation but to take the necessary steps to do certain things. That is one. Government say :

'We are unable to do it. We have not got the materials, and we apprehend dangers. That is, if we want to legislate on the lines you suggest, there are other parties who may have great many difficulties. We have to consult them.'

This seems to be more a businesslike position. Now, in considering this position, I should think with all deference to those who have spoken that the other larger question whether legislation on these lines should or should not be undertaken does not arise. It is far better for us, in an Assembly like this, with various interests and people with various ideas, to confine ourselves to a definite point in carrying on this debate. Because some questions with which, for instance, I am not familiar may be discussed, and if gentlemen who are familiar with the subject take me away from the point, I should feel myself hopelessly at sea. Therefore, the simple point before the House now is whether the position taken by the Government that they are not equal to the work is a position which can legitimately be taken on a matter like this. I should think they can take that position. This is asking the Government to enter into a new field of activity, if I may say so—to legislate for labour and all these matters. Government say that they are not quite informed on the matter, but in the consideration of that question, no question of principle as to the protection of labour or as to the protection of employers does arise. The amendment now proposed makes the Resolution a little more vague. It is a very difficult thing if you accept the amendment. You have got a truncated proposition. If you accept the proposition, you commit yourself to some course of action, and you ask somebody else to do it. Well, Sir, I think the position I have taken, without committing oneself one way or the other, is a good one, namely, to accept the offer of the Government in a general way to refer the matter to the opinions of Local Governments and others interested. Of course, there is no formal amendment to that effect before the House. But that should satisfy the most ardent advocate of labour in this country—this inquiry with regard to this matter in quarters where we shall be able to get some facts and some definite ideas. Therefore, I think that on the whole question we are going away from the point before the House, and I would beg my Honourable colleagues in this Assembly to be so good as to confine themselves to the point at issue.

Khan Bahadur Chaudhuri Wajid Hussain : Sir, it is no use covering the ground which has been already covered by Sir Thomas Holland. But I would ask the Honourable Mover to recall to mind the history of trade unions in England, to think of the circumstances under which they grew, and of the manner in which they were developed. England took to trade unions at a time when she had reached a very high stage of industrial development and had also reached a very high standard of primary education. It was because she had reached such a standard of educational and industrial development that England was able to manage the trade unions, that she was able to get out of the labouring classes a large number of people who were able to manage the unions. How many people have we in India who, like Mr. Joshi, can manage one single trade union in a spirit of moderation, in a spirit in which they would not use the union as a means of mischief?

Then, there is another circumstance which has to be remembered. When the trade unions were organised—I should not use the word 'organised'; they were not organised by Government. They were a natural growth, there was no legislation which helped their growth, and it was only at an advanced

[Chaudhuri Wajid Hussain.]

stage of development that legislation recognised them. For several decades, these trade unions remained unrecognised by the Legislature of England. It is a mistake to say that they were encouraged by legislation—when these trade unions were formed in England, the labouring classes in England could not be easily handled by the employers. The huge proportion of the population of England, which formed the labouring class at the time when these labour unions grew, could not possibly be handled by the employers, and it was necessary to have some organisation, some machinery, some means of communication between the labourers and the employers of labour. Of course, in India, we have not reached a stage when the labourers could not be directly handled by employers. We must remember that barely 1 per cent. of the total population in India are working in factories, and that it is not impossible to handle these people directly without the medium of trade unions. There is another circumstance which makes the position in India very different from the position in England. In England, the main feature of the industrial development of that country was that labourers did not work for themselves. They worked for employers in factories. In India, you certainly have a certain class of labourers who work in factories. But you have another class of labourers who work for themselves, who are more interested in their work, because they get a large proportion of the profits for themselves. You have a very small proportion of labourers who work for their employers, and labourers who do not work for their employers and get a large proportion of the profits themselves are the best persons to protect their own interests. There is a large difference between the economic condition of this country at the present moment and the economic condition of England at the time of the growth of these trade unions. Any book on Economics in England would show you what a great difference there is between the economic structure of the two countries. In view, therefore, of the difference between the economic structure of the two countries, the educational standard of the two countries and the conditions under which labourers work including the organization of the population and so forth, I would suggest that the time has not yet arrived in India for encouraging the growth of trade unions, by means of legislation. After all, as Sir Thomas Holland has rightly pointed out, a trade union in the sense contemplated by the Act of England is as extinct as the Dodo. There is not a single trade union in India in the sense in which the Act of England contemplated.

For these reasons I oppose the Resolution.

The Honourable Sir Thomas Holland : I would suggest, Sir, a way in which we may narrow the issues before the House and so shorten the debate, which I am sure will be satisfactory to all of us. I am greatly impressed with what my friend, Mr. Jamnadas Dwarkadas, said. If we throw out this Resolution, there will be protests in the country, rightly or wrongly, and an unfortunate feeling of disappointment. I think, therefore, that we ought to explore every means possible to arrive at some agreement, because I feel that Mr. Joshi and myself have not disagreed except in the matter of when and by what means we can bring about the object he has in view. If Mr. Joshi could put in the words 'as soon as practicable' instead of the words 'at an early date,' I would be glad so far as this part of the Resolution goes.

Mr. N. M. Joshi : I do not object to the insertion of the words 'as soon as practicable.'

The Honourable Sir Thomas Holland : That removes the difficulty, because if we accept the Resolution in its present form we should at once have to frame a legislative measure. If the words 'as soon as practicable' are substituted, we could consult at once the Local Governments, and other bodies concerned through the Local Governments; but it seems to me extremely important that we should not move on lines that we know would be dangerous, without getting the advice of the Local Governments and of the bodies that will be affected. It is only because Mr. Joshi's original expression forces us practically to legislation at once in some form that, as I explained before, we had difficulty in accepting it. But now that he has accepted the words 'as soon as practicable', may I suggest to him also that it would leave his Resolution in as good a form if he cut off the tail end of it by 'docking' it slightly shorter than suggested by Mr. Mukherjee; that is to say, stop at the place where it begins 'and for the protection of trade unionists and trade union officials from civil and criminal liability for *bona fide* trade union activities.' We see in the case of trade union activities, the so-called *bona fide* activities, a source of very great danger. I will give you an exaggerated illustration. It is exaggerated, but theoretically it is a case that might arise. A trade union official who is protected in this manner because of his *bona fide* activities on behalf of the union might escape being charged with the murder of his employer if the trade union official was sincerely convinced that the murder would lead to a rise in wages or, say, the conclusion of a strike, and that he had no malice whatever against the employer. That is an exaggerated illustration of course, but it does show you how dangerous it would be if we put the Resolution in the form in which it stands. It is the tail end of the Resolution that gives us our practical technical difficulties in drafting the legislation required, and it is that part of the Resolution that we hope to be able to solve after consulting the Local Governments. If, therefore, Mr. Joshi will, as he has kindly accepted, substitute the words 'as soon as practicable' for the words 'at an early date' and then cut off the tail end of his Resolution and stop at the words 'and for the protection of, etc.,' the Government will be quite willing to accept it.

The Honourable the President : The Resolution, as amended, reads :

'This Assembly recommends to the Governor General in Council that he should take steps to introduce *as soon as practicable* in the Indian Legislature such legislation as may be necessary for the registration of trade unions.'

Mr. N. M. Joshi : I have no hesitation in accepting the amendments proposed, because they will not practically make any change in my Resolution as they also show that it is necessary to give protection to the trade unions; and the only thing that the Honourable Sir Thomas Holland had done was that the whole Resolution is kept vague as to the sort of protection necessary. Sir, when I moved my Resolution, it was never in my mind that trade unionists, when they committed a murder or other acts of violence, should be exempted from punishment. My object was not that trade unionists should be protected, if they even indulged in rowdism or threw stones. I therefore used the words '*bona fide* activities'. Sir, I am glad that the Honourable Member for Industry realises the necessity for the protection of the workers, but he is not prepared to give them the protection which is given in England to English labourers. He says, that the English labourer is placed in a privileged position and he is not willing to put the Indian labourer also in a privileged position.

The Honourable Member knows that in India there is legislation for depriving the working classes of this country of the ordinary rights of

[Mr. N. M. Joshi.]

citizenship. They are regarded as different from the ordinary citizens. Does the Honourable Member know that there is an Act called the Workmen's Breach of Contract Act? Does he know that there are Acts, called the Assam Labour and Emigration Acts, the Madras Planters' Labour Act, the Madras Act No. V of 1866. In all these Acts the working classes are placed in a disadvantageous position. If the Government think that the workers of India should not be placed in a privileged position, they should not also be put in a disadvantageous position, then, why should they be made criminally liable for an action for which the ordinary citizen is not so liable? But if you once allow that the worker can be put in a disadvantageous position, as he is put, why should Government hesitate to put the worker in a privileged position in some respects? If Government think that the worker should not be put in a privileged position, let the Government at once come forward and remove all the Acts from the Statute Book which put the worker in a disadvantageous position.

Sir, there were other arguments used by the speakers who have dealt with my Resolution. Mr. Pickford said he did not want people to trade on the gullibility of the workers. Well, perhaps he wants to keep the monopoly of trading on the gullibility of workers for his class, namely, employers. If he does not want to trade on the gullibility of the working classes, why should he be afraid of trade unions?

Sir, another argument used was that there are no trade unions in this country, so why should we pass legislation providing for the protection of trade unions. The argument is not a sound one. As the Honourable Sir Thomas Holland knows, there were no co-operative societies when the Co-operative Societies Act was passed. Is he prepared to contradict that fact? Then some challenges were thrown at me. I was asked to name a few trade unions which exist in India. I could quite easily accept that challenge. But I ask, is this Chamber an examination hall? If so, I will give my answers and get a few marks. But, I do not think, this is the place for offering challenges of this kind.

Then, one of the speakers said we should allow trade unions to grow naturally just as they will. Sir, that is just what I do not want. I do not want trade unions to grow in the natural way. If you allow them to grow naturally they will grow wild, and we ought to avoid that.

Sir, then there were many objections raised in connection with the special kind of trade union legislation for which I ask. One of them was that I should not ask the Indian Government to follow slavishly the English trade union law. Sir, if the English trade union law is good, I do not see any objection to our copying it here. If Mr. Pickford thinks the English law is bad, I think when he goes back to England he should agitate to get that legislation removed. As I have already explained, Sir, I am not against accepting the amendment, because the amendment gives whatever I want. When the legislation comes before the Council, then will be time enough to consider the matter in greater detail.

The Honourable the President: The question is, that the Resolution, as amended, which runs as under, be accepted:

'This Assembly recommends to the Governor General in Council that he should take steps to introduce, as soon as practicable, in the Indian Legislature, such legislation as may be necessary for the registration of trade unions.'

The motion was adopted.

The Assembly then adjourned till Wednesday, the 2nd March 1921.