

7 March 1921

THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)

FIRST SESSION
OF THE
LEGISLATIVE ASSEMBLY, 1921



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LEGISLATIVE ASSEMBLY.

Monday, 7th March, 1921.

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

MEMBERS SWORN.

Mr. Kunj Beharilal Agnihotri, M.L.A.; Mr. Henry Ernest Spry, M.L.A.; Mr. A. V. Venkataramana Aiyer, M.L.A.

QUESTIONS AND ANSWERS.

HIGH COURT IN BURMA.

11 A.M. 387. **Mr. P. P. Ginwala** : Will the Government be pleased to state :

(a) When the Despatch of the Government of Burma, proposing the establishment of a High Court in Burma, was received by the Government of India, and the date on which it was transmitted to the Secretary of State for India ?

(b) The present position as to the establishment of a High Court in Burma, and, if possible, the probable date of its establishment ?

Mr. S. P. O'Donnell : The letter from the Government of Burma proposing the establishment of a High Court for Burma was received on the 3rd May 1920. The various questions raised by this proposal, which is closely connected with the scheme submitted by the Local Government, for the establishment of a cadre of District and Sessions Judges are still under consideration, but it is hoped to address the Secretary of State shortly.

SUPERIOR JUDICIAL SERVICES IN BURMA.

388. **Mr. P. P. Ginwala** : Will the Government be pleased to state the present position as to the proposals of the Government of Burma for the re-organization of the Superior Judicial Services in Burma, and the creation of District and Sessions Judges ?

Mr. S. P. O'Donnell : The Honourable Member is referred to my reply to the previous question. As there stated it is hoped to address the Secretary of State shortly.

LIBRARY FOR MEMBERS OF THE ASSEMBLY.

389. **Mr. P. P. Ginwala** : Is the Government aware of the inadequate equipment of the Members' Library and the inconvenience caused to Members thereby, and if so, do the Government propose to take some effective steps to provide at an early date a library suitable to the requirements of this Assembly ?

The Honourable Dr. T. B. Sapru : Government realise that the Library intended for the use of Members of the Assembly is inadequately equipped and that a certain amount of inconvenience must necessarily result pending the provision of a suitable Library. Steps are, however, being taken to provide a Library for the use of Members, but the Honourable Member will

understand that the compilation of such a Library will take time. Government would, meanwhile, welcome any suggestions, either from the Members themselves or from the House Committee shortly to be constituted in regard to the classes of books which are likely to prove useful to Members.

I may explain that the Legislative Department will make every endeavour to provide to any Member from their own Departmental Library, any book which he requires in connection with the business of the Assembly; if the book is not available there, a requisition for it may be addressed to the Department which is believed to have it. In this connection reference is invited to page 9 of the Hand-book which has been issued to Members.

Mr. P. P. Ginwala : Is the Honourable Member aware that the General Acts and Codes in the Library are not up to date and that it may be possible to bring them up to date by inserting the necessary corrections.

The Honourable Dr. T. B. Saprú : I will make inquiry into the matter.

READING ROOM FOR MEMBERS OF THE ASSEMBLY.

390. **Mr. P. P. Ginwala :** Is the Government aware that Members are much inconvenienced by the absence of a reading room containing newspapers and periodicals, and if so, does the Government contemplate the provision of such reading room ?

The Honourable Dr. T. B. Saprú : Government are not aware that great inconvenience has been caused by the absence of a reading room containing newspapers and periodicals. The matter seems to be one that should be taken up by the House Committee now in process of formation. Government will be prepared to give any reasonable assistance.

STAMPS AND STATIONERY.

391. **Sir Frank Carter :** (a) What was the amount expended by the Government of India in stamps and stationery during the year 1913-14 ?

(b) What was the amount so expended during the year 1919-20 ?

(c) Are any steps being taken to control such expenditure ?

(d) What system of supervision is there ?

The Honourable Sir Thomas Holland : (a) and (b). The amount spent by the Government of India in stationery, was :

	Rs.
1913-14	16,45,052
1919-20	76,98,694

The figures shown in the statistics of the Government of India as the charges on account of the manufacture of stamps and collection of stamp revenue after deducting the cost of anna postage stamps used for revenue purposes are :—

	Rs.
1913-14	25,97,145
1919-20	39,13,710

(c) and (d). It is presumed that the Honourable Member asks for information about stationery only, as 'stamps' is a revenue head. During the period covered by the question there was a very large increase in the cost of all stationery materials. In the case of paper manufactured in India, which is the largest item of stationery expenditure, this increase was about 155 per cent., but the rise was greater in the case of many miscellaneous articles. Paper and other goods purchased in England in some instances cost five and

six times the pre-war rates. The demand for stationery was also abnormally increased owing to the conditions created by the war.

The work of many Departments, particularly the Army and the Post and Telegraphs, increased enormously during the period necessitating a corresponding increase in their printing work and in the consumption of stationery. Every effort has been made to secure economy. Among them I may mention the use of thinner and unbleached paper, the reductions in the size and number of publications and the use of cheap locally made substitutes.

The question of measures for securing further economy has been for some months under special examination, in consultation with the various Departments concerned, with the assistance of the new Inspector of Office Procedure.

PROVINCES UNDER REFORMS.

392. **Babu K. C. Neogy**: With reference to the statement made in paragraph 9 of the Government of India letter to the Secretary of State, No. 296, dated Simla, the 24th June 1920, to the effect that the advantage to the provinces will, at the commencement of the Reforms era, be far greater than what is shown in the (Financial Relations) Committee's report, will Government illustrate the accuracy of this observation in the light of the latest estimates of revenue and expenditure of the different Local Governments?

The Honourable Mr. W. M. Hailey: A statement is laid upon the table showing the figures on which the statement made in paragraph 9 of the Despatch is based. These figures are, as stated in the Despatch, the budget figures of 1920-21. The budget figures of the provinces for 1921-22 are not received by the Government of India, and there has not been time to work out the figures on the revised estimates of the current year.

Province.	NORMAL INCOME.		Gross increase under income.	Imperial expenditure transferred to provincial (Net).	Net increase in income.
	On present classification.	On proposed classification.			
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	Rs.
Madras	9,80,96	16,47,64	6,66,68	45,92	6,20,76
Bombay	11,73,95	13,99,04	2,25,09	99,87	1,25,22
Bengal	8,46,75	9,38,86	92,11	46,27	45,84
United Provinces	8,35,60	13,21,24	4,85,55	55,53	4,30,02
Punjab	6,59,61	11,07,22	4,47,61	1,09,67	3,37,94
Burma	7,26,76	9,91,88	2,65,12	—29,53	2,94,65
Bihar and Orissa	3,58,78	4,59,81	1,01,03	43,68	57,35
Central Provinces	3,86,66	5,19,23	1,32,57	60,32	72,25
Assam	1,70,59	2,03,70	33,11	—14,22	47,33
TOTAL	61,39,75	85,88,62	24,48,87	4,17,51	20,31,36

CROWN COLONIES.

393. **Khan Bahadur Sarfaraz Hussain Khan:** Will the Government be pleased to state whether Indians are subjected to any restrictions in respect of their entering the Crown Colonies, or work there as labourers?

If so, what are the restrictions, and under what laws or regulations?

Mr. C. A. Innes: I refer the Honourable Member to the answer which I gave to a similar question put to me by Mr. Faiyaz Khan on the 19th February.

STRIKES.

394. **Khan Bahadur Sarfaraz Hussain Khan:** Will the Government be pleased to state if they propose to take any measures with a view to stop or at least to minimise the chances of strikes?

The Honourable Sir Thomas Holland: The Honourable Member is referred to the answers given by me to question No. 266 on the 22nd February 1921, and to Question No. 306 on 1st March 1921.

These answers contain the substance of the reply necessary for this question.

FIRE IN THE DELHI MOTOR SHOW.

395. **Khan Bahadur Sarfaraz Hussain Khan:** Has the Government received information showing the actual cause of the fire that broke out in the Delhi Motor Show?

If so, will the Government be pleased to state the cause?

Mr. S. P. O'Donnell: All the evidence collected goes to prove that the fire, which started at the foot of the partition between the ninth and tenth stalls in the middle of the west side of the Motor Show, was accidental. The strong wind blowing at the time combined with the inflammable nature of the thatched sheds and their contents and an inadequate supply of water explain the rapidity with which the fire spread until the whole place was gutted. Presumably the cause was carelessness on some one's part with a lighted match or cigarette end.

DOWN PUNJAB MAIL.

396. **Khan Bahadur Sarfaraz Hussain Khan:** Will the Government be pleased to state:

(a) if they propose to issue instructions to the authorities concerned to stop the Down Punjab Mail at the Patna City Railway Station, as was the practice some years ago?

(b) the reason why the practice was discontinued?

Colonel W. D. Waghorn: In connection with the curtailment of passenger train services in February 1917, when the load of the Down Punjab Mail was increased, it was found necessary to withdraw halts at certain stations, one of which was Patna City. The Down Punjab Mail had at that time three consecutive stops at Dinapore, Patna Junction and Patna City, within a distance of 13 miles, and it was considered that the withdrawal of the stoppage at Patna City would not be a hardship to passengers, as those desirous of travelling by Mail could, if necessary, drive to and from Patna Junction.

by road. There is, moreover, a train No. 12 Down Express which leaves Patna City at 16-31 and arrives at Howrah at 6-11 A.M. (Calcutta time), and in view of the convenient service afforded by this train, it is not considered that there is sufficient justification for stopping the Down Punjab Mail.

ENLARGEMENT OF THE DELHI PROVINCE.

397. **Mr. Pyari Lal**: Is Government aware of a strong rumour current in Delhi and round about, that the limits of Delhi Province are to be enlarged by the inclusion in it of the Meerut Division, comprising the Meerut, Muzaffarnagar, Saharanpore, Bulandshahr and Dehra Dun districts?

(b) Is there any foundation for this rumour and have the Government any such change in contemplation?

Mr. S. P. O'Donnell: The answer is in the negative.

MEERUT CANTONMENT AREA.

398. **Mr. Pyari Lal**: Has the Government any idea of re-arranging the Meerut Cantonment by transferring such areas as are nearest the city and occupied principally by civil population only having large property and trade interests, to the City Municipality?

Sir Godfrey Fell: The question of the possibility of separating large Sadar Bazzars from the purely military areas in all cantonments in India and Burma is at present under the consideration of the Government of India, who are awaiting the report of the special Committee which has been appointed to examine this question, amongst others connected with the revision of Cantonment law and administration.

MUHAMMADANS AND INDIAN PUBLIC SERVICES.

399. **Mir Asad Ali Khan Bahadur**: Will Government be pleased to state for each of the last three years the number of Muhammadans employed in the Indian public services, such as (a) Civil, (b) Educational, (c) Medical, and (d) other services?

Mr. S. P. O'Donnell: The information asked for is not available; and could not be collected without the expenditure of a great deal of labour by both the Central and the Provincial Governments. If, however, the Honourable Member so desires, it will be collected, but he will realise that a considerable period must elapse before I shall be in a position to supply it to him, but I hope he will not press the matter.

CADET COLLEGES, MILITARY TRAINING SCHOOLS, ETC.

400. **Mir Asad Ali Khan Bahadur**: Will Government be pleased to lay on the table a statement, showing:

- (a) the number as well as the cost of:
- (i) Cadet Colleges, (ii) Military training schools, and (iii) Military training classes in India;
- (b) the total strength in each; and
- (c) the classification of (b) by religion?

Sir Godfrey Fell: (a) (i) There are no Cadet Colleges in India.

(ii) Full particulars as to Military training schools will be found at pages 24 to 34 of the Detailed Army Estimates.

(iii) Training classes of various kinds are assembled at the discretion of Local Commanders, the cost being defrayed from the Training Grant.

(b) Particulars in regard to this part of the question will also be found in the Detailed Army Estimates.

(c) It is regretted that no accurate information is available. Vacancies are allotted to units, who fill them proportionately from all classes serving in the unit irrespective of religion.

STORES PURCHASED IN INDIA.

401. **Mir Asad Ali Khan Bahadur:** Will Government be pleased to state for each of the last three years :

(a) the kinds of stores purchased in India by Government ; and

(b) the quantity of each kind together with its cost ?

The Honourable Sir Thomas Holland: (a) As the document is very lengthy for publication in the Report of the Assembly, I shall furnish the Honourable Member with a statement showing the classes of stores purchased in India during the last three official years under the three headings of (a) imported stores, (b) goods obtained from Government factories and (c) goods obtained from private dealers, with their value in thousands of rupees. The statement does not include information regarding (1) purchase of articles of the same kind and of an aggregate value not exceeding Rs. 50 at one time and place, (2) purchases made by one Department from another, (3) purchases made by contractors for Government works, and (4) purchases invariably made in India such as bricks, Indian lime and mortar, Indian timber, etc.

The statement also excludes figures in respect of stores purchased by, or on behalf of, the military authorities, the collection of such figures having been discontinued during the war owing to the heavy additional work entailed by the war on the military accounts offices and because the figures would have been abnormal and misleading.

(b) Information showing the quantity of each kind of stores purchased is not available.

MUSSALMANS IN THE INDIAN JUDICIAL SERVICE.

402. **Mir Asad Ali Khan Bahadur:** Will Government be pleased to state, province by province, for each of the last five years the number of Mussalmans employed in the higher branches of the Indian Judicial Service, both Provincial and Imperial ?

Mr. S. P. O'Donnell: It is understood that the reference is to appointments of District and Sessions Judge and in the various High Courts. The information, if the Honourable Member so desires, will be collected and will be supplied to him, but I would point out that it can all be obtained from the various civil lists which I shall be happy to place at his disposal.

NEW RATES OF PENSIONS, ETC.

403. **Mir Asad Ali Khan Bahadur**: Will Government be pleased to lay on the table a statement for each of the last three years, showing, province by province, the additional cost of the new rates of pensions, gratuities and allowances awarded to officers, and men in (a) Civil, and (b) Military departments, both in India and England?

The Honourable Mr. W. M. Hailey: I regret that I cannot undertake to supply information as regards the extra cost of new rates of pensions borne by Provincial Governments, and I would suggest that the Honourable Member should obtain the information by interpellation in the Provincial Councils.

2. As regards charges borne by Central Revenues on the military side, the information which is available relates to the total non-effective charges during these years, and it would be impossible to unravel the information in the form, which the Honourable Member desires, without an examination of an immense number of individual cases, involving an expenditure of time and trouble which would seriously detract from the prompt discharge of the heavy volume of other urgent and important work, which the Accounts Offices have to perform at the present time. In these circumstances, I hope that the Honourable Member will not press for information under this head.

3. As regards civil pensions, etc., an endeavour is being made to collect the statistics required, and the information will be laid on the table when it has been received.

IMPERIAL CONFERENCE IN LONDON.

404. **Mir Asad Ali Khan Bahadur**: Will Government be pleased to state whether Indian representatives to the ensuing Imperial Conference in London in June next will be nominated in consultation with both Chambers of the Indian legislature?

Mr. S. P. O'Donnell: The answer is in the negative. It is not proposed to hold any formal consultation with the Indian Legislature. The Government will do their best to ensure that the Indians selected are persons who will command the confidence of the country, but in this as in all other parts of the Empire which will be represented at the Conference, the selection of representatives is a matter in which Executive Government must exercise an unfettered discretion.

RECOMMENDATIONS OF THE POSTAL COMMITTEE.

405. **Mr. M. K. Reddiyar**: (a) Is it a fact that effect has been given to the recommendations of the last Postal Committee and that in spite of the expenditure of nearly a crore of rupees discontent is still rife among the Postal Staff throughout India?

(b) Is it a fact that another such Committee is again sitting to revise the pay of the establishment of the office of the Director-General of Posts and Telegraphs?

(c) Will the Government be pleased to state:

(i) why the scales of pay already adopted in the case of the Government of India offices may not be given to the Director-General's office immediately on same conditions and with same retrospective effect, and

1(ii) what necessity there was to appoint another Committee ?

(d) Has any member from the Director-General's office staff been taken into the Committee to safeguard their own case ? If not, why ?

(e) What is the amount of approximate expenditure incurred on account of the last Postal Committee ?

(f) How was the selection of each member of that Committee and of each member of the present Committee, made ?

(g) What is the probable expenditure for the present Committee ?

(h) When may the report be expected and how long will its consideration by Government take ?

Mr. C. A. Innes : (a) Effect has been given to the recommendations of the last Postal Committee. The additional annual expenditure will be nearly 1½ crores. It is believed that the staff as a whole recognises the liberality of the revision, but there have been two strikes of postmen and menials, one in Bombay and one in the Punjab.

(b) The Committee now sitting is a small departmental Committee of three and the terms of reference are :

(1) To examine the organisation and methods of work in the offices of the Director-General and Postmasters General and to make recommendations ;

(2) To make recommendations for the revision of the pay in the office of the Director-General.

(c) (i) The class of work done is not the same.

(ii) The questions included in the terms of reference to the present Committee were not considered by the Postal Committee.

(d) No. It was not considered that any member of the Director-General's Office staff could usefully be appointed as a member of a Committee to enquire into the terms of reference stated above.

(e) About Rs. 50,000.

(f) In both cases each member of the Committee was selected by the Government of India.

(g) About Rs. 20,000.

(h) The report is expected this month, and will be considered by Government as quickly as possible.

REVISION OF PAY OF THE DIRECTOR-GENERAL'S OFFICE STAFF.

406. **Mr. M. K. Reddiyar :** Will the Government be pleased to state :

(a) why was it thought necessary to work out schemes for revising the pay of the Director-General's office staff consisting of perhaps a little over 200 men through the present Committee, and

(b) why the clerks of that office have not been given further relief so long, when all other Government of India offices are enjoying enhanced scales of pay since December 1919 ?

Mr. C. A. Innes : (a) As explained to the Honourable Member in answer to his last question, the present Committee was appointed primarily to examine

the organisation and methods of work in the Director-General and Post-masters-General's offices. The future pay of the Director-General's office staff will naturally depend on the organisation adopted, and can most suitably be worked out by the same Committee.

(b) It was considered undesirable to revise the pay of the Director-General's office staff in anticipation of the inquiry into its organisation, which would probably involve yet another revision.

DIRECTOR-GENERAL'S OFFICE.

407. **Mr. M. K. Reddiyar :** Will the Government be pleased to state why the staff of the Director-General's office should not be treated in the same manner as obtains in the Secretariat ?

Has the new Secretariat scale of pay been adopted in the Imperial Secretariat and attached offices and the Director-General's office in particular ? If not, why ?

Mr. C. A. Innes : The Honourable Member is referred to the reply given to part (c) (i) of Question No. 405 which was put by him this morning.

This applies also to other attached offices.

LONDON CONFERENCE.

408. **Mr. Muhammad Faiyaz Khan :** Will the Government be pleased to state whether Mr. Hasan Imam and Seth Chotani are going out as representatives in their own right or as advisers to the Secretary of State for India, or the Premier, or whoever else is to represent India in the forthcoming London Conference ?

Mr. S. P. O'Donnell : The attention of the Honourable Member is invited to the Honourable Home Member's speech in the Council of State on the 21st February. In addition to the two gentlemen named His Highness the Aga Khan and Dr. Ansari have proceeded to England to represent to His Majesty's Government the views not of the Government of India but those of their own community on the Treaty of Sevres.

NON-CO-OPERATION MOVEMENT.

409. **Mr. Darcy Lindsay :** Do the Government propose to enlist the assistance of the Indian Legislature in dealing with the situation created by the non-co-operation movement by appointing a committee consisting of Members of the Council of State and Legislative Assembly or two separate committees consisting respectively of Members of the Council of State and the Legislative Assembly to offer suggestions to Government ?

Mr. S. P. O'Donnell : I would refer the Honourable Member to the debate which took place in this House on the 5th. On the question of the policy to be adopted towards this movement, Government would welcome the assistance of this Assembly which can best be secured by raising a debate therein. Government will give every facility for such a debate compatible with the disposal of Government measures.

DISCUSSION ON GENERAL DEMANDS.

Rao Bahadur T. Rangachariar : Sir, I would draw your attention to sections 181 and 182 of the Manual of Business, with reference to the notice.

issued to us as to the discussion on the general demands. By these rules certain days have to be fixed, and section 132 says: 'Notice of a motion to omit or reduce any grant shall be given two days before the day appointed for the discussion of such grant'. The notice issued to us provides for all the grants to be discussed on all the days, and it is impossible for us to give two days' notice required under section 132—if such notice is to be regarded as due notice. I suggest that separate days should be fixed for the discussion of separate heads.

The Honourable the President: This is a matter which concerns the combined convenience of the Finance Department and the Assembly. I think we should hear the Finance Member's views on the subject.

The Honourable Mr. W. M. Hailey: We recognise that perhaps it would have been much more convenient for the House if we had been able to ask the Governor General to allot definite days for the discussion of those various demands for grants; but we were unaware how long the House would like to take over each question and of the comparative importance they would attach to different grants. For this reason we were unable to suggest a definite allotment of time. If in future years it appears that we could suitably do so, we shall certainly propose the allotment of a definite time and date for each demand for grants. As it is, I recognise that it is difficult to give the necessary notice under section 132; I am not sure whether I am in order in putting a suggestion to you, but if I do so, it would be this: That the rules should be interpreted in the most liberal sense, *i.e.*, that it is quite clear that the first grant standing on the list must come on on the first day, and for that two days' notice will be required—and equally in regard to the last grant. But as regards the others, I would ask that in any case in which you consider that reasonable notice has been given, the motion shall be accepted by you.

The Honourable the President: I understand that the Honourable Member puts the point in order to protect the rights of Members under Standing Order No. 72. The suggestion made by the Honourable the Finance Member is eminently reasonable, and, provided the notice actually given is not unreasonably short, the Chair will not be too stiff in interpreting the Rule.

RESOLUTION *RE* SELECT COMMITTEE ON ESHER COMMITTEE'S REPORT.

Chaudhuri Shahab-ud-Din: Sir, the Resolution which, with the leave of the House, I wish to move is as follows:

'That this Assembly recommends to the Governor General in Council that a Committee, consisting of the following Members of the Assembly, namely, Mr. Samarth, Sir P. S. Sivaswamy Aiyer, Mr. T. Rangachariar, Rai Jadu Nath Majumdar Bahadur, Sir Jamssetjee Jeejeebhoy, Dr. Gour, Mr. S. Sinha, Bhai Man Singh, Mr. N. M. Joshi, Mr. J. N. Mukherjee, Mr. Ginnwala, Lieutenant-Colonel Herbert, Lieutenant-Colonel Gidney, and the Mover, under the chairmanship of the Honourable the Law Member, be appointed to consider the Report of the Esher Committee and to report their recommendations to the Assembly on or before March 21st.'

Sir, the Resolution which I originally intended to move is slightly differently worded. I gave notice of that Resolution on the 21st of January, but as

the result of the ballot it was put on the 24th of February for discussion and was not reached. Therefore, it was not taken up. In the meantime, Sir, Sir Sivaswamy Aiyer had given notice of almost all the important topics covered by the Esher Committee's Report to be discussed in separate Resolutions to be moved by him. I think his Resolutions covered almost the whole ground, excepting perhaps that of the medical services, dealt with by the Esher Committee. His first Resolution, which related only to Parts 1 and 2 of the Esher Committee's Report, was taken up on the 17th and accepted by Government with a slight modification. He asked Government not to take any action on Parts 1 and 2 of the Report, and not to subordinate the Indian military staff to the British War Office. This principle was accepted by the Government and the Resolution was passed by this House. But the other Resolutions, of which notice had been given by him, were not taken up. One of them was fixed for the 5th, but it was not reached. Similarly, other Resolutions of his are yet on the notice board, but there is no chance, I think, of their being taken up this Session. If my Resolution is accepted by the House, I hope all those Resolutions will become unnecessary because a Select Committee, in which this House will place its confidence, will go into the whole Report carefully and then submit a considered Report for the consideration and discussion of this House.

I have proposed the period of a fortnight because the Government is anxious, and very rightly, to ascertain the opinion of this House as well as of the other House to communicate it to the Secretary of State in time. Indeed, the Report, as some of the Honourable Members might have observed, was signed some day in June last, though it was published in India in November and has already been almost a dead letter for so many months. It is very desirable that now the Report should be considered and some action, if possible, taken on it.

Sir, the Report is of special and exceptional importance to India not only from the military point of view, but also from the political and financial points of view. It has been adversely criticised not only in India, but also in England. Papers, of the standing and reputation of *London Times*, have criticised it adversely. Here, in India, people, whether they have read it or not, have become so suspicious about it that they consider it altogether a dangerous measure. Those who read it might perhaps change their opinion after reading it, but those who have not read it and are acting only on hearsay or on the opinion of others, their opinion, of course, is very much prejudiced against it. Yet, the fact, that the entire Indian Press has condemned the Report unanimously, I think, is one which the Government should take into consideration, take the House into its confidence, invite a considered report of the Select Committee, and then submit it to the House for discussion.

There are only two or three points which are usually raised by hostile critics of the Report. The first is that it subordinates the Military Department in India to the War Office in England. Of course, this position has been repudiated by the Government. The second objection is that it is a measure of a very reactionary character and that, if accepted, it might in practice be found inconsistent with the Reforms. This point, I think, is not free from doubt. The authors of the Report say:

'We desire also to mention that we have been requested, in considering our recommendations, to avoid, if possible, framing them in such a manner as may hereafter prove inconsistent with the gradual approach of India towards a Dominion status.'

[Chaudhuri Shahab-ud-din.]

Well, despite this declaration of the authors of the Report, people think, rightly or wrongly, that it is a reactionary measure, that in practice it will possibly work inconsistently with the Reforms. Even the Government have admitted that there are phrases and sentences in the Report which are misleading. Sir Godfrey Fell on the 17th February, as the report of the Proceedings of this Assembly shows, spoke as follows :

'The point of view of the Government of India is this. They hold that certain phrases, certain sentences, certain paragraphs in the Esher Committee's Report are misleading and might give rise to the impression that War Office influence could be exerted on the Army in India. They hold, however, that no such intention was in the minds of the Members of the Esher Committee, nor would the Government of India acquiesce for one moment in any such interference.'

Thus we have the assurance of one of the signatories to the Esher Committee's Report. Yet it is admitted that there are sentences and phrases which are liable to be construed in such a way that people's suspicions are perhaps justified. Then there is this fact, that the Report is not unanimous. There are slight differences here and there on some points of detail. Again, at the conclusion of the Report, Sir Krishna Gupta has added a separate Minute of his own. He does not call it a Minute of Dissent, but only supplementary observations, simply intended to supplement the Report, yet the points raised by him in paragraph 8 of the Report are so important that they do require special consideration at the hands of the Select Committee as well as of this House. He proposes that the number of King's commissions to be given to Indians should be materially increased, that enlistment for the regular army should not be restricted to what are called martial races, that the area of recruitment should be extended to all parts of India. Then he goes on to say that the Territorial Force should be made a success and a real adjunct to the regular army, and that steps should be taken to establish in India training and educational institutions for all branches of the army. He concludes by saying :

'Our proposals must add largely to the army expenditure, which is already high, and the only way of introducing economy without impairing efficiency is gradually to increase the Indian element in the ranks as well as in superior positions.'

So, when the signatories to the Report are not unanimous and phrases and sentences do exist which are misleading, and there is also not unanimity on all points among the Members of the Committee, it is desirable that the Report should be very carefully scrutinised. A report of such supreme importance and far-reaching consequences should be dealt with carefully, so it requires careful consideration.

These are briefly the reasons why I wish that the Report should be placed before a Select Committee to be considered. I want to say one or two words before I sit down : Why have I put in 14 non-officials and only one official Member? I think it is the wish of every Member present in this House not to embarrass Government, but, as far as possible, to co-operate and work harmoniously with Government, consistently, of course, with the interests of India. I do not think the fact that there is only one official Member will in any way affect the soundness of the conclusions at which the Select Committee

may arrive, and I hope Government will not mind this. The reason why I have fixed only a fortnight is this. Sir, everybody is aware that this Session is to come to an end in a few weeks, and the Report has already remained undiscussed for so many months. I wish that it may be finally discussed before this Session ends, and that some action may be taken upon it, it is necessary that the opinion of this House should be communicated to the Secretary of State. I must thank the Government before sitting down for having given me a few minutes of their official day. I would request the Honourable Members of this House not to enter into any discussion now, and to accept my Resolution unanimously because, when the Select Committee's Report is placed before the House for discussion, every Member will have ample opportunity of expressing his views upon it.

With these words, Sir, I move the Resolution.

The Honourable the President: The following Resolution has been moved :

'That this Assembly recommends to the Governor General in Council that a Committee, consisting of the following Members of the Assembly, namely, Mr. Samarth, Sir P. S. Sivaswamy Aiyer, Mr. T. Rangachariar, Rai Jadu Nath Majumdar Bahadur, Sir Jamsetjee Jeejeebhoy, Dr. Gour, Mr. S. Sinha, Bhai Man Singh, Mr. N. M. Joshi, Mr. J. N. Mukherjee, Mr. Ginwala, Lieutenant-Colonel Herbert, Lieutenant-Colonel Gidney, and the Mover, under the chairmanship of the Honourable the Law Member, be appointed to consider the Report of the Esher Committee and to report their recommendations to the Assembly on or before March 21st.'

Sir Godfrey Fell: Sir, I do not propose to detain this Assembly for more than a few moments, especially when I see that most of the Members are anxious to get to grips with the Budget. The Government of India very willingly accept the proposal put forward by the Honourable Mover of this Resolution. They do so solely in order to facilitate the examination of the Esher Committee's Report, and to enable them, at an early opportunity, to telegraph to the Secretary of State the considered views of this Assembly on all controversial points arising out of that Report. I think I have explained before that the Government of India are quite as anxious as any one in this Assembly can be to obtain the opinion of the Assembly on that Report, since there are many matters connected with the reorganisation of the Army, matters which closely affect the expenditure on the Army, which are at present hung up, owing to our having promised to take no further action until we have ascertained the views of this Assembly. I hope, therefore, that this Assembly will unanimously support this Resolution without further discussion.

Rai Bahadur Bishambhar Nath: Sir, I beg to support the Resolution that has been moved by my friend, the Honourable Chaudhuri Shahab-ud-Din. I need not say that public opinion has never been satisfied as to the mode adopted in constituting the 'Army in India Committee,' popularly known as the 'Esher Committee.' Nor have the people approved of the method of recording evidence adopted by the Committee. It necessarily follows, therefore, that the recommendations made by the 'Esher Committee' should be looked upon with suspicion. The expenditure on the Army of our country, already very high, is going to be increased enormously as the result of some of the recommendations of the Committee. The money will have to be got from the people's pockets. It is only fair, therefore, that the people's representatives should carefully examine the Report and express their views on the subject. I, therefore, strongly support the Resolution and commend it to your acceptance.

(At this stage several Honourable Members rose and moved that the question be now put.)

The Honourable the President: The question is, that the question be now put.

The motion was adopted.

The Honourable the President: The question is, that the Resolution,* as read from the Chair, be accepted.

The motion was adopted.

GENERAL DISCUSSION ON THE BUDGET.

FIRST STAGE.

Rai J. N. Majumdar Bahadur: Sir, as one who sincerely believes in England's connection with India, not as a dominant and a subject country, but as two free partners under a common flag, and as one who also sincerely believes, that by tact, good will and firmness, we shall ere long be able to make the already half-willing Colonies acknowledge us as equals, I may at once assure those of our Honourable friends who still wield our destiny that I have not the least intention or desire in what I am going to say to fan the dying embers of non-co-operation.

Being a plain man of plain words and not a diplomat who says what he does not mean, I request the Honourable House to take me seriously when I say that my heart fell within myself when I looked at the sorrowful countenance of the Honourable the Finance Minister when he introduced the Budget the other day, and I said within myself:

'O, had I some occult power, had I known magic, black or white, I would have made the roof of this House pour down gold and silver and precious stones into the capacious pocket of my Honourable friend and at once make him 'smiling and comfortable' like his predecessors. But that gift is denied to us, mortals, in this iron age, and the trough of depression is to be filled in other ways.'

If my Honourable friend is sorry for the trough of depression, he is still more sorry that, unlike his predecessors, he has to approach this House with his begging bowl for filling it, but he consoles himself with the thought he can always count upon the certifying powers of the Governor General.

He seems to address us somewhat in this style: 'Well, Gentlemen, you are yet on your trial; if you do not vote my demands, we shall proclaim it from house tops that you are no good, for 'the most critical test of the capacity of a Representative Assembly' is to rise to 'the height of the responsibility' and to vote all my demands.'

When I saw the Honourable the Finance Minister rising to his full height and uttering this threat, my heart, old and weak as it is, shrank within myself, and I felt myself face to face with my old schoolmaster, who could never instil wisdom into our thick skulls without displaying his birch.

I hope it will not disturb the equanimity of this House and prevent it, from doing its duty to the country or the Government.

The increase of duty on sugar, matches, tobacco, wines and liquors are some silver linings of this dark and ominous Budget, which imposes fresh burdens on the tax-payer by increasing the postal rates on cards, letters and newspapers as if the existing repressive laws are not enough for their suppression.

I quite appreciate the tenderness of my Honourable friend in not raising the existing cotton excise of $3\frac{1}{2}$ per cent., but it is liable to be misinterpreted. India is poor, England rich, hundred times richer than India; and it could be easily explained, as was done previously, that the war, for which we were not responsible, has brought on us financial difficulties, and that the increase is to be considered as only a revenue measure. Great Britain still remembers what the Indian soldiers did in France 'and saved the cause of the Allies and civilisation', to quote Lord Curzon, 'after the sanguinary tumults of the opening weeks of the war' it still remembers our sacrifice in men and money, and the Honourable the Finance Minister might not have shown anxiety for trade distress and unemployment in Great Britain, for they can well take care of themselves, forgetting poor India which has to maintain the most costly civil and military services in the world.

The currency question is no doubt a very complicated one, but we should have been much wiser by this time, and able to protect our interests. Was there any necessity in incurring losses by selling Reverse Council Bills, when the balance of trade was in India's favour. If the sale of Reverse Council Bills can be dispensed now, when the exports have come down to a minimum point, as our old customers have no money to buy, one is at a loss to imagine why they were sold at a time when the exports were more than normal. The Government seems to have no policy, and our fate is in the hands of a God, named 'Chance'.

I say, take courage in both hands, reduce your civil and military expenditure, and save poor India and earn its blessing. Remember the last straw on the camel's back, remember there is a limit to everything.

When I imagine to myself a vast country, with its majestic white mountains to the north, its vast blue seas to the west, south and east, its mighty rivers, alas! now killed by ruthless hands, its inexhaustible mines, its fertile soil, in fact gifted with all that a bountiful nature in its most bountiful mood could impart to it, and when I find its sober, intelligent and industrious people ill-fed, ill-clothed and ill-housed always living on the verge of starvation, I ask myself, what must be the cause of all this? Surely, we ourselves must be the cause of our degradation, but has not the Government of the country a share in it?

The function of the Government does not lie simply in protecting us from invasions and in keeping internal peace. It must do many things more. The Government must identify itself with the people, and must advance its moral and material prosperity.

India is now essentially an agricultural country, though it was not so before the advent of the English here. It was sugar, cotton, silk, indigo and other industries that brought the Europeans here. Sugar was first manufactured in India, and the word has been derived from the Sanskrit *sarkara*, from which comes the Latin *sachurus*.

It is now admitted by all eminent economists that a purely agricultural country can never flourish. It must have industries as well.

[Rai J. N. Majumdar Bahadur.]

Does the Budget hold out any prospect of improving any of our industries? I come from a part of the country which was once famous for its sugar and cotton and silk industries. They have all disappeared, as if by the touch of a magician's wand. Our weavers and our sugar men, Hindu and Muhammadan, have been compelled to take to the plough. You cannot imagine a more deplorable state of things. If Java, Mauritius, Fizi lands can grow sugar for the world, what prevents us from doing the same?

I pause for a reply. Why should we go naked for want of Lancashire cloth, or go without salt for want of Liverpool salt? If the Government wishes to nationalise itself, its heart must beat in unison with that of the nation?

By opening irrigation canals, the Government has killed our magnificent rivers. The Ganges, the Jumna, the Indus, have all shared the same fate. Look at the Jumna of this Imperial City and shed some tears for it.

At a time when our rivers are more than full, we allow the waters to run to waste, and then drain off our rivers at a season, when it can ill-afford to spare any water. Why not store waters during the rainy season in masonry tanks, why not excavate masonry wells? Even now 2 crores of acres are irrigated by private wells and by *khas* without killing any river and without interfering with their navigation. Don't curse monsoon; adjust yourself to it by storing water in time.

There will be no loss of revenue if you gradually reduce irrigation canals to a minimum, at the point when it interferes with the navigation of a river, and introduce wells and tanks.

I know the Government is fond of railways, but India, having so many magnificent rivers, should first keep its natural high ways alive, and then turn to railways, where there are no rivers and no navigation canals are possible, but pray do not kill our rivers for the sake of railways. Canalise the rivers, levy tolls and keep them alive.

The Military Policy of Government does not hold any prospect of change except what little consolation we may get by knowing that an investigation will be undertaken regarding the combatant strength of the army in India by a Sub-Committee of the Committee of Imperial Defence, in which we shall perhaps not be represented.

I say, again, take courage in both hands, and reduce your army and save India.

The Afghan War has reduced our surplus to a deficit of some 23 crores. But, pray, what led to the Afghan War? Fortunately for us it lasted for a very short time. It is said that the Afghans counted upon the disaffection in the Punjab and invaded our territory. The Chief of the Afghan Mission denied it. I know of no rejoinder to it.

Assuming that it was so, why should the Punjabis who saved the British Government in the dark days of Mutiny, and who the other day saved the Empire in the battle-fields of France, and who are proverbially loyal, should all on a sudden turn disloyal? I would Sir Michael O'Dwyer had been here to face the music of this House.

Without sound government, no sound finance is possible.

Who knows that even if we vote all the demands, some foolish or indiscreet act over which we shall have no control will not convert our surpluses into deficits. Take, for instance, the present Frontier policy. Have we any hand in shaping the policy towards these unruly Frontier tribes?

We leave everything to Frontier Political Officers, who can make or mar as they like. We give generous allowances to the tribes only to rouse their cupidity and demand more, we open avenues of employment to our sworn enemies, only to enable them to turn against us at the first opportunity.

But why have you not armed our own people to defend themselves, why do we not rigorously exclude all these tribes from our territory, why not put barbed wire entanglements at those places from where these tribes enter our territory. I am yet to be told that this is impossible or impracticable.

In the past we were not taken into confidence; let us hope, in the future, we shall have a share in guiding the policy of the Government, and when we shape the policy, we must share in the financial responsibility which it involves; but, till then, it is a matter of very great and careful and anxious deliberation on the part of this House, whether it should be a party to a financial responsibility when it cannot influence the policy of the Government of which it is the outcome.

Mr. B. Venkatapatiraju : Sir, I cannot help admiring the Honourable Mr. Hailey for the consummate skill displayed in the preparation of our Budget and the splendid presentation, in eloquent terms, though surrounded by insurmountable difficulties not at all of his own seeking. The great war has shaken the economic foundations of several countries of far off India as well. The munificent contribution of 100 and odd millions by poor India, though laudable, crippled her resources. The anxiety of great Mr. Montagu to have the reforms passed reconciled him to the increase to the fat pay of civilians in this the costliest administration of the world, being thrust on India. This evil example necessitated an all round increase of emoluments of low paid officials bringing the finances of the country to the brink of ruin. Mr. Montagu, misled by experts, encouraged the sale of Reverse Councils costing the country 35 crores, nearly exhausting our Reserves, resulting also in trade depression, followed by the fall of exchange and inability of Europe to purchase our products. Public debt increased, public credit has gone down; deficits have become common here as well as in the provinces. Prices have gone up, the life of the poor has become unbearable. The Punjab Tragedy with a barbarous exhibition of temper humiliated the nation and convulsed the whole country. We know such violence is wicked and aggravates the horrible moral disease among the people, but the guardians of law should not be guilty of lawlessness. The ill-judged action of humiliating Turkey estranged the feelings of our Muhammadan brethren. Non-co-operation followed, creating consternation, though veiled, in the minds of our rulers who are not venturing to lighten the military burden, being already frightened out of their wits by the activities of the wild tribes in the North-West. They suspect the Afghan rulers' intentions, as the way of Alexander still lies open to direct again over the plains of Hindustan, these raids which have already cost the country over 30 crores in recent years. They are confirmed in their view that the instrument of force and the agency of fear alone can maintain their supremacy here. Thus our Ministers having inherited the sins of

[Mr. B. Venkatapatiraju.]

the past the present financial difficulties which have resulted are rooted in unhappy past. The Finance Member has presented a masterpiece of apology to increase the taxation to the tune of 20 crores. Repentance and apology, however ample, do not bring comfort to suffering humanity. Can we congratulate either the Finance Minister or the Government of India on their wonderful achievements? Let me say frankly that our bureaucracy is suffering from squander-mania. Let us do our duty for the chivalry of this age is the ideal of public duty without fear or favour. The principles underlying this Budget should be examined with microscopic care. A consistent policy is absent creating a suspicion of bankruptcy of statesmanship. The increase of salaries on a scale of magnificent profusion, the appalling increase of military expenditure, the multiplication of departments, where need is not patent and the creation of new posts, all speak with one voice that extravagance will be rampant unless it is timely checked. It will delay the prospect, nay the possibility of improving education, sanitation, industries and commerce and thereby bring contentment and happiness to the people. We must fight these champion patrons of profuse expenditure by relentless warfare against every proposal of extravagance. Administrative expediency or political necessity should not blind us to the opportunity of development and the necessity of progress. 20 crores out of this pathetic waste can well be spent on widespread education, industrial progress, increased production and the accumulation of necessities of life for the creature comforts of civilised existence. The changes advocated in the Budget should be examined as a business proposition of the nation as though it were a business firm in which the citizens are share-holders and the Government mere directors accountable to the country. We find no trace in the whole Budget of the setting apart any sum for development functions to secure the national progress. Does the Central Government exist as mere tax gatherers to spend on services? Let the educated Indians who were often charged wrongly by the Government for neglecting the interests of the large mass of people, ask them squarely whether the Budget proposals come up to the mark. Phenomenal dependence on land is making the people helpless in the economic world. Heavy taxation is sapping the resources of the country. We have tremendous leeway to make up in industrial development. Responsibility, responsiveness and simplicity are the three virtues which our Government is not guilty of. Experts with their skilled knowledge should not become bureaucrats in the sense of getting out of touch with popular aspirations. We do not want a top-heavy administration, much too costly for our resources. No scheme has been undertaken for improving the condition of the masses, unless new Delhi construction is claimed as such. Augmentation of numbers and salaries in all departments is the order of the day. In the matter of revision or re-revision of either strength or emoluments the Government are only too ready to support the former and the services are not backward in urging their own claims to the latter. To keep down the level of avoidable expenditure and to bring about a striking advance in the material and moral progress of the nation, advocacy of a rigorous policy of retrenchment and economy is vital. History teaches us that the struggle for constitutional Government has been all along to secure control over fiscal affairs. He who controls the finances of the State controls the nation's policy. The Government should recognise that the States do exist for the purpose of protecting the interests of the people and their permanence will solely depend upon the contentment and happiness

of the people and the services rendered should be given at the lowest possible cost. The paramount duty and the chief service of the Government is to provide conditions under which the activities of citizens may flourish and prosper. Let me refer to the military budget which the Finance Minister says we can effectively criticise to-day. It is a well known maxim that policy determines expenditure. The Government policy should be attune to the capacity of the country to bear the burden. A wave of deep despair passed over the Assembly when the normal military expenditure is stated to be 58 crores with 4 crores extra for contingencies. Is this conducive to the achievement of the apparent object of Britain to raise India to be a contented, prosperous partner of the British Empire? When the country is yearning for a rigid economic administration, the Budget seems to mock us. The Brussels Conference, which was referred to by the Finance Minister in this Assembly more than once, urged on the attention of every Government to pay its way and make both ends meet, else it would be heading to general ruin. The first step should be to 'stop the hole' and restore solvency as a prelude to healing and ameliorating the condition of the masses with a view to their carrying out the social reforms which the world demands to-day. The first essential, they say, is to cut down expenditure. The Conference pointed out that on an average, about 20 per cent. of the national expenditure is still being devoted to the maintenance of armaments and the preparation for war. The Conference solemnly passed the following Resolutions:—

'The Conference desires to affirm with the utmost emphasis that the world cannot afford this (20 per cent.) expenditure. To regain their old prosperity the whole resources of each country must be devoted to strictly productive purposes. They recommend most earnestly to all countries to secure a general agreed reduction of the crushing burden which on their existing scale (20 per cent.) armaments still impose on the impoverished peoples of the world, sapping their resources and imperilling their recovery from the ravages of war.'

I may illustrate this by stating that in 1920-21 the richest country, England, spends 230 millions out of an income of 1,418 millions though they anticipate the normal peace expenditure on the army will be 70 millions (Army 125, Air Force 21, Navy 84) while providing for public education 56 millions, for old age pension 25, and payment of debts 315 millions—military expenditure comes to 16 per cent. The great dominion, Canada, spends on Military and Defence 4 million dollars, mounted police 2½ millions, naval services 2 millions, for soldiers, land settlement which ought not to be taxed under military head she spends 25 millions, totalling all these comes to 33½ million dollars, out of a revenue of 312 million dollars, less than 11 per cent., while it provides subsidies to provinces of 11 million dollars and several millions for development purposes.

South Africa spends on defence 1½ millions out of an income of 20 millions, i.e., less than 8 per cent. New Zealand spends 8 lakhs out of a revenue of 220 lakhs. The Argentine Republic spends about 6½ millions out of a revenue of 40, less than 1/6. Italy spends less than 1/7, Norway spends less than 1/10, Portugal spends 1/10, Spain spends 1/10. Look at our picture. In spite of the vastness of the country and dependence on England, before the Mutiny in 1856, the Indian Army consisted of 40,000 European soldiers and 215,000 Indian sepoys, costing the country 12½ crores. After the Mutiny, the British troops were raised to 75,751 and Indian troops reduced to 158,932, but cost the country Rs. 14½ crores only. It came up to 17 crores by 1885. Lord Ripon was the only Viceroy who

[Mr. B. Venkatapatiraju.]

reduced the military expenditure. Since then it has gone up to that before the war; we are spending 30 crores. Now we are asked to spend 63 crores in peace-time. The Finance Minister admits that out of the present total expenditure in India, including that of the provinces, 33½ is spent on defence, 4 per cent only for education, ¾ per cent on sanitation. Our Finance Minister says, further reduction of the fighting forces is not justifiable. In 1913, the British regular army was 125,683, of whom 5,976 were officers, and those abroad were 121,223, of whom 4,815 were officers. Out of them 73,378 rank and non-commissioned officers were serving in India. The officers' figures were noted in the statistical abstract. In 1914-15 in India there were 2,689 British officers, including the ranks, a total of 75,575. The Military Budget gives British officers 6,276—97; British other ranks 73,684—1,387; while the post-war strength proposed was British officers 6,931—110; other ranks 70,672—1,287; the total being 79,000. Indian officers and ranks proposed was 1,53,443. Besides the civilians serving in the Army 11,506 and followers 65,103 with 1,355 British reserves, 53,257 Indian reserves, with an estimated expenditure of 62 crores 20 lakhs. I may mention here, that the regular British army, whether at Home or abroad, is paid for by the Imperial Exchequer while receiving small contributions from certain dominions towards its upkeep; while India was made to pay the whole cost besides being compelled to pay contributions towards the cost of troops at Home, even while serving as depots for the regular troops in India. Even Ceylon pays only ¾ of the Imperial garrison. Britain ought to pay for British troops, either wholly or partly, if they are kept here, either for securing the British domination or for Imperial purposes. The Army amalgamation scheme of 1859 was forced on India against the opposition of the Indian Government, necessitating a payment of increase of pay, pensions and other charges increased in England. Is this a fair partnership between rich England and poor India? Should we not put an end to this? The *London Times*, after reading the Indian Army report, protested against the ignoring of Indian interests and the saddling of India with burdens necessitated by Imperial policy. The Finance Minister is paying lip service to the virtue of economy by speaking of drastic retrenchment of Military expenditure. He glories in the fact that the Military authorities originally pressed for, and have been denied, a very much higher figure. Bravo! As Lord Salisbury said: if we allow the Military authorities to have their own way they would insist upon annexing the moon on the ground that the Martians would forestall him and make it a strategic base against this Planet. The Minister felt the necessity of admitting that the Budget figure cannot be contemplated with equanimity on financial grounds. He perhaps should have seen that, if the present ruinous course is allowed, he would find the treasury utterly exhausted, the country financially ruined, and the bringing about of administrative chaos by the heaviness of waste. If the Government cannot reduce this figure as the Assembly has no right to vote on the Military Budget, to bring about indirect pressure, the last recourse seems to be the rejection of the Budget, which would direct public attention throughout the world to this crying scandal. We will then see what the League of Nations, which is described as the scientific assemblage of the consciences of the world, would think of this. When the military expenditure in India was increased to 15 crores, the then British statesman stated that it was extravagant and crushingly exorbitant, if not scandalous. Would anybody doubt the

rightful application of the last word as stated by some papers when it was increased to four times that figure when the revenue of the country was hardly doubled? Is it fair to a poor country like India—Is it morally defensible—is it politically desirable? Should not India have a place in the sun with a recognised nationality and position of its own? Should we not live up to the immensity of our resources and the grandeur of our destiny, instead of the country being poverty-stricken, as India is to-day. Should we regard excessive expenditure as a set-off against heavy taxation? In taxation had not India been subjected to continual blood-letting? Have you not thrown on India all sorts of administrative luxuries beyond her means? As the Military secrets are a sealed book to us we may not be able to suggest detailed proposals and the time and occasion may not be suitable. But to give emphasis to my point, I may state that the late Mr. Gokhale complained times without number of the abnormal growth of military expenditure giving ample reasons in support of his contention. I may mention a few of them. The strength of the Army was increased in 1885 in spite of the protests of the Finance and Law Members of the Government of India, that the existing strength of the army was really sufficient for all purposes of India for keep-quiet within the borders and for repelling aggression from abroad. Viscount Rothrum now says regarding England that there should be reduction of the British Army to one lakh and the Navy as in 1885, before the German menace. The Army Commission of 1879 of which the *guru* of our Commander-in-Chief, Lord Roberts, was a member, stated the same thing. In India, the increase was made on account of the Russian scare though everywhere else the garrisons were reduced to their old proportions. As the scare passed away, in India alone the burden remained. Lord Roberts said, that an army of 60,000 British and 120,000 Indians was ample for repelling foreign aggression even if Russia and Afghanistan combined. General Brackenbury (Member of this Government) admitted that the present strength was in excess of India's own requirements, and that a portion of it was maintained in India for Imperial purpose. This was established by depleting India of the major portion of our army to fight in foreign lands in the great war without endangering the safety of India inside or outside. Besides, our Army is for all practical purposes, a standing army maintained on a war footing, even in times of peace. In England, the normal rule is that formations serving at Home are on a low establishment, while the establishment abroad is higher, but in India peace and war establishments are practically identical. Is it just? On mobilisation for war the ranks may be brought up for war establishment. Besides for all this wasteful expenditure there is no proper system of reserves or strong auxiliary supports. Even recruitment charges with additional transport charges are heavier year after year. Why not train the officers, both British and Indian, in this country as is done in the Royal Military Academy and Royal Military College in order to reduce the expenditure? Why should you not trust us and train us to defend our country and our Empire? Sir Edmund Elles said in the Imperial Legislative Council that the Indian Army is no longer a local militia for purely local defence and maintenance of order and that it must be in the future a main factor in the maintenance of the balance of power in Asia.

The Honourable the President: Order, order. I have watched the Honourable Member and assumed that this was his last page. Therefore, I allowed him an extra minute.

Mr. R. A. Spence: Mr. President, I desire to express in the first place my keen sense of satisfaction that the first statement of this country's affairs set before this Honourable Assembly should also be the first to be expressed in terms of the currency of this country. Any statement of accounts is a screen; it is either a screen behind which facts may be hid or one upon which they must be displayed and I am sure it will be this Assembly's desire that the Budget statement set annually before us should emphatically be the latter.

The question of exchange has obtruded itself upon us in the last year with such bitter insistency that it is a relief to find it introduced into the future as little as is possible, but where it has to be introduced I cannot but feel that the Honourable the Finance Member would have been a wiser, had he been a bolder man, and doubled his estimate of exchange loss in the coming year by framing his estimate of sterling outgoings at 1s. 4d. in place of 1s. 8d.

While on this subject I cannot refrain from expressing admiration at the skilful steps taken by the Honourable Member to minimise this loss by the dexterous uses he is making of the existing Paper Currency Reserve, though I should like to inquire whether the adjustments to be made in respect of recoveries from the War Office, which are in large part to take the place of Council Bills, will be calculated, as those Bills always were, at the market rate at the date of sale or at the rather rosy rate assumed in the Budget, for I, an Englishman, cannot conceive it just that India, as an agent for England, should expend fifteen rupees and receive twelve in return.

I appreciate to the full the really honourable sentiments underlying the Honourable Member's somewhat cynical bewailment of the necessity for being honest and welcome his scheme for the partial amortisation of our debt, but I feel, and I think from what he has said that he himself feels, that he has not carried his policy far enough.

He speaks of the necessity for new borrowings; lenders of money are apt to judge the credit of a borrower by his record in the past. Neither for men nor for nations is it an honourable course to borrow without a scheme of repayment. He has told us that on account of the immense burdens which it is necessary to lay upon the body politic, he shrinks from the more heroic measure of an attempt to amortise the whole debt, but has he seriously considered the cost? The total of the 3 per cent. and 3½ per cent. debt, translating the sterling at fifteen rupees per pound, is about 360 crores. A sinking fund of 51 per cent. per annum invested at 3½ per cent. would extinguish these loans in 60 years; that is to say, the maximum annual sum required would be 1½ crores, but, if the sinking fund were invested in the security itself at its present depreciated value, it would not cost a crore. Naturally under this tonic influence the security would tend to rise in future years and to strengthen in value and the relief, which the Honourable Member is anxious to bring to the depressed holders of these securities could be purchased with a crore in this year's Budget coupled with a promise of similar provision in future years, never exceeding at its maximum 1½ crores. Thus the credit of India would be enhanced, her ancient faith in her 3½ per cent. securities restored, borrowings for the future made an easier matter than they are at present and the confidence of the people in the Government strengthened. The Government of India would stand declared before the world as a Government honourable in its dealings.

The Honourable Member has deplored (and I am sure the House weeps with him) that he cannot be more generous to the Railways, but in his admirable exposition upon currency he has not explained precisely the existing policy of Government in regard to the Paper Currency Reserve. Years ago the holder of a ten-rupee note knew that behind the document of no intrinsic worth lay five rupees in bullion and five rupees of sound Railway stock of this country and was able to feel a glow of natural patriotism in the fact that by accepting paper for bullion he was in effect benefiting the interests of his country in a manner visibly apparent. Later, there was a change and the second moiety was remitted to England and there invested in British securities. Sound statesmanship underlay this change in policy for it was deliberately undertaken with a view to stabilise the exterior exchanges of an exporting country and, though the capital growth of railways was in some measure starved, the gain outweighed the loss. Early last year, the Government, influenced by I know not what hellebore, jettisoned a policy which, if it was disturbed by abnormal extraneous events for a time, had been efficient and effective for many years and might well be relied on to regain its position when other positions were restored and it is well worthy of consideration whether, in view of the events of the past year, it would not be a sound measure to return to the practice of investing the second moiety of the Paper Currency Reserve once more in our own Railways. The Government has thrown up its hands in despair at any suggestion that something might be done to rehabilitate exchange. If the motive for the present practice disappears, why should the practice itself remain?

The Honourable Member has told us with honour to himself and satisfaction to us all that he has succeeded in re-establishing the metallic basis of the currency. Will he not consider the other matter also? He pleaded in terms of affection for the life of the goose that lays the golden eggs. What anserous policy could be more cut-throat in its character than that followed by the Government in causing all Railway earnings to be paid direct to the Government Treasuries and the officers of Railways virtually to petition for their necessities of life? Railways are of vital importance to the country and their earnings should be devoted in the first instance to working expenses, in the second to the replacement of wear and tear, in the third to some measure of reserve for the future and only that portion of the earnings should find its way to the coffers of Government as the Capital Owner, as would ordinarily find its way in the form of a dividend into the pockets of the shareholders of a company. You cannot starve the Railways and feed the country.

It is idle to load upon a Budget, already crushingly heavy, new burdens such as I have suggested without some constructive suggestion as to how they might be borne. May I therefore offer a few words of criticism on the proposed new taxation. I approve definitely the proposed additions to the Customs Revenue in principle, but I doubt if the addition proposed to general import duties will in effect yield what is expected and I consider the increase should be from $7\frac{1}{2}$ to $12\frac{1}{2}$ in place of 11 and this will add to the revenue a further $1\frac{1}{2}$ crores, if the Honourable Member's anticipations are correct. Any measure, which for the moment checks the influx of imports and allows our trade to resume its former balance, will be of advantage to the country at the present stage. On the remaining duties I have little to say. As an importer of liquor, I shall see that the added duty passes on to my consumers, to whom I consider it is really addressed. With the tax upon luxuries imported I am in

[Mr. R. A. Spence.]

sympathy, save that I think that if the Honourable Member passed his monsoons where I habitually do, he would consider an umbrella a necessity and not a luxury. The duty on imported sugar should serve to strengthen a growing agricultural interest of this country.

I venture with all due apology to express my opinion that the new increased surcharges upon railway freights is clumsily contrived. It is admittedly a temporary expedient, but even so I consider it should take the form of a primage of so and so many annas or pies per rupee upon all existing railway freight and I may point out that a primage of one anna per rupee would have the same effect and produce the same result by a far easier method than the special freights outlined and the burden would be shared equally by all commodities over all distances in place of falling upon some disfavoured ones.

The principle that increased working charges of a railway must be compensated by increased charges to the railway's customers is undoubtedly correct, nor do I think that any sharp line of demarcation should be drawn between the living and the dead freight of a railway train. Passenger fares have already been increased by 25 per cent. in all classes and I think the trade of the country, having regard to the fact that all rail freights are in practice recharged to the ultimate consumer, would not suffer by a greater enhancement than is proposed. Every anna of increase per rupee by way of primage would yield $5\frac{1}{2}$ crores, every pie 45 lacs.

With the question of military expenditure I feel that I dare not deal. I doubt not that an honourable battle has been joined between the Finance and the Military Departments and that laurels have been fairly won and may be honourably worn upon both sides. I am sensible of the vital importance to the country of an ability to conserve our frontier against all possible dangers and I am content to accept the teaching of skilled professors as to what may be necessary to that end.

The Honourable Member has told us that he will not say whether it was he himself or the Secretary of State who was responsible for the Exchange policy of last year. It is a long-standing political canon that India can only be governed on the spot. It is an old cry in India and a pathetic one, that '*Delhi dur hai*'. Railways and telegraphs have not done much to lessen the distance between the peoples of India and their Government, but they have brought Delhi into closer intimacy with Whitehall; and I trust that the effect of these new Councils, in which every Englishman will desire to act first for the benefit of India, of which country, even if his sojourn be but temporary, he is yet a citizen, will be to bridge over the gulf between the Government and the governed and arrange the details of Government on the spot.

Mr. Rahimtoola Currimbhoy : Mr. President, I feel sure that this House will agree with me when I say that our best thanks are due to the Honourable the Finance Member for the lucid manner in which he has presented the Financial Statement and the Budget Estimates for the ensuing year. The Budget will cause no great surprise in the country as it was generally expected and especially by those who were carefully watching the trend of events that it was going to show a heavy deficit.

The main features of the Revised Estimates for the year 1920-21 are the heavy Army expenditure and the increases in pay given to the railway staff,

the Railways and the Army accounting for a difference to the tune of 22·80 crores, and the gains from Customs and Income-tax being absorbed into deficits under different heads. The year also witnessed the passing away of the trade boom and also the adverse balance of trade against her. Here I would like to take friendly exception to that portion of the Honourable the Finance Member's speech dealing with the question. He said that 'There are people who have convinced themselves that the present overstocking of the import markets is attributable to the exchange policy followed by Government.' At the risk of being classed among 'people with whom it is impossible to reason,' I venture to assert that the policy of maintaining the exchange by selling Reverse Council Bills did give greater impetus to the import trade the results of which we are all feeling to-day and which we all deplore. He also referred to the recommendations of the Currency Committee appointed in the year 1919. I put it to this House whether its constitution was such as to inspire confidence from the Indian point of view. Was it due to dearth of men available? For I find that excepting Mr. Dalal whose fears have unfortunately proved true not a single Indian was appointed. I also venture to maintain that the policy of selling Reverse Councils at a time when exchange was not going down ended in frittering away the country's resources; and be it also remembered that it was persisted in against Indian public opinion, especially from the Bombay side. I regret to say that this Indian public opinion was completely ignored. However in common fairness I do not throw any blame on the Honourable the Finance Member for I believe that the policy was dictated by higher authorities.

Sir, coming to the revenue side, the suggestion to raise the import duty from 7½ to 11 will meet, I feel sure, with the full support of this House and of the country.

Sir, the announcement by the Secretary of State of a commission to inquire into the fiscal tariff and the question of Imperial preference will also, I believe, be supported by the general public. I sincerely trust, that the constitution of that commission will be such as would command public confidence in this country.

The Government's proposal to set aside a sum of 80 lacs for the amortising of the two 5 per cent. loans will be favourably received by the investing public. I wish I could say the same thing about the Military expenditure. The proposal to set aside 62 crores for the Army expenditure is out of all proportion to the revenues of the country. As this House is aware we have no power to vote for Military grants but I do believe that it will be perfectly entitled to express the opinion that the country is not in a position to bear this heavy burden. As a layman, I am not in a position to know what the needs of the situation are and I shall be chiefly guided by the opinion of His Excellency the Commander-in-Chief. But still we are asked to sanction a Budget 50 per cent. of which has been allocated for defence purposes. I should like to urge upon the Government the great necessity of reducing the number of British troops in India. This Assembly owes a debt of gratitude to the Finance Department for the able stand they took up on the side of the Indian tax-payer before giving over the demands of the Military Department.

Sir, in the proposals for additional taxation I find that the Government intend to increase Railway rates, particularly on goods traffic. I would

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earnestly request the Government to consult commercial opinion both Indian and English before the question is finally settled. I would have preferred a larger sum than 15 crores for Railway purposes if it was possible. Here I would like to know whether the profits of the railways in war-years were arrived at after setting aside amounts necessary for repairs and renewals. I would most earnestly commend to the attention of the Government the necessity of purchasing stores for railway purposes as far as possible in India and to furnish a statement to this Assembly of the nature of the stores purchased.

I sincerely hope that the 5 million sterling loan which the Secretary of State intends borrowing will be on the same terms if not more favourable as the capital available in this country. Representing as I do, Sir, the cotton industry on this Assembly, I must offer my grateful thanks for having put us into a more favourable position than before. In ordinary circumstances, I should have pressed for the abolition of the Excise duty, but realising fully the urgent needs of the Government for more revenue, I do not intend to do so till a favourable opportunity.

Here I would also ask the Government to allow the exemption on stores which are imported for the bare purpose of converting it into cloth. Sir, the revenue expected by the Government is a small one, but on principle I maintain, that no article should be taxed double the amount. Sir, it is a matter of great regret to find that while other countries, such as England, are taking all possible steps to reduce taxation, this country should feel the necessity of shouldering fresh burdens of taxation. I know I will be told that the rate of taxation is very high in other countries. True it is so. Within the short time at my disposal I will not weary the Assembly with facts and figures and I do honestly hold that if the income per head is taken into consideration, the incidence of taxation in this country is much higher.

Finally, Sir, before I conclude, I frankly admit that the Honourable the Finance Minister has been able to meet a very difficult situation by wise schemes of taxation and by throwing the burden upon all classes of people from the richest to the poorest. I have no doubt in saying that the Honourable the Finance Member has displayed great judgment and wisdom in framing the Budget.

Mr. Jamnadas Dwarkadas: Sir, I desire, at the outset, to offer my congratulations to the Honourable the Finance Member for the able way in which he has presented before this Assembly his Financial Statement. I do not think I should be wrong in saying that in presenting the Financial Statement he rendered the dullest subject of finance most interesting. However, as he himself said, no one can envy the task of the Honourable the Finance Member.

Various causes have contributed to the year being particularly unhappy. Nor is the task of the Members of this Assembly to be envied. We are confronted with a gloomy budget anticipating a large deficit of 18 crores to be met by increased taxation. Taxation is always an unpleasant thing and, in this particular instance, taking into consideration the depressed state of Indian trade, it becomes more unpleasant and unwelcome. Now what is the principle on which this taxation has been based? So far as that is concerned, I think this Assembly will agree with me when I say, that assuming that the deficit of 18 crores is justified, then the Honourable the Finance Member

could have found on the whole no better way of providing for increased revenue. But I must draw the attention of the Honourable the Finance Member to the various items of expenditure that have made it necessary for him to propose additional taxation. The first and foremost that comes to our minds is the military expenditure. Then, there are Railways, and other departments which also include 5 crores, the amount which will be our loss on exchange transactions. Now I appreciate the efforts of the Honourable the Finance Member in curtailing the Military expenditure as much as he possibly could. I admit that unforeseen circumstances necessitate the maintenance of the pre-war level strength of our Army, but I do think, that it is high time that we looked carefully and minutely into the details of military expenditure with a view to make it possible to have a wholesale reduction in it. As has been pointed out, India is too poor to afford this heavy Military expenditure, and unless it is possible for us to make a wholesale reduction in it, it will not be possible for the Reforms to achieve the end in view, namely, to contribute to the moral and material welfare of India and to see to its promotion in all directions. The appointment of an inquiry committee would, I believe, be a welcome step. Regarding the present strength of the Army, it is contended that it comes up to the pre-war level. While that is true, what I ask is this, with the addition of Air Force and the up-to-date mechanical equipments are you justified in maintaining the strength of the Army at the pre-war level? I hope I am not trying to probe into unknown regions, but it does not stand to reason that the strength should remain the same when all the up-to-date facilities are existing and enormous sums have been spent in providing them. The total expenditure of 62 crores and more, is more than 50 per cent. of the revenue.

Then, coming to the other heads of expenditure, I find that in the revenue from Income-tax, it is provided that a refund of 104 lakhs has to be made. I do not see and I cannot understand the necessity of the refund of such a large amount. If you take the ratio of the refund and the revenue derived from the Income-tax for the years 1919 and 1920, you will not have to refund more than about 40 to 50 lakhs of rupees, or even less, about 30 lakhs of rupees. This will mean a total saving of about 75 lakhs from the total deficit which has been presented by the Honourable the Finance Member.

Then, again, if you take the departments of Customs, Salt and Opium and refer to the expenditure items, you will find that the expenditure has suddenly jumped up to almost double in certain instances from the increased expenditure that was provided for in the Revised Estimates for the current year, namely, 1920-1921. For instance, in Salt alone, 32 lakhs of rupees more have been provided for; in Opium, 21 lakhs more have been provided for, in items 10, 11 and 12, 55 lakhs have been provided for, and in Customs 10 lakhs have been provided for. This increased expenditure, to my mind, in view of the fact that we have to face a large deficit owing to the Military expenditure, is inexplicable and unwarranted. I believe, we could have gone on on the expenditure that was provided for in the Revised Estimates for 1920-1921. Well, if these retrenchments are accepted and worked out, I believe, the deficit of 18 crores could be reduced to a little more than 16 crores. This might enable us to do away with the enhanced taxation generally, as well as the increased postal rates which are likely to be a tax on the pockets of the poor people.

Now, before I come to the various items of taxation, I must deal with a statement made by the Honourable the Finance Member. The Honourable the Finance Member has put in an apology for the Government and tells those,

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who believe that the existing depression in the export trade was in some way attributable to the exchange policy followed by the Government to bear certain considerations in mind, such as internal prices, inflation of the currency and external exchange. He then quotes Lord Cullen to the effect 'that the exchange of any country is merely a reflection or symptom of that country's condition.' Further, '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.' The Honourable the Finance Member then says, 'to attribute the present trade conditions in India to a policy which was enunciated 12 months ago, and has obviously not yet been made effective in practice, is a curious inversion of facts.' I am compelled to say, that this kind of argument is a case of special pleading and is hardly compatible with the desire for frankness which the Honourable Member undoubtedly has. Lord Cullen's dictum is sound, but as placed before us it is only a half truth. As applied to this country, what it would convey, is this—that our abnormal rate of exchange of 2s. and more last year were reflections of the country's abnormal export trade balances and as things return to normal conditions, exchange would again be at the pre-war level. Does the Honourable Member mean to convey that we shall go back to the pre-war level of Rs. 15 to a sovereign? If he does not, then his quotation of Lord Cullen is misleading.

His claim that Government should be absolved from all blame because their new rate has not yet been made effective is equally misleading. By artificially raising the rates of exchange to the neighbourhood of 3/-, they undoubtedly hampered the free flow of our commodities and prevented India accumulating a larger credit balance at a time when the world was both willing and able to buy. The same artificial rate of exchange made manufactures of Manchester and Birmingham look very cheap in Indian currency and led to those enormous purchases the consequences of which we all rue to-day. After all this, it is amazing that the Honourable Member should even think of disclaiming the consequences of the disastrous policy pursued during the past 12 months. We are told that looking back, 'it is enough to realise that the circumstances in which the new policy was launched were exceptional and that currency conditions throughout the world were in a highly abnormal state, etc.', the implication being that no one could have foreseen all this. But this is not the case. The Currency Committee was distinctly warned by the representatives of the Exchange Banks, by Sir David Barber and others. They were warned by the single Indian member who sat on the Committee; I mean that able Indian financier, Mr. Dadiba Merwanji Dalal. I say, they were warned that times were abnormal and that no action should be taken until the return to more normal conditions. The same thing was urged upon them by the Indian Merchants Chamber of Bombay, but the Government turn a deaf ear to all such warnings and now have no hesitation in coming and telling us that nobody knew. But not only did they turn a deaf ear to all such warnings, but tried to put exchange up artificially to the level of their new 2/-gold rate again in the teeth of the most emphatic protests from the whole of the Indian commercial community and in a way that has put this country to enormous unmerited losses.

This country has a right to know on whose advice this disastrous policy has been so obstinately pursued and it is not enough to be told that it is not in the power of Government to answer these inquiries. I ask, why?

What is the justification for concealing this material fact from this country? Is it because that it will once more expose the fact that the Lombard Street clique is at the bottom of all this and really pulls the wires of the financial policy of the India Office. The Honourable Member charged those merchants who are unable to pay their Sterling Bills and, therefore, would not meet the drafts unless they be at 2 shillings, with wanting in commercial morality and disclaimed responsibility for misleading them. He says, the merchants should have covered their exchange. I hope he has not forgotten that the allotments for Reverse Bills were so hedged in that hardly any *bona fide* importer of piece-goods or hardware got any share of them, nor ought he to forget that the Government claimed that theirs was the only correct rate of exchange, nor that the market rate was 3 to 4 lower. How could merchants cover their engagements at 10 to 12 per cent. under what they were told by Government was the only correct rate. The bulk of the business on which the present dead lock has arisen was booked during February, March and April last year when Government claimed that the correct rate was 2/10. Why were merchants to blame on basing themselves on only 2/- sterling? Were they to treat the enormous losses the Government was making deliberately on Reverse Bills as a huge joke? To use the huge resources of the Government openly and deliberately with the object of putting up exchange to 2/- gold and to deliberately incur enormous losses in the pursuit of this object and then coolly to tell the importers that Government never meant to keep exchange at any particular level and that importers had no business to base themselves on 2/- is, I am constrained to say, hardly worthy of a great Government. The fault of importers was, if it was a fault at all, that they took Government's words seriously. If it is true that the Government themselves had doubts as to the success of their attempt to establish the ratio at 2/- then their obstinate persistence in the sale of Reverse Bills becomes liable to the severest condemnation, but with regard to the situation that has arisen I shall not merely confine myself to this rather severe criticism of the Government policy, but shall venture to make a practical suggestion which may help its early solution. I venture to suggest, that the Government should at once proceed to appoint a committee consisting of the representatives of the shippers, the importers and the dealers—the three interested parties—and representatives of the various Chambers of Commerce and a Government representative to go into the whole question and bring about a settlement. I realise that in ordinary circumstances, repudiation of contracts apart from being absolutely unjustifiable would be tantamount to dealing a death-blow to the international credit of India. I am not making an attempt to justify the repudiation even in these circumstances, but, I do submit, that the situation has been brought about by Government's action and it is due to the importers in the interests of the trade of India that the way out of the difficulty should be found. If this is not done and payments of drafts insisted on even by resort to law courts, I am afraid, it will not be possible to recover more than 30 per cent. of the actual dues. The losses are so enormous that it is a physical impossibility for merchants to meet them. The consequences of this will be that the commercial relations between England and India will be considerably hampered to the ultimate detriment of both England and India's trade.

Coming now to the taxation side of the Financial Statement

The Honourable the President: I am afraid I cannot allow the Honourable Member to open a new subject. He is already half a minute over his allotted time.

Haji Wajihuddin : Sir, I cannot but congratulate the Honourable Finance Member on the eloquent speech with which the present Budget has been introduced to the Assembly, but I do not withhold myself from telling the plain truth that the same is looked upon with great dismay throughout. It was not the time at all to impose any fresh burdens over the country; specially on the poorer classes when there were so many heavy burdens already in existence, say, trade depression, falling exchange, high prices, etc. The Providence was already against the fortunes of the country, as matters which are controlled by it, such as rain-fall, etc., were already in a backward state, and the Government has now added to the difficulties all the more.

I fail to understand how the Honourable the Finance Member has distributed the articles under various parts in the Import Tariff. It is said, that a general increase in the Import *ad valorem* duty is proposed from 7½ per cent. to 11 per cent. except in certain cases of luxuries. I find most of the luxuries in Part IV to be taxed at 11 per cent. *ad valorem*, while some of the articles of daily necessity, specially to the poorer class, are prominent in Part V. Moreover, one of the most undesirable articles at present uncalled for for India, *viz.*, aeroplanes, are classed in Part III to be taxed at 2½ per cent. for which even a duty of 50 per cent. was much too little. I find item 109 Perfumery and item No. 104 Jewellery and Jewels in Part IV, and I leave it to the House to decide whether these are real necessities, or mere luxuries. On the other hand, one is surprised to find clocks and watches, cycles and parts, and umbrellas in Part V, which are the articles of daily necessities. Is there any house, however poor it may be, where a time-keeper is not prominent at present, and really it should be made prominent as without it one is quite unable to save oneself from waste of time. I am an importer of cycles and possess a very large experience of this trade. I am, therefore, more competent than any one else, to say if a cycle in these days is a necessity for a man to earn even his livelihood, or if it used only for some pleasure trips. I know what classes of people mostly patronise me, and with this I can safely say it is a real necessity and must be excluded from this part. I shall be glad to see it taking the place of aeroplanes in Part III at 2½ per cent. I do not think umbrellas are ever considered a luxury, except by those who may wear sola hats or costly water-proofs, and the House will decide for itself what proportion they make to the rest of the population who use umbrellas.

Coming to the postage rates, it is but too apparent that the burden of the enhancement in postage rates, as it is proposed, will fall on the poorer classes. The well-to-do class who already use heavy note paper and envelopes as a fashion, in their correspondence, and consider it an insult to use post cards, have escaped all risks of this burden, and the poor or the middle class is the only one to suffer. The Honourable Finance Member plainly told us in his speech that revision of parcel postage rates was not proposed, while by looking at the schedule, I find the same has not been left untouched. Perhaps he has not consulted the current Postal Guide which shows a different rate.

As regards Railway surcharge, I do not for a moment like to have piece-goods, which are a daily necessity of life, taxed at the rate of 2 annas. It should have been included with entry I at 6 pies, as it cannot be considered less important than coal or firewood.

Mr. Manmohandas Ramji : Sir, I rise to take exception to one statement made by the Honourable the Finance Member in his speech. Alluding to the

credit of India, if importers repudiated their contracts, he said—I am reading from page 77—

‘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 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.’

I take exception to that statement. The Honourable the Finance Member seems to think that the policy of the Government in supporting the exchange was right in the beginning; that later on they saw their mistake and then they felt that it was impossible to support their action. They led people to believe that the exchange would be stable, and on that belief the people purchased to a large extent. But I propose to deal with this point at length later on, because when these statements are made, they are liable in many quarters to mislead people. The point is this: when the exchange was rising, people purchased and calculated their purchases at the rate existing when they were made, and they were induced to do so by the importing houses themselves. How can you blame those millions of people who made large purchases when it was the Department of the Honourable the Finance Member and the Honourable the Finance Member himself who could not see what would follow and what the result would be. The feeling was there that the exchange might go up to 3/- or more and it was for these reasons that the people made large purchases. Then suddenly the policy of the Government collapsed.

There is a difference between 2s. 10d.—that is 34 pence and 16 pence—a difference of over 50 per cent., and can any sane merchant take that consideration into account when he traded. People were largely trading on the rupee basis and the importers, in order to secure more orders, induced them to make their purchases in sterling because the exchange was rising, and because they held out hopes that it would rise still higher and the goods thus will cost less. These causes induced merchants to buy largely.

Then what happened? The price of cotton came down from 25 or 26 pence to about 13 pence when goods were delivered. Now it is 7½ pence from 25. The manufacturers pocketed all the profits. Importers got 4 or even 5 times the commission over and above what they should have received, on account of the high prices of goods; and it is the poor merchants who are the sufferers. The circumstances are abnormal and they say that we will make payments only when the exchange goes to 2/-. Is there anything wrong in that, I ask you? We were led to believe that the exchange rate would be stable at 2/- and, therefore, we are right in what we say. At the same time, we asked the importing houses to come to some understanding with the importers, they would not join us. We asked for a round table conference, that was not agreed to, the Government say, it would affect the commercial morality of this country. I say that this is not true. I say that the commercial morality of this country is above that of any other country in the world. In this country, a member of a family always tries to pay up any debts which might even

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belong to his forefathers. Is there anywhere a commercial morality better than that? This question of commercial morality has been traded in season and out of season, all over the country, and the Honourable the Finance Member also supports it.

There was a conference of the associated Chambers of Commerce at which the Honourable the Finance Member attended to watch over the proceedings. There it was suggested that the Government should come to the rescue of the importing houses and to come to some arrangement whereby the difference between the present rate and the 2/- rate would be met by the Government. Is that a sound proposition to place before the Government by a body like the associated Chambers of Commerce? The Indian merchants never thought of doing that. They could have very well asked Government to meet them in their loss in exchange. Indian merchants did not want to put their money into the coffers of the Government exchequer to cover these losses. What they want to do is to come to some amicable settlement amongst themselves so that a crisis may be averted—a crisis which India has never known, and a crisis which, if it comes at all, will mean that instead of settling goods at the 2/- basis, the loss will fall on the importing houses at somewhere about the rate of 1/3, the Indian merchants will fail and then they will meet with the same fate as that met by the Indian merchants. And the position to-day is this, that about $\frac{1}{10}$ ths. of the merchants will be ruined if nothing can be done amicably and the losses shared by everybody who is a party to the transaction. If that is not done in the common interest of the country, well, let things take their own course and the consequence will be that very many of the Indian traders will be ruined, many of the importing houses will be ruined and trade will be at a standstill and people at large will suffer.

After saying so much about this policy of the Government, I request the Government that they must not interfere in future about the exchange question. Let the exchange question settle itself. Where is the necessity of meddling with the exchange of a country? Let trade adjust itself and let things be carried out in a normal way. It is advisable that in future Government should not try to prop up the exchange or to maintain it at an unnatural level. Now, coming to the taxations that are proposed, I say, I do not know whether they are working on some precept knowledge of what the effect will be on the trade. In the case of matches, Sir, the proposed taxation, though it sounds very small, a pie per box of matches, still when you come to reduce it to a percentage, see the difference it makes. A gross of match boxes are sold wholesale in Bombay at Rs. 1-2 lowest grade and about Rs. 1-6 highest grade, 12 annas on Rs. 1-2 or Rs. 1-6 or, taking the average, Rs. 1-4. What percentage is it? Not only that, but the later provision in the tax schedule provides that if a box contains more than a fraction of 75 it has to be charged double duty, i.e., Rs. 1-8. Now a commodity which is sold at Rs. 1-2 per gross has to be taxed at the rate of Rs. 1-8 so that the price to the importer would come to Rs. 2-10. There is another thing which also has to be taken into consideration and it is this, that the highest class of matches are made of thicker splints and, therefore, a box contains about 70 splints or less. Whereas, in the case of inferior matches, in Japan, young children and old people fill up these boxes and they never go to the trouble of counting these splints and perhaps they might put in a

few more splints and the effect will be that the lower class of matches will be paying double the duty at 1-8 and which will be more than 100 per cent. on the original cost. Well, I think, when we come to the consideration of these duties we will have to see what can be done and I will have ample opportunity of carrying the House with me in suggesting some remedy.

Another thing that I was suggesting was that in getting the necessary papers Members should be supplied with more detailed information in future. If the practice in the Bombay Council is followed, the demand for grants—I mean the extra or new demands that are proposed in the Budget—will be considered by Finance Committee and then those demands could be supplied to Members confidentially a month before, showing the proposed recurring grants and the non-recurring grants and the reasons for the increase. If these things are supplied to the Members earlier, they may have an opportunity of studying the whole thing and come here better prepared.

The Honourable the President: I must draw the attention of the Honourable Member to the fact that his time is exhausted.

Khan Bahadur Sarfaraz Hussain Khan: Sir, I am in full accord with the Honourable the Finance Member when he says that his task in framing the Budget for 1921-22 and in introducing it in the Assembly, the first Assembly of its kind, is by no means an easy one. We, on our part, realise our responsibilities, and our duty to our country and our people. Let me assure him at the same time, that when we have come to co-operate with Government, our co-operation is genuine and whole-hearted. We in no way have any desire or even the remotest idea of embarrassing it. Whatever criticisms we may make will be made with the sole object of minimising the discontent among the masses by the imposition of fresh taxation, and of lightening the burden of the poor, who are very hard up owing to causes over which we all know we have no control. One of the chief causes of discontent among the people is the high prices of the necessaries of life prevailing at the present time. Whatever the causes of the existing state of things may be, the fact remains all the same that the masses are in great distress, and, when the burden of fresh taxation will fall upon them the discontent will increase.

We care not for unpopularity in the country, as the Honourable the Finance Member seemed to think, for, had we cared for it, we should not have come to the Council. We are ready and cheerfully willing to confront our difficulties and do as much as lies in our power to make both ends meet.

The expenditure for the next year is estimated at 129 crores as against a revenue of 110½ crores, leaving a deficit of about 19 crores. How is this large deficit to be made good? By fresh taxation, of course. The operations on the Frontier have led to the expenditure for the current year of from something like 55 to about 70 crores. Though most of my countrymen seem to think that the military expenditure should be curtailed to a great extent, I do not share this view. I am one of those who think that the guarantee for peace lies in preparedness for war. I am not a believer, though many do believe, wholly in soul force in matters worldly. So long as man is what he is at present, it is only brute force that can keep him straight. Even God controls man partly by putting fear into his mind. He has created both heaven and hell—heaven for those who are virtuous and hell for those who are vicious. For these reasons, I am not for curtailing the military expenditure on the operations on the Frontier, specially and chiefly at the present critical juncture, as

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we must make the men outside India feel, that if they give any trouble, we can make a hell of them.

Sir, I think also, that so long as the normal condition in the country is not restored, so long as the Bolshevik menace is not gone, and so long as the Near East and Central Asia are in a state of ferment, we must be very strong on our Frontier, which is the gateway through which hordes after hordes of the people of Central Asia have descended down upon our country in the past. We cannot have any development of industry or anything else unless we have peace in the country, and, therefore, so long as this state of things exists, I am quite opposed to any reduction in military expenditure. But when I have said this much, in defence of the operation on the Frontier, I must also say, how we are to meet the deficit, not of a few thousands, but of such a large amount as perhaps 18 crores. Let us see how the Honourable the Finance Member has met them. He has done it by proposing fresh taxation. I would not be opposed to the taxation proposed under the special circumstances we are in, if it had only affected the rich, and if only the luxuries of our life had been subjected to taxation. But the proposed taxation has affected the poor millions of the country in respect of the bare necessities of life.

Now, let us examine the proposals for additional taxation. They are 8 crores from Customs, $5\frac{1}{2}$ crores from Railways, $2\frac{1}{4}$ crores from increased postal rates and $3\frac{1}{4}$ crores from income-tax and super-tax.

Sir, the duty on cotton manufacture will no doubt increase the price of cloth. The poor people chiefly have already been hard hit by the existing price of cloth. They have always had this grievance, and if further taxation is put on them, the price of cloth instead of being reduced will be increased, and not only will they be disappointed but will be seriously affected. Then, I come to the increased postal rates, and in this connection, I may draw the attention of the Honourable the Finance Member to raising to half-an-anna the quarter anna post card. Had the post card been used in ordinary cases by the rich and the well-to-do, the case would have been different. But in-as-much as it is in about every case used by the masses to enquire about the health of their families, etc., raising this one pice post card to half-an-anna will be very much felt by these people, and I, therefore, strongly oppose this proposal.

Now, Sir, what I wish to say is—though it may not be the proper time—that the reduction I propose can be easily met by the curtailment of expenditure on the following: (1) Geological Survey, (2) Botanical Survey, (3) Zoological Survey, (4) Archæology, (5) Aviation and (6) Expenditure on New Delhi. Looking at the demands for grants for 1921-22, I find the amount to be spent on the new Capital at Delhi to be so much as 1 crore, 3 lakhs and 95 thousand. This can very well be reduced, and this can wait because this is nothing but more or less robbing Peter to pay Paul. These are the remarks, Sir, which I wish to make at this stage of the general discussion of the Budget.

Rao Bahadur T. Rangachariar: I propose, Sir, in dealing with the Budget generally, to think aloud. I was glad when the Honourable the Finance Minister, on the 17th February, in reply to Mr. Samarth's Resolution about taking in the counsel of Local Governments as regards military expenditure, told us that our powers under the Act and under the rules, both direct and indirect, were so wide that Mr. Samarth was

mistaken in thinking that this Assembly could not control the military expenditure. I felt elated again when on the 1st of March he spoke in the same strain in introducing the Budget. And, therefore, Sir, my appetite was whetted and I went into the big books placed before us with great care in order to see whether I can combine efficiency with economy and apply the scissor to the Budget presented to us. And when I rose from those big volumes, the feeling which came upon me was one of indignation, and one of despair. Now, Sir, what does the Budget tell us? The Budget tells us that our revenue is less than the expenditure by about 19 crores, and that we are going to spend 129 crores next year. And when I looked at the figures, I was reminded of this unfortunate country, where we have got a population called untouchables. They form, I believe, a few millions. But when I looked at the Budget, I find the untouchables here many millions—indeed nearly 1,240 millions are untouchables here out of 1,290 millions. This year, Sir, out of about 129 crores which we are to spend, the votables are 24½ and the non-votables are the rest; and when you come to examine the votables, what are they? Clerks, Registrars, Inspectors, and such like people. The bigger people are untouchable. The Finance Department has been very careful in framing the Budget. They, the untouchables, are printed in italics. ‘Do not look at me, do not look at me’ is the cry which is found on every page when you turn over it. Now, my Honourable friend who has just spoken felt gratified at the military expenditure, and he said he would be rather glad to support the Government in the military expenditure. Did he examine the last sheet in Part II of the Budget Statement? Did he examine and find that out of about 110 crores of gross revenue, the nett revenue is about 88 or 89 crores of which 62 crores go for military expenditure? Can any country bear this? Is there any country on the face of the earth except India on which such a burden is thrown? And can it be said with credit, as the Honourable the Finance Minister claimed the other day, that he has applied the strict principles of economy in examining the Military Budget? Sir, I am sorry we have not got the power to examine this Budget. But I am grateful to the Honourable Finance Minister and to His Excellency the Governor General for permitting us even to refer to the military budget. I find, Sir, that the maintenance of the army, I mean the maintenance portion that is given under the heading ‘Maintenance of the Standing Army’ as it is called, in page 9 of the Army Estimates,—the actual maintenance alone costs about 36 crores. Sir, I was curious to find out what it cost in 1913-14, and I find,—I am subject to correction in that matter because the headings have been altered in this Budget so that it is not possible for me to speak with accuracy—when I compare the figures of 1913-14 Budget, and I am promised that the Honourable Sir Godfrey Fell is going to enlighten the Assembly as to the comparative figures as regards the various heads and, therefore, I can wait till I hear him on that point—I find that the maintenance of the Army cost about 12½ crores in 1913-14. Why should it mount up to 36 crores? Surely, prices have not risen to that extent. On the other hand, we are told that the strength of the army has been reduced from the pre-war to the post-war period. I find from page 7 of the Estimates presented to us that really there has been a reduction in the strength of the army, both British and Indian, pre-war and post-war days. A man does not eat nearly four times as much as he did in 1913-14. Prices have not risen four times since 1913-14. On the other hand, Sir, prices have gone down this and the last year, and I am glad to see that they are much

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better as was told us the other day by Mr. Innes either in this Chamber or the other Chamber, the prices of food-stuffs have gone down, and I do think that a careful scrutiny is needed of the Military Budget. There is one sentence in the Finance Minister's speech which rather sounds very alarming. He has told us that they have last summer come to a conclusion as to what should be the strength of the army after the war. I do not know what it means, or what it refers to. I hope they have not come to any final decision. The matter is far too important to have come to a decision last summer when the new Legislative Assembly was going to come into existence next January. I hope, Sir, the whole matter will be re-examined with the assistance of elected Members, with the assistance of experts, with the assistance of officials. When you remember that a British soldier costs nearly four and a half times what an Indian soldier costs, when you remember that a British officer costs nearly ten or twelve times what an Indian officer costs, I think the matter requires to be very carefully investigated. We have to make out what should be the normal strength of the army. There may be abnormal times, no doubt, now and then, human nature being what it is. But let us aim at fixing the normal strength of the army suited to the revenues of the country, suited to the conditions of the people, and, then, in abnormal times if you come to us for a vote we will gladly give it. We are as anxious as any member who is anxious for the peace of the country should be, that we should be amply protected. But our complaint has been that the human material in this country has not been as largely availed of as it ought to have been. Now that a policy of trust and co-operation, sincere I believe on both sides, has begun, I hope the time will come when the strength of the Indian Army will be very largely increased and the proportion of the British element will be reduced as far as possible. Now, Sir, I do not want to dilate upon the military expenditure. I have just given a few figures to show that it requires a careful investigation, anxious investigation at the hands of the authorities and of the people.

Let us come to the Civil side, what is called the Civil Services of the country. From 20 crores in 1917-18, that unfortunate day when these new reforms were promulgated, the cost of the Civil Service has risen to nearly 45 crores. Sir, the increase began at the top; the Civil Service clamoured for it, they feared that they were going to be in danger when the new Government came into power. They wanted to secure their position, to secure their pay, their allowances, their pensions. When those at the top gave way to such fears, such desires, it is no wonder that the subordinates rose *en masse*. Department after department came up with petition after petition for increases of pay. The *Karnam* who was happy with eight rupees in his village and with all the emoluments that he got at the hands of the landholders, began to put forward a grievance. I know from my own experience as a landholder that the *Karnam* of my village makes much more than, perhaps, the wealthiest landholder there, his emoluments are so great. But this infection began from the top, and I say it deliberately, that when once that infection begins to spread, you are threatened with strikes of your officials, you are threatened with all sorts of things, and you have not the face to be firm because you have over-fed yourself. That is the real secret of all this bother and trouble with which we are now face to face to-day.

Now, there is no use bemoaning the past. All that feeling of indignation and despair I tried to struggle against. What is to be our attitude towards

the future, as men to whom the affairs of the country are entrusted, what is to be our attitude in this matter? I say, if the Government expect us to co-operate with them in this Budget, if they expect us not to non-co-operate on this vital issue, they must give us a solemn promise that they will take up the question of retrenchment in right earnest. I hold no promise sacred which has been made during these 3 or 4 years, let me say that. If you hold us to that promise, I say, we will non-co-operate on the Budget, because, I say, this country cannot afford the over-heavy top administration which it has been cursed with. I say, there need not be a deficit, but how are you going to meet the deficit unless you are going to increase the taxation? Are we going to lend a helping hand in imposing fresh taxation on the country? Sir, we will do it on one condition and one condition only, and that is the promise to examine with our help, not merely in your own chambers, the question whether the rules relating to pay, pension and leave allowances are adequate or not adequate. Compare them with those of other countries. Let us, by all means, give them extra allowances and all that, but it seems to me that we have been over-burdened with these things. From 20 crores to 45 crores in four years! What can be the explanation for such a state of things? Surely, prices have not risen, passages have not risen to that extent.

Some Honourable Members : Oh ! they have.

Rao Bahadur T. Rangachariar: But surely, our income has not risen in that way. The country's income has not doubled and quadrupled as the income of the officials, and I do not know if the income of us who, belong to the profession, belong to commerce and trade, has quadrupled at that rate. Therefore, I strongly say, and I say it, I know, with the approval of many a Member of this Assembly, that some serious step ought to be taken to reduce the cost of this costly administration.

Sir, there is one more point which I wish to bring to the attention of the Assembly and it is this. Notwithstanding the financial stringency, notwithstanding the currency troubles, notwithstanding the exchange follies, what do we find? In answer to a question the other day in the Council of State and again in this Assembly, it was stated that about 50 new officers have been created under the India Government alone, each carrying a salary of Rs. 1,000 and upwards. Was that the time for creating new offices and to throw the additional burden upon the country? Was that the way in which you expect us to come here and give our support to this Budget? Are we to be asked to be a party to these things, in the determination of which we had no voice whatever and then for you to say 'Very well, you must increase the taxation'. Well, Sir, the world is watching and I am anxious, Sir, to know how the Indian world is watching us. I know, Sir, what the real condition of my people is. If I am a party to this Finance Bill, it will be merely because I do not want to embarrass the Government in the present situation. I am quite willing to have a Finance Bill, which will operate for one year and during that time let us put our house in order and when the year is over, when we have examined carefully what our position is, when we have examined what our resources are, and what our necessary expenditure is, then, Sir, we will have a Finance Bill at the end of next year. Therefore any Finance Bill which is brought up should have duration only for one year. Again, there is one other matter of vital importance which also unfortunately concerns the Army. As I have already pointed out, the army is the consumer of our revenues and the proposals of

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the Esher Committee, as has been pointed out to-day in a foot-note to the Army Estimates, will aggregate a sum of nearly 73 lakhs of recurring expenditure. There is one other thing, Sir, and that is, I am reminded, that it may go to over 100 lakhs and that provision is made for 129 lakhs if the recommendations of the Esher Committee are to be carried into effect. Sir, our condition in 1918 (I will only read from the official publication), our financial position, was this :

'The general financial position of India is extremely strong. At the end of November 1919, the national debt amounted to about £378 millions or about £1-11s. per head of population, as compared with a total public revenue of £123 millions. This favourable position is largely due to the care with which, in pre-war years, outlay was restricted to available means. When the war began almost the whole of India's debt represented productive outlay on railways and irrigation, normally yielding a return which exceeded considerably not only interest on the amount borrowed, but also interest on the small debt classified as unproductive. In March 1919, despite India's war contribution of £100 millions, the amount of the ordinary debt outstanding was actually £13 millions less than the contribution itself.'

Therefore, we were taking pride on our financial position in March 1919. But, Sir, what is the tale told to the country during the last two years—a tale of deficits, whereas it has been one uniform tale of surplus year after year till then. Why was that? It is due to muddle, political muddle, exchange muddle and all these troubles have therefore come upon us. Unless, therefore, we change our methods and subject the whole question to very close scrutiny, we will be again asked at the end of the next year to give our sanction to fresh taxation which may perhaps take a different turn. Therefore, it is the duty of this Assembly to give its voice unhesitatingly that if it gives its vote to the Budget, it does so on this condition which I have already mentioned. I have already taken too much time and I will therefore resume my seat.

The Assembly then adjourned for Lunch till Twenty Minutes to Three of the Clock.

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

Chaudhuri Shahab-ud-Din: Sir, whatever praises we might lavish on the soundness of the Financial Budget, whatever compliments we might bestow upon the Honourable the Finance Member, the fact remains that this year's Budget has been described unanimously by the entire Press, both English and Vernacular, as dark, gloomy and disappointing. This being the first year of this august Assembly, the Budget has indeed placed us in a most awkward and critical predicament. On the one side, being co-operationists, we wish to help the Government and co-operate with them. On the other hand, we clearly see that the non-co-operationist outside this Assembly, if we were to support the Budget as it stands in its entirety, will not only get another excuse and incentive to excite the masses but will also, I think, get a greater justification to denounce us as not being the real representatives of India. This is my fear. It is a notorious fact that India is poor; she is poorer than she was some years ago. Though some money was made by her during the war when she supplied her raw materials to the Allies in their time of need, yet, it cannot be denied or controverted that India is poor, she is perhaps the poorest country in the world. Famine has now become a normal condition

with us; all Indians realise and feel this. The causes of our poverty are very many, the causes of unrest and dissatisfaction are numerous, but the most immediate cause of our financial unrest and financial disappointment is the fall of exchange. I do not want to blame the Indian Government for the present condition, but the Indian Government, it must be frankly admitted, are to a very great extent responsible for the present situation. If they are not really responsible for creating the situation, no one will deny that they are responsible for accelerating and bringing it to its present pitch. Had they not sold Reverse Councils last year to maintain the exchange at a certain pitch, it is possible, though I do not say probable, that the present crisis may have been averted for some time, if not for ever. By making an effort to maintain the exchange at 2 shillings sterling, they gave a great impetus to import trade. Orders were placed by Indian traders with manufacturers abroad on the understanding—at least they could not foresee or think otherwise—that the exchange would not go down to 1s. 3d., as is the case to-day.

No body could anticipate this. When the exchange was high, the manufacturers in England raised the prices of their manufactures in some cases by 500 per cent. and in some cases even more; but, now that the exchange has fallen, those prices have automatically increased still further. Thus the low exchange has rendered it impossible for any Indian to honour the drafts which are being drawn against him. Trade in India is in a state of utter ruin.* It is impossible for any trader to pay 500 per cent. above what he anticipated having to pay when he placed the order. Had an Act not been passed in India fixing for certain limited purposes the value of the rupee at 2 shillings, had the Government not then issued a notice that all persons who had sovereigns in their possession should return them, cash them and convert them into silver and get Rs. 15 for each sovereign, had Government not done this and collected all sovereigns in India, I think, they would not have been to blame so much as they are to-day. But the Government having passed an Act, and having collected sovereigns from even out of the way corners and places in India, they cannot escape the responsibility. It is theirs, let them deny it fairly if they can. Now, India's credit, India's contractual morality, is being attacked by the manufacturer abroad. He may be right from his point of view, but I wish he could see and judge Indians from their own standpoint. They wish most honestly and sincerely to do all they can to meet demands made upon them and to maintain that friendly connection which they have always maintained with the importer and exporter abroad, but that is physically impossible for them; they cannot help it. The Honourable the Finance Member has made some admissions and to a certain extent I think he is guilty of culpable frankness. On page 77 of his speech introducing the Budget the following sentences occur:

'We have frequently been 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 2 shillings gold, but on 2 shillings sterling.'

On the same page again, towards the bottom, there is the very frank admission:

'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.'

[Chaudhuri Shahab-ud-Din.]

I dare say he is perfectly right in making that admission. Now, it is not in the power of the Government to alter the condition of exchange. It is a matter which depends entirely upon the vicissitudes of trade. He told us the other day and rightly that if the monsoon is favourable next year and the balance of trade in favour of India, things might change; otherwise there is every fear that they might become worse. These are a few general remarks on the Budget. I now proceed to make a few observations on the military expenditure and the proposed new taxation.

There is a sentence in the Esher Committee's report which I will read to the House. It is a very short one. The Commissioners say: 'We are aware that the present cost of the Army in India (that is in the year 1920-21) is already double of the pre-war cost'—that is to say, in the year 1920-21 the cost of the Military Department was double what it was before the War, and we are told to-day that it is 15½ crores more than it was last year. Thus by a rough mathematical calculation it comes to this, that it is about three times what it was before the war. Yet we were told the other day that the strength of the Army in India has been much reduced from what it was before the War. To-day we have only 102 Indian and 53 English Battalions. May we take it then that as we go on decreasing the strength of the Army in India, its cost goes on increasing? To my mind this is absurd. Layman, as I am, I cannot possibly assign any reason why, while the strength of our Army is decreasing, its cost is increasing. I do make every allowance for higher pay and increased allowances, but yet I fail to see why the cost of the military in India has gone up so enormously.

Sir, we are asked, that as there is a deficit of about 19 crores, we should vote for fresh taxation. I consider it indeed a great privilege if my vote could bring some money to the Government treasury; but I feel that my vote is needed only for imposing taxation for bringing in money. It is not needed for spending that money, which the Government want to spend themselves. The position is, that we cannot discuss the military budget item by item, we cannot even vote for the appropriation of moneys. All we can do is to offer some general observations, or, so to say, hold a general discussion.

As regards the proposed taxation, Sir, I proceed to say at once that if the customs duty is to be increased above 7½ per cent., it should be increased not to 11 but to 12½ per cent.—with only this reservation, that we should not tax umbrellas, or should tax only silk umbrellas. An umbrella is a necessity, whereas a silk umbrella is a luxury, and it is luxuries which should be taxed and not necessities.

Only one word more and that is about the railway taxation. I would say, 'For goodness' sake exclude firewood and fodder.' Firewood is a necessity for the poor, and the Finance Member, if he does not know it already, should know now that firewood has become so scarce and so dear that poor people cannot afford to purchase it. As regards fodder, Sir, let me enlighten this House, let me inform it, that we in the Punjab are feeding our bullocks and other animals on twigs and branches of trees; there is absolutely no fodder to be had. Under these circumstances, to impose a terminal tax upon fodder is, to my mind, preposterous and not right.

Sir P. S. Sivaswamy Aiyer: Sir, it is very unfortunate that the first Budget of the Reform era should be what may be called 'an adversity

Budget. The two most conspicuous features of the Budget which has been introduced by the Finance Minister are the amazing growth of military expenditure and the serious results of our exchange troubles; and the Budget is a record of the struggle which the Finance Minister has apparently made to withstand the demands for expenditure. I am quite sure that he has put up a very brave fight against the demands made by the Military Member and by his other colleagues. It is evident from the language of his speech, and also from the fact that he leaves it to His Excellency the Commander-in-Chief to justify to the House the necessity for this increase in military expenditure. I read between the lines and I feel that the Honourable the Finance Minister himself is not altogether convinced of the propriety of this huge demand for military expenditure.

The rate at which military expenditure has been growing in India really takes one's breath away. We have been told that the post-war strength of the army has been fixed at a level a little below that of its pre-war strength. As a matter of fact, while there is a reduction in the fighting units generally, there is an increase of something like 700 British officers in the Army; there is also a large increase in the number of the reserve forces. Now, let us take it that the post-war strength is below the level of the pre-war strength. One would expect that the expenditure which has to be incurred hereafter would bear some reasonable relation to the pre-war expenditure, or would fall below the level of expenditure which was maintained during the war. But what are the facts? I find that in the year 1913-14 the total military expenditure was £18 millions odd (I may leave out the 'odds' where it is a question of millions); in 1914-15 the expenditure was 21 millions odd; in 1915-16 it was 23½ millions; in 1916-17 it was 26½ millions; in 1917-18 it was 30 and odd millions and in 1918-19, deducting the contribution on account of the war to England, it came to 32 millions; in 1919-20 the normal expenditure was estimated at 41½ millions, and in 1920-21 it was estimated at 40 millions. Now, it was during the years 1917-18 and 1918-19 that the expenditure was at its highest; but we find that the expenditure which is put down for the next year is higher than the expenditure which was incurred during the period of the fiercest struggle in the history of the war. Surely that is a state of things which calls for some explanation. We are told that the cost of living has risen, that prices have risen and that the cost of accoutrements and munitions and everything has risen; but I do not know that they have risen something like 300 per cent. or over. While the total expenditure in 1913-14 was 18 millions odd, the expenditure to be incurred hereafter is put down at 58 millions! That means more than 300 per cent. of the pre-war expenditure. Let us again compare our expenditure on the military services, either with our total expenditure or with the ratio of the military expenditure to the total expenditure in the United Kingdom. Compared with our total expenditure, our military expenditure comes to more than half. Let us take the figures of the United Kingdom. I find that for the year 1920-21 the total expenditure for the whole of the United Kingdom according to the Budget was 1,184 millions, while the expenditure on the Army, Air Force and Navy, all put together, was estimated only at 230 millions odd, which comes to about a fifth of the total expenditure. England can well afford to bear such a large amount as 230 millions; and even if it were more than one-fifth of her total expenditure England can well afford to bear it. But even there we have heard complaints

[Sir Sivaswamy Aiyer.]

of the heaviness of the military expenditure, and promises have been made by ministers to follow a policy of severe retrenchment. Now, let us take the figures of some of the colonies. As a matter of fact the colonies do not generally maintain a large standing Army; and I am well aware that the conditions of the colonies and the conditions of India are not similar, and it would not be fair to institute a comparison between the needs and requirements of India and the needs and requirements of the colonies. Still it is not without interest to know how much the self-governing dominions spend upon their military services. I find that in Canada while the total budget estimate for 1919-20 was 72 million dollars, the expenditure on the militia and defence was only 4 millions and odd; similarly in the case of South Africa while the budget estimate of the total expenditure for 1919-20 was 23 millions odd, the budget estimate for defence was £1,575,000. However, I shall not pursue this comparison with other countries, because I am well aware that the conditions are not similar. It is, however, clear that our expenditure has been really growing by leaps and bounds, and I am not at all sure that the 58 millions referred to by the Honourable Mr. Hailey is the last word upon the subject of the demands of the military department. Provision has been made in the present budget for a sum of 129 lakhs to carry out a part of the Esher Committee's recommendations. What the total cost of carrying out these recommendations will come to we do not know; nor has the Esher Committee enlightened the public on this subject. They think evidently it is not a matter of serious concern, especially when Imperial interests are at stake. They say it is impossible to frame even an approximate estimate of the cost of carrying out all their recommendations. The military expenditure, therefore, in the years to come will grow probably at even a more rapid pace than it has hitherto grown. Now, what are the remedies to be applied, and what is the position we are to take up to-day?

It is of course obvious that we cannot possibly apply the shears in the current year. I think it would be taking too great a responsibility upon ourselves to think of applying the shears all at once, without sufficient investigation of this subject. But one thing at any rate we are entitled to insist upon, namely, that the whole question of military expenditure should be examined carefully by a properly constituted committee composed of representatives of all interests, of officials and non-officials. One of the resolutions of which I gave notice in connection with this Esher Committee's report was for the appointment of a committee to inquire into the position and strength of the Army and its methods of recruitment. Unfortunately, it has not been possible to bring on that proposition, but I hope it will be possible to bring it within the cognisance of the Committee which was appointed this morning. Now, there are only two or three ways in which you can escape this crushing military burden. One is by taking steps to gradually replace that section of the army which is retained for internal security by the territorial forces. There are three sections of the army, we have been told, one the army which is posted on the frontier, another which is meant to go to the front in case of necessity for purposes of repelling an invasion, and the third the army which is intended to maintain the internal security. This last army consists of about 100 thousand troops. If we could bring into existence a properly organized and efficient body of Territorials, this army could be completely replaced with, I hope, very considerable advantage to the tax-payer. Of course, there is one consideration to be borne in mind here, namely, that if the

army which is to replace is to consist of the auxiliary force only, and if the auxiliary forces are all modelled on the same lines as the British Army, it will effect hardly any lightening of the burden ; but if there is any increase in the Territorial army which is modelled on the lines of the Indian army, it is very likely that there will be a saving of expenditure. Another remedy which will appeal to most of my countrymen here is to gradually Indianize the army. I am not advocating the sudden application of any such process, but it is a process which will inevitably be hastened by the military department's insistent demands for expenditure. We have been pressing for the Indianization of the army on the ground of satisfaction of our national aspirations and on the ground of fitting us for self-defence, but here we have a far more powerful inducement to Indianize the army, in the pressure of economic considerations.

A third way of lightening our burdens, is to appeal to the Imperial Government for a contribution to our military charges. Now, it may be said, that if we are partners in the Empire we ought to bear our share of the burdens. Of course, we are quite willing to do that, but it is well known (and I need not go further than quote the Esher Committee themselves), that the Army in India is maintained not merely for purposes of India but for other purposes as well. If you turn to page 32 of the Esher Committee's Report, the members of the Committee say that they do not care to fix the specific purposes for which the army in India may be used in view of the greater responsibilities assumed by the British Empire in consequence of the treaties of peace recently concluded, and on page 17 they say :

'The centre of gravity of probable military operations has shifted from West to East. In the future we must contemplate the possibility of our armies operating in the Middle East based partially on India and partially on home'.

Under those circumstances it would not, I think, strike the Members of the House as an altogether unreasonable proposition to ask that the Imperial Government should bear a share of our military expenses. Now I pass on

(At this stage the Honourable the President got up and the Honourable Member resumed his seat.)

Mr. S. P. O'Donnell : Sir, some remarks were made by Mr. Rangachariar this morning, which I cannot allow to pass unchallenged. According to the Honourable Member, if I understood him aright, it has been due to the attitude taken up by the higher branches of the Civil Service, it has been due to their clamorous demands on their own behalf, their needless distrust and suspicion and their anxiety to safeguard their own interests, that it has been necessary to spend such immense sums of money on the revision of the pay of the subordinate establishments. We are asked to believe that if it were not for the attitude taken up by the higher branches of the Civil Services, it would not have been necessary to add to the remuneration of the bloated *Karnams* of Madras, and I suppose the same argument applies to *patwaris* and clerks in district offices, police constables and others. We are asked to believe that all these minor officials and employees faced with an increase in prices of the extent of which we have all had experience, would have been content to draw the same or approximately the same remuneration as they did before the war if only the Civil Service had remained silent. Well, Sir, there are in this Assembly, I believe, many Honourable Members who are employers of labour. I should like to know what their opinion is on that contention. I should like to know whether they

[Mr. S. P. O'Donnell.]

believe, that if only the services had not been granted an increase of pay, it would have been possible for them to keep their wages bill down to anything like the level of 1913, or that all the strikes for increases of pay might have been avoided if only the higher branches of the Civil Service had not been granted an enhancement of pay.

But, Sir, in addition, the Honourable Member is quite mistaken in supposing that the revision of the pay of the Imperial services has been based on the demands of the services. It has been based on the recommendations of the Royal Commission of the Public Services which made its Report in 1913. It is quite true that in some cases, not in all cases, but in some cases the enhancements granted were greater than those recommended by the Royal Commission, but that has been due to the enormous increase in prices since the date of the Report of the Commission, and, I believe, I am correct in saying that in no case has the increase been at all proportionate to the rise in prices.

And now, Sir, let us put this proposition to the test of figures. I have the main figures here, and what are they? The cost of the enhancement of the salaries of the Imperial Services was 110 lakhs. The cost of the revision of the Provincial services was 56 lakhs. The cost of the revision of the subordinate services has been 10½ crores, 4½ crores of that total was on the staff employed under the Central Government, namely, 1½ crores on post and telegraph, and, in passing, I may mention, that the late Legislative Council pressed strongly for an increase of the pay of the employees of the Post and Telegraphs Department, 2½ lakhs on State Railways, half a crore for other services under the Central Government and 6 crores in the provinces.

Mr. Naraindas Girdhardas: Sir, I fully share the regret with the Honourable the Finance Member that at the very outset of our career we should be faced with a gloomy budget, with an unprecedented deficit and proposals of heavy taxation which is, on the whole, received by the country not without a feeling of disappointment or dismay, however much the people were prepared for, or expected such a budget. The time allotted to each Member for general discussion over the budget is so small, that I dare say, no Member will find it possible to cover the whole field, doing justice to every item which calls for remark or criticism.

One cannot help noticing, even in passing, the enormous sum of 62½ crores put down for military expenditure for next year, a figure that amounts to a lion's share of about fifty per cent. of our revenue. I feel I am treading a rather forbidden path when I touch on this topic, because I know this House has little effective voice, much less control, over that item. Sir, I shall leave it to the more experienced in this Assembly to dwell at greater length on this subject of military expenditure ever-growing, unconscionable and out of all proportion to the bare requirements of the defence of India. But I feel that the Government should adopt a policy of still greater trust than they have shown hitherto and not only keep down the military expenditure just at the point indispensable for the national safety of India but do all in their power to increase the Indian element in the army to a very much larger extent. Both sentimental and financial considerations demand the adoption of such a policy.

The second remark that I wish to make on the budget is on the vast additions to expenditure in almost all the departments for increasing the salary

and allowances of all officers, high and low. I concede, Sir, that the abnormal rise in prices did necessitate the increase of salary of the low grade officers and menial staff of the Government services. Let me not be misunderstood when I say that the grant of such an increase to the officers of higher grade was both unwarranted and unnecessary under the strained conditions of the coffers of the State. The fact that prices are now going down is also another factor to be taken into consideration. Further, the creation of new departments and increase of staff all round, which, I admit, are necessary as the country advances and becomes more prosperous, are, at any rate, a bad policy and an extra drain, at this inopportune moment of our country's finances. The feeling is very strong in the country that rigid economy should be practised and I would suggest that a Committee of this House should be appointed forthwith to go into the question of retrenchment all round and reduction of staff to the bare extent compatible with the efficient working of the administration.

In his budget speech, the Honourable the Finance Member has dwelt, fortunately, on the most serious problem of the day, the exchange muddle. He has defended the policy of the Government as regards the exchange question and given the sullen and gloomy decision that '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.' He has further declared 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.' There is no denying the fact, that the depressed condition of the trade of India has been brought about partly by external forces re-acting throughout the world. But I ask, Sir, if the Government had absolutely no hand in at least aggravating the situation? I wish to be pardoned if I use pretty strong language, because the mercantile community, a section of which I have the privilege to represent in this House, is strongly of opinion that the policy of the Government did have at least a partial effect in putting us in the 'trough of depression,' to quote Mr. Hailey's own words. It is quite unnecessary for me to recapitulate the circumstances under which the sale of Councils last year was persisted in. The Indian opinion, as a whole, thinks it was unwise on the part of the Government to have persisted in carrying on the sale of these Councils. Sir, in one paragraph, Mr. Hailey mentions that '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 a curious inversion of facts.' I shall merely content myself with remarking that the enunciation of this policy it was, that induced the merchants of this country to give large indents for foreign goods on the assurance that the Government would try to maintain the exchange on a 2 shilling basis. What is the result? The exchange has gone now so low, that the importers find themselves quite unable to take delivery of the goods and most of them have met with very severe losses. We are equally desirous with the Government of India that the international credit of India should be maintained unimpaired both in the interests of the country as well as of the traders. We are confronted with a situation which must be solved somehow. The Government must be in possession of the opinions expressed by the several Chambers of Commerce and Trade Associations on this vexed question. Time hardly permits me to read them out here, but I cannot help reading out one or two of them. The Madras Piece-goods

[Mr. Naraindas Girdhardas.]

Merchants Association passed the following Resolution on the 31st December last :

‘ Considering the enormous losses the importing merchants are put to, consequent upon the low rate of exchange and in view of the assurances given by the Government as to the rates of exchange, and the passing of the law in the Supreme Legislative Council fixing the rate at 2 shillings per rupee, it is resolved that the firms and banks in Madras be requested to extend the time for the payment of or for the fixing of rates of all drafts for Piece-goods imported either direct or through firms to such date as the exchange rate reaches 2 shillings per rupee ! ’

Sometime, about the second week of December last, the Southern India Chamber of Commerce, Madras, in the course of their communication to the Government of India exhorted the latter not to throw up their hands in despair, but to stand by the consequences of their own acts and assurances. The Government have all along been the self-appointed guardians of our exchange and currency. Surely, if they do not mean to renounce their guardianship, it is for them with the help of their expert advisers to find out how best they can meet the grave situation. A telegram which I received only the other day from the Piece-goods Association will show the intensity of the feeling and the extent to which they want the Government to go in saving the situation :

‘ Having regard to the recent financial crisis and in the interests of future foreign trade in India, the members of this Association resolve that all further imports should be stopped for a period of twelve months and urges importers of foreign goods in other parts of India to support them, requests Government to pass a measure temporarily discouraging all imports except foodstuffs, drugs, machinery and books by imposing for a period of twelve months an extra customs being fully equivalent to the depreciation of the Rupee below par.—*Rao Bahadur Payan Chetty, President of the Madras Piece-goods Association, Madras.* ’

Sir, things having come to such a pass, I would submit the suggestion that an informal conference of Indian merchants, the English shippers or dealers and the Government of India should immediately be arranged by which the contractual parties concerned would come to an amicable understanding and would out of mutual goodwill and tolerance adopt a policy of give and take and thus save those unfortunate traders from the downfall menacing them and also the international credit of India. Where there is a will, there is a way. This is a matter in which the Government of India ought urgently to intervene and help. This arrangement will, I hope, go a long way in relieving the situation to a certain extent.

Coming now to the proposals for additional taxation, it is no justification for the imposition of taxes to say that the poor are little touched by it. Even the levy on the richer classes is bound and sure to affect the poorer and middle ones. The burden must fall equally on all. Under the scheme of proposed taxation, the taxation on articles of luxury, and increase of postal rates fall directly on the rich, and to add to the heavy load that is already put on them by increasing the income-tax and the super-tax, is, to say the least, to make them sink and groan under the unbearable weight. Add to this the present depressed and critical condition of trade, it becomes all the more undesirable that they should be burdened any further. Any further taxation on them would augment their already heavy liabilities.

As for the increase in customs tariff, I believe the country welcomes this step, though it was come to, as the Finance Member puts it, 'with the sole object of producing additional revenue and with no ulterior motive of a protective or any kind'. Sir, while on this subject, it will not be out of place if I give expression to my opinion on the announcement made by Mr. Montagu, in the House of Commons, 3 or 4 days back, in reply to Sir John Randles that a commission would be appointed to examine, with reference to all the interests concerned, the future fiscal policy of the Government of India, including the desirability of adopting the principle of Imperial Preference. It is a long-cherished dream of India that she should be given complete freedom to determine her own fiscal policy. While welcoming this announcement, I would like to point out that it would be an egregious blunder if the Secretary of State proposes to tie down the hands of the committee to devise ways and means of adopting a policy of Imperial Preference. Not that I, for a moment, forget the claims of the Senior Partner of the Empire, but the fact should be borne in mind that India is merely a producing and industrially an undeveloped country. The volume of educated Indian commercial opinion which has been ignored all along is that her industrial advancement should be fostered by a judicious system of protection. I say that any step that we take must primarily view the question from the Indian standpoint and *such* a policy should be adopted as would suit the special circumstances and needs of India. In my opinion, it is essential that in the commission to be constituted, the Indian element should predominate, especially Indian industrial and mercantile interests.

The substantial increase in the surcharge on goods traffic would have the effect of curtailing the internal trade of the country and I strongly protest on the inclusion of firewood, food-grains and fodder among the articles subject to the surcharge.

The last item that I wish to touch upon is the regrettable disappearance of the half-anna postage, the popular quarter-anna card and the increase of rates for registered newspapers. I fully agree with the view expressed by one of the Indian papers that 'it is a tax on knowledge'. 'The enhanced postal rate is a measure, vexatious and irritating to the middle classes, a check on the diffusion of knowledge and an insidious, if unconscious, blow struck at the public press.' Besides affecting the poor man most, it affects equally the mercantile classes who have, of necessity, to use a large number of cards and stamps both for business as well as advertisement. We must see our way to abandon the proposal for increasing the value of the post card, half-anna postage and rate for newspapers.

I have done. I urge this House to apply its shears rather mercilessly, I should say, to every item of expenditure and bring down the fresh taxation to as low a level as possible. The enhancement of taxes cannot but add to the already depressed condition of the people but might even drive some to worse ends which I need not record here.

Dr. H. S. Gour : Mr. President, the Members of this House, much though we disagree as to the merits or demerits of the Budget, have all, and rightly, congratulated the Honourable the Finance Member for the lucidity of his statement. Some of the Honourable Members have even conferred upon him a new and more exalted designation—the Finance Minister. I hope, Sir, it is an augury of coming events and in the near future that we shall be in a position to welcome such statements from a responsible Minister

[Dr. H. S. Gour.]

of this House, which will enable us to examine and control not only a few scattered items in the Budget but all the items which constitute the financial annual statement. You must have noticed, Sir, that while the Honourable the Finance Member was speaking on the subject of military expenditure and the figures 62 crores and 20 lakhs were announced, the whole House went into a tremor, and we find a statement made by the Honourable the Finance Member which I shall read because I am anxious to give to this House his *ipsissima verba*: 'The figures for military expenditure will I hope be justified to this House by His Excellency the Army Member.' After the speeches that have been delivered in this House this morning, I should have expected His Excellency the Commander-in-Chief to explain to the Honourable Members present here the necessity for this appalling sum of military expenditure. I have no doubt that he is collecting facts and figures and he will enlighten the House in due course of time with the necessity of keeping up this expenditure. Now, Sir, I am not a military expert, nor am I likely to develop into one. The one thing I feel and feel strongly about—call me a layman or a man in the street—is this: I wish to know how, if the military expenditure in pre-war days was in the neighbourhood of 10 to 15 million pounds or say, 20 crores of rupees, how is it that all of a sudden this figure has bounced up into the staggering figure of 62 crores. I think, Sir, that the demand of the military is unprecedented. Leaving out the four years of the war which do not count, for they do not represent the normal conditions in this country, I submit that in this figure, 62½ crores—to be more precise 62 and ½ crores—which the Military Department have budgeted for and presented to this House, this House will gasp for breath and demand—is it a clerical mistake for something like 16 or let us even hope 26?—but 62 crores and 20 lakhs of rupees?—never! Well, Sir, the Honourable Members represented to you the facts and figures gleaned from the blue books of other countries. They have shown you, that so far as the ratio of military expenditure to the general income of other countries is concerned, it appears to be a ratio of ¼th, or ⅓th, ⅕th and, even in certain cases, ⅙th.

Now, India, the poorest country in the world,—and we have often been reminded of it—with a gross income budgeted for, of about 129 crores, is to pay a military bill of about 50 per cent. Now, Sir, in my youthful days, I was a student of history, and I committed to memory such a thing as Russophobia. We had been told by the Military Department that the Russians were at our gates; they had taken possession of Herat, they were in the purlieus of Kandahar, and that they were marching on India. And in those days, when Lord Roberts, I think, reigned supreme over the Military Department of this country, an expenditure of 10 crores was regarded as sufficient to keep the Russians out of this country. Now, after the League of Nations which has brought us within measurable distance of that millennium of universal peace, and with the Anglo-Japanese alliance, I fail to understand what dire necessity there is for this yearly swelling of military expenditure. Somebody may exclaim—Bolshevism. I do submit, Sir, that if Bolshevism ever threatened the gates of India, I am perfectly certain that His Excellency the Commander-in-Chief would convene a special meeting of this Assembly and tell you that this small military expenditure intended for the upkeep of a small army for peaceful and normal times is wholly inadequate to meet the threatened danger, and I have not the slightest doubt that in the case of such aggressiveness on the part of those people this Assembly will sell the coats

from off their backs to keep out the Bolsheviks from this country. I, therefore, submit that, so far as the defensive forces intended for the purpose of keeping the threatened Bolsheviks out of this country are concerned, it certainly has not entered into the calculations of the Military Department. What then, I ask, is the immediate necessity for this large military bill? I hope, and I am only repeating what the Honourable the Finance Member—may I also commit the mistake of calling him the Honourable the Finance Minister—has said, His Excellency the Commander-in-Chief will explain to this House in detail the facts and figures which have justified the expenditure of this large sum of 62½ crores, and when he does so, what the House will be anxious to know is this. How does he justify the very large ratio of expenditure in this country when the expenditure in other countries similarly constituted is in very small proportion to the gross general revenue? I have already said that to merely say to this House that we have to defend our frontiers and, therefore, that justifies the expenditure could hardly be an answer. Because, as I have pointed out to this Honourable House, if the frontiers have to be defended, those defences would constitute an extra charge upon the revenue of this country. It is, as I understand it, for post-war and peaceful defence of this country and for warding off normal aggression from outside, some of these frontier raids and the like, that this small army of this country is being kept and maintained. Another fact, Sir, which I am curious to learn from His Excellency the Commander-in-Chief is this. Why not Indianise the Indian Army? We know as a matter of fact that a European officer in this country costs from 12 to 14 times an Indian officer, and as regards the English soldier, his cost is about 4½ times to 5 times the cost of an Indian soldier.

May I appeal to His Excellency the Commander-in-Chief to remember the gallantry of the Indian forces in Flanders, and may I ask him to remember these forces and replace the English soldiers by the soldiers of the land? May I also point out, Sir, that they are also efficient forces for the defence of the country, and if it is necessary that those forces should be supplemented by an auxiliary force, he will be pleased to harness to the services of the State the innumerable young men in this country by enlisting them in the Territorial or Voluntary Forces? I submit, Sir, these are the people who are likely to be requisitioned and will be requisitioned if the gates of this country are threatened by foreign aggression, and I, therefore, submit that you cannot count without the manhood of this country. I fancy to myself a faint voice rising within his Excellency's mind, 'If I was to give you a territorial force composed of the people of this land, if I was to give you an army well equipped, drilled and disciplined, composed of the soldiers of these people, where do we come in?' Now, Sir, I submit that I am one of those who have prized the English connection with this country, and I should be the last person to see that the English people who have done so much for the civilisation and culture of this land, should cease to have anything to do within the administration of this country. But I feel, and feel strongly, as most of my fellow-countrymen, that the trust which has been begotten on the battlefields of Europe should continue and that the English people in this country must feel, and feel strongly, that the defence of this country must be entirely entrusted to the people of this land. We were told by the Honourable Sir William Vincent in connection with a Resolution moved by a Honourable Member of this House, some two or three days back, 'What will become of you, people, if the British went out of this country? There will be internal and internecine wars and you will be subject to foreign aggression.' It is true, it is too true, and I invite the attention

[Dr. H. S. Gour.]

of His Excellency the Commander-in-Chief to this great defect in the building up of the Indian people. May I trust to him, to this Department to see that this blot on the English administration of this country is removed in the near future, and that the defences of this country are strengthened and re-inforced by enlisting the manhood of this country and by replacing the English soldiers by the soldiers of this land.

Now, Sir, after that is said and done, I am perfectly certain that His Excellency the Commander-in-Chief will find that the Military Budget requires, and is capable of, a great deal of revision, because the cost of foreign services in this country is out of all proportion to the needs and necessities of this country. It is, no doubt, an axiom with some people that a certain ratio or proportion should be maintained between the white and brown soldiers. But I beg to submit that the time when these military principles were enunciated is long past. We, the people of this country, attached and devoted to the British rule, are anxious that we should be, at any rate, given a certain degree of autonomy and training in the defences of our own country, and from the response which the boy scout movement has received from the youths of this country, His Excellency the Commander-in-Chief will gather how strongly the young men of India feel that their services should be harnessed for the service of their motherland. I submit, Sir, that the Military Budget should not daunt us, should not frighten us if His Excellency the Commander-in-Chief will revise and reform the Military services in the light of these remarks.

Now, Sir, I pass on to a question which concerns the general Budget. As many Honourable Members have pointed out

The Honourable the President: As the Honourable Member is going to a new subject, I shall not be able to allow him to continue. For the information of the Members I may say that I have allowed the Honourable Member considerable latitude in discussing the relation of military policy to the Budget on the ground that 'any question of principle involved' in the Budget is a legitimate subject for discussion, but he strayed rather beyond the bounds of order. I say this for the information of Members who may follow him.

(At this stage the Deputy President, Mr. S. Sinha, took the Chair.)

Sir Frank Carter: It is a matter of very great regret that we have to begin our new era of reforms with such a large deficit. I must, however, congratulate the Honourable the Finance Member on the manner in which he has handled it. It has not been a pleasant task for him. It is unfortunate too that the first budget presented to this House should relate to a period of depression involving such large increases in taxation. But India cannot expect to escape the economic dislocation in which the whole world is involved and which in her case has been increased by the comparative failure of the monsoon of last year. The Honourable the Finance Member is optimistic as to the future. He is laying considerable amount of money on the monsoon of the coming year and I only hope that his optimistic expectations will be realised. It is no doubt essentially a rich man's budget.

The only way in which the poor man is affected is in the question of postal rates, and I hope that some means may be found to preserve the 3 pies postal card. If that can be done, then the loss of the half-anna postage will not be felt

to the same extent by the poor. The press generally throughout India, from what I have seen, do not appear to be particularly enamoured of the budget. With so large a deficit as 19 crores to meet in the coming year, extra taxation was of course inevitable. Altogether the budget seems to have been favourably received by those who will have to pay and surely that is what really matters. I trust the Honourable the Finance Member will not find that the drastic nature of these increases in the general import tariff will produce such economy in consumption, both of necessities and luxuries, and that the customs revenue will not be benefited to the same extent as he imagines. But even so I admire the skill with which he has so framed his budget as to make provision for having it both ways. Should imports fall away and his income from customs duties fall short of his estimate he will no doubt reap the benefit of the improvement in the balance of trade for India which will react favourably on exchange. During the last three years, including the current year, the deficit of 6 crores in 1918-19, of 23 crores in 1919-20 and 11½ crores in 1920-21 have been met by adding to the floating debt. It is only right that this should not continue but that the increased expenditure should be met by increased taxation and I am glad that Mr. Hailey has had the courage to take a step to try and make both ends meet. He says very little about the efforts, if any, that Government are making to exercise economy in the various departments. I can assure him that these are times for drastic economies.

Sir, I am not going to weary this Assembly with talking about exchange, military expenditure, Paper Currency Reserve and the past omissions of Government. What I want to talk about and what concerns the mercantile community of India is the railways. I regret very much to see that only 15 crores are allotted against capital railway expenditure. This is less even than last year, and that was little enough. We all know the state in which our Indian railways are situated at the present time, short of rolling-stock, short of traffic facilities, in fact, short of everything which tends to efficiency in a railway. India is badly served with railway lines and it does not look as if there would be any new extensions during the present year. I would like to read out the evidence of Colonel Waghorn and other Members of the Railway Board before the Railway Commission the other day :

'The fundamental difficulty from which railways are suffering is financial and unless this can be surmounted, no change in the administration will effect any considerable improvement. The railways at present are seriously in arrears both in ordinary maintenance and improvements to enable them to cope with trade and other public requirements. The deficiencies both in respect of rolling-stock and traffic facilities are not entirely attributable to the war but are to be ascribed to the inadequacy and uncertainty in the supply of funds which prevent any definite and consistent programme of improvements being worked out. They think, however, that on economic grounds it will be unsound at this time to raise money for new construction. Under the existing arrangements the system of regulating expenditure on railways to accord with the fluctuating resources of the Government of India from year to year has been very detrimental to railway improvement and development. They, therefore, consider that the Board should be granted financial autonomy and that funds raised for the railways should stand outside the ordinary Ways and Means of the Government of India. To maintain a definite continuous policy of expenditure in the future the Railway Board or Commission should be financed as follows : From loans raised by the Government of India in accordance with a definite programme fixed for a period of five years ahead in England and in India such loans to take the form of debenture stock of the Government of India or a railway loan as might be convenient, but all money raised shall be placed at the disposal of the Railway Board separate from and entirely outside the resources of Government.'

As I said before, I very much regret to see that only 15 crores are allotted against railway capital expenditure. I hope, however, that the Government

[Sir Frank Carter.]

of India will press on the Railway Commission, as the Honourable Sir Alexander Murray suggested in his speech at the annual meeting of the Chamber of Commerce in Calcutta the other day, to issue an *ad interim* report before the Commission leave India. I would remind the Government that the Mackay Railway Commission, in their report, recommended that no less than 12 million pounds should be spent yearly on railways. I do not think this sum has ever been spent since in any one year. In any case, I hope the Government will give us an assurance that if a further allotment this year is not possible, the 15 crores will all be spent on railways. We have known before now of allotments of this description being cut down to meet, say, any extraordinary expenditure which may arise during the year and which may not now be foreseen.

Munshi Iswar Saran: Sir, it is the military expenditure which over-shadows the entire budget. The increase in this expenditure is truly appalling. The net expenditure in India and England under all military heads in 1885-86 was Rs. 2,03,85,937 and it is proposed to allot Rs. 62.20 crores for net expenditure on Military Services in the present budget. With the experience of only 1920-21 when the actual military expenditure is likely to exceed by Rs. 15,24.34 lakhs, he will be a bold man indeed who will undertake to say that the poor Indian taxpayers will not be called upon to face a similar increase this time next year. But the most significant fact is that the military authorities are not apparently satisfied even with this enormous provision that has been made for them. Observes the Honourable the Finance Member, 'I may say that the military authorities originally pressed for a much higher figure'—I shall beg the House to carefully mark the words, a much higher figure—'than that now placed in the budget.' I shudder to think as to what would have happened if the military authorities were allowed to have their own way. Without the least intention of causing the slightest offence and I shall be sorry if I cause any offence—I wish to ask in all seriousness, 'Is it imagined that India only exists for the army?' In view of the general backwardness of the country and its resources, the conclusion is simply irresistible that India cannot and must not be made to bear such an extraordinarily heavy load of military expenditure.

The causes responsible for this staggering military budget are many and complex, but I shall ask the permission of this House to carefully comment on only a few of them.

We know that the annual average cost per head of the Indian combatant ranks is approximately Rs. 500 and the annual average cost per head of the British combatant ranks is approximately Rs. 2,110. In other words, we can roughly employ, for the same amount, four Indian soldiers in the place of one British soldier. Having regard to our finances—for the moment I shall not take into account other and higher considerations—is it not wise to employ less British soldiers? Taking the strength of the British and Indian armies on the 1st of January 1921 as the basis of calculation, the ratio of the British to the Indian soldier is roughly 1 to 3. I shall ask the authorities to increase the ratio of Indian soldiers. I earnestly plead for a policy of greater trust and confidence.

Closely connected with this question of ratio is the system of short service under which British troops are employed in this country. I submit, Sir, this system needs a radical change. It is obvious that the main advantages of this system are gained by England while the disadvantages have to be borne by India. Furthermore, it serves as a handicap. We are told by the Honourable the Finance Member that this system has been an obstacle to the reduction of military establishments in the fighting units and the auxiliary services. According to Mr. Hailey the Government of India are under a semi-contractual relation with His Majesty's Government and they have declined to bear the cost of British troops transferred at short notice from the Indian to the English Establishment.

But before I pass on, I shall, if I may, speak a word as regards the Commissions in the Army. As the House is aware, the number of officers holding the King's Commission is approximately 8,890 and the number of officers holding the Viceroy's Commission is approximately 4,670. The former consists practically of British officers while the latter wholly of Indian officers. On no ground of justice and fair play, I venture to submit, can this exclusion be justified. In answer to a question put in this House the reply was given 'that it is the aim of the Government of India that His Majesty's Commissions should be conferred in increasing numbers, provided that the experiment, now being tried, of employing them in this capacity proves successful?' Our soldiers have by their valour and devotion to duty earned universal praise and surely no one can contend that India which produces such excellent soldiers is not capable of producing good officers. I say there is no need to wait for the result of the experiment. I maintain that our soldiers have been tried not only on the battlefields of Asia but also on the battlefields of Europe, and in every part of the world they have gone they have rendered most admirable account of themselves. I submit, this doubt and hesitation are utterly without any foundation. The reform in regard to Commission is long over-due. Conditions have to be changed and facilities have to be increased if Government is really anxious that an increasingly large number of Indians should hold His Majesty's Commission in all the Forces.

Naturally I feel considerable hesitation in saying anything about the Frontier policy, more particularly having regard to the operations that are going on. We did not possess the requisite information and are, therefore, not in a position to say anything with confidence as regards the occupation of Central Waziristan and the operations in Southern Waziristan. But one thing I can say with absolute confidence that there is no sane and patriotic Indian who will not shed the last drop of his blood to protect his country. We have undoubtedly our differences—and acute ones too—with Government in regard to internal matters but as far as any outside foe is concerned, we are and will remain united. We are no doubt anxious for self-government but we do not wish to change British rule for any other foreign rule. In view of this feeling in the country and other circumstances, may not one suggest the reconsideration of the Frontier policy the cost of which is proving to be simply ruinous?

There is a general idea, Sir, that the combatant forces in India are really in excess of the actual needs and requirements of the country. In support of this view it is urged that this is the reason why Indian forces are able to be sent out of India. Even to-day I imagine we have our forces in

[Munshi Iswar Saran.]

Mesopotamia, Palestine and Egypt, etc. In 1895, the Financial Secretary of the India Office in a memorandum submitted before the Royal Commission appointed to inquire into the administration of military expenditure in India, said :

' That India is utilised as a reserve for England in a much truer sense than England is for India, that England not only claims the services of British regiments for the time stationed in India but that she frequently uses the Native Regiments towards the cost of which she has in no way contributed, that it may therefore be reasonably urged that England ought to assist in the maintenance in India of so large a force upon which England does not hesitate to draw.'

Furthermore, is it not a ground for Great Britain to bear a part of our military expenditure ?

I do not forget that all that I have said so far exposes me to the chief sneer of my being a mere layman who knows next to nothing about military matters. But, Sir, there are two points of view, one of the military expert, the soldier, who desires to spend as much money as he can in order to keep to his high standard, and the other of the poor Indian taxpayer who has to bear the burden. But before the military expert dismisses my remarks with a shrug of the shoulder and an amused smile, let him consider the following remarks of Cardinal Newman. Says he :

' All professions have their dangers, all general truths have their fallacies, all spheres of action have their limits and all are liable to improper extension or alteration. A zealous professional man soon comes to think that his profession is all in all and that the world would not go without it.'

It is often said how can you object to all this military expenditure when you come to think that this is for the safety of your country ? I shall meet this question and give the same reply that was given by the late Mr. Gokhale. He said :

' National safety is of course the first and most prominent consideration in a country's administration. But no people can bear indefinite and ever-increasing burdens—practically without limit and absorbing the greater part of every financial improvement—even in the name of such safety.'

May I respectfully make a personal appeal to His Excellency the Commander-in-Chief who has the reputation of being in sympathy with our growing aspirations ? I shall earnestly beg of him to revise the entire military policy in this country, to curtail this ever-increasing expenditure and to place far greater trust in Indians than has been placed hitherto and to afford to us all those facilities for higher careers which are open to our fellow subjects in England itself. An appeal like this may well be made to a towering personality like his.

But Sir, I cannot sit down without paying my tribute of admiration to the Honourable the Finance Member.

He has been sincerely frank and has placed all his cards on this table. Let me, however, express a hope that it may be his good fortune next year to present a budget which may be hope-inspiring instead of hope-killing as is the budget now under consideration.

Mr. N. M. Joshi: Sir, I admit that in criticising this Budget we are in a very disadvantageous position. I recognise that the last monsoon was unsatisfactory. I also recognise that the trade conditions in India were

depressed on account of causes which were not wholly under our control. Moreover, the Finance Minister has disarmed the criticism by partially admitting the mistake of Government in regard to their exchange policy, but the mere admission of a mistake does not help us at all, although it may disarm criticism to some extent. Sir, the whole mistake and failure of Government in its exchange policy was due, as my friend, Mr. Jamnadas, said, to the Government's putting greater confidence in Lombard Street in London than in Apollo Street in Bombay. But on account of this the merchants in Bombay are put to very great difficulty, for which instead of being consoled by substantial sympathy they are hurt with galling expressions.

Sir, we are told that this is an economy Budget, but unfortunately we fail to see where economy lies. I cannot see it anywhere. Look at the civil Budget and what do we find? Instead of finding that the expenditure is reduced at least by a few rupees, we find even here that the expenditure has gone up to a great extent. We should have even been quite satisfied if the expenditure had remained where it was in prosperous times. Then, let us look at the military Budget. We are told that the ordinary military expenditure will be 58 crores, that is, at least 3 crores more than what was estimated by the Meston Committee only a short time before. And, we are told, that there is an extraordinary expenditure of 4 crores. But, Sir, although the Honourable Finance Member classes this expenditure as extraordinary, I suspect that he does mean that this expenditure will be reduced next year, for if that had not been his meaning he would have tried to meet this extraordinary expenditure by further taxation. If the expenditure is extraordinary, it could certainly have been very well met by a loan. After all, the public debt of India is not so enormous, as was pointed out by the Honourable Mr. Rangachariar from Government reports themselves. Therefore, if the Honourable Finance Member considers that these Rs. 4 crores is extraordinary expenditure, let him not meet it out of the revenue from additional taxation, otherwise I am quite sure the extraordinary expenditure will become an ordinary expenditure next year.

Sir, the question of the military Budget has been dealt with so fully by previous speakers, that I need not speak much on this point except to say that the only way of checking the military expenditure is to Indianise the military service and to raise a citizen army in India. When we are confronted with a deficit of 18 crores, there are proposals for additional taxation, and in making these proposals it seems the Honourable Finance Member is very anxious that all classes of people should share in this additional taxation. Sir, I am pleased at the anxiety of the Honourable Finance Member to give equal treatment to all classes. But is it really fair that when the masses of this country are unable to bear even the present taxation they should be asked to bear a share of the increased taxation of this year? The average income of an Indian is taken, even by an optimistic estimate, at between Rs. 40 and Rs. 50. Is it sufficient at this time to maintain the body and soul of a person? If it is not sufficient, it is wrong to tax the large mass of the people of this country. If further taxation is necessary, it must come out of the pockets of those people who can afford to pay and not from those people who do not even get sufficient to keep body and soul together.

Sir, when I examine the taxation proposals, I shall first refer to the proposal to increase the railway rates. The Honourable Finance Member

[Mr. N. M. Joshi.]

proposes to increase the surcharge rates on fodder, fire-wood and grain. All this will be paid out of the pockets of the poor people. I would therefore request this Assembly, before they give their sanction to this surcharge rate, to consider whether the poor people of this country will be able to bear this further burden. Then, Sir, we are told by the Honourable the Finance Member that this surcharge duty is only a temporary one. But we must look into the meaning of his words. They do not mean that the surcharge duty will be removed or cut down next year, but they mean that the rates of the goods as well as the passenger traffic will be raised and the surcharge duty will be merged into them.

Then the Honourable the Finance Member has told us that Government are considering the question on raising the rates of goods as well as passenger traffic. I think it my duty to point out that if the Government do increase the rates of passenger traffic, they should not increase the rate for 3rd class traffic. If there is any one part of the railway traffic which has paid its way, it is the 3rd class passenger traffic; therefore if Government want to increase the rates for passenger traffic, let them first increase the rates for second and first class passenger traffic without giving the first and second class passengers any further comforts. And I say that they must not touch the third class rates until the comforts of the third class passengers have been increased substantially.

The Honourable Mr. W. M. Hailey: May I rise to a point of order, Sir. If the Honourable Member is referring to a statement made by myself, I wish to make it perfectly clear to him, having refreshed my memory, that I said nothing whatever about increasing passenger fares. What I said referred to goods rates.

Mr. N. M. Joshi: The question was that the railway rates should be revised.

The Honourable Mr. W. M. Hailey: 'Goods rates' were the words I actually used, I did not refer anywhere to 'fares'.

Mr. N. M. Joshi: Then, Sir, the Honourable the Finance Member warned us not to be too pessimistic, but I would ask this Assembly to look at his proposals to increase the postal rates. He himself admits that the post is a great means of progress—it helps progress and civilisation. But at the same time he is willing to tax this means of progress and civilisation, thus making the path of progress and civilisation difficult. Is this an act of a man who feels optimistic about the finance of this country? Personally, I believe he feels that the country is on the brink of a catastrophe and, therefore, he must save it even at the cost of civilisation and progress. At this stage, Sir, I wish to say no more.

Lieutenant-Colonel H. Gidney: Mr. President, it is not without some considerable hesitation that I have been able to decide whether I stand up to-day to hail Mr. Hailey as one of his congratulators or as one of his detractors. Taking the Budget as a whole, though, I feel that I have to give it my support. In fact, the more I delve into it the more I come to view that it is a document expressing exceptional boldness and courage and containing the skeleton of a consistent financial policy even in the very

uncertain times in which it has been framed. I feel certain that it will go down in the history of India as one of the most important Budgets ever presented.

Moreover, I feel that I am voicing the opinion of this House when I offer the Honourable Finance Member my sympathy, for none will deny that no previous Finance Member has been so seriously handicapped and so persistently dogged with bad luck as has been the unfortunate lot of the Honourable Mr. Hailey. His position has not been an enviable one for he has had to continually contend against adverse forces, both exogenous and endogenous, from which his predecessors enjoyed an almost complete immunity. I have outside and inside this House listened to most severe and rabid criticisms against the financial policy which the Honourable Finance Member found it necessary to adopt during the past year. Especially with reference to the sale of Reverse Council Bills, but to all such critics I have only one reply to make: He has given us of his best and what more can you expect from any man. If he has erred—'Humanum est errare', but I as well as India thank our stars that you were not in his place. This, however, will not prevent me from offering such broad criticisms as may reasonably come to the mind of a man who does not pose, in any way, as a financial expert.

Broadly, the Budget presents itself to me in this form: On the debit side four-fifths of the expenditure estimated by the Honourable Finance Member represents obligatory items removed, at present, from the direct control of this House. These items are placed out of our purview formally by law, but actually because of contractual liabilities concluded by the Secretary of State on behalf of His Majesty's Government or by the Government of India as the agent of both. The disbursement of the remaining one-fifth is subject to the vote of the necessary supplies by this House, although I suppose that no small portion even of this one-fifth is also obligatory in the sense that the Government of India has already committed itself in some way to its spending.

On the credit side the financial machinery of Government, as offered to us, is a going concern with an income of 110 crores. For some years it has been living a profligate life by dissipating its national credit.

Having previously arrived at his figure of 129 crores on the debit side, the Honourable the Finance Member proposes to put into operation that canon of sound finance which he lays down for our guidance, namely, that the Government should stay this process of living on its patrimony and make its income balance its expenditure. To achieve this purpose he asks this House to impose 19 crores of additional taxation on the country.

Though, as I say, I am no financial expert, yet, I have studied, as has apparently the Honourable Mr. Hailey, that well-known economist Mr. Micawber, but I admit that I had in my own mind translated his great economic principle in the somewhat homely words that 'a man should cut his coat according to his cloth.' In other words, there are two ways of cancelling or of diminishing the deficit. One is the method put forward by the Honourable the Finance Member, to increase our income, and the other what I read to be Mr. Micawber's advice, namely, to reduce our expenditure. Still, I look upon this House rather in the light of a legatee of an Estate which it is taking over with the liabilities attached to it by the testator. I do not wish to probe into the past for it will serve no useful purpose. I look to the future and it is for that future that '*I require some definite guarantee.*'

[Lieutenant-Colonel H. Gidney.]

In my own personal *menage* I find the wherewithal and I spend it. The relationship between this House and the Government is certainly a most peculiar and extraordinary one. It reminds me somewhat of a married couple where the husband earns the money and the wife's duty is to spend it, having regard to the earning capacity of her partner. It is a truism to say that a husband's income is dependent on his wife's output. Well, the function of this House is to provide the supplies, while the duty of Government is to spend the money; but to spend four-fifths of it without our having even a whisper, much less a voice, in the spending.

If a relationship of this sort is to be a stable one it must be founded on mutual confidence and co-operation. Yet, I do not complain. I am willing to accept my inheritance with the conditions *at present* attached to it. But I do want, as I say, *some definite guarantee* that new expenditure, whether of a capital or of a recurring nature, whether concerned with votable or non-votable matters, whether productive or non-productive, whether military, political or ordinary *will* receive the assent of this House, and I am of opinion that that assent should be obtained from the Standing Finance Committee (which I regret to note has no European Member on it) which has been recently elected. I include in this not merely proposals for new expenditure but also for the diversion of existing expenditure into new directions or on new objects. An impression is current, which I share, that the Government of India does not always get or even endeavour to get the best value for its money.

I am, however, very pleased to see that the Government have imported (I don't know whether under the old or new *ad valorem* tariff) a firm of skilled accountants to go into the system of their accounts and I should not be at all surprised if they would find quite a lot to do on the military side. I am not an advocate of reducing the present strength of the Army in India either British or Indian and replacing it with a Territorial or Auxiliary Force. This will not reduce the expenditure; for, above all else, we need a well-trained, efficient and ever-ready army and this needs money, but I do state that the military expenditure would be considerably reduced if the body of London expert accountants, now touring India, devoted their *very* careful attention and scrutiny to the Supply and Transport Branch of the Army Administration, where, I believe, material reductions can be effected without in any way reducing the efficiency of the army as a whole. We are willing to accept *necessary* expenditure, whether it be for material advance or for the internal or external security of the country. I see that a certain sum is provided in the Budget for the purpose of carrying out some of the recommendations of the Esher Committee. I sincerely trust that this House will, in some manner, be allowed an early opportunity to examine the necessity of the case before this money is expended. I say that if you satisfy the Standing Finance Committee I shall be satisfied. I trust that the Honourable Finance Member will take the Standing Finance Committee into his complete confidence and allow it to perform that function on behalf of this House which, by reason of its size and constitution, it cannot perform itself. With this hope, that the spending side of the business will be carefully scrutinised, I now turn to the proposals for additional taxation and I may say that I look with considerable apprehension, remembering the community I represent, on any action which the Government takes that is likely to lead to higher prices. The Honourable Finance Member in his speech expressed satisfaction that the signs pointed to lower price levels,

but *my* experience of the past few days is that the shopkeepers are of a different mind and these, Sir, are the shopkeepers who supply the community I have the honour to represent with their necessary articles of existence. The shopkeepers tell me that the cause is the new import duties and I am afraid I must believe them. Sir, speaking on behalf of my community and of the less opulent Europeans living in this country, I say, without fear of contradiction, that the increased import duties will provide another excuse to the middleman to profiteer, and will make the lot of these people still more intolerable than the war has already made it. Indirect taxation falls on the consumer with double force, and rather than see this I would have welcomed a wholesale revision in direct taxation, even though some of the burden had fallen on the lower incomes. This increase in the cost of living is bound to react on the Government itself. The Government has spent, so I understand, large sums of money in the past two years on making revisions of pay. From the murmurs I hear wherever I go I have got a feeling, that considering the sum involved, the Government have not spent even this money wisely.

It is the members of my community, those who live on small salaries and who depend, to a large extent, on overseas supplies, who are hardest hit by high prices, and who are likely, as far as I can see, to be most affected by the new import duties. Most of them are already living on the barest minimum and the consequence of the still higher prices will be an inevitable demand for higher wages and most of these people are employees of the Government. They are the backbone of our Railway and our Post and Telegraph Departments, for which, as the Honourable Finance Member himself admits, the Government keeps its accounts in such a form that it cannot tell whether they are run at a loss or a profit. If the prices of the necessities of life for these people are now to be increased they will ask for higher wages, and frankly I cannot see how the Government will be able to resist such a demand. Now I ask the Honourable Mr. Hailey if he has taken this contingency into account in framing his Budget? I have attempted to find such a provision in that awful book of figures with which we have been presented but must confess that I have failed. The Honourable Mr. Hailey's anticipation last year regarding Railway profits were falsified, as he says, by this factor. In view of this experience I should have considered it prudent for him to have provided for such a possibility in the present Budget. With my understanding of things in the Railways and elsewhere, I take this opportunity to warn the Finance Member that this is a matter which, in framing a Budget for the coming year, he would be wise not to overlook.

This, therefore, Sir, appears to me to be a further reason why all measures involving additional expenditure in the next year should be jealously scrutinised by this House, which above all things fears the insidious growth of a *fresh* deficit. It is such small items as these which go to make up a deficit of 19 crores, a deficit which I feel sure would have been smaller had it not been for that ubiquitous item 'Miscellaneous' which one sees scattered about all over the pages of the Budget. I put my trust, however, in the Honourable the Finance Member making full use of the Standing Finance Committee during the coming year, and with an assurance to this effect from him I look forward with confidence to a future with more elements of happiness than are apparent at the present time for the people whom, in this House, we are all out, with one common aim to serve.

Mr. N. M. Joshi : I rise to a personal explanation, Sir. In my speech I referred to the likelihood of the rates of passenger traffic being increased, and the Honourable the Finance Member took exception to it. I now read the following sentence from his speech :

‘ 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.’

I leave it to the House to judge whether I was justified in drawing the inference which I did.

Raja Sivanandan Prasad Singh : Though the Budget, as presented by the Honourable the Finance Member, is a gloomy Budget of a deficit of thirty crores with fresh taxations and additional loans, there is hardly any Member in this Council who will not give him praise for the labour and skill with which he has performed his task, which is by no means an easy one.

Sir Frank Carter : May I ask the Honourable Member to speak up.

Raja Sivanandan Prasad Singh : An outcry is raised in the Press against the Honourable Mr. Hailey's Budget (and I am indebted to the *Pioneer* for this collective information) that it is ‘most dismal’, that ‘sweeping imposts on necessary articles of trade will be deeply and rightly resented, that the poor of India are already heavily saddled with rates and if the reforms regime intends to add to them, it had better not have come at all’, that ‘the Budget will be received in the country with feelings of uneasiness, apprehension and anxiety’ and that ‘the huge deficit does but represent the bureaucratic way of irresponsible extravagance,’ and that the Budget of deficits and disasters is unrelieved by any ray of hope and untinged by any sign of reform’, and that the additional taxation is imposed as ‘a burden on the poor’. And if these are the denunciations of the country, the Honourable Mr. Hailey is left severely alone with none ‘so poor to do him reverence’. It must, however, be admitted that with a readiness and characteristic precision which is highly commendable, the Honourable Mr. Hailey has shown us the grim reality and has given us a full and complete information regarding the various items encompassed in his Budget. He has frankly, and as he says with no feeling of regret at the curtailments of powers formerly bestowed on Finance Members, welcomed the measure of partnership in the trusteeship for the finances of India. All these are good enough. But I must say that on looking through the items in the Budget, the Finance Member seems to have presented one side of the shield which he conscientiously thought would be a safe side to regulate India's finances on sound and healthy lines. He has ignored the other side of the shield. India is an agricultural country and it is an irony of fate that poor cultivators who work in fields with their wives and children from morning till noon and from noon to dewy eve are deprived of the rewards of their labours.

All the agricultural produce, such as food-grains, etc., are purchased by the middleman and exported to foreign countries with profit to himself and starvation allowance to the actual cultivator. If India is to develop economically and to take a place among the nations of the world, an embargo should be put on the agricultural produce of the land specially food-grains. The collection realised from the export duty on food-grains would be more than sufficient to meet any deficit in the finances of the country. This is only an arithmetical calculation which could be made from a glance of the trade returns. Look into the export of food-grains, say of 1917, a period much

below normal. The exports abroad of food-grains were nearly 2,915,000 tons. Notwithstanding the scarcity of tonnage, the foreign trade in rice was well maintained. Nearly 1,585,000 tons were exported. These exports were valued at Rs. 18.42 lakhs. The exports of wheat were valued at Rs. 8.95½ lakhs. I am conscious that in presenting the other side of the shield, namely, in proposing an export duty on food-grains which are grown in our country and to which my countrymen have a preferential right of enjoyment, I would be attacked by the wealthier class of merchants and middlemen on the ground that they would cease from buying these food-grains for purpose of export. If they restrain from doing it, I would regard it as a consummation devoutly to be wished for. If the produce remains in the land, the cost of living would go down automatically and there would be no poverty in the country and no unrest anywhere. This is a matter for serious consideration. Ours is a democratic Government which should first look to the welfare of the people committed to its care. All vested rights and interests should be sacrificed for the common good of the country. Now, with regard to the items provided in the Budget, it is unfortunate that at the very outset of the career of the Assembly we are asked to sanction additional taxation to the extent of 19 crores of rupees. It is also equally unfortunate that Government does not suggest any practical measures to ameliorate the present depression in trade or offer any plan which will restore exchange to the 2s. level. It is unfortunate that the Honourable the Finance Member has not given any sufficient reason why the Government sold Reverse Councils at prices below market value whereby a sum of 35 crores of rupees went into the pocket of some speculators and merchants when the rupee was soaring near 3 shillings. In regard to the proposed additional taxation, it is again unfortunate that for a trifling income the Finance Member found it necessary to raise the quarter anna post-card to half an anna. It is a hard hit on the poor people, for post-card is their proper channel of communication. It is also proposed to raise the postage from half-anna to one anna for letters not exceeding 2½ tolas. It would be much better if the Finance Member had left alone the pice post-card and the half-anna rate for letters. With regard to the increase in the *ad valorem* duty on certain imports, I am in hearty agreement with the Finance Member and I congratulate him on the measures he has adopted for the protection of Indian interests. The rise in the import duty will afford protection to Indian industries and articles manufactured in India and a duty of 11 per cent on foreign goods will enable the textile industry of India to compete with Japanese goods which once flooded the Indian market.

Mr. J. Chaudhuri: Sir, the Honourable the Finance Member has presented us with a bankruptcy Budget. He cannot indicate to us any limit of time within which the Government of India is likely to be able to put back the finances of the Central Government on a solvent basis. The Honourable the President of the House has commanded us to say whatever we may have to say with regard to the 1,388 pages of closely printed matter and tables that the Honourable the Finance Member was kind enough to present to us only a week ago, all in 15 minutes.

India has been a land of wonders since time immemorial, and I am not surprised that it has not ceased to be so. We are here as the representatives of the people of India in this our country's Parliament and stand aghast at the very grave and alarming situation that we have to face. The balance of

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trade which but a year ago was 97 crores in our favour all gone and within the course of the present financial year, and the table turned against us to the extent of 52 crores or more, with the result of the utter dislocation of exchange, trade and commerce. This is something unprecedented and is largely attributable to the currency policy pursued by the Government of India, be it at their own instance or be it at the dictation of the Secretary of State, a matter with which I am not at the present moment concerned. Anyhow, we are now face to face with a large deficit, enormous liabilities undischarged; our gold reserve depleted; our paper currency inflated; public debt increased and rupee value depreciated. Over and above that, the cost of the civil and military administration has gone up enormously quite recently. The large deficit in our Budget is sought to be recouped by an elaborate and far-reaching system of taxation which will be found burdensome by the rich and the poor alike. A very large portion of the losses incurred by the Government of India through their speculation over exchange does not appear in this year's Budget but has been kept in suspense, which may re-appear as a further deficit in the 1922-23 Budget, requiring, perhaps, a duplication of this year's taxation and loan if we go on in this way. I feel it to be my duty to point out how we have come to this plight and to suggest means, if I may, how we can save ourselves from the situation. After very careful consideration I have come to the conclusion that our present financial disaster is neither a 'legacy of the war' nor is it attributable to the post-war 'high prices prevailing in India', as the Honourable the Finance Member seems to suggest at the opening of his Budget speech. The war terminated with the balance of trade in favour of India, augmented rather than diminished. Even during the war years or the five years preceding the war, it has been in favour of India on an average of 75 or 80 crores of rupees. With the upward tendency of our balance of trade, it was no wonder that the exchange value of the rupee in terms of sterling was going up in India. The result of this rise of exchange in India was that we were getting a windfall by which the Indian producer and our public finances greatly benefitted in spite of the general rise in the prices of food-stuffs and other commodities. High price is not an evil by itself. It increases the wages and the labourers are not prejudiced by it. The producer in India with the increased purchasing power of the rupee could get imported articles of bare necessity such as cloth, salt, kerosene oil, iron and other base metals with greater facility than he would otherwise have done.

The Government of India could have effected a very substantial saving on what we call our 'Home Charges' and India's War advances. They could have saved quite 30 to 40 crores of rupees in this way and there would have been then no necessity for the imposition of the proposed taxation or the raising of a further loan. On this question, what did America do? They had also a similar windfall, and they utilised all the surplus profits in increasing their Gold Reserve. Why did we not utilise this windfall which we got in increasing our Gold Reserve. What did we do instead? We built stone edifices at Delhi, which is altogether unproductive and unremunerative.

I quite appreciate that for the convenience and stability of trade and commerce a stable system of exchange is very desirable. There may have been some justification, good, bad or indifferent, for a moderate and judicious sale of Reverse Councils at a time when a sterling draft on London was available in India, on, say, a ten-rupee basis. But I have not been able to

appreciate why the Government of India should have persevered in the reckless sale of Reverse Councils Bills till the present financial and commercial breakdown came about. The proof of the pudding is in the eating. The Government is now sadly confessing that they are powerless to control the downward fall of exchange along a steep incline and placing before us the serious consequences of their currency policy to themselves, the public finance, the gold and the gilt-edged currency reserve, to their other assets in England, their note circulation etc., and to the trade and commerce of the country at large. They are unable to suggest any remedy for it and would only trust to luck and Providence. But Heaven helps those who help themselves, but would not help those who run counter to the laws of nature. I shall briefly indicate how the Government of India have preferred to pursue the latter course. When the balance of trade was nearly 85 crores or more in our favour, they prohibited the importation of gold except by themselves. What was the result? When the balance of trade has been in favour of India, as it has been not only after the War but during the War and even during the pre-War days, England and other exporting countries have been indebted to us to the extent of that balance. During the pre-War days the Indian exporters used to realise at least half of this balance (35 to 40 crores) by the importation of precious metals, 80 per cent. of which (25 or 30 crores) was in gold. This was not for the purpose of hoarding. When the balance of trade and exchange was in India's favour, it was to the advantage of Indian trade to pay for her imports from, say, America, Japan, Holland, England and other neutral and Allied countries in terms of gold and therefore private importation of gold was as much a trade necessity as it was in the pre-War days. During the War and the sub-marine operations there was a physical obstacle to its importation. But after the termination of the War there was no reason why a ban should have been put on the private importation of gold which was essential for the maintenance of exchange and balance of trade in favour of India.

The Government by trying to secure a monopoly over gold import have involved the public finances in losses and also the people at large in India: Over and above that the continued sale of Reverse Councils against persistent public protest has involved the Indian exchequer in losses which, according to the more recent announcement of the Secretary of State, amount to 35 crores. That is the legacy that the Government of India is leaving for us as the result of their post-war Financial currency policy. The Honourable the Finance Member has offered us no practical suggestion as to how we are to liquidate these losses, discharge our enormous liabilities, make our two ends meet and restore our balance of trade. I have said that the reversal of our balance of trade is largely due to the continued sales of the Reverse Council Bills and also to a policy of trade control. I shall just say a few words to explain my meaning. By the continued sale of Reverse Councils during the better part of last year the Government managed to withdraw the money that would have otherwise circulated in the country for the legitimate purposes of trade and commerce. When the Government got this money they locked it up in the currency reserve, and the bulk of it was gone in to meet the losses incurred by the Secretary of State in discharging the liabilities in respect of the Reverse Councils and the forced sale of gilt-edged securities. By the adoption of this course, be it by the advice of the Financial Adviser of the Secretary of State or of the Government of India they have gone counter to the recommendations of the Chamberlain Currency Commission. In the first place they have sold Reverse Councils not when the exchange

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was weak and falling, but when the exchange was strongly in favour of India. Next they have depleted the gold currency reserve that required strengthening for stabilising exchange. They have promoted speculation in Reverse Council Bills, which the Chamberlain Commission said they should never do. They did not sell the Reverse Councils in the open market and insisted on deposits with tenders which confined the transactions to a limited circle. The result was that only a limited number of people who speculated in it were profited by it and the Indian Exchequer, the trade and the producers and the general tax-payer, have all suffered serious losses through their speculative transactions. With a superabundance of Indian Bills in the London market, a paucity of gold coin and bullion, an inflated paper currency, the raw produce of India partially controlled and some such as hide preferentially tariffed, a superabundance of exports was bound to follow, reversing the balance of trade against India, lowering the rate of Indian exchange along a line of steep descent, to the serious detriment and loss of the exporter, importer and the Indian producer alike. The result of our currency policy has been not only to involve the Government of India in serious losses and deficits but the general public as well. To meet the deficit and for the indispensable capital expenditure the Honourable the Finance Member has presented to us a cut-and-dried proposal for the increase of taxation and loans. We are expected to nod assent, for with the limit of our time what else can we do? All the same I would venture to make one or two suggestions, and that in the interest of the poorest section of the Indian Community. I say in the first place, do not increase the railway freight on food-stuffs, fire-wood and piece-goods. In the next place do not increase the postage on post-cards, and on letters below the weight of half a tola.

If I am asked how would we make good the deficit, I would say raise a crore or more additional loan pending future retrenchment and tide over your deficit for the present. Each crore of such loan will cost you only 6 or 6½ lakhs in interest, which will be more evenly distributed and will not be felt by anybody. Then when you provide a sufficient sinking fund for a loan, the repayment may be distributed over some generations without making any one generation bear the burden of it. This I have suggested as a temporary makeshift. For relieving the burden of taxation on the poor, for deflating our paper currency, for building up a sound system of paper currency reserve, for providing an adequate sinking fund for our public debts, for meeting the liabilities kept in suspense and for obviating the necessity of imposing any further taxation, we ought to appoint a Retrenchment Board of officials and non-officials and take the assistance of an outside financial expert. I may say in conclusion that if any public company presented a balance-sheet like the Government of India Budget, I am sure the shareholders would have insisted on the directors adopting some simpler method for placing the affairs of the company on a sound and satisfactory financial footing. We are here not merely the proxies of shareholders but also shareholders too in the Government of India, and we are justified in asking its directors to co-operate with us in liquidating the losses and liabilities of the Old Régime and putting the affairs of the Government under the New Régime on a thoroughly sound and business-like footing, and if for so doing a substantial retrenchment has to be made in the civil and military expenditure of the Government, it must be done, otherwise the discredit of it will not only be theirs but ours as well.

The Assembly then adjourned till Tuesday the 8th March 1921.