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LEGISLATIVE ASSEMBLY, 1922



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LEGISLATIVE ASSEMBLY.

Tuesday Monday, 21st March, 1922.

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

THE BUDGET—THE INDIAN FINANCE BILL—*contd.*

Mr. President: We will now proceed with the consideration of Schedule I of the Finance Bill. It has been represented to me that it might be advisable to proceed directly to consider Item No. 44-A on the Amendment List, because on the decision made upon that other decisions rest and, therefore, I think it will be to the convenience of the House to take the proposal immediately to impose a duty of 11 per cent. *ad valorem* on cotton piece-goods.

Mr. C. W. Rhodes (Bengal : European) : Sir, I beg to move :

‘ After Item No. 44 insert the following item :

‘ 44-A. Cotton piece-goods *ad valorem* 11 per cent. ’

Sir, I confess I can best repay the kindness of the House in allowing me precedence to-day by being very brief and to the point, because we have got very important matters to fill in a busy day. I said yesterday all I had to say on the general merits of the case, and I will therefore ask Honourable Members to bear my then remarks in mind and I shall have no necessity to repeat them. But I just want to add this word. The passing of this amendment will not only show that we have the interests of the people at heart even at a sacrifice of vested interests but will raise the dignity of our Assembly and establish once for all, I hope, the doctrine that we are masters in our own House and that we shall regulate our fiscal policy without reference to external interests or Party passions. (Hear, hear.) Sir, I beg to move this amendment.

Rao Bahadur T. Rangachariar (Madras City : Non-Muhammadan Urban) : Sir, I beg to move an amendment to this motion, with your permission :

‘ To substitute the figure ‘11½’ for the figure ‘11’ suggested by Mr. Rhodes for cotton piece-goods, or rather for the figure ‘15’ in the original Bill.’

The other part of my amendment is consequential, *viz.*,

‘ To remove the Item ‘ Cotton piece-goods ’ from the 15 per cent. *ad valorem* list.’

Sir, there are two conflicting questions which face us to-day. The first question is what effect this proposed increase by Government to 15 per cent. of the import duty on piece goods is likely to have on the economic life of the country. The second question is, camouflage it as we may, there is no doubt that Lancashire is taking advantage of the change of Government in England and is trying to force its way on India. Sir, if I am to be loyal to the principle which ought to animate every politician in this country, I see the strength of argument of my friends that we should not yield and that we

[Rao Bahadur T. Rangachariar.]

should stick to 15 per cent. as proposed by Government and thereby show to the world that we are masters in our own house, to borrow the language of my Honourable friend, Mr. Rhodes. But, Sir, as a practical man, I weigh and weigh the facts and figures which have been given to us yesterday as regards the productive capacity of the Indian mills in the land, *viz.*, they do not supply more than 40 per cent. of the consumption and the further fact that the cotton industry does not need protection as admitted by our Honourable friends representing the mill industry in this Assembly, remembering also the great effect it will have on the price of cloth, remembering also the bounty which we have made yesterday to the mills in the shape of removing the excise duty, that is, you have relieved the mill-owners of the 4 per cent. extra excise duty, and at the same time you keep up the 15 per cent. import duty on cotton goods, and, having regard to the operation of the law of supply and demand, having regard to all this, I feel we cannot regulate the price so as to bring it down within the reach of the poor men of this land ; as I said, as a practical man, I am faced with that difficulty ; and, therefore, I apply to myself the old maxim, am I to spoil my nose, if I not cut it off, in order to spite my neighbour. (*A Voice* : ' Don't. ') I quite agree. I know there will be only one answer to such a question, and I feel, therefore, that it will not be right to succumb to sentiment. Sentiment plays a very strong part, no doubt, in the political life of the country. But having regard to the immediate effect it will have, one is tempted to give way in a matter like that. I am sorry if I make a full confession that I am awfully sorry that I am so weak as to give way. (Hear, hear.) I quite appreciate the compliment, but at the same time, Sir, if I were satisfied that the demands of the ryot, the demands of the poor men can be met in a reasonable time, that is to say, if this country is going to embark upon mill industry to such an extent that you are going to supply the wants of at least 80 per cent. of the population in the next two years, I would put up with temporary sufferings which my countrymen would be put to. But what is the chance of such a result ? Looking at it from the practical point of view, is our country likely to produce country mill made cloth within the next two years, so as to dispense with foreign cloth ? (*A Voice* : ' Certainly. ') Well, Mr. Manmohandas Ramji is very sanguine that he will be able to increase it by 50 per cent. and all that. But, Sir, notwithstanding the very huge profits, the much advertised huge profits, said to have been made in Sholapur, Ahmedabad, Bombay and other places, I am ashamed to say that my province is very poor and has not started a mill. My Honourable friend to my left said something which I was not able to catch.

I know, Sir, notwithstanding the huge profits said to be made, that the cotton mill industry, except in Bombay, is not keeping pace with the demand, and therefore I feel oppressed with the fact that the full effect on the consumer will be great, which he will be unable to bear, and I am afraid that it is likely to last for some appreciable period. Having those considerations in view on the one side, and sentiment on the other side, I weighed the question and came to this conclusion that we should merely nominally recognise our rights and the principle that this country ought to be self-contained and ought to be master of its own house as to impose such a tariff as it requires either for protection or revenue, just as the country may require. I want to assert that principle, and that is why I have made this addition of $\frac{1}{2}$ per cent. so as to give emphasis to that principle. This half per cent. is not likely to fall on the consumer to any appreciable extent. Anything above that will fall on

the consumer, who, I consider, is unable to bear it. Therefore I would appeal to my friends—there is a strong difference of opinion among my friends; but speaking for myself, I would ask my colleagues in this Assembly not to take a passionate view on this matter but an unimpassioned one.

One other thing I contemplate and that is this. We want to quiet down and do some constructive work. Are you going to launch the country into another constitutional crisis? We have had enough of it for the last four or five years. Neither the officials nor the public nor the public men have devoted the time and thought they ought to have done in the direction of constructive work in the country. This is sure to launch us into a constitutional crisis, if our Resolution is set at naught, and then we must be prepared to face the consequences. It will have to be followed up not only here in this Assembly but outside by walking out and stamping the country. Is this the time for starting such a question? That is another matter that weighs with me. I recognise the principle, but perhaps I do not recognise it with that strength that my friends behind me would desire. But I recognise the principle and am glad to propose this amendment for the acceptance of the House.

Munshi Iswar Saran (Cities of the United Provinces : Non-Muhamadan Urban) : I deeply regret that I cannot claim to be a practical man in the sense in which Mr. Rangachariar is. I also regret that I cannot take such a dispassionate view as the one for which Mr. Rangachariar has pleaded, but, as far as I am concerned, pleaded in vain. Sir, I submit that this is one of those occasions when one has to speak out one's mind freely and fully. (Hear, hear.) Sir, I wish to know how is it that within the last two days, a great deal of change has come over the opinions and the convictions of a good many of my friends in this House. Sir, I must say at once that there are rumours, vague and indefinite, floating all over the place. We are told that if the House adopts a particular course of action, very serious consequences are to follow. We are told that we shall be brought into conflict with a very important and influential body of men. We are further told that it is possible that this conflict may lead to changes in very high quarters. All that may be true, all that may not be true. It is not for me here to say as to who are the people responsible for starting these rumours. What I say, and say most earnestly, is this : let us not be influenced by rumours : let us not be influenced by considerations which cannot be mentioned here on the floor of this House. (Hear, hear.) If there are any considerations of that kind, I appeal to those who are in possession of the secrets to take us into their confidence and to tell us publicly what they are. It is possible some of my Honourable friends may know more than others; but I submit, with great respect, that that should not influence the judgment of the House on this occasion.

Sir, my Honourable friend, Mr. Rhodes, has very rightly and very pertinently observed that we ought to show that we are masters in our own house; and, Sir, I am so sentimental that I have not been able to appreciate the logic of my friend, Mr. Rangachariar. While paying lip homage to that principle enunciated by my Honourable friend, Mr. Rhodes, Mr. Rangachariar suggests a course which negatives the principle laid down by Mr. Rhodes. I say the honest course is this; either accept this 11 per cent or accept 15 per cent.; this 11½ per cent. has no meaning to my mind. It is too practical for a sentimental man like myself.

- My friend has used the word 'camouflage'. This word is one which gained currency during the war, and I am reluctant to use it; but I shall, if I

[Munshi Iswar Saran.]

may, without meaning any offence, ask : 'Does Mr. Rangachariar expect to camouflage us by increasing that 11 to 11½ per cent.?' Mr. Rhodes' proposition is a clear and straightforward one. You understand where you are. Mr. Rangachariar says : 'We want to be masters in our own house, therefore don't have 11 per cent. but 11½ per cent.', because there are so many practical considerations which have influenced his judgment. If that is practical common-sense, I bid a final farewell to it for all my life. Sir, I must say, and say quite openly, that, as long as I have the honour to occupy a seat in this House, and as long as I have the honour to remain in public life, I will always stand up for one principle that we, the Government of India and this Legislature, shall be masters in our own house. I do not care in the least what trouble it brings, but I will stick to that principle to the last. (*A Voice* : 'We hope so.') 'Hope so?' You may bring forward your practical suggestions, but the House will adhere, I hope, to that principle. What is the position to-day? In Army matters, the Government of India sends a report, and according to the statements made, the authorities in England are still sitting over it. I suppose in matters of civil administration, the delay in accepting some of our demands might be due to the authorities in England. In fiscal matters, what do you find? Till the day before yesterday there was almost a chorus of applause for the firm position taken up by the Democratic Party and I might say, by the National Party. A change has now come—a complete, sudden change, a metamorphosis

Rao Bahadur T. Rangachariar : On this matter the Democratic Party has not committed itself. They have committed themselves only to the excise question.

Mr. N. M. Samarth (Bombay : Nominated Non-Official) : I may rise and say, Sir, that on this matter we keep an open mind.

Munshi Iswar Saran : The House will very soon find out what the effect of the open mind is. The open mind in many cases is very much the closed mind. Sir, my Honourable friends, Mr. Rhodes and Sir Montagu Webb, said yesterday—and very rightly they said—that we should do nothing to prejudice the decisions of the Fiscal Commission. I entirely and thoroughly agree with them. But, Sir, as far as Sir Montagu Webb and Mr. Rhodes are concerned, they put forward this view yesterday. I should like to ask those who voted against Government yesterday in regard to the excise duty whether they remembered this principle or not. I say, that we are laying down no financial principles for we are merely increasing or reducing a tax for one year only in view of the present financial condition. We are doing nothing which should at all influence the Fiscal Commission. I repeat, we are not laying down any hard and fast principle which should create any difficulty for the members who are sitting on that Commission. As I said before, I do not invite a conflict nor do I welcome it, but if a conflict comes in the discharge of what I consider to be my duty to my country, I will not fly from it. Let the conflict come if it must, let us face it and let us not leave a legacy for our successors in this House. (*Hear, hear.*) (*A Voice* : 'A bad legacy.') I am not fond of using adjectives. But I shall borrow one from my Honourable friend this time. He says we shall be leaving a bad legacy. I agree. The situation is this—either you have to accept 11 per cent., or you have to accept 15 per cent. This 11½ per cent. is far too transparent a device and it should be rejected.

(*A Voice*: Then make it 15 per cent.)

The question is only between 11 per cent. and 15 per cent. and I say, Sir, that the change in the attitude of many Honourable Members is mainly due—and I challenge anybody to contradict it—to the currency of certain rumours to which I have already made a reference. I say with all earnestness, stick to your position and see what the interests of the country demand. It is no good saying that we refuse to be dictated to by people outside and in the same breath to accept the dictation. What else is it but a dictation from outside? What else is it but the result of influences which have been brought to bear on some of us? As far as I am concerned—perhaps you are aware that I belong to no Party and I speak on behalf of no Party—I will stick to my position and I will not support the reduction to 11 per cent.

Sir, there is one other remark which I wish to make. I am curious to know the position of Government. Is Government going to accept this reduction? Government itself has proposed 15 per cent. Government has been fighting hard for the increase of taxes and duties for the purpose of getting more revenue and, when a proposal is made for the reduction of 15 to 11 per cent., I only hope that Government will not accept it. If Government accepts this proposal, the impression will be created that it has been accepted for considerations quite extraneous to the merits of the question at issue. Sir, very many friends will be anxious to speak on this question and I therefore shall not detain the House any longer. I shall only say one word more. The Honourable Sir Malcolm Hailey the other day in his Budget speech, in one of his flights of eloquence which we have now learnt to admire, said that the world was watching this youngest of Parliaments. I say, Sir, the world to-day will be watching not only the non-official Members but also the Government of India. May the Government of India and may the non-official Members of this House so act on the present occasion that this watchful world of Sir Malcolm Hailey may be able to say: 'Bravo! Well done! You have faithfully discharged your duty.' And what is that duty? Not to be cowed down by threats, not to be influenced by rumours, but to stand for India and to do our plain duty by her.

Rao Bahadur C. S. Subrahmanayam (Madras ceded districts and Chittoor: Non-Muhammadan Rural): Sir, my Honourable and esteemed friend has been so eloquent and so rhetorical on a matter which, when I analyse it, I find very little in. My Honourable friend has spoken in a tone which shows that there is going to be a cataclysm (*A Voice*: 'He never said that') and that he is going to stand on the tide that may arise from it. Well, Sir, all these heroics are quite misplaced at the present juncture. We are dealing with a simple and a very business-like proposition. Now, what are the simple facts without rhetoric and without eloquence? The simple facts are: The proposal was placed before us for raising the import duty on cotton fabrics by 15 per cent. and, corresponding to that increase, under an old vicious rule or principle or whatever it may be, an excise duty of additional 4 per cent. was placed. Now, we were unanimous in removing the 4 per cent. excise duty yesterday, I mean practically unanimous. (Cries of 'No we were not unanimous.') When I say this, I suppose I speak correct English. Well, we reduced it by 4 per cent. Now, what happens if you keep the 15 per cent. on cloth imported to this country? Who will pay for it? It is the consumer that will have to pay. Who benefits by it? My Honourable friend, Sir Vithaldas Thackersey, and his constituents will benefit by it. When the 4 per cent. excise

[Rao Bahadur C. S. Subrahmanayam]

duty was placed, it was put before us that, in order that the profits may not go into their pockets, let the profits come into the pockets of the Government of India. That was the ground on which the 4 per cent. excise duty was placed. Now we have taken the 4 per cent. excise duty off, what is our logical position? Are we to allow money to get into the pockets of these millowners who, it is repeatedly stated, are making enormous profits and take it out of the pockets of the poor in the land? That is the simple position. It is that position that ought to guide us in coming to our conclusions. Incidentally, another question arises about which we have been considering for a good many years. That is the influence of Lancashire animated by its self-interest in regard to the duties on cotton textile in this country. Now, the excise duty was placed in response to a desire or demand from Lancashire. Now, the point is that we want to destroy, that we do not want to keep up, a certain relation which has become the formula between excise and import duty. That formula we want to destroy and thereby show that we are doing the right thing on other grounds. Let it not be understood that we do it in deference to the wishes of Lancashire or the influences which Lancashire might legitimately bring to bear on the Government of India. That is the simple position. It is in that view that this $\frac{1}{2}$ per cent. or 1 per cent. whichever the Assembly likes, is proposed to be added. If the Assembly thinks that the $\frac{1}{2}$ per cent. should not be added, we will do the right thing even though we are asked to do it by that other person. Because some other person, who never does the right thing, tells us to do it, there are people in this world who will not do the right thing because that other unnamed person asks us to do the right thing, in order to disabuse the minds of people that we are not acting at the instance of those persons. I do not think there is any need for all these mysterious references to secret messages, secret influences which my Honourable friend, Munshi Iswar Saran, referred to. I am not aware of any of those things. I take the view of the ordinary man in the street. Here is a duty of 15 per cent. placed on imported cloth. That, I consider, will be a duty which will have to be paid by the man who buys the cloth and wears it, and that would be justified only for the purposes of revenue, and for no other purpose would I support such a duty.

Now, there is another aspect of this question. The millowners themselves have said that they do not want any special protection; all that they say is: 'Let us be free let us not be hampered in our work'. That is what they have been claiming. As a matter of fact, this mill industry in Bombay does not need protection.

The other suggestion was that mill industries would rise in other parts of the country if there was a special protection. Well, as to that, we had last year an instance in Madras. A concern was started under the auspices of the Governor, but it died still-born soon after; it did not flourish. There was protection, there was help, but it did not flourish. Industries do not flourish merely because there is protection given to them. Therefore, I consider that this matter may be looked at simply from an ordinary common sense point of view, that is, should we raise the import duty on cotton to 15 per cent. and thereby make the wearer of cloth pay, while all the profits go into the pockets of the millowners. That is the simple question. As for these other matters of constitutional intricacies, I am perfectly convinced that there is no such thing. We might reserve all our courage, all our

daring, and everything of manliness for an occasion worthy of such courage and such daring. We need not show our courage on a very simple and ordinary matter like this.

Sir Montagu Webb (Bombay : European) : Sir, I feel that I must support the motion before the House (*A Voice* : ' Which motion ? There are two motions. ')—the motion to reduce the duty on cotton piece-goods to 11 per cent. I do so on quite different grounds to those to which my Honourable friends have already referred. Yesterday, I pointed out to the House that so long as the Fiscal Commission, which is now sitting, have not made their Report, it would be very improper—so it appears to me—and inexpedient for this House to make any changes in the tariff which could in any way be said to prejudice the functions of that Commission. (*Mr. Rangachariar* : ' We want to show our inclination. ') The House, during the course of yesterday's debate, recognised this principle so far as to withdraw two minor amendments which I think my Honourable friend, Sir Vithaldas Thackersey, put before the House on the subject of cocoanut kernels and sulphur. They were withdrawn because the Fiscal Commission was sitting and it was not right for this House to prejudice these matters.

Now, if we turn to the introductory speech of the Honourable the Finance Member of the 1st of March last, I find that Sir Malcolm Hailey says :

' We are confronted with the fact that the Fiscal Commission is now sitting and, if the needs of our revenues were not so urgent, we should have preferred to wait the conclusion of that Commission's deliberations.'

Sir Malcolm Hailey concludes this paragraph :

' In framing our proposals we have however endeavoured to preserve to the greatest possible extent the general character of the present tariff and the general relation *inter se* of the various duties. In other words, we have endeavoured to limit our proposals in such a way as not to involve any important change of principle in the existing fiscal arrangements.'

Now, I submit, Sir, that that attitude is strictly correct. If this House increase the excise duties by 4 per cent. they would rightly increase the import tariff by a similar amount. If, as the House did yesterday, they decline to enhance these excise duties, then, I think, this House must in a similar way decline to enhance the import duties. Although I recognise the great urgency for converging the deficit which is looming before us, I nevertheless feel that, if Government are going to maintain that correct attitude towards the Fiscal Commission, which Sir Malcolm Hailey foreshadowed in his Budget speech, they ought to support the proposal to keep the tariff on cotton goods to 11 per cent.

Mr. Harchandrai Vishindas (Sind : Non-Muhammadan Rural) : Sir, I had no intention of rising, but, after the remarks which have fallen from my esteemed friend and esteemed fellow-citizen, Sir Montagu Webb, I feel it my duty to say that I do not subscribe to the principle or proposition which he has tried to lay before us, that is, that because the Fiscal Commission is sitting, we are therefore debarred from exercising our judgment in the matter of taxation. I think that is a very unsound proposition altogether (*Sir Montagu Webb* : ' I did not make that proposition ') because, if I understand Sir Montagu Webb rightly, the Fiscal Commission had to take into consideration what are the proper forms of taxation that should be raised in this country and what should not. But, I submit that the functions which the Fiscal Commission are intended to perform are to consider whether to prescribe for

[Mr. Harchandrai Vishindas.]

this country a policy of free trade or protection ; also to lay down certain principles by which the fiscal autonomy of this country would be governed. To-day, however, we are sitting here to decide the question as to what amount of taxation for one year we should raise. That is entirely different. But, even if it were otherwise, I do not see that any question of prejudice would arise in the doings of the Fiscal Commission by any action that we take here to-day. Why should we not let the Fiscal Commission understand what are the views, what are the principles that guide this Assembly, leaving it open to the Fiscal Commission to come to their own conclusions on their own judgment. If they are influenced by the voice of the Legislative Assembly and by the decision that this Assembly arrives at, so much the better, and I think they would be right in doing so. But, if they do not, there is nothing to compel them to accept the conclusions of the Legislative Assembly in regard to their findings. Therefore, I would submit to this House that too much stress should not be laid upon the fact of the Fiscal Commission sitting now and our decision being in conflict with the Fiscal Commission. The real consideration that should be borne in mind is whether it is in the interests of the country that we should have 11 per cent. or 15 per cent. Now, I daresay that, without in any way paying heed to the amount of heat that has been imported into this debate by Munshi Iswar Saran, and without in any way being influenced or frightened by the bogeys that he has created, I think there is a good deal to be said both on the side of 11 per cent. and on the side of 15 per cent. I quite agree with him that 11½ per cent. or half-past-eleven is a camouflage. I do not subscribe to half-past-eleven. But one great reason which influences me in leaning to the side of 11 per cent. is that suggested by Mr. Rhodes when he gave us comparative figures of consumption at the time when there was a higher duty and when there was a lower duty. It seems that in this particular commodity the law of diminishing returns works very rigidly and very severely, with the result that, although we are now saying we are raising revenue, in the long run it may turn out that we are not. That is an argument in favour of the 11 per cent. At the same time, I am not sure whether, on this particular occasion, after we have raised the duty to 15 per cent., there will be such a reduced consumption as to work out this disastrous result. There is also this consideration whether this 15 per cent. will really affect the consumer, poor or rich. From one point of view I think that, if this import duty on foreign cloth is raised to 15 per cent., surely as a logical corollary it will raise the price of the imported cloth. Now, then, let us see whether that will in any way affect the price of the home-made cloth locally manufactured. I think, according to experience and by all the laws of economy, when there is the same kind of stuff selling in the bazaar which the man in the street cannot discriminate between, the retail dealer always takes advantage of the rise in the price of any other kind of commodity. There is a sympathetic rise ; and I am afraid, if you raise the price of the imported article, then the middle man, that is the retail seller—and, for the matter of that, even the mill producer—will raise the price of his cloth at the same time ; so that even if it should be said that the imported goods—I think the Honourable Sir Malcolm Hailey pointed out to us yesterday that the percentage of consumption of imported goods is 40 per cent. and there remains 60 per cent.,—even then, I say that, when that 40 per cent. consumption is taxed, the 60 per cent.-wallah will take advantage of that and raise his prices. That will affect the poor. On the other hand, we have

to see whether this opportunity of raising the tax should be altogether given up. That is a consideration in favour of 15 per cent. But, as I have said, if we have regard to the fact that it may not be possible to get all the income we anticipate, if we raise this duty, then, I think, that consideration in favour of 15 per cent. goes out. Taking all the *pros* and *cons*, and whilst repudiating the principle laid down by Sir Montagu Webb about the Fiscal Commission, I think it works out in the end in this sense, that it will be in the interests of the country to have only 11 per cent.

Mr. S. C. Shahani (Sind Jagirdars and Zamindars : Landholders): Sir, I beg to oppose the amendment that has been proposed by my Honourable friend, Mr. Rhodes. If this amendment is accepted by the House, I have no doubt that the House will make itself liable to being misunderstood, and rightly too, in the country. It has been said that the productive capacity of our country is small and that, therefore, we shall have to rely upon foreign markets. In the discussion that we have had on the subject so far, it has been brought out that the country is at present able to produce 40 per cent. of the cloth that is required in the country, and that, when the machinery that has been ordered is received, which will happen soon enough, we should be in a position to manufacture 80 per cent. of the cloth that we require. Even if these calculations be not strictly accurate, one can well imagine, Sir, that in a very near future we shall be able to supply a large portion of the demand for cloth in the country. It ought to be altogether undesirable then to decide to rely upon foreign markets for our supply of cloth. It has been also said, that protection is not needed by the cotton manufacturing mills in India. If it is not needed, do not give it. But first be sure that it is not. I feel that it is perhaps not needed by the Bombay millowners alone. Everybody here knows that they have been realising large profits. I heard the other day my Honourable friend, the Finance Member, say that no one should object to their realising large profits. Government and the commercial services too have at times been realising large profits. I do not in any measure endorse this opinion. It will remain a grievance of the people, and rightly so, that very large profits should be realised by any agencies in India without their surrendering a portion for the benefit of the country. I would tax these surplus profits heavily since the country needs money. If you want to raise money that the country needs, you ought not to cripple the country's resources. If you do not assiduously industrialise India, you may take it from me that you will never be able to make your revenue meet your expenditure. Protection or free trade is not the question now. It has been said that that question should be left to the Fiscal Commission. I am prepared to leave it to the Fiscal Commission. But what has happened is this: A member of the Fiscal Commission, Mr. Rhodes, has intervened and moved that we should reduce the proposed import duty of 15 per cent. to 11 per cent.

Sir Montagu Webb: Because the excise has been reduced.

Mr. S. C. Shahani: The two should not go together. How can anybody reasonably propose an excise duty on the piece goods manufactured in India? To my mind it is monstrous to come forward and say: 'Go in for an excise duty because you are levying import duties'. We are entitled to levy import duties. We are entitled to develop our own resources and no one has really any business to intervene and say: 'If you go in for developing your industries, then at the same time make it easy for foreigners to compete with

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you.' That will be a wrong procedure, altogether wrong, for the country to adopt; and I trust that Indians will soon realise that any proposals suggesting this procedure do not deserve to be entertained even for a moment. The members of the Indian Fiscal Commission should now leave the Members of this House free to decide this question in any manner they think fit. When the Fiscal Commission define their recommendations and present them to the House, they will be duly considered. If after consideration, the House is of opinion that the recommendations of the Fiscal Commission should be adopted, it will adopt them. The present proposal of 15 per cent. import duty is to have force for one year only. After one year it will be revised if it is found that the policy underlying it needs correction. It has been said that the prices will go high in the country. I admit that for some time the prices may go high, but in my opinion it will be a penny-wise-pound-foolish policy not to endure this temporary enhancement of prices. It has been said that some of those who have supported the proposed increase in the import duty in this House have been themselves wearing foreign cloth. Quite true. But in their case it has to be remembered that their wardrobes were replenished before the Indian Swadeshi sensibility was reinforced. It is to be hoped that they will not in future go in for cloth that can be manufactured in the country. The cloth that is manufactured in the country is coming into vogue, and I trust that that vogue will go on gathering strength as time passes. If for some time for our industrial development we are required to pay high prices, we should not grudge the payment. The point to be borne in mind is the ultimate effect of this payment. If the ultimate effect cannot but be good, then, I submit, in all humility but with all the strength of conviction based upon some economic knowledge, that we should not hesitate in the least to reject Mr. Rhodes' proposal.

Then I pass on to the consideration of the question of bounty that has, it has been said, been given to the millowner in the reduction of the proposed excise.

I think the language here employed is a mistaken language. Reduction of the proposed excise duty from $7\frac{1}{2}$ to $3\frac{1}{2}$ per cent. can never be deemed rightly a bounty. As a matter of fact, even the $3\frac{1}{2}$ per cent. that has been imposed upon the cloth manufactured in the country is out of place. If the House had its own way, I feel that the House would not allow this unprecedented excise duty of $3\frac{1}{2}$ per cent. to remain even for a day. Come then to the question of constitutional crisis. Those that are proposing a reduction from 15 to 11 per cent. are stimulating a constitutional crisis. Do you think it will be easy to throw dust into the eyes of the people? They have known that pressure has been brought to bear upon the Government and through them upon the House from England. That is now an open secret. This pressure should be resisted. If we have got to adopt any fiscal policy, it should be our own fiscal policy and not a policy that is dictated to us by others. At this juncture we should avoid a constitutional crisis. How shall we be able to avoid it? By sticking, I submit, to the proposal of 15 per cent., which is a Government proposal. Verily, the world is watching this young Parliament which has been brought into existence in India. Shall we be right in thinking that the world will miss the undue influence under which this House may go in for accepting this reduction? Not a bit of it. Camouflage it as you will, the thing will become patent to all thinking beings. Instinct

is a good guide, but I can assure you that here instinct is duly supported by reason.

Mr. N. M. Joshi (Nominated : Labour Interests) : It has been said that State finance is a very difficult subject. I have always found it so and I, therefore, during the Budget discussion, made it a point to listen carefully to the speeches of great financiers, such as my Honourable friend, Mr. Rhodes and the Honourable Member from Karachi, Sir Montagu Webb, and others, in order to learn something about it. But, unfortunately, instead of my mind being cleared, I feel some more confusion is being created by listening to their speeches yesterday and their speeches this morning. Sir, when it was a question of salt tax, I think my Honourable friend, Mr. Rhodes, voted in favour of the increase not minding the interests of the consumers. He thought that the working classes of India are very well paid. Therefore they must be taxed. I am not speaking about the condition of the working classes just now. I shall seek another opportunity for that purpose. The Honourable Member from Karachi, Sir Montagu Webb, was very anxious yesterday to cover the deficit which the Government has found in their Budget even by levying a salt duty. He thought that was absolutely necessary. You may tax the salt and other necessities of life, but the deficit must be covered. Otherwise, there will be a great disaster. To-day, he is going to leave a bigger deficit uncovered and for what purpose? In order that the Government should maintain a respectful attitude towards the Fiscal Commission, perhaps especially because my Honourable friend is a member of it. I, therefore, feel greater confusion in my mind on account of the speeches of the great economists than getting my ideas of finance cleared. Sir, as regards the tax itself, I have always protested against increasing the import duties on the necessities of life. I am, therefore, glad that from that point of view my Honourable friend, Mr. Rhodes, has moved his amendment. Even last year attempts were made to increase the duty on piece-goods and even at the cost of the good-will of my Bombay friends, I had opposed that proposal. I, therefore, feel that, whatever the reasons may be, it is in the interests of the working classes that the right thing should be done. I do not mind with what motives the right thing is being done. I do not mind if some people in the interests of Lancashire lower the duties on piece-goods and the working classes get the benefit of it. The working classes do not mind with what object the thing is done as long as they secure their object. Sir, I was astonished to find my friend, Mr. Shahani, supporting the increased duty on cloth, saying that this is a time when we should make a great sacrifice in order to build up our industries. I am always for sacrifice. I want the people of this country to make greater sacrifices than they are making to-day, but I would like that those sacrifices should be made by people who can afford to make the sacrifices such as my Honourable friend, Professor Shahani. I would, therefore, suggest to him that, in order to give encouragement to the Indian industry, let us double or treble or make fourfold our income-tax. I am prepared for it and if the Government does it, I shall give my vote most wholeheartedly (*A Voice*: 'On behalf of the Party?') as my Honourable friend says, on behalf of my Party, which is not very strong in this House. Before I close, I should like to know what the attitude of Government is going to be towards this question. Ordinarily, whenever there is a speech made against a tax, up rises the Government Member to give a reply. Unfortunately, we do not find them standing to-day. Are they going to stand up for their revenue or not? That is a very interesting question for us to

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see. I hope they care for their revenue and, therefore, they will support those people who want the increase in import duty on cloth. Personally, my vote is in favour of either the amendment of my friend, Mr. Rhodes, or of Mr. Rangachariar.

Dr. H. S. Gour (Nagpur Division : Non-Muhammadian) : Sir, I have felt some difficulty in speaking to this Resolution because of my friend, Munshi Ishwar Saran. Last year a Resolution was tabled at the instance of the Bombay millowners for the enhancement of cotton duties from 11 to 12½ per cent. . . .

Mr. Jamnadas Dwarkadas (Bombay City : Non-Muhammadian Urban) : May I remind the Honourable Member that the Resolution was tabled by Mr. Spence and not by the Bombay millowners ?

Dr. H. S. Gour : My friend, Mr. Jamnadas Dwarkadas, need not remind me of it. Probably he will remember the lobbying to which he was himself a prominent party and I have before me a report of the discussion in which he took so prominent a part. He was, if I may say so, the second father of that Resolution.

Mr. R. A. Spence (Bombay : European) : May I protest against the insinuation that I was lobbied by my Honourable friend in proposing that Resolution ? I deny it.

Dr. H. S. Gour : I am glad, Sir, I have made at least one convert to the cause of rational taxation. Now, Sir, when this Resolution was
 12 NOON. moved, we on this side of the House, speaking for and in the interest of the general tax-payer, stoutly and boldly resisted any attempt made on the part of interested millowners to raise the revenue by the increase of the import duty from 11 to 12½ per cent., and I am glad to find, and I have refreshed my memory, that Munshi Ishwar Saran voted with the majority, and a strong majority it was because those who were in favour of the increase of the cotton duties were 21 and the majority of 56 included my Honourable and esteemed friend. Now, Sir, the principle which we then enunciated is a principle which I wish to reiterate here to-day. We said last year that the primary and sole function of the Members of this House on the occasion of passing the annual Financial Statement is to direct and concentrate their attention upon the sole and single issue as to what are the requirements of the country during the next 12 months. We do not wish to digress from that plain purpose and to divert our thoughts to the larger questions of protection and free trade and to the motives of the Government of India or of the British Cabinet. The moment, Sir, we go into those large questions, we forget and lose sight of the main issue for which we sit here on this particular occasion. I hope Honourable Members will clear their minds of all cant that has been spoken this morning about the threatened constitutional crisis, about the threats and menaces given by the Lancashire people, and about what the British Cabinet may do with regard to the import duties. I hope Honourable Members will address themselves to one question and one question only. Suppose, for the sake of argument, that the Honourable the Finance Member had proposed to raise the duty, let us assume, upon Motor cars or, let us say, upon any other import from 11 to 15 per cent., and suppose Mr. Rhodes, speaking on behalf

of the people of India, were to table a Resolution and to move for its restoration, for the restoration of the figure of 11 per cent., what would have been the verdict of the non-official Members of this House? Would they have voted with the Government and said: 'You want 15 per cent.; we want to enhance these duties because we want to make every motor car in this country dear; we want you to increase it, to have more revenue because we know as a matter of fact that you are an extravagant Government, you have been wasting the country's money in military adventures and in excessive civil expenditure', Will that be a logical attitude, I ask, for the Members of this House to take? And how can you justify, how can my friends, Professor Shahani and Munshi Iswar Saran, justify their attitude this morning with their pledges, with their constant and repeated pledges, given for the last two or three days, for the consistent reduction of civil and military expenditure and for the reduction of the taxes on the other articles proposed to be increased by the Finance Bill? I ask you, Sir, how is the conduct of the Honourable Members consistent with what we have heard to-day? I can only imagine that, when on the previous day they cut expenditure down and they vetoed the additional taxes, they were inspired by the sole and single object of seeing that the expenditure was at the minimum and that taxation was equally at the minimum. If that was their intention during the last three or four days, what has transpired, I ask, within the last 24 hours for my Honourable friends, Munshi Iswar Saran and Professor Shahani, now to take up the cudgels for enhanced taxation?

Mr. S. C. Shahani: It is in the country's interests.

Dr. H. S. Gour: My friend says, this is in the country's interests. I think that the Professor would not have forgotten that memorable parable immortalised by Aesop which we know as the story of the wolf and the lamb. I think it was the wolf who told the lamb: 'You are a very good fellow, but dire necessity compels me to swallow you.' My friend having no better argument to adduce, my friend having no justification for the increase of the already onerous burden which has been placed upon the country, pleads justification for what he says is to the benefit of the country. Well, Sir, in a few minutes I will prick that bubble. Now, Sir, I have said before, and I repeat it, that we must address ourselves to this question on the sole and single ground on which we want this money. I submit it would be inconsistent with our policy of a general retrenchment, it will be inconsistent with our policy of giving the Government as little as we possibly can with a view to use pressure upon the Government to impose economy in their various Departments, civil and military, I say it will be inconsistent with our policy which we have pursued, and in pursuance of which we have cast our votes here before, I say it will be inconsistent with not only the policy but with the principles which the Democratic Party and the National Party have consistently pursued. (*A Voice:* 'No, no, it is not a Party question.') Some of my friends are suffering from short memories. (Laughter.) I was telling them, I was reminding them what they have done in the past and of which a faithful record, I submit, has been made in indelible ink. I am not telling them what they should do to-morrow or to-day, but I am reminding them of what their policy has been in connection with the Budget and its accompanying Finance Bill.

Dr. Nand Lal : (West Punjab : Non-Muhammadan) : Don't bring in the Party question.

Dr. H. S. Gour : I say that policy has been the policy of general retrenchment and ruthless economy. If I am right, then I ask my Honourable friends on what grounds can they justify a departure from that policy. Now, Sir, my friends, Professor Shahani and Munshi Iswar Saran, tell us that we justify this increase upon the ground that it is absolutely necessary in the best interests of the country. Let me, Sir, ask the Honourable Members of this House how it is necessary in the best interests of the country. Professor Shahani will tell us, and he has in fact told us to-day, that the increased burden which the Government propose to place upon the country will recoil upon the tax-payers of this country, and the price of cotton goods, already high, will become higher in the immediate future. (*Mr. S. C. Shahani* : 'For a short time only.') But he says it will be for a short time only, and thereafter, I presume, we shall enter upon the millenium. The millenium, Sir, will come for the millowners, but not for the poor half-naked consumer. It is for him I speak; it is for him I submit that Mr. Rhodes has been speaking; and it is his cause that is dear to him and to me. We are not here to legislate for all time; we are here legislating for the next 12 months; and can it be conscientiously said that, during the next 12 months, there will be such a revolution in the mill industry of this country that the prices of cloth will come down, as is prophesied by Mr. Shahani? I venture to submit, Sir, that it is utterly impossible. Consequently, if the immediate effect of this enhancement would be to send up the price of cotton goods throughout the country, would it not, I ask, increase that trouble? To use the language of my friend, Mr. Jamnadas Dwarkadas, who is, I understand, the sponsor of this increased taxation, and who has been applauding

Mr. Jamnadas Dwarkadas : Sir, if I may be permitted to correct my Honourable friend, I believe that the increased taxation is a Government proposal and I am not responsible for it.

Dr. H. S. Gour : who has been, Sir, most jubilantly applauding Professor Shahani's speech, would it not be, I ask, a messenger of revolution in every cottage, in every homestead, in every village in this land? (*Mr. Jamnadas Dwarkadas* : 'Nonsense.') He who spoke for the dumb millions of this country in a voice vibrant with feeling and in a voice full of conviction, now feels that the interests of the dumb millions of this country will be best served by increasing the cost of their clothes.

Mr. Jamnadas Dwarkadas : I must protest, Sir. I have never expressed any such opinion. My Honourable friend is insinuating all these things.

Dr. H. S. Gour : Sir, I am delighted to hear that my friend dissents from the view I impute to him.

Mr. Jamnadas Dwarkadas : I neither assent nor dissent.

Dr. H. S. Gour : I hope, Sir, that he will follow a more consistent policy. If he does so I still have hope for him. And, Sir, in appealing to him I also appeal to my other friends, the millowners of Bombay, not to consider this question from a parochial point of view, but to look at it from the broad statesman-like view of the best and the sole interests of the consumer. (*Mr. Manmohandas Ramji* : 'What about the Fiscal Commission?') Now, Sir, my friend, Mr. Manmohandas Ramji, whose vote I covet equally with the vote of Mr. Jamnadas Dwarkadas, asks me a question, the reply

to which, I am perfectly certain, will make him another convert to my view. He asks me, Sir, in an interjection which I welcome from him, why the Fiscal Commission was appointed. I say, Sir, that I did not appoint the Fiscal Commission, but, judging from the reports I have received, reports which my friend must also have received, the Fiscal Commission was appointed to examine the whole Imperial policy in regard to free trade and protection and to find out what is best in the interests of the country, that is to say, of India. So long as that matter is *sub judice*, I am perfectly certain that this House will not pronounce upon any particular questions which may hereafter embarrass us in criticising and examining the decision of that Fiscal Commission. But my friend, Mr. Manmohandas Ranji, could not but have listened to me in vain if he has not understood what I said. I said that I did not base my opposition to the Government motion on the ground of the Fiscal Commission ; I do so on the short ground that it means a reduction of taxation and further retrenchment and economy. This is in consonance with the policy which we were pledged to, namely, to give the Government as little money as possible, so that they may impose economy and retrenchment. I, therefore, ask the House to support Mr. Rhodes. I do not ask the House to support Mr. Rhodes on the somewhat adventitious ground that the Fiscal Commission is now in session and we must await its report. I do not, on the other hand, ask this House to negative this amendment of Mr. Rhodes on the ground that in the far off dim distance India might benefit from the development of the mill industry. (*Mr. S. C. Shahani* : 'In the near future.') My friend, Mr. Shahani, says it will develop in the near future. Is he prepared to say that the 40 per cent. of the total consumption of cloth which we now spin for the people will increase to 100 per cent. in the next 12 months ? If he does so, he is a bold prophet. He says : 'No, it will not'. Then, Sir, if it will not have the effect of increasing the outturn of the mills to that extent, I submit he has no case at all. The sole ground upon which he supports the imposition of this duty by Government is the ground that the mill industry in this country requires development and that it will develop that industry in the near future. Now, Sir, I say to Professor Shahani, as I say to the Honourable Members of this House, our immediate purpose is not to discuss the general question of protection and free trade ; nor are we here to overhaul the industrial policy of the country. We are sitting here to find money for the Government to carry on within the next 12 months. That was the salutary principle which the Honourable the Finance Member enunciated last year ; that is the principle which he has enunciated and re-enunciated in answer to various proposals from various parts of this House. I ask Honourable Members once more to remember that, when Colonel Gidney moved a Resolution in this House for the levy of an import duty on patent medicines, the Honourable Finance Member said : 'Our duty is to find money.' And because there are certain quack brands and certain nostrums which come to this country of a poisonous and mischievous kind, that is a different matter and cannot be considered in conjunction with the Budget debate. I, therefore, submit, Sir, that these questions, which my friend, Professor Shahani, and my friend, Munshi Iswar Saran, have raised in this House, are not germane to the discussion.

Mr. B. S. Kamat (Bombay Central Division : Non-Muhammadan Rural) : Sir, I rise to a point of order. We have a large agenda before us. I believe my friend is exceeding the time limit.

Dr. H. S. Gour : One word more and I have done. Honourable Members will remember, Sir, that I gave yesterday notice of an amendment abolishing or rather opposing the increase on the kerosene duty. That means a saving of Rs. 90 lakhs. Now, the increased cotton duties from 11 to 15 per cent. are estimated to bring in Rs. 1,41,00,000, and, if we accept Mr. Rhodes' amendment, we shall lose Rs. 1,41,00,000. If, therefore, we accept his amendment and give up the kerosene amendment (*Voices : ' Why ', and ' What right have you ? '*) My friend asks me what right have I, and my answer is that I am the author of that amendment. (Laughter.) (*A Voice : ' You cannot withdraw without our permission '.*) When that comes, you better refuse it. Then comes the next question, are we to accept Mr. Rhodes' amendment or are we to accept Mr. Rangachariar's amendment? Now, as regards Mr. Rangachariar's amendment, there has been a great deal of misunderstanding. Mr. Rangachariar is perhaps partially responsible for it. Honourable Members will find that there has been an increase in the stores used by the mill industry and that would entail an extra burden upon the mills of Bombay and elsewhere. That, I submit, is our best justification for raising the import duty by half per cent. We shall lose, I understand, between Rs. 10 to Rs. 12 lakhs and that would be the amount which the Government will receive from the increased import duty upon mill stores. Sir Vithaldas Thackersey thinks that I am right, and, I submit, therefore, that we shall be restoring the balance between the mill industries by accepting Mr. Rangachariar's amendment, (*Mr. N. M. Samarth : ' Do you accept Mr. Rangachariar's amendment ? '.*) Yes, *viz.*, by reducing the Government proposal of import duty of 15 per cent. to 11½ per cent. (Hear, hear.) That, I submit, would amply justify the position that we take up in this connection.

As regards Lancashire, I have studiously avoided saying any thing at all. I consider any proposal coming from that side as resorting to the use of constitutional power for the purpose of over-awing this Assembly with the supremest contempt. I submit that India has complete fiscal autonomy, which has been vouchsafed to it, and I do not think this Assembly can be terrorized or overawed by any pressure that comes from that quarter. (Hear, hear) We, I submit, should not allow our judgment to be influenced by these extraneous considerations. At the same time, Sir, I think it behoves us as representatives of the people of India not to bring in those considerations in the deliberation of the question, which, I submit, would be not only irrelevant but is at times liable to warp our judgment. Let us look at this question from the sole and single point of view of what is necessary for the purpose of carrying on the administration of this country for the next 12 months. I, therefore, strongly commend to the House the acceptance of my friend, Mr. Rangachariar's amendment.

Mr. Jamnadas Dwarkadas : Sir, I have been listening with rapt attention to the wonderful eloquence of my Honourable friend, Dr. Gour. (Hear, hear.) I have always thought that my Honourable friend, Dr. Gour, is undoubtedly a great lawyer and a great speaker, but I never knew that he would also play the rôle of a thought-reader. (Laughter.) At the same time, I congratulate myself that, when some of the interesting speeches on this question were being made, Dr. Gour, instead of doing his duty of listening to them, thought that I was so much worthy of his attention that he watched the movement of my hands to see whether I was applauding or not,

and tried to read what was passing in my mind. Now, whatever I may think of my Honourable friend, Dr. Gour, as a politician—and I am not going to express my opinion here (Laughter), I do not think my friend has proved a successful thought-reader, and my advice to him, if I may give him a piece of advice, is to mind his own business and not to try to peep into other people's thoughts.

However, Sir, the question that is being debated here is undoubtedly a question of vital importance. I must say at the outset that the whole responsibility for bringing about this unfortunate question rests on the shoulders of the Government (*Mr. N. M. Joshi* : 'They have not spoken yet'), I say for bringing about this question. There is no doubt that, if they really wanted to make the work of the Fiscal Commission bear fruit, they could have waited and not brought forward any proposal of interfering with this question of tariffs. They knew full well that it was a question on which Indians feel and feel very keenly. I believe Mr. Montagu said last year to the Lancashire deputation that he could never dream that any Member of the Indian Legislative Assembly would ever agree to increasing the excise duty. When Mr. Montagu, living so far away in England knew that, the Government of India knew very well that the Indian Members of the Legislative Assembly would never agree to any enhancement of the excise duty. They bring these two, the enhancement of the excise duty and the enhancement of the import duty and I think they are responsible—they cannot escape the responsibility—for bringing about this unfortunate question at this moment. Now, Sir, what is the position? The enhancement of the excise duty has been rejected by the House (*A Voice* : 'And rightly'), and rightly rejected, no doubt; and now the question is, now that we have rejected the enhanced excise duty, whether we should agree or not agree to the enhanced import duty. Now, I am in the same difficulty in which my Honourable friends, Mr. Rhodes and Sir Montagu Webb, are. I am a member of the Fiscal Commission. I do not want to commit myself as to what I think about this question, *viz.*, what is the import duty that we ought to impose for protective purposes. I do not want to commit myself to that at all. At the same time, I want to point out clearly to this House that, having gone into this question a little more deeply than my friend, Mr. Rangachariar, and those who think with him have gone, I am not prepared to accept the statement that they have made that the raising of the import duty is likely to cost so much to the consumer as would justify their indulging in these eloquent appeals to people, asking them not to raise the duty. (Hear, hear.)

I am not prepared to accept that. It is a matter for the Fiscal Commission to consider, and the Fiscal Commission will give their considered opinion on the subject. I do not, therefore,—whatever the House might decide on this question, whether 15 or 11 per cent.—I do not want the House to commit itself to the statement that has been made by either Mr. Rangachariar or Dr. Gour, who, I may say in passing, does not seem to know much about the subject. (Laughter.) I leave aside the question of protection or free trade altogether. I leave aside the question as to whether the duty falls heavily on the poor consumer in India or not. I come to the plain and simple issue; Government have made this proposal for the purpose of obtaining revenue. Are we going to grant them this proposal or are we not? No one will be more pleased than myself; I can assure this Honourable House that no one will be more pleased than myself if it were possible for

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Government to forego this additional revenue, so as to encourage the policy that we have laid down of retrenchment if they promise reduction in the expenditure. So far as I am concerned, I want to give prominence in my remarks to what has been most eloquently and justifiably stated by my Honourable friend, Munshi Iswar Saran. There is no doubt that, in arriving at our decision, I think it would be difficult for us to come to an impartial decision because of the fact that across the seas in England there has been going on an agitation which has undoubtedly caused irritation here. I want to lay down this, as my Honourable friend, Mr. Rhodes, has already laid down that we are masters in our own house, that we are not going to follow a policy or give up a policy because Lancashire wants us to do so. I want from my seat in this House to let the British Parliament know that, Mr. Montagu having established this convention in accordance with the Report of the Joint Select Committee of Parliament in 1919, India is as much entitled to fiscal freedom as other Colonies. If the British Parliament, even if the lugubrious *ex*-Governors of inglorious and inconspicuous careers, or an *ex*-Viceroy, interfere with this right, that we in this House and India hold sacred, they will be responsible for creating a situation which I am sure they will deplore. (Hear, hear.) I want this assurance, whatever may be the decision of this House on the question, whether 11 or 15 per cent, I want the Government of India to give us this assurance, because it affects their reputation as much as it affects us, that in our fight for obtaining fiscal freedom and securing our rights, they will stand by us shoulder to shoulder and not tolerate any interference from outside. That is the main issue for which I am fighting. I am not going to commit myself to what I want but, at the same time, I think this issue must be made clear by the Government of India.

Sir P. S. Sivaswamy Aiyer (Tanjore *cum* Trichinopoly : Non-Muhamadan Rural) : I want to ask the Honourable the Finance Member what the attitude of the Government is going to be on this matter.

The Honourable Sir Malcolm Hailey (Finance Member) : Sir, I so frequently have to declare the attitude of Government in order to provide my Honourable friends opposite with the opportunity of attacking that attitude that I am this morning determined to enjoy what is an unusual pleasure to me, namely, hearing my Honourable friends declare their own views. I have made up my mind on this subject, but wish first to hear what my Honourable friends have to say on the question. (Hear, hear.)

Khan Bahadur Maulvi Amjad Ali (Assam : Muhammadan) : Sir, I am not an orator, but, after having heard some speeches, and after having considered the vital importance of the subject, I could not help rising on my legs to say a few words.

Sir, I am now going to attack three speeches at least (Cries of 'Oh!') as being inconsistent. The first speech is the speech of Mr. Rhodes. That his speech is altogether inconsistent has been shown by my friend, Mr. Joshi. Well, Sir, a gentleman who is found to be averse to the reduction of the salt tax cannot be said consistently to be sound in his motion for the reduction of this tax. So I submit that his speech is inconsistent and does not commend itself to any consideration of this House.

The second speech is the speech of my friend of the Democratic Party, Mr. Rangachariar. Well, I have altogether failed to understand the wisdom of his

motion. Let it be 11½ per cent. What difference does it make. At least I, and the vast majority of the House do not think that it makes any difference. My last attack is on the speech of my friend, the learned Dr. Gour. The learned Dr. Gour seems to me very eloquent in his speeches always, but I regret very much to point out that his speeches sometimes contain nothing. (Laughter.) My friend, Dr. Gour, is no doubt a learned man, no doubt an eminent lawyer, and an eminent writer of law books ; but in my humble opinion the speech which he has made to-day in this House shows in unmistakeable terms that the gentleman has no insight whatever into the matter with which he claimed to be dealing in this House. (Laughter.)

My friend, Dr. Gour, in his highflown speeches unfortunately has always failed to make any impression upon me and has failed to make any impression to-day as well. With these remarks, Sir, I pass on to the important subject. (Laughter.) Sir, whether it is 15 per cent. or whether it is 11 per cent. it makes no difference whatsoever so far as the interests of the poor go. Their cry is a cry in the wilderness always. If it is raised to 15 per cent., most of the mill owners will make much out of it. They will increase the price of their goods and it will very seriously affect the condition of the poor people. If it is reduced to 11 per cent., it will equally affect the pocket of the poor masses no doubt. It will not at all improve their miserable position. They are thus between two fires and which fire they are to choose whether 15 per cent. fire or 11 per cent. fire? That is to be decided by this House. Now, I have given the matter my best thought and am of opinion that they should choose 15 per cent. fire. (Hear, hear.) Sir, Dr. Gour I have come to this subject again) flatters himself with the idea that he is the leader of the Democratic Party. If I mistake not, I have reason to believe that he is the father of that Party (Cries of 'No, no.' I speak, of course, subject to correction. (Laughter.) I cannot understand how he, being a man of such high intelligence, fails to grasp that the 15 per cent. tax will do at least some good to the country. Am I to make him believe this, am I to explain this to him, am I to become his teacher in this matter? Does he not see that thereby it will make the people learn indigenous industries? He does understand all this. But then he has his own policy. I have been studying him all through since I have been here and I have found him 'dash'. (Laughter.)

Rao Bahadur T. Rangachariar: I do not know if any Honourable friend will indulge himself any further in such directions. I seriously ask this of my Honourable friend. When he says 'dash' it is really an insinuating 'dash'.

Khan Bahadur Maulvi Amjad Ali: That 'dash' means, Sir, playing fast and loose in the matter of policy. Now, Sir, instead of wasting time over this subject which has already engaged the attention of this House, I oppose the motion.

Now I pass to another subject. I have been a devoted adherent of the British Government all through my life (Hear, hear), and have been following the principle of the Government always firmly and faithfully. After the presentation of the Budget to this House, I found that the Government was attacked from all quarters with all sorts of remarks, namely, 'bankrupt Government,' 'insolvent Government,' 'deplorable Government,' and so forth and I found also that there was a cry all through that the Government was not

[Khan Bahadur Maulvi Amjad Ali.]

treating well the people of this country by imposing heavy taxes simply for the purpose of building up a strong army in the Frontier and therefore the military expenditure must have big cuts. That was the cry all through. To-day I find, if I mistake not, that Members of this House have reason to understand that the Honourable the Finance Member would come down to accept 11 per cent. I feel in my heart of hearts that that is never the position of Government. But if it is otherwise, then I must be permitted to say that the Government of India should be always consistent. The consistency of the Government of India would keep up not only their own prestige but also the respect of the persons who are their adherents. If to-day the Honourable the Finance Member comes down and accepts this 11 per cent., how would the deficit which I am told is one crore and forty lakhs be met? The other day the Honourable the Finance Member stated that it was difficult, after due consideration and after due scrutiny, to cut down any expenditure. But to-day, if he is going to come down from 15 per cent. to 11 per cent., thereby making a deficit of one crore and forty lakhs, will the Honourable the Finance Member explain how he is going to meet that deficit? What is the reason underlying this change if any. There must be some reason underlying it. If the Government is inclined to yield to the wishes of this House, I must say that there is some underlying reason. That reason is unknown to me and to the people of my class who are the fast adherents of Government. Sir, I submit very sincerely in the interests of the Government of India and in the interests of the faithful subjects that the Government of India should not be over-awed by the adverse opinion of the Party people and by any number of oppositions and should not allow themselves to be influenced by the interested opinions of those people but they should adhere, strictly adhere, to the principles which have once been laid down after due consideration by the Government of India. If to-day it is found that the Honourable the Finance Member accepts 11 per cent., the Government of India will be and must necessarily be criticised for their inconsistency and the persons who so faithfully follow the Government will consider hereafter that it is a dangerous thing to follow the Government always. I have bitter experience of this nature and I am afraid some sort of thing is being worked up. I do not know what that is ; otherwise why should the Government of India come suddenly down to 11 per cent ? For the increase of revenue there is this tremendous fight going on between the Government on the one side and some Members on the other, I find that there is tremendous opposition in this House over the military expenditure. I submit, Sir, that there must be 15 per cent. at all cost. Even if the House accepts 11 per cent. by majority, I submit, and submit very respectfully, that the Government should not yield an inch to this proposal and must stick to 15 per cent. With these words I oppose the motion.

Dr. Nand Lal: May I rise to a point of order, Sir ? If a Member of this Honourable Assembly rises fifteen times and is not able to catch the President's eye, who is responsible for that ? I raise this point as a point of order. I want your decision, Sir, because my province will come down upon me. Yesterday, I got up twenty times and could not catch the President's eye, and, yesterday, some of my friends, who were in the gallery, told me that the whole province would call upon me to give explanations why I did not take part in a most important debate.

Mr. President: I think I had better give the Honourable Member an opportunity of withdrawing those last remarks, which suggest a reflection on the behaviour of the Chair.

Dr. Nand Lal: I will not withdraw.

Mr. President: The Honourable Member must be aware that he was using something like a threat just now. If he uses a threat to the Chair, well, I need perhaps only give him a warning. (Cries of 'Withdraw, withdraw'.)

Dr. Nand Lal: I do not withdraw at all. This is not a threat at all to the Chair. This is my humble submission and I am not prepared to withdraw what I said. (Cries of 'Withdraw, withdraw'.)

Mr. President: The Honourable Member does not seem quite to understand what he allowed himself to say a moment ago. It is a matter of common Parliamentary experience, and the longer the Honourable Member sits in this Assembly the more he will realise it, for it happens to every Member who engages in public life, that it is not in the power of the Chair to give every Member all the opportunities which he desires. If the Honourable Member will remember that, and, if he will look up his name in the index to the proceedings of this House for previous Sessions, I think he will find that he has no complaint against the Chair in the matter. ('Hear, hear,' and cries of 'Withdraw, withdraw'.)

Dr. Nand Lal: If I may be permitted to offer my submission (Cries of 'Order, order') I am not a child to be commanded by you (addressing the Member who interrupted); I have to perform my duty. (Interruptions.)

Mr. President: I wish the House would leave the Honourable Member to address the Chair.

Dr. Nand Lal: It is a pity that Members instead of addressing the Chair have begun to address me. (Laughter.) I would very respectfully submit that I have the greatest regard for the Chair and I am one of those who always very honestly and sincerely obey and adhere to the rulings of the Chair. (Hear, hear.) I never interfere and I never interject while other Members are speaking. But whenever there is an important question in which my province is involved, I feel bound to stand up and ask the indulgence of the Chair. My complaint is that I got up on various occasions, when I was prepared to take part in the debates, especially in the debates in which my province was involved, but I see that I was unable to catch the President's eye. This is my submission; this is simply a constitutional submission; I do not think I have done anything wrong.

Mr. W. M. Hussanally (Sind : Muhammadan Rural) : I entirely dissociate myself from the remarks made by my Honourable friend, Dr. Nand Lal. He is not the only man who has been getting up ten or fifteen times and has not been able to catch the eye of the President. It is, in fact, a common, every-day experience, that several speakers do rise every time, and it is simply impossible for the Chair to allow every one of us to speak. I myself am sailing in the same boat as Dr. Nand Lal has been. Even to-day I have risen no less than half a dozen times, as my friend here will bear witness,

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and have been unable to speak; but that is not the fault of the Chair. If Dr. Nand Lal and my Honourable friend, Dr. Gour, will only have a little pity upon us and curtail their speeches, I think every one of us will have a turn to speak. I say the same thing to my friend, Mr. Amjad Ali, on the other side of the House, who has also taken an inordinate time this morning in speaking.

Mr. Harchandrai Vishindas: I want to add to some of the remarks which have fallen from my Honourable friend, Mr. Hussanally, and point out that Dr. Nand Lal has gone out of his way in saying that it is with the object of pleasing his constituency that he is speaking here and that he is being blamed by the province of the Punjab for not taking proper part in the debates. I entirely agree with the Chair that Dr. Nand Lal has taken a much greater part in the debates than many of us have done in the last Session. Unfortunately, a few days ago, he was absent.

Mr. President: I cannot allow that remark to pass. I pointed out to the Honourable Member for the Punjab that he would see that, so far as he was concerned, he had no quarrel with the Chair regarding previous Sessions. The Honourable Member from Sind seems to suggest that there was some favouritism on the part of the Chair.

Mr. P. P. Ginwala (Burma: Non-European): The Honourable the Finance Member paid us a compliment when he said from the other side of the House that he did not usually intend to speak until some of us had finished. He also expressed the desire that we should give him a treat to-day, this not being a Party day, by giving expression to our own individual views as opposed to our Party views. Some of us are going to take him at his word and do that with a vengeance. I hope that the Honourable the Finance Member in his turn also will give us the pleasure of listening to his own personal views in the matter rather than the views of the Government. We see no distinction between ourselves and Honourable Members occupying the Government Benches. We have the same sort of conscience in dealing with Party matters as the Members sitting on the Government Benches have in dealing with Government questions. On Party questions we are here to give expression to the corporate opinion of the Party, which correspond to the Governor General in Council, whose opinion the Honourable the Finance Member expresses personally when he speaks on behalf of the Government. But to-day I speak as an individual and I should like to know sometime to-day, in the course of the debate, what the Honourable the Finance Member as an individual has to say in respect of the question before the House, apart from the views of his Government.

This morning I felt very much like our friend, Sir Roger de Coverley, as the argument was developing. You may remember, Sir, that he was in the habit of reading two papers every morning, two papers expressing different views. When he got the first paper he agreed with that paper, when he got the second paper he agreed with that one; and I went on doing so, agreeing with the first speaker, then with the next, until Dr. Gour spoke. And then—mind, Sir, this is not a Party occasion, so I am free to express my opinion—I made up my mind entirely against Dr. Gour (Laughter), and I came to the conclusion that, after all, the first thoughts of the Government expressed in the original Finance Bill and our own first thoughts to

support the Finance Member in his proposal to have a 15 per cent. duty were the best. Of course, if I was in the habit of quoting Dr. Gour to show his inconsistency, I could do it every day in this House ; but I am afraid I can remember nothing that is worth quoting of what Dr. Gour has said. But if the House remembered it, I assure the House that on every occasion the House will be able to demolish Dr. Gour by quoting Dr. Gour against himself. Therefore, Sir, there is no point in Dr. Gour telling the House that we have been inconsistent. All of us are inconsistent. Our friends on the Benches opposite are inconsistent every day. They say one thing in the morning ; the circumstances change in the afternoon and they say another thing. With reference to this very question the Honourable the Finance Member said one thing last week, and is going to say another thing to-day. It is not they who change ; it is the circumstances which change and which account for inconsistencies. But, so far as we are concerned, I submit we have not been inconsistent. We have been told that we cut down the demands with a heavy axe, in order to reduce expenditure and now we are reminded that, when there is a proposal to cut down the revenues, we are opposing it.

I deny that we cut down expenditure for the sake of cutting down expenditure. We did it because the interest of the country required that we should do it. We are acting on the same principle now. We feel that the interest of the country does require the 15 per cent. duty, and that it is preferable to the 11 per cent duty, specially having regard to the present circumstances.

The plain issue before the House is this—I do not shed any crocodile tears on behalf of the consumer like my Honourable friend, Dr. Gour, and his supporters ; nor do I mind if the rich millowner on my left makes money. He denies that he makes money, but even if he did make money, he is entirely welcome to it (so far as we are concerned). But we have made up our minds that India is going to be a protectionist country, and that means the consumer must at first necessarily suffer. Whether he suffers now or six months later makes no difference, to those who hold my views at any rate. But there is another question involved in this issue. Last year, this very point was raised in the House of Commons and it was then, I believe, decided more or less that when on a question of this kind the Executive Government agreed with the Legislative Assembly, Parliament was not to interfere but was to accept the decision of this House as the decision of the people. And we were allowed last year to impose this duty of 11 per cent. That was a vindication, or rather, a recognition of the principle that this country had the right to manage its own fiscal business. (Hear, hear.) A principle had been established, a principle that was not to be interfered with by Parliament when the Legislative Assembly had agreed with the Executive Government on any question. Now, Sir, if this year no proposal had come forward in the first instance from the Government to increase the duty, both the excise duty and the import duty, I should have taken no exception, because that principle would not have been affected in any way. But the proposal has come forward from the Government on the ground that they wanted the revenue from this increase ; and if the Government does not now stick to the proposal with the approval of this House, then, I submit, Sir, that that principle is destroyed. (Hear, hear.) I have no fear of any constitutional crisis, as I need hardly tell you, with my past record in the House, brief as it may be, or ignoble, if you like as it may be. I am not afraid of a constitutional crisis. If

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a constitutional crisis has to come, let it come. The best thing is to meet it in the proper way, not to avoid it, because it is bound to come sooner or later on this or any other issue. We want to know from Parliament whether it does really mean that we should obtain the reforms that Parliament told us we were going to get ; we are going to put Parliament to the test and we want to know whether Parliament is going to trust its own judgment or whether a small section of Parliament represented by Lancashire is going to coerce that great Parliament to accept its judgment. That is the plain issue before the House, and now is the time, I submit, to test that issue and to put Parliament to the proof. The question has been frequently asked whether Parliament was sincere on this point. If Parliament now finds itself unable to carry out its intentions and give us what it says it is willing to give, we shall know that the Reforms are not a great success. If, on the other hand, Parliament accepts our decision, as it must if it is sincere, we shall be in a position to say that the Reforms have been a success to that extent. Therefore, Sir, I would vote certainly against the amendment moved by Mr. Rhodes, and also against the amendment moved by Mr. Rangachariar, because, though the latter recognises, whilst the former does not, the principle which is at stake, it does not recognise it as emphatically as it is the duty of the House to recognise it, now that it is definitely raised, and debated on.

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

The Honourable Sir Malcolm Hailey : Sir, I rise purely in order to prevent my Honourable friend carrying out his threat because I should be unwilling that the House should vote on the question before I have had an opportunity of explaining my own position to the House.

I declined to speak at an earlier stage, Sir, not being perhaps equally anxious as some of my Honourable friends here to capture your eye,—I found the House engaged in an exceedingly interesting discussion which showed great variety and great difference of opinion. It is not, I think, unnatural that Government should on such an important occasion desire to learn fully what are the views of the Assembly before it decides to give its own. I myself have been in some difficulty this morning because I have not perhaps fully understood or fully appreciated those suggestions of influences that have been brought to bear, and rumours of dreadful happenings that may supervene. I merely assume therefore that the House knows exactly what are the main issues, and the implications which underlie this case ; and I certainly am not going to indulge this morning in any suggestion that it is necessary for us to be swayed in our judgment here by any consideration except the merits of the question pure and simple. (Hear hear.) I am afraid I cannot give Mr. Ginwala the pleasure he seeks of hearing my individual views on this subject. A member of Government does not enjoy the same privileges in that respect as many of my Honourable friends who belong to different Parties in this House. They, I notice, seem to have a very wide liberty allowed them not only of expressing their individual views but of dissenting entirely from the views expressed by other members of their Party. That privilege, Sir, I am afraid, I cannot assume myself. We have perhaps proceeded somewhat further on the undesirable path of discipline than some of my Honourable friends here. (Laughter.)

Now as to the merits of the question. We put forward a piece of combined taxation—15 per cent. *plus* the additional 4 per cent. on cotton

excise duties. I have already explained to the House fully the reasons underlying that proposal, and I do not wish to repeat now what I said at great length yesterday on that subject. In short, we proposed to increase the cotton excise duty in the hope that we should be allowed to take for ourselves a certain amount of the profit which would accrue either to the manufacturer or the middleman or some one else by our raising of the import duty to 15 per cent. But, Sir, the House has been unwilling to give us that increase on the cotton excise duty, and from my point of view the attractions of the combined operation are therefore considerably lessened.

We were aware that our proposal to increase the general import duty to 15 per cent would, of course, have the effect of increasing the price of cloth to the general consumer. That was inevitable, but we were prepared to face that in view of our necessities and because we hoped, as I said, to make that additional sum from the intervening profits which I have already described to you. Now that we are not allowed to take our share of those intervening profits, the question arises, is it worth while facing all the undesirable consequences which will follow from the increase in the general cost to the consumer for the sake of the remaining income, namely, 140 lakhs?

Mr. N. M. Joshi : You want revenue.

The Honourable Sir Malcolm Hailey : We want revenue—that is perfectly true. But my advice to the House is, that it is not worth while for the sake of that Rs. 140 lakhs bringing those consequences on the country at present. I deplore any loss of revenue but I must look at the consequences arising out of this increased taxation. Are they proportional to the benefit to the State from the additional revenue expected? My feeling about this increase is that it will cause an amount of disturbance which is not proportionate to the income that we are to receive. (*A Voice : 'Manchester.'*) As regards Manchester, I say with absolute truth that Manchester and the feelings of Manchester have nothing to do with us. If I advise the House that the amount of disturbance that will be caused to the country is not worth that 140 lakhs, I do so with a clear conscience. I do so with every intention of asserting on behalf of Government that we intend to maintain fiscal liberty for India under the terms now secured to us. I assert here that if at any time we wish to raise our general import duties for our own sake and if we feel that we can do so in a manner that will cause no harm to the country at large, then we ought to have liberty to do so and we intend to assert that liberty against Manchester or anybody else.

I have spoken with some emphasis on this point because I feel that it is, and must remain, a cardinal point in the policy of the Government. This matter we are considering this morning is a comparatively small matter. I should be very unwilling indeed if in this matter the Government of India were to lie under any such imputation as has been suggested by the interjection of my Honourable friend. I have taken the responsibility of giving this advice to the House, and I would defy the Honourable Member to say that I am actuated by any sympathy for the feelings of Manchester in doing so. We have received no pressure on this matter from outside. I have come to this conclusion after listening to the arguments to-day with a fresh mind, and I ask my Honourable friends here on the Government side to support me because they know as well as I do that our attitude is clear in this particular respect. But I repeat at the same time that nothing I have said this morning should lead any Honourable Member to think that the Government

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of India will weaken in any way in its determination to secure liberty in fiscal matters for this country.

Sir Deva Prasad Sarvadhikary (Calcutta : Non-Muhammadan Urban) : Sir, some people are more fortunate than others. They hear rumours sooner than others, and hints, possibly innuendoes affect them, may influence them. On the question of these rumours and their influencing Mr. Rhodes' amendment, I shall not refer to that very vulgar fraction of half in the $11\frac{1}{2}$ per cent. gratuitously proposed by Mr. Rangachariar. What is the position with regard to that amendment? Mr. Rhodes is not likely to be one of those who would be influenced by rumours in advance. Had he not given notice of that amendment quite early in the day (I hear a voice : 'No' but the printed agenda belies him) long before we had thrown out the Government proposal about reduction of cotton excise, there ends the tale. Whoever thought that this House in the different sections was going to be united and that the Government proposal was going to be signally defeated. I mean the proposal about 4 per cent. cotton excise. Few were foolhardy enough to think that we shall be doing that and Mr. Rhodes has tabled his alternative amendment speculatively in advance.

Mr. N. M. Samarth : You were not in touch with our feelings.

Sir Deva Prasad Sarvadhikary : I do not know what feelings Mr. Samarth refers to. Bombay mill feelings have been enough consulted and the feelings of the country have now to be consulted. Mr. Rhodes had anticipated matters as a business man, the consumer also had to be protected. Sir Malcolm Hailey has therefore taken quite the right line this morning. It is the House that should decide this question and I hope the House is going to decide it in the only way that is open to it now. We have been told this morning by friends of the Democratic Party that this 15 per cent. is a one year affair and ought to be allowed to stand. That is borrowing Government language with a vengeance. But the Honourable Member who put in this plea also said that India is going to be a protectionist country and whether the consumer is to suffer to-day or six months later is a matter that does not concern us and we better begin now. That is a frank and intelligible proposition but hardly right under the circumstances. About this proposal for addition of 4 per cent. excise, I thought that the Government was more or less in the position of the American backwoodsmen—I shall not call them a rabble—of the olden times—that rushed in and told the jury to hurry up with their verdict because they had already strung up the prisoner. I was, however, not going to attribute that position to the Government because they put it on revenue grounds—which covers a multitude of sins. What has been done to-day, Sir? While the Fiscal Commission is sitting, the Democratic Party declares from this House, because we have the ultimate power of voicing that India is going to be a protectionist country and therefore we begin the protection to-day. That is a sort of feeling which I hope will not dominate this House in this matter and now. A fiscal committee has been appointed. Good men and true have been going all over the country collecting evidence and we are bound to wait for their decision. We cannot anticipate it and Government should never have suggested that this House should anticipate their verdict—even for the year and even for revenue purposes. I myself would probably support the protectionist point of view, but that is another story altogether. If it

was put purely and merely upon revenue grounds, that would be a thing that possibly we can understand, though not excuse, but if it is to be on other grounds I think it is the duty of the House to resist the movement to-day and give the chance to the Fiscal Commission that it deserves. Sir, we are glad of two things this morning. I do not want to take any unfair advantage, but we have it, if not directly, at least by implication from Sir Malcolm Hailey that after all the negligible crore and 40 lakhs need not trouble the House very much. That is what the House has been saying to itself in insisting on retrenchment and reduction of taxation. And the House is glad to be justified. Further, we have the very great advantage and satisfaction of being assured that, whatever the pressure of opinion in England may be, the Government of India stands united and will see that we get fair play. And as we are taking Sir Malcolm's advice, no question of the dreaded certificate procedure can possibly arise.

Sir P. S. Sivaswamy Aiyer : Sir, when I put a question sometime ago to the Honourable Finance Minister for the purpose of obtaining information from him as to the attitude of the Government on this question, my object was not to draw him out and make an attack but simply to guide myself to some extent in the light of the attitude that the Government proposed to take. I am one of those who endeavour to preserve an open mind on these matters, and I like to have as much light and information before arriving at a decision as I can secure. Sir, there are two or three aspects of this question which ought to be considered by the House in coming to a decision. The first, and perhaps the most important, aspect is, what is the best thing in the interests of the tax-payer and of the people generally? Now, looking at it from that point of view, there can be no doubt that a reduction of the duty on foreign piecegoods is to be welcomed. If the mills in the country were capable of supplying all the demand for cloth, it might perhaps stand on a different footing. But it is admitted that the Indian mills cannot supply more than a certain percentage of the demand, and that we have to depend upon foreign goods, necessarily, the import of foreign goods must have a great influence in keeping down the level of prices in this country. Looking at the question, therefore, from the point of view of the consumer and of the people generally, a reduction of the duty is a matter to be received with feelings of satisfaction. There are, of course, other points of view besides this. If this reduction of tax stood by itself, and if it was not to be followed by other measures proposing the substitution of some other kind of duty, we should be perfectly easy in mind. My Honourable friend, Mr. Jamnadas Dwarkadas, asked for some sort of assurance on the question whether Government would be able to go on with the amount of taxes which the Assembly has agreed to or will agree to in the course of the Finance Bill, and whether it would be possible for the Government to make both ends meet if this duty were reduced to the current year's level of 11 per cent. The answer to that question necessarily has a bearing upon the decision we may arrive at. While it is desirable that the price of cotton goods should be reduced, it leaves open the question,—if a tax is necessary, which is the least objectionable tax? Whether we should prefer a duty on cotton goods, or a duty on some other articles. We have already made up our minds on some matters, we have already decided to take off the salt duty, and we have decided to take off the proposed increase in the excise duties; and another matter upon which, so far as I can understand, the Members of this Assembly feel strongly is that the duty on machinery should be reduced to the

[Sir P. S. Sivaswamy Aiyer.]

old level of 2½ per cent. These are three matters upon which Members of this Assembly feel strongly. Now if we can be assured that the wishes of the Assembly on these three matters, and upon this question of the reduction of the duty on cotton goods, will be respected and that there will be no attempt on the part of Government to put back these demands and certify the Bill, then we need not have any hesitation at all in voting for the Honourable Mr. Rhodes' proposal. I hope it will be possible for the Government to give some sort of assurance upon this question. There are other aspects of the question which will have also to be considered. Underneath all the discussion that has been going on, there has been a lurking suspicion that this proposed reduction in the cotton duties is due to some desire to meet pressure from Lancashire. I do not know how far that is true, or whether there is any foundation for it. If there were any truth in any such suspicion, I should certainly be opposed to making any surrender of our own fiscal liberty in defence to any wishes of any people outside this country. (Hear, hear.) But after the assurances which have been given by the Honourable the Finance Minister of the desire of the Government of India to uphold the cause of fiscal freedom for this country, I think we may dismiss that suspicion from our minds; and I hope also that if there is any danger to our fiscal freedom, the Government of India will give us timely intimation of such danger so that we may fight the battle in right earnest and in proper time; and, when the battle does come to be fought, I hope the Government of India will range themselves on our side (Hear, hear) and, if it goes against us, they will resign collectively, *en bloc*. (Hear, hear.) Sir, after the assurance which have been received from the Honourable the Finance Minister, I think we may dismiss the political aspect of the case from consideration, and treat it merely as a question of revenue,—as a question of what is needed in the interests of the tax-payer. If in the interests of the finances of the country the Government tell us that they will be able to go on with what we have decided to give them under this Finance Bill, and with what we may in the course of our discussions give them, subject, as I have said, to the reservation which I have indicated with regard to the duty on machinery,—if the Government can give us this assurance, and if there is no danger of any action on the part of Government in the way of putting back any of these taxes against the wishes of the Assembly or in spite of the wishes of the Assembly, I do not see the least objection to the proposition which has been moved by the Honourable Mr. Rhodes, and I would therefore readily agree to his proposal.

(Several Honourable Members : 'I move that the question be now put.')

Mr. President : The original question was

Mr. Jamnadas Dwarkadas : Before you put the question, Sir, I may be permitted to ask, as my Honourable friend, Sir Sivaswamy Aiyer, has asked for an assurance from the Government, will the Honourable the Finance Member say whether he can give such an assurance ?

The Honourable Sir Malcolm Hailey : I am sure that my Honourable friend will recognise that all we are able to do is to take note of the very strong desire expressed by Sir Sivaswamy Aiyer on behalf of his friends, and I think, on behalf of the House, that we should identify ourselves with the verdict of the House on this particular point, and not advise that any further

constitutional action should be taken. I can, I am afraid, say nothing further than this, that we recognize the very strong desire that he has expressed on behalf of the House in this regard and we shall take it into careful consideration.

Mr. President : The original question was :

‘ That after item 44 a new item be inserted :

‘ 44-A. Cotton piece-goods *ad valorem* 11 per cent ’.

Since which an amendment has been moved :

‘ To substitute the figures ‘ 11½ ’ for the figures ‘ 11 ’ in the last column.’

The question is that that amendment be made.

The motion was negatived.

Mr. President : The question is :

‘ That in Schedule I, after item 44, the following item be inserted :

‘ 44-A. Cotton piece-goods *ad valorem* 11 per cent.’

The Assembly then divided as follows :

AYES—68.

Abdul Quadir, Maulvi.
Abdul Rahim Khan, Mr.
Abdulla, Mr. Saiyed Muhammad.
Ahmed Baksh Khan, Mr.
Aiyar, Mr. A. V. V.
Aiyer, Sir P. S. Sivaswamy.
Asjad-ullah, Maulvi Miyan.
Bagde, Mr. K. G.
Barua, Mr. D. C.
Bijlikhan, Sardar G.
Bradley-Birt, Mr. F. B.
Bray, Mr. Denys.
Bryant, Mr. J. F.
Chatterjee, Mr. A. C.
Clarke, Mr. G. R.
Cotelingam, Mr. J. P.
Crookshank, Sir Sydney.
Dalal, Sardar B. A.
Das, Babu B. S.
Dentith, Mr. A. W.
Faridoonji, Mr. R.
Fell, Sir Godfrey.
Gajjan Singh, Sardar Bahadur.
Gour, Dr. H. S.
Gulab Singh, Sardar.
Habibullah, Mr. Muhammad.
Hailey, the Honourable Sir Malcolm.
Hullah, Mr. J.
Hussanally, Mr. W. M.
Ibrahim Ali Khan, Lieut.-Nawab M.
Ikramullah Khan, Raja M. M.
Innes, the Honourable Mr. C. A.
Joshi, Mr. N. M.
Kabraji, Mr. J. K. N.

Kamat, Mr. B. S.
Keith, Mr. W. J.
Latthe, Mr. A. B.
Lindsay, Mr. Darcy.
Mahadeo Prasad, Munshi.
Misra, Mr. P. L.
Mitter, Mr. K. N.
Muhammad Hussain, Mr. T.
Mukherjee, Mr. J. N.
Nabi Hadi, Mr. S. M.
Nag, Mr. G. C.
Nand Lal, Dr.
Percival, Mr. P. E.
Ramayya Pantulu, Mr. J.
Rangachariar, Mr. T.
Rao, Mr. C. Krishnaswami.
Renouf, Mr. W. C.
Rhodes, Mr. C. W.
Samarth, Mr. N. M.
Sapru, the Honourable Dr. T. B.
Sarfaraz Hussain Khan, Mr.
Sarvadhikary, Sir Deva Prasad.
Sharp, Mr. H.
Spence, Mr. R. A.
Srinivasa Rao, Mr. P. V.
Subrahmanayam, Mr. C. S.
Tulshan, Mr. Sheopershad.
Ujagar Singh, Baba Bedi.
Vincent, the Honourable Sir William.
Vishindas, Mr. H.
Waghorn, Colonel W. D.
Way, Mr. T. A. H.
Webb, Sir M. dePomeroy.
Zahiruddin Ahmed, Mr.

NOES—30.

Abdul Majid, Shaikh.
 Agnihotri, Mr. K. B. L.
 Amjad Ali, Maulvi.
 Ayyangar, Mr. M. G. M.
 Ayyar, Mr. T. V. Seshagiri.
 Bajpai, Mr. S. P.
 Bhargava, Pandit J. L.
 Bishambhar Nath, Mr.
 Chaudhuri, Mr. J.
 Ginwala, Mr. P. P.
 Girdhardas, Mr. N.
 Iswar Saran, Mr. N.
 Jejeebhoy, Sir Jamsetjee.
 Lakshmi Narayan Lal, Mr.
 Manmohandas Ramji, Mr.

Misra, Mr. B. N.
 Mukherjee, Mr. T. P.
 Neogy, Mr. K. C.
 Pyari Lal, Mr.
 Reddi, Mr. M. K.
 Schamnad, Mr. Mahmood.
 Shahani, Mr. S. C.
 Singh, Babu B. P.
 Sinha, Babu Adit Prasad.
 Sinha, Babu Ambika Prasad.
 Sinha, Beohar Raghubir.
 Sohan Lal, Bakshi.
 Subzposh, Mr. S. M. Z. A.
 Wajihuddin, Haji.
 Yamin Khan, Mr. M.

The motion was adopted.

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

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

Mr. President: There is an amendment to Item 99, which is consequential upon the discussion just before the adjournment, *viz* :

‘That the word ‘piece-goods’ in item 99 be omitted.’

Mr. A. V. V. Aiyar (Finance Department : Nominated Official) : In the absence of Mr. Rhodes I beg to move amendment No. 126 standing in his name, which is consequential on the decision which this House arrived at before it adjourned for Lunch.

Mr. President: The question is :

‘That in Schedule I to the Bill—in Item 99 the word ‘piece-goods’ be omitted.’

The motion was adopted.

Mr. President: We will resume discussion of Schedule I, Part I, Item No. 20, Amendment No. 64, standing in the name of Mr. Spence.

Mr. R. A. Spence: Sir, I have the honour to propose this amendment :

‘That in Schedule I to the Bill, in the Schedule to be substituted in the Indian Tariff Act, 1894, in Item 20 of Part I, the words ‘and Silver’ be omitted.’

and, in moving this amendment to re-introduce the duty on silver imported into India, I cannot refrain from expressing my regret that my Honourable friend, Mr. E. L. Price, is not here to move that proposal himself, especially as he would have been supported on this occasion by such expert financiers as Sir Montagu Webb and Mr. Rhodes. I feel that the Honourable the Finance Member himself cannot but, in his heart of hearts, regret that this duty had not been imposed last year. It would have reduced his deficit and reduced the amount of rupees paid by him in respect of Home charges. The Finance Member, I notice, with that cheery optimism with which he faced the democratic axe fortified with the comfortable assurance that the guillotine was awaiting his opponents, does not say anything on this subject in face of the deficit, in face of the opposition to so much of his taxation proposals on the ground that it will hit the poor. In the face of all this, can he do anything but welcome a tax which will fall only on the well-to-do, which will bring him a revenue of over a crore of rupees a year, and

which, in view of the amendments to be moved by Sir Montagu Webb and Mr. Rhodes, will still leave India a free country, so far as the trade in silver with foreign countries is concerned. Knowing the limited time of the House, and in view of the great knowledge of the subject they possess, I leave it to my friends from Karachi and Calcutta to place before the House the arguments which I think will be found unassailable, which will induce, I hope and believe, this House to adopt this amendment which, Sir, I have the honour to move.

Mr. Harchandrai Vishindas : I have very great pleasure in supporting the Resolution moved by my Honourable friend, Mr. Spence. He has very rightly alluded to the very illuminating Budget debate held last year and to the speech by Mr. E. L. Price, and I think it will not be without interest if I give the House a small quotation from that speech which bears upon this subject directly. Mr. Price said :

‘ It is astounding that though the silver imports from 9 months were only 35 lakhs ounces and in December 6 lakhs ounces, when we come to January the net import of silver on private account rose to 24 lakhs ounces or two-thirds of the total previous import for 9 months. Now, Sir, on that I have not made out a case to show that this colossal fall in exchange, which is shaking not only the Government finances but the whole commercial stability of the country, is due to cheap silver coming in in unlimited quantities. ’

Sir, I say that, in addition to the reasons advanced by the Honourable Mover, I also think that this duty will improve the exchange situation, which also will be a great gain to the finances of this country. When Mr. Price made those remarks last year, he was pooh-poohed and hauled over the coals by the newspapers. The opinion of the House to-day will be that Mr. Price was entirely right, and it is a great pity that his suggestion was not taken in the good part that it deserved, because we would have been saved to a certain extent the situation we have witnessed to-day.

I don't think this Resolution needs any very strong arguments to support it, but I think it will be useful to make a reply to certain remarks that have fallen from the opponents of Mr. Price's suggestion last year. I think it was Dr. Gour who said that it would be undesirable to tax silver in the interests of the poor of this country who hoard silver, or who turn silver into ornaments. The reply to that argument is that, in view of the fact that we are faced with severe financial stringency, and that we require money, that money should be had even if it did cause that sacrifice to the people of this country, that they would be prevented from hoarding their money. It is much better that the people should give up this habit of hoarding money and invest their money in some other form to get a return. Another point was that, so far as this question of hoarding is concerned, if this duty is put upon silver, the result will be that all those persons who have got silver hoarded or silver ornaments, will have the value of those ornaments proportionately advanced. If it has the effect of taking away from people the habit of hoarding, that will actually be an advantage which would also be attributable to this imposition of a duty on silver.

With these few remarks I have great pleasure in supporting Mr. Spence's amendment.

Mr. C. W. Rhodes : Sir, I presume that I shall not be in order in moving my amendment No. 81, at this stage of the proceedings.

Mr. President : That amendment comes as an amendment to a further proposal standing in the name of the Honourable Member (Mr. Spence) from

[Mr. President.]

Bombay, which will be taken as consequential to this, if this is admitted. It is an amendment to an item in Part II of the Schedule.

Mr. C. W. Rhodes : Then, Sir, if I may be allowed, I would like to speak on the general question, and, if the other one comes on, it will not be necessary for me to repeat my remarks. Personally, I am not at all a whole-hearted believer in an import duty on silver, and my only object in moving that amendment was that I believe that without it this proposal now before the House is dangerous and should be thrown out. Silver in India has two distinct functions; it is required by the people as a very convenient form of hoarding their savings, and also as a luxury which is almost a necessity in cases of marriage ceremonies. From that point of view, as rightly pointed out by the last speaker, it is for revenue purposes a very just cause of taxation, and, if that was the only function of silver, I think I should heartily support the amendment; but, Sir, it has the other function. It is a great balancer of our international trade. To perform this function, and I am sure in saying this that my Bombay friends will agree with me, it must be allowed to flow in and out of the country without any handicap. I shall propose this amendment later in the day if the House passes this duty with a view to removing some of the handicaps. But I may be told by people of administrative authority that my suggestion is impracticable in fact. If it is, then I shall most certainly vote against Mr. Spence's proposal. I feel very strongly that, even though this is a great source of revenue, there are other and more important questions of international Exchange which are so well understood and which have been so very well debated here and elsewhere that it is not necessary to go into them at length. I feel that we have got to sacrifice the advantage to the revenue to be gained from any duty on silver, unless we can be certain that it should be allowed, in spite of this duty to flow freely in and out of the country.

Mr. Manmohandas Ramji (Indian Merchants' Chamber and Bureau : Indian Commerce) : Sir, I am sorry I have not heard the arguments as I was rather late but I strongly oppose the suggestion of putting any duty on silver. Sir, we had the pleasure of discussing this question last year at the instance of our friend, Mr. Price, and we remember well the debate on that proposition which took place then. This year also an attempt has been made to reopen that question. I will remind the House of the strong protest that was raised from Bombay against the imposition of this duty. Sir, the aspect of such a duty was also considered by the Currency Committee and both the majority and minority reports said that there was an embargo at that time on the importation of silver which should be removed and that free movements of these precious metals should be allowed in the interests of the country. Mr. Dadyba Dalal : whom we all know very well also in his minority report said the same thing. It would be better if I could read with your permission, Sir, his remarks on this point. This is what he says :

' This is a question which is not of importance so long as the embargo on private imports of silver is maintained and no duty is consequently being levied. But when the embargo is raised, I suggest that the duty should be given up because it is, in effect, a levy on the petty savings of multitudes of the people. The practice which custom impels the Indian masses to place such small cash reserves as they can scrape together in unfruitful investments in silver ornaments is, of course, a matter for regret, but it is simply a continuance of long established custom on the part of poor and ignorant classes whose individual accumulations are very small, and, as a form of savings, not a fit subject for taxation.'

Then, again, Sir, he pointed out to me in a letter deprecating this duty on the grounds that India was going to be the third market in the world as a bullion market and that if any attempt is made to put any duty on the free movement of these metals, it would come in the way of India attaining that position and I think he was right in saying so. We know, Sir, that these precious metals are sometimes apt to affect exchange and in returning demands of money from one country to another ; and, if there is any obstacle by way of duties on these precious metals, I think there will be certain difficulties. Of course, the Movers of this Resolution may contend that they are proposing also bounty on the re-export of these metals. But, Sir, all these things mean certain inconvenience and certain other factors which are patent to every body. On these grounds, Sir, I propose that there should be no duty on silver or any other precious metal.

Mr. Mahmood Schamnad Sahib Bahadur (West Coast and Nilgiris : Muhammadan) : Sir, I support this motion to impose a tax on silver, because it will not only help to fill our Exchequer but it will also steady the exchange and help to make up the deficits. I do not understand why some of our merchant princes from Bombay oppose this motion. If the price of silver is raised by imposing a tax, the exchange also must favourably be affected. When much able financiers as Mr. Price are also of this opinion, there need not be any hesitation about it. I do not know why there should be any opposition on the part of some Honourable Members to this motion especially when it will bring in a large income. I think before the war there was an import duty on silver and it used to bring in more than a crore of rupees. With these remarks, Sir, I support the motion for the imposition of a import duty on silver.

Sir Montagu Webb : Sir, the proposal before the House is to take silver out of the free list and thereby permit a duty of some kind to be levied upon it. I heartily support this motion. At the moment, as a result of the National and Democratic action combined, there is now a deficit in the Budget of approximately 10 crores of rupees. It is with the object, firstly, of providing revenue to take the place of a portion of that which this House has refused to vote that I support the suggestion that we should include silver among the list of articles which can be taxed on importation. It is not necessary, I think, for me to go over again the revenue argument. We are faced with a deficit ; we are slipping in the wrong direction ; we are inviting more borrowing ; we are inviting more paper currency, higher prices, and general financial chaos and bankruptcy. It is absolutely essential, therefore, that we make some provision whereby we can collect revenue to enable us to cover this deficit. Now, the arguments that were used a year ago against the imposition of an import duty on silver, namely, that it was a tax on the poor man's savings, that it would influence imports of silver adversely, that it would affect the China market and so forth, all these arguments have been met by the proposal which appears a little later in our agenda paper, I mean the amendment that has been put in by my Honourable friend, Mr. Rhodes (and another amendment by myself) providing for a bounty on export of the same amount as the duty which may be put on silver. This entirely disposes of my Honourable friend, Mr. Manmohandas Ramji's argument that the trade of India in silver or the facility in adjusting the nation's balances would be in any way interfered with. By the aid of this bounty on export there would not be the slightest interference with the

[Sir Montagu Webb.]

adjustment of trade balances, and, so far from the poor people's savings being taxed, poor people's savings, as my Honourable friend, Mr. Rangachariar, pointed out last year, would be increased and not diminished in value by the amount of the silver duty. The only question, therefore, that we have to ask ourselves is whether silver is or is not a suitable article for taxation. Now, I submit that, beyond question, silver is socially a luxury for many people. And for the poorest of the poor, where it is used as savings, an import duty adds to the value of the savings. Silver is, therefore, a quite suitable object of taxation. The suggestion that the inflow of silver into this country would be checked in any way by an import duty is, I think, disposed of by a reference to the statistics of the imports of silver. While the duty was in the neighbourhood of 5 per cent, silver flowed in freely into this country. The total imports of silver were over 15 crores a year for the 10 years ending 1910. For the ten years ending 1920, when the duty was raised to something like 16 or 17 per cent. *ad valorem* (that is to say, four annas an ounce), the gross importations of silver, including Government importations, were well over 21 crores of silver a year. Then, if you look at the statistics of exports of silver, notwithstanding that there was no refund of this duty, so far from this fact interfering in any way with the trade in silver, you will see that the net exports of silver varied from 1 to 6 crores of silver every year. So that, I submit, even when there was no bounty on export, there was not any serious obstacle in the way of the free movement of silver. I do recognise, however, that there is some force in the arguments of those who object to any interference with free trade in silver because they wish to establish the greatest silver market of the East in Bombay: and some substance also in the arguments of those who desire to place no obstacle whatever in the adjustment of trade balances. I admit that there is some substance in that. That point, however, would be met by granting a bounty on the export of silver equivalent to the amount of the duty imposed. Had such a bounty been paid these last 12 months, from the figures which I have been able to collect, I estimate that the Government would nevertheless up till the end of January this year have reaped a revenue of over a crore of rupees, even after paying the bounty of four annas an ounce on exports.

Now, the question we have to ask ourselves is whether, in the present condition of our finances, we can forego the possibility of collecting a revenue of this character and of this magnitude. Of course, if the attitude of certain Members of this House is that revenue must be withheld from Government in order to force Government to take some other action in some other Department, to that type of argument I can give no economic answer at all; but, if the argument be, which, I submit, it ought to be, how can we best provide Government with the revenue necessary to enable them to carry on the administration, then, I submit that silver forms a perfectly appropriate commodity upon which to impose a tax.

I would summarise what I have said in this way. Such a tax will give us over a crore of rupees per annum in revenue; it will add to the savings of the poor; it will not in any way affect the adjustment of international balances; it will not affect the Bombay silver market, and, lastly,—and I want to add a word or two in this connection—it will steady exchange.

Now, I am one of those who deplore that my friend, Mr. Price's proposition of a year ago to place an import duty on silver was not accepted. This

Government would have been richer by, I should think, two or three crores of rupees (*Dr. Gour*: 'They would have squandered all that'.) They would have been in a better position by two or three crores of rupees had that ~~tax~~ been collected. And I lay particular emphasis on this second point—that I am confident that our exchange would have been at a higher level than it is at present, and that we could have saved a substantial portion of that 10 crores loss in exchange which makes such a serious hole in the Budget. From the notes that I have before me I think the commercial communities of Bombay and Karachi both support the idea of taxing silver. I need not now, Sir, go into the details of the reasons which have led me to propose an amendment of four annas an ounce and of the further details of the reasons for which I advocate a bounty on exports of silver. It is perhaps sufficient if I merely plead now that silver should not be put on the free list but should be transferred to that portion of the tariff which permits of an import duty being imposed, firstly, for revenue purposes, and, secondly, in the hope of steadying exchange.

I was very much surprised last year that my Honourable friend the Finance Member, regarded exchange as outside the realms of human control. After a very bad year indeed, in which the foreign exchanges both of Europe and India had behaved in a way that had sent a shiver through most responsible financiers, the Government of India appeared to give the matter up in despair. I suggest that this is not the attitude that we should adopt. It is certainly an attitude to which I personally shall never subscribe. In however great a muddle our foreign exchanges may be, I consider it is our duty to endeavour to the best of our ability to put the matter right. (Hear, hear.) And I submit that one of the ways, by no means necessarily completely effective, that we should look to, but still one of the ways, is by controlling the imports of silver by way of a duty. I should like in this connection just to read one sentence from the report of Professor Cassel to the last Conference of the League of Nations. Professor Cassel, I need hardly remind this House, is a Swedish economist of world-wide fame who prepared a Note for the first International Financial Conference at Brussels in 1920. He has now written a second memorandum of the very greatest value to which I would commend the attention of this House. The League of Nations, I do not think, have published the second memorandum, but it is available in a small book which has reached me by this mail. This is Professor Cassel's remark on the subject of the Foreign Exchanges I am sorry, Sir,

3 P.M. I cannot at this second put my finger on the sentence, I will give it later; but the sense of Professor Cassel's view is this. No responsible statesman or politician would be true to himself if he were at this stage to abandon hope of putting the system of foreign exchanges right.* That, Sir is the sense of the quotation which I shall shortly give you. I therefore hope, both with the object of steadying our exchange, upon which we have lost 10 crores this year, and on the other ground of providing revenue,—I would urge that silver be included in that proportion of the tariff upon which we can, if necessary, levy an import duty.

Sir Vithaldas D. Thackersey (Bombay Millowners' Association: Indian Commerce): Sir, the question of the silver duty is one which

*Professor Cassel's exact words are: 'If we are true to ourselves, we must feel that no one can really take the responsibility of abandoning all efforts, and of acquiescing in the present monetary confusion....'

[Sir Vithaldas D. Thackersey.]

ought to be considered very carefully before any decision is arrived at by this House. Sir, one of the arguments used by my Honourable friend, Sir Montagu Webb, is that in the opinion of experts one of the first duties of Government is to try to put right the foreign exchange, and as in the opinion of Sir Montagu Webb the duty on silver will help in steadying our foreign exchange, it should be levied. I entirely agree with what has been said by Sir Montagu Webb that India should endeavour to put its foreign exchange right. The proper method is for Government either to formulate a considered scheme for and circulate it in the country to get the opinion of all parties interested and then bring forward a Bill to give effect to the scheme when approved by the country or if Government are not prepared to formulate such a scheme, let a Committee be appointed whenever the Government choose and think right for considering this whole problem from all points of view, and after full consideration and after the evidence taken by this Committee and its recommendations are received, the problem of our foreign exchange may be attempted to be solved. I therefore maintain that this is not the right method of solving our exchange difficulties. If a duty of two annas in the rupee or four annas per ounce, is the right method of steadying our exchange, and if that argument is taken to its logical conclusion, prohibition of silver would be the easiest way of getting our two-shilling rupee.

Sir Montagu Webb: No, no.

Mr. R. A. Spence: Who wanted a two-shilling rupee?

Sir Vithaldas D. Thackersey: I am very glad to hear from my Honourable friends on my right that they do not advocate a two-shilling rupee. Let it be a 1s. 4d. rupee then, if I understand my Honourable friend right. I still maintain that the right method is not to take up these odd items piecemeal but to go about it in a business like way. There is a further reason why this Resolution should not be accepted. The question is a most important one. It is not merely a question of taxing people who can afford to buy silver. The country has had no opportunity of giving any opinion on this proposition. If the proposal had emanated from Government, the country would have taken the matter seriously and given an opinion, whether in its favour or against it. But this amendment coming from a private Member only two or three days before the debate, the country does not know what the proposal is and it would not be right for this House to accept a proposal of this character at such short notice. Please permit me to make my own position very clear. I am not prepared to commit myself whether the proposal is acceptable or not. There is a great deal to be said on both sides. I only impress upon this House that this is not the right way of imposing important taxation, in which several principles are involved. Then again there is a great deal to be said in favour of those who maintain that this is a tax on the savings of the poor. It has been argued by my Honourable friend, that by raising the price of silver by the imposition of this tax you raise the value of the savings of the poor. Well, if by such, people can get richer by prohibiting the importation of silver, the people will be very rich indeed. After all, the value of silver and the value of the savings of the poor will be what the silver is worth in the world and not what you can make it worth by artificial means in the country. (Hear, hear.)

Then, there is a further argument against the proposal. India is a big bullion market. It is, I understand, the third market in the world.* If the

Government of India adopt the policy of purchasing all its silver requirements in India by means of competitive tenders for the suppliers of silver throughout the whole world, instead of buying in London, India will no longer be the third, but will be the second if not the first bullion market of the world. Are we, by accepting this proposal so hurriedly and without giving an opportunity to the country to give an opinion on it, to remove the possibility of her attaining the higher position. But it has been argued by my Honourable friend, Sir Montagu Webb, that, by giving bounty silver may be exported or imported at the free will of the people. Such a proposal was placed some years ago by the bullion merchants, I believe, but it was ruled out by Government, and I think rightly ruled out. The danger is that, in a particular year, the export may be more than the import and then, instead of getting revenue for Government, Government may have to pay the bounty out of the other revenues. It may be argued that on an average, India will gain by such a duty, and, if a reserve fund is created which may be utilised in times of emergency, just like the Gold Standard Reserve, its danger may be minimized but there again it requires full consideration and a policy to be formed before we accept this proposition. Let us not run away with the idea that silver is a rich man's luxury and that, therefore, it can be taxed without a burden to the poor. In India it is not the rich man's luxury, but it is the poor man's means of investing his saving. Can any one believe that these 15 crores worth of silver that is imported is used for the luxury of the rich? Rich people have many other means of investing their money, more profitably than by hoarding silver. It is the poor who buy 8 annas or one rupee worth of silver for making a bangle for a daughter or a child. There most of the silver goes. We are told that India is a sink of precious metals. Let those who thus argue not forget that there are over 300 millions of people and, even if you put each man's consumption at 8 annas worth of silver, it means 15 crores of rupees. It is a fallacy to say that silver is the rich man's luxury. Far from it, It is the poor man's means of investing his savings. For these reasons, I oppose the proposal.

Mr. R. A. Spence : The Honourable Member just said that, owing to the shortness of notice I gave, the people of India had not an opportunity of expressing their views on this proposition. May I ask Government to state whether it is not a fact that they have received a telegram from the bullion merchants of Bombay asking for the imposition of this tax?

Sir Vithaldas D. Thackersey : I will reply to this shortly. I do not know which bullion merchants have sent a telegram. There are always two sides to every question. In 1910 or 1911, when the tax was levied, the merchants opposed the tax. It may be that the bullion merchants who have got last stocks of silver in India want to make profit; that is no reason why the country should agree to the imposition of this tax.

The Honourable Sir Malcolm Hailey : Sir, the proposition is not of course an easy one. My Honourable friends opposite have offered us this year, as they offered us last year, an increase in our revenue, and an increase in our revenues which we undoubtedly require. And again one's position is not an easy one in another way, because I feel, as everybody here must feel, that it is one of those questions on which, as Sir Vithaldas Thackersey has said, there is a great deal to be urged on both sides. I will do myself the credit of hoping

[Sir Malcolm Hailey.]

that the House remembers what we said last year on this subject and I shall not repeat the arguments that were used then at any length. Now, what in short is the case for this tax? It will of course bring us an addition of revenue of a fluctuating nature but still substantial. I have here the figures of the imports of silver for a number of years and it is quite clear that on the net results we should have obtained some such addition to our revenues as that of which Sir Montagu Webb has spoken. But the second point on which stress is laid is that it would improve exchange. It would of course improve exchange to the extent that the tax on silver kept down the imports of silver. On the other hand, unless the free bounty system were agreed to and unless that system could be worked successfully, a point doubtful in itself, it would of course place a handicap on the export of silver. There have been many occasions within the recollection, I am sure, of many Members of this House in which the exports of silver have in themselves been sufficient to support exchange. Moreover, it has been frequently urged on us, and urged on us with truth, that the facility that we enjoy in India for importing silver cheaply allows us to export gold also for the advantage of exchange; India on such occasions substitutes holding of silver for holding of gold. That was a point which Honourable Members will remember was made last year and it is a very valid point in itself. Now suppose that by putting this tax on silver you reduce the imports of silver, is it quite certain that you will effect a net reduction of imports? If India has the purchasing power available, is it absolutely certain that being unable to utilize her purchasing power for buying silver, she will not simply provide herself with other articles instead? If she does so, you have not to that extent improved exchange. I admit that the whole question of the use of silver for exchange purposes is largely bound up with the subsequent question that we shall have to discuss regarding the possibility of giving a free bounty. I have no doubt that when that aspect of the question comes under discussion my Honourable friend, Mr. Innes, will be able to give the Assembly some information as to the exact methods in which that free bounty system could be worked. I will only say for my own part that I believe that there are many obstacles in the way, and admitting that to be the case, that would destroy part of the argument used by my Honourable friend. Now against the arguments that have been adduced to-day and have been used elsewhere for imposing this duty, we have a solid body of opinion which I should have called almost unanimous until this year that it was not a wise thing to interfere with the free movement of the precious metals. I am not going to quote again the Babington Smith Committee's Report nor refer again to what Mr. Dalal said on the subject. I take it that the House will agree with me that there has on the whole been among all economists a very general feeling that you should not interfere with the free movement of the precious metals, because they are the one ultimate equilibrating force in exchange, and many people feel—it may be only an instinct, but many people certainly feel, that if you interfere with the movement of the precious metals, you may be moving levers which control wires of which you do not know the exact direction or the exact effect. I do not wish to make much here either of the argument that was used in 1911 and was again used last year as to the effect of an import duty on silver, on the Bombay yarn export trade. It is sufficient to say that it would to some extent act as an export duty on Bombay yarn. But I wish to point out to the House

that there are undoubtedly occasions even when if the anticipation of my Honourable friends opposite were realized, namely, that we could work a free bounty system and get a free movement of silver, we should be actually out of pocket by this process. I will not read to the House the whole of the figures I have. There may have been many years, I admit, in which the import very largely exceeded the export. In 1911, the import was 70 million, and the export 38. In 1912, the import was 51, and the export was 16. In 1913-14, the import was 44, and the export was 8. Those are all years in which the system would have worked to one great advantage, but you do get years like 1916-17 in which the import was 7½ million ounces, and the export was 19¼ million ounces.

Mr. R. A. Spence : Those were war years.

The Honourable Sir Malcolm Hailey : It was a war year, I admit.

Mr. R. A. Spence : Sir, I would not for a moment interrupt you, you have been always considerate—Sir, could the Honourable Finance Member give us the average figure for those years that he has got? I think, Sir, if the Honourable Finance Member could give us the average figure, it would be fair so that both sides of the question could be considered, and I am sure that is what the Honourable Finance Member has in view.

The Honourable Sir Malcolm Hailey : I am quite willing to do so ; it would need a little rapid arithmetic, but I have not the smallest doubt, my friend, Mr. Aiyar, could help the House in that respect. I only wish to point out that there have been at least two years, one of which was 1920, in which the export did very heavily exceed the import.

Sir Montagu Webb : Only because of the war.

The Honourable Sir Malcolm Hailey : 1920 can hardly be described as a war year. Well, Sir, there the case stands. Like Sir Vithaldas Thackersey, I do not wish to be dogmatic about it ; I only wish to say that the instinct of very many people is against it. Perhaps the case for my Honourable friend's proposition is a little stronger this year than last owing to our revenue difficulties. Perhaps we cannot defend our attitude as strongly as we did last year. One's instincts may on occasion have to give way to one's necessities. But the case is, at the best, a very evenly balanced one, and, in the circumstances, I much prefer to repeat the attitude which I took up last year that it might be a dangerous proposition to accept.

Mr. President : The question is :

'That in Schedule I to the Bill, in the Schedule to be substituted in the Indian Tariff Act, 1894, in item 20 of Part I, the words 'and Silver' be omitted.'

The motion was negatived.

Haji Wajih-ud-din (Cities of the United Provinces : Muhammadan Urban) : Sir, I move :

'That in Schedule I, Part I, in Items 30, 31, 32 and 33, the rate of duty be doubled.'

My motives are two-fold. Firstly, it cannot be denied that perfumed Spirits and Wines rank first and foremost among the luxuries, and for the same reason it is most advisable to tax them as heavily as possible in order to

Munshi Mahadeo Prasad (Benares and Gorakhpur Divisions : Non-Muhammadian Rural) : Sir, last year I proposed a duty of 25 per cent. on imported sugar, and my proposal was opposed by the Honourable Mr. Innes on the ground that the revenues from the import duty would decrease; but as a matter of fact it has been found by one year's experience that it has not. I would, therefore, suggest that the duty on sugar should be raised to 25 per cent. and, unless it is found that the revenues decrease, it should not be reduced.

Sardar Bahadur Gajjan Singh (Punjab : Nominated Non-Official) : I rise to support the Honourable Mr. Innes. I think the Government is perfectly justified in raising this duty to 25 per cent. The figures show that we get a lot of sugar from foreign countries, and at the same time in this year of stringency we require money. Therefore, I think that not only in the interests of revenue but in the interests of the promotion of our sugar industry, this is perfectly justifiable. I therefore oppose the amendment of the Honourable Mover.

The motion was negatived.

Munshi Mahadeo Prasad : Sir, the motion that I have before the House :

‘ That in Schedule I, Part I, in Item 37, the words ‘ cent. per cent. ’ be substituted for the words ‘ 75 per cent. ’

is intended to raise the import duty on cigars and cigarettes from 75 per cent. to 100 per cent. Bearing in mind the principle of taxation and also the principle enunciated by both the Democratic and the National Party, it is in the interest of the country that reductions should be moved in the Budget before this Assembly. I put for the consideration of this House that the proposal I have got is intended specially to benefit the poorer classes. I would submit for the consideration of the House a few points about the history of this import duty. It was in 1916 that the duty on the import of cigars and cigarettes was raised to 50 per cent. *ad valorem*. Sir William Meyer, when laying his financial statement before the House, had said that the duty on tobacco as levied by the Tariff Act of 1916, was cent. per cent. I refer Honourable Members to the proceedings of the Imperial Legislative Council, page 117, of that year. I don't understand why a difference should be made between tobacco and cigars and cigarettes. In spite of the fact that a duty of 50 per cent. was levied in 1916, the markets were stuffed with cigarettes which were being used by juvenile smokers as well as by adults. I submit that in this increased duty we shall be doing a benefit to the country and also to the Government. I beg to submit for the consideration of this House that the Red Lamp cigarettes have been sold and are being sold most freely in the bazar. Sir, cigars and cigarettes were not used by the people of this country prior to their being introduced by foreign manufacturers. I do not understand why we should give room for exploitation by foreign manufacturers at the cost of the health of the country. This is a luxury and the principle to be adopted for levying taxation on a luxury has already been accepted by Government and non-official Members of the Assembly. I will ask them to remember that this is a great curse to the health of juvenile smokers. If my motion be accepted, I believe that the revenue that will be derived will be about 3½ lakhs more. Although a duty of cent. per cent. had been levied

on tobacco, the import of tobacco has not decreased. I submit for the consideration of this House that my amendment be voted for by it liberally, and that the duty be raised cent. per cent. on cigars and cigarettes.

The Honourable Mr. C. A. Innes: I admit of course that tobacco is a very legitimate subject for taxation, and had the Government of India thought that they could have got any revenue at all by increasing the tobacco duties, we should certainly have had no hesitation in doing so; but last year we increased these duties by 50 per cent. What was the result? We reduced our revenue by Rs. 24 lakhs. The revenue in 1921 was Rs. 24 lakhs less than in 1920. The imports of tobacco dropped from 8 million pounds to 3,800. In those circumstances we thought it only wise to leave the trade

alone for some little time to recover before we made any further increase in the duties. I am sure that the House will agree that that was the right line to take.

The motion was negatived.

Mr. R. A. Spence: Sir, I beg to move the following amendment:

'In Schedule I to the Bill, in Part II of the Schedule to be substituted in the Indian Tariff Act, 1894, for item No. 37, substitute the following, namely:

												Rs. A.	
37 A	Cigars	:	:	:	Pound	:	:	:	:	:	:	6	0
	Cigarettes	:	:	:	Do.	:	:	:	:	:	:	4	0

Sir, I have considerable sympathy with what the Honourable Member who just moved an amendment said, although I myself confess that I think he was going entirely in the wrong way. Before I proceed to move an amendment having anything to do with the tobacco duties, I think that it is only right that I should make it quite plain that I am personally very much interested in this question. Had those who are interested in questions before the House not spoken on the floor of this House, I do not think that we should have had the very interesting debates we have had owing to their having done so. Now, the taxation proposals in the present Budget are, as I think the Finance Member has made it perfectly plain, solely imposed for revenue purposes. Why, therefore, maintain a scale or mode of taxation which decreases revenue and checks imports. It would hardly be necessary, in view of what the Honourable the Commerce and Industries Member has just said to us, that I should labour that point; you have had his evidence but still I might add something to what he said. In England, which is often referred to in India as the wealthy England—wealthy when compared with India—they imposed a duty of 50 per cent.,—50 per cent., mark you, and not 75 per cent. That was imposed for revenue purposes to make up the heavy deficit caused by the war. It was imposed on cigars and cigarettes. This duty has now been taken off and for the sole reason, Sir, that it failed to produce revenue. The 50 per cent. duty has been taken off and a duty has been substituted at the rate of so much per pound with the result that there has been a large increase of imports into England. Now, if the duty of 50 per cent. in England—the wealthy England—killed the trade, what has the duty of 75 per cent. done in India? The Honourable Mr. Innes has just told you this. Last year the Finance Member anticipated an increase of 40 lakhs of revenue by the increase in duties that he then proposed. What has been the result? He will tell you that the duties derived from the imports of cigars and cigarettes and manufactured tobacco are 60 lakhs less than that of the previous year. That is to say, in the Budget

[Mr. R. A. Spence.]

introduced by the Honourable the Finance Member, there is a difference of one crore of rupees. He anticipated that he would get 40 lakhs more but he got 60 lakhs less. There is a crore of rupees lost because of this mode of taxation. The Honourable Member for Commerce and Industries may say that last year the cigarette industry was disorganised and that it was suffering from a slump. It may have been, but I think that the main reasons for the falling off in duty were firstly the increase, a right increase, in the manufacture of cigarettes in this country. I think the Honourable Member for Commerce, when he mentioned his imports just now, left out altogether the imports of unmanufactured tobacco. Now, the revenue derived last year from unmanufactured tobacco imported into this country is, as he will admit, three times what it was the previous year. Now, this shows how very large the increase of imported unmanufactured tobacco has been into India. This unmanufactured tobacco is imported into this country in order that cigarettes may be made in this country, to which cigarettes I think the Honourable Mover of the last amendment was referring when he said that it was a very bad thing that all these boys were smoking them. Well, when we were young we also learned from bitter experience that it was a bad thing for boys to smoke cigarettes, at least if they were found out.

My second reason is, and I want to make it perfectly plain, that it is the form of duty that I am objecting to, and which form has killed the import of cigarettes of a quality which could not be manufactured in this country. That is the chief point. Now you have got two kinds of cigarettes. You have got cigarettes of a quality which can be manufactured in this country and for which we want to do everything we can in order to encourage their manufacture in India. But you have also got a kind of cigarette which you cannot manufacture in this country and which ought to be imported for revenue purposes. Now, I maintain that for revenue purposes the present form of duty charging *ad valorem* is an absolutely wrong one. Where India can manufacture cigarettes, she should be encouraged to do so. But where she cannot produce a particular kind of cigarette, there is nothing to be gained by stopping the import of it. And Mr. Innes has told you fairly plainly that this imposition of 75 per cent. duty did stop the import of that quality. My proposal will help the import of the cigarettes and cigars which cannot be produced in this country and will give India a preference in the case of cigarettes which she can manufacture of 4 to 1. As you know that the duty on imported unmanufactured tobacco is one rupee per pound, on manufactured cigarettes my amendment is that it should be 4 rupees per pound. With regard to cigars I am rather afraid of my proposal of Rs. 6 a pound, although it is nothing when compared with 75 per cent. duty on heavy cigars. What I do not want is to kill a goose which is laying any golden eggs. Therefore, Sir, if you permit me, I would make the duty the same both on cigars and cigarettes, namely, Rs. 4 per pound, because I think that Rs. 6 per pound may kill the import of a large number of cigars. Now what will be the result of my proposals? There will be an increase in the imports of high class cigarettes due to the big reduction in the duty paid on them. I want this House to thoroughly understand that my proposals do mean big reductions in the duty charged on expensive cigarettes. There will be a big reduction in the duty charged on these cigarettes. But the result of my proposals will be that the duty obtained by the Government of India on cigarettes imported will be very much greater. Now, there is no taxation which

hits nothing. Such cigarettes would probably not pay more than 2 a thousand. If there are cigarettes of a lower price than those imported into this country, I maintain that those cigarettes should be manufactured in this country and that there is nothing to be gained by this country by the importation of cigarettes below that value. This form of taxation, Sir, has a further benefit of lessening the work of the Customs Department and seeing that in view of our policy of retrenchment we have cut the Customs Department by 5 per cent, any proposal which will lighten the work of the Customs must have the support of the Honourable Member in charge of it. Sir, I commend my amendment to this House in the interests of an Indian industry—the industry of manufacturing cigarettes—in the interests of the revenue of this country and in the interests of those against whom the previous amendment was aimed, namely, in the interests of those who enjoy a good smoke.

The Honourable Mr. C. A. Innes: Sir, I am prepared to admit that, from the administrative point of view, it would suit us very well if the Government were able to accept Mr. Spence's amendment. There are technical difficulties in the way of assessing cigarettes and cigars on the *ad valorem* method; from the Customs' point of view it would be very much simpler to assess them at a specific rate, as proposed by Mr. Spence. But, Sir, when I have said that I am afraid I have said all I can say in favour of the Honourable gentleman's proposal.

I would ask the House to dismiss from its mind all Mr. Spence's *ad captandum* arguments regarding the encouragement of the Indian cigarette industry. We encourage that industry by keeping our duty on unmanufactured tobacco low, and, in addition, we have a 75 per cent. *ad valorem* duty on cigarettes. I am perfectly sure that everybody in the House will agree with me that if an industry behind the tariff wall of a 75 per cent. *ad valorem* duty cannot flourish in India, then it does not deserve to flourish. I am quite sure that the industry has enough protection already.

Now, Sir, let me turn to Mr. Spence's amendment. He proposes to substitute for our 75 *ad valorem* duty on cigarettes a specific duty of Rs. 4 a pound. By some mysterious way this alteration in the form of duty is going to increase our revenue. I do not agree at all. (*Mr. Spence:* 'It would have last year.') I do not agree at all. I should just like the House to realise precisely what the effect of this proposal is going to be. It is going to help very much indeed Egyptian cigarettes. The duty at present on Egyptian cigarettes at 75 per cent. *ad valorem* works out, as I calculate it, to Rs. 6-6 per pound. Under Mr. Spence's proposal that duty is going to be reduced to Rs. 4 per pound, and, therefore, the Egyptian cigarette is going to be helped very much indeed; but this is not going to help our revenue, because the imports of Egyptian cigarettes are absolutely infinitesimal, they are 7 of the total. 82.7 per cent. of our imports are British cigarettes. The *ad valorem* 75 per cent. duty now works out on those cigarettes at Rs. 3-8 per pound. Under Mr. Spence's proposal it would go up to Rs. 4 per pound. Then, 14 per cent. of our imported cigarettes take the form of cheap American cigarettes. The effect of Mr. Spence's proposal is going to be that the duty on those cigarettes is to be raised from Rs. 2-5 per pound to Rs. 4 per pound. Similarly, with Aden cigarettes, the imports of which are, however, small, the effect of his proposal is going to be to raise the duty on these cigarettes from Rs. 3-1 to Rs. 4 per pound. So, except in so far as the Egyptian

[Mr. C. A. Innes.]

cigarette is concerned, the effect of this proposal is a very large increase in our duty on cigarettes. Moreover, the increase falls most heavily on the cheap cigarette, and, therefore, on the poor man's smoke.

Now, I have just explained to the House in connection with the amendment just moved that we did not dare to touch the tobacco duties this year, because we have already given the trade a very severe blow by the 50 per cent. increase we made last year. We have reduced our revenue from all kinds of tobacco from Rs. 1,21,00,000 to 97 lakhs. 97 lakhs was the total revenue in 1921 against Rs. 1,21,00,000 in 1920. The effect of Mr. Spence's proposal, if it is accepted, is going to increase very severely the duty on these cigarettes (*Mr. Spence* : ' Nothing like 50 per cent. '), and, therefore, I say that it is not going to do our revenue any good at all ; it is going to cause us to lose revenue.

As regards the Rs. 6 duty on cigars, it seems to me that the proposal would be unfair. It would tax the Havanna cigar at exactly the same rate as the Manilla cigar, and it would probably crush the Manilla cigar out of India altogether. We could not accept Mr. Spence's proposal to reduce the duty to Rs. 4 because we should lose money on it.

On the whole, though, as I have said, from the administrative point of view, Mr. Spence's proposal would suit us very well, yet I do not think that the House should accept it, because as I say, it is unfair to the cheaper class of cigarette. It helps only the rich man's smoke, the Egyptian cigarette, it means another heavy burden on the tobacco trade, and it is going to reduce our revenue. So I hope that this proposal will be rejected.

Sir Deva Prasad Sarvadhikary : Sir, like Mr. Spence, I am very much interested in cigars and cigarettes, only in another and entirely contrary direction. I want to see their consumption at an end, if I may. I do not think we ought to countenance anything that will make us suffer from the revenue point of view with regard to this or any other matter. In Mr. Spence's words, his proposal will promote import and I object to it. He is forgetting that, we are not without our supply of poisoning stuff, when we first started the Swadeshi campaign, some of our first endeavours were, fortunately for some or unfortunately for us in the direction of the promotion of Swadeshi cigarettes, Kali brandy and Durga soap. We forgot all about clothes and frittered away our attention on these very great necessities of life. If we concentrated our attention on cloth, many of our problems would have been now solved. But, we thought of cigars or cigarettes as prime necessities. I suppose the trade of which Mr. Spence is so solicitous is suffering because we have facilities enough for poisoning from country cigarettes and country cigars. But I forget I must not say that in the presence of my friends from Madras and Burma, because there, I understand, the cigars are very good, and they will object to my calling these as poisoning stuff.

Mr. Spence has proved to-day one thing and Mr. Innes has clearly brought it out. You must not take your facts from one who knows all about it or says he does. (Laughter.) The last amendment has ended in smoke ; I hope this one also will and more effectively.

Munshi Mahadeo Prasad : Sir, the proposal of Mr. Spence means the imposition of import duty by weight. I would draw his attention to the

fact that in 1910, when the Tariff Act, No. VIII, was passed, the duty on tobacco, manufactured, was 5 per cent. *ad valorem*. It was in 1911 that the weight system was adopted and passed by the Tariff Act, No. VI of 1911. That was found to be not in the interests of the country and as I could gather from the speech of Sir William Meyer, it was found inconvenient to the Customs authorities as well as to the importers that the duty should be *ad valorem*, and by the Act of 1916, No. 1V of 1916, this duty was levied again *ad valorem*. Mr. Spence did not take into consideration this point. I would like to know, Sir, what would be the effect of his motion on the assessment of the value under the imposition of import duty by the Customs Department. I hold, Sir, that, in view of the experience of the Government which extended from 1911 to 1916, an experience of five years, that his motion should be rejected.

The motion was negatived.

Mr. President: Before we take up the consideration of the amendments dealing with Kerosene, I propose to call on Mr. Lindsay to move his amendment No. 79. We can take up the import duty on Kerosene and at the same time resume the discussion on the excise duty when we go back to clause 6, as these two may fitly be taken together.

Mr. Darcy Lindsay (Bengal : European) : Sir, I wish to point out in this connection that, if the excise duty is not agreed to, it does not at all follow that the consumer will receive the full benefit, and by giving a further advantage to Burma oil the imports of American oil may fall off, thereby entailing a loss of 2½ annas a gallon in the import duty. The import of American and Borneo oil—I have the figures here—for 10 months of the year amounted to

The Honourable Mr. C. A. Innes : May I ask if Mr. Lindsay is speaking to his amendment No. 79 ?

Mr. Darcy Lindsay : I am speaking on the duty on Kerosene.

Mr. President : The Honourable Member did not hear what I said. I called on the the Honourable Member to move his amendment No. 79 on the understanding that the amendments relating to kerosene will be taken up later when we take up clause 6 which deals with excise duty on kerosene.

Mr. Darcy Lindsay : Sir, I move :

‘ That Item 41 be omitted from Part II of Schedule I and that the mineral oil referred to therein be re-inserted as an item in Part V of the Schedule liable to a duty of 15 per cent.’

My only object in putting forward this amendment is to give the Honourable the Finance Member a possible source of increased revenue to make up in a small measure for some of the cuts that his Bill has suffered. I have no particular knowledge as to why this import is allowed entry at a low rate of duty, but if there are important reasons, I have no wish to press the point. The oil to which I refer is fuel oil imported from Persia, and lubricating oil from other countries. The total value for the first 10 months of the financial year is I find Rs. 3,26,45,000. With a 7½ per cent. increase in the duty this would produce 24½ lakhs, and for the 12 months nearly 30 lakhs. Lubricating oil is in general use and even for such luxuries as motor cars and bicycles.—It may possibly have escaped the notice of the luxury tax

[Mr. Darcy Lindsay.]

officer,—but it is manufacturing concerns that are the heaviest consumers. Now that the cotton mills have escaped the excise duty, they are not likely to object to a small increase in the cost of lubricating oil, and this equally applies to other similar concerns. As I said before, I am open to conviction, but in the meantime put forward my amendment for the consideration of the House.

The Honourable Mr. C. A. Innes: I must say I am rather surprised at this amendment coming from a business man in Calcutta. Our policy always has been to treat at specially favourable rates mineral oils used for industrial purposes, whatever those purposes may be, and the effect of accepting this amendment would be that we should send up costs for industrial installations all over India. Increasing the duty on fuel oils would bear particularly heavily on many small industries in the country. All over the Madras Presidency we now have oil mills, decorticators, pumps and so on, worked with oil engines. Those oil engines burn fuel oil, crude oil, and the effect of this amendment would be that it would send up the cost of power for all these small industry installations all over the country. It is for that and similar reasons that we always maintain our industrial oils at 7½ per cent., and I think the House will agree that on the whole the policy is a right one.

The motion was negatived.

Lala Girdharilal Agarwala (Agra Division : Non-Muhammadan Rural) : Sir, I beg to move :

‘In Schedule I, Part II, delete Item 44 and insert it in Part I and make consequential amendments.’

In the alternative :

‘At the end of Item 44 add the following : of 40 counts and above and at the end of Item 22 add the following : and cotton twist and yarn below 40 counts.’

Mr. President : The question is :

‘In Schedule I, Part II, delete Item 44, and insert it in Part I.’

Lala Girdharilal Agarwala : Sir, my object is that yarn shall not be taxed as a corollary of the motion adopted by this Honourable House with regard to the import duty on piece-goods and the excise duty on cotton. I submit that this should also be accepted. I am informed that yarn of high counts are never produced in this country, and if that yarn is taxed it will tell heavily upon the weavers of certain provinces. Furthermore, the yarn of low counts produced in the country is not sufficient for manufacturing purposes. If the low count yarn is taxed further, the result would be that the price of cloth will go up. Therefore, I submit that this amendment of mine should be accepted by the Honourable Member for Government.

The Honourable Mr. C. A. Innes : Sir, I feel in a somewhat awkward position in opposing the amendment moved by my Honourable friend, Lala Girdharilal Agarwala. About this time last year, I was engaged in a very heated dispute with my Honourable friends from Bombay as to whether yarn should be taxed or not, and I argued very strongly that, in the interests of the handloom weaver, it would not be right to impose a tax on yarn. Well, Sir, some Honourable Member in the course of the day said that people were necessarily at times inconsistent. In this case my inconsistency is due, as the House

will see, entirely to the change of circumstances. I should always have opposed the placing of an import duty upon yarn had it not been for our financial exigencies. I think the House is well aware of the part which is played by imported yarn in India. The production of yarn in India is about 7 hundred million pounds per annum. The import of yarn have never exceeded 50 million pounds per annum. A certain part of these imports are high count yarns which do not compete in any way with the yarns produced by the Indian mills. The rest are yarns below 40 and these yarns are imported from England or from Japan and compete only to a small extent with the yarn produced in India. But that yarn imported, though it is only a small proportion of the yarn used by the handloom industry, exercises an important function in that it helps to regulate the prices of Indian mill yarn. Last year I opposed the imposition on this ground of any duty on yarn. This year, as the House knows, we have a deficit of 34 crores of rupees. The hand loom industry is, I am glad to say, flourishing, possibly owing to the non-co-operation campaign and the khaddar campaign; and having regard to the very large deficit with which we are faced I think myself that we are justified in placing this small impost upon imported yarn, an impost of only 5 per cent. It will yield us 50 lakhs of rupees and having regard to all the circumstances of the case I think that the House will see that we are justified in spite of our pronouncements last year in proposing this small duty.

Mr. President : The question is :

'In Schedule I, Part II, delete Item 44 and insert it in Part I.'

The motion was negatived.

(At this stage Mr. President called upon Mr. Shahani to move his amendment No. 89 on the list.)

Rao Bahadur T. Rangachariar : I have got an amendment to move with regard to item 44.

Mr. President : The Honourable Member's amendment is equally to omit Item 44. The House has just negatived a similar amendment by Lala Girdharilal Agarwala.

Rao Bahadur T. Rangachariar : The amendment of my friend, Lala Girdharilal Agarwala, makes a distinction between 40 counts and below.

Mr. President : I put it from the Chair, namely, the motion to delete Item 44 and insert it in Part I. The House has just decided not to do so.

Rao Bahadur T. Rangachariar : We did so under a mistake. We thought that my Honourable friend was dealing only with the 40 counts.

Mr. President : I cannot go back on the decision of the Assembly.

Rao Bahadur T. Rangachariar : We will have to vote against the whole section if that is so. It is a pure mistake on our part. We did not understand the amendment.

The Honourable Sir Malcolm Hailey : May I be allowed to point out that we followed Mr. Agarwala's speech very carefully. He did not refer to 40 counts at all. It was a complete exclusion.

Mr. President : The Honourable Member knows that he cannot move two amendments at once. I put the amendment twice from the Chair.

Mr. P. P. Ginwala : I only heard the alternative amendment.

Mr. Rao Bahadur T. Rangachariar : The House will perhaps permit us.

Mr. President : I see no way open to the Chair to allow the Honourable Member to correct the error. I confess I was as much surprised as the Honourable Member that the debate collapsed after two speeches, seeing that five Members have put down amendments to delete Item 44.

Rao Bahadur T. Rangachariar : It is a very vital matter affecting nearly 3 million people and we were labouring under a mistake. May we move it as an amendment to No. 89 ?

Mr. President : I hesitate to suggest it to the Honourable Member but I cannot go back on the decision made by the House, much as I am willing to meet the Honourable Member on the merits of the case, which, however, do not concern the Chair. If I were to allow this request, a situation might arise in the future when he or some other Member would recall this precedent in order to do something improper. This is an irregular procedure and it would set up a bad precedent.

Mr. N. M. Joshi : May I point out that an amendment could be moved to Mr. Shahani's motion substituting 1 per cent. in the place of 15 per cent. The duty of one per cent. will practically be no duty and that is the only way out of the present difficulty.

Mr. S. C. Shahani : I want to inquire if I could change my amendment from 15 to 1 per cent.

Mr. President : I have no objection to the Honourable Member moving his amendment in that form.

Mr. R. A. Spence : I have a 15 per cent. amendment. Mine should be taken up first.

Mr. S. C. Shahani : I beg to move that in Item 44

Mr. R. A. Spence : On a point of order, Sir, 15 per cent. surely has preference over 1 per cent.

Mr. President : I think the Honourable Member had better move the amendment in the original form. We can have an amendment moved to it.

Mr. S. C. Shahani : My amendment runs thus :

'That in Item 44, the figures and words '15 per cent.' be substituted for '5 per cent.'

Mr. R. A. Spence : Before any other amendments are made to this, I, as having a similar amendment, had better get up and say what I have to say. I feel, however, that with regard to the 15 per cent. duty it is rather leading a forlorn hope. I had some amendments to try and help Government to meet this deficit and they have been thrown out. We have done all we can do. Those of us who do not wish to put taxation on the poor but to get other forms of taxation imposed do not see the reason why only this 5 per cent. duty has been put on. There is a large section of people in India who do not see why Japan should be favoured at the expense of the millowners or manufacturers of India. There is a very small community in India that

could possibly be hurt by this duty—you are going to hear about them from our friends from Madras—but I would ask the Members of this House to bear in mind that any alteration which you make on the lines proposed by our friends from Madras is going to benefit Japan at the expense of Indian mills. Is that right? I will not detain the House any longer, Sir. I support the original motion that was proposed by Mr. Shahani in such a—not even half-hearted, quarter-hearted, manner. (Laughter.)

Mr. T. V. Seshagiri Ayyar (Madras : Nominated Non-Official) : Sir With your permission I move :

‘That in the amendment ‘ $\frac{1}{2}$ per cent.’ be substituted for ‘15 per cent.’

(Laughter.) Yes, ‘ $\frac{1}{2}$ ’ be substituted. Mr. Spence has just now referred to the very small portion of the people who would be benefited by it. I may tell him that 6 million of people would be affected if this duty is raised to 5 per cent. and if Mr. Spence has his way and it is raised to 15 per cent., it will kill the industry on which the lives of 6 million of people depend. Sir, up till now there has been no duty at all upon yarn, and as the Honourable Member for Commerce pointed out, last year when an attempt was made to impose a duty, it was resisted by the Government on the very ground I am putting forward, namely, it would make the position of a large part of the people in our part of the country and elsewhere miserable. Sir, I will give some figures to show the quantity of cloth produced and the extent to which the industry is giving employment to the people of this country. As I said, there are 6 million people who are engaged in this trade. 2 million come from Madras, and it will be found that,—one-fourth of the population of this country are being clothed by the cloth manufactured by the hand-loom weavers; and out of this one-fourth Madras produces one-third of the one-fourth, and so one-twelfth of the population of this country are being clothed by the hand-loom industry of Madras. Sir, 280 million lbs. of yarn are being used by this industry, of which about 140 are taken from the Bombay millowners,—for whom Mr. Spence has been so very anxious, and whose friend he has proved to be at this moment but not always. (Laughter.) Now, Sir, it will be found that the higher counts of yarn are not produced in this country. The figures that I have been able to get show that so far as counts 1 to 10 are concerned, 84 million lbs. are produced here and nothing comes from outside India. From counts 11 to 20, 8 million lbs. are imported into India, and 360 are produced in this country. From 21 to 40, 4 million are imported, and 199 produced here. From 31 to 40, 23 million are imported and 15 million are produced in India, and above that there are hardly any mills in this country which produce the higher counts. The higher counts come either from Japan or from America or from the United Kingdom, and it is well known that these higher counts of yarn are almost exclusively utilised by the hand-loom industry. I believe out of the 47 million lbs. imported only 3 million are used in some of the Bombay mills,—one in Sholapur and another run by my friend, Mr. Manmohandas Ramji, in Bombay use these higher counts of yarn; and, therefore, Sir, practically all the higher counts of yarn are utilised by the hand-loom industry; and if you are going to put a duty upon them, it will surely kill it.

Mr. Jamnadas Dwarkadas : What is the total quantity imported ?

Mr. T. V. Seshagiri Ayyar : The total quantity imported is 47 million pounds, in higher counts.

As regards lower counts, as my friend, Mr. Jamnadas Dwarkadas, is anxious to have the figures, in addition to what is being taken from the Bombay mills, 100 million lbs. from Japan are being utilised by the hand-loom weavers. Now, Sir, it may be said, as the lower counts of yarn are being produced in this country, therefore, why not give protection to the Bombay mill-owners as against Japanese mill-owners? I ask, if you put a five per cent. duty upon Japanese and Manchester yarn, what would be the result? You will find that the Bombay millowners will put up the price of the yarn which they are producing in this country.

Mr. N. M. Samarth : No.

Mr. T. V. Seshagiri Ayyar : Mr. Samarth is not a millowner. I know that it is human nature, human instinct. When you find that the foreign yarn is being taxed, the producers of yarn in this country will naturally feel tempted to put a high price upon their yarn.

Mr. B. A. Spence : I do not wish to interrupt the Honourable Member, but might I ask him whether he used that argument when he threw out the excise duties? He put it the other way about then; he is not consistent.

Mr. T. V. Seshagiri Ayyar : Mr. Spence has referred to the question of the excise duties. I may tell him that I did not speak upon the question of the excise duty. I think, as I have been pointing out, that if this duty is levied upon Japanese yarn, it would inevitably result in the Bombay mill-owners raising the prices of their yarn. As a matter of fact, the Bombay millowners are enjoying large privileges as against the hand-loom industry. I will mention one. There are 263 mills in this country and out of these, all but 21 produce their own yarn. That is a well-known fact and the result of it is this. One department of a mill sends its yarn to another without any difficulty, whereas the hand-loom industry has to suffer this inconvenience,—it has to go through the middleman. It has to pay packing charges and so on; consequently, as has been calculated by the Director of Industries in Bihar and Orissa, the hand-loom weaver suffers to the extent of 20 per cent. against the Bombay millowner, who has only to transfer from one end to another his yarn to manufacture the cloth therefrom. Now, if in addition to this, you impose a five per cent. duty, you would be benefiting an industry which has largely benefited by the war, which has made immense profits during the war, and which will surely kill the hand-loom industry. The question is whether Government is prepared to contemplate with equanimity such a handicap to an industry on which a large number of people are depending for their livelihood. There is one thing more, and it is this. There is a large class of people who are not solely devoting their time to hand-loom weaving; a large portion of agriculturists occasionally devote their time to this industry. In many parts of the country these people in the morning go to their fields and cultivate and in the afternoon they come back and take up the work of spinning; and in the season when there is no agricultural work to be performed, these people take to this weaving industry. The result of imposing the duty would be that during seasons when there is no agricultural work to be done, these people would be practically without work and would suffer considerably.

As a matter of fact, so far as Madras is concerned, I think Mr. Innes knows it too, whenever there is a famine in that Presidency, the first people to whom relief has to be given are these people. Every famine report, if the House had the patience to read them, would convince the Members that the moment there is a famine in the land the hand-loom weavers are hardly hit; and if their only other occupation, during times when no agricultural operations are possible is taken away from them, their lot will be unenviable. Under these circumstances I submit that it is not right that a duty of 5 per cent. should be imposed upon yarn.

There is one other point which I should like to make. The value of the cloth produced by the hand-loom weaver is estimated at about 50 crores of rupees, and of this about 15 crores of rupees worth of cloth comes from Madras alone. If this duty is imposed, you will find they will have practically to give up their occupation. It is a very serious problem for any Government to face. Is it worth while for the paltry sum of 50 lakhs of rupees when we are dealing with crores, to throw out of employment as many as six millions of people in this country? It is a very serious problem and I trust the Government will consider it very carefully before recommending that this duty should be imposed.

Rao Bahadur T. Bangachariar: Sir, I remember a friend of mine who was Dewan to an Indian Ruler. The Indian Ruler was in difficulties and he was thinking of various items of taxation. One particular item particularly suggested itself to him and he consulted his Dewan. He said: 'I am very sorely perplexed as to how to carry on the administration of the country. The time has come for me to raise an additional source of revenue.' A particular source was suggested, and the Dewan put a note in these terms:

'I would not do what you propose. It would hit the hand-loom industry very hard.'

I also remember another story. A friend of mine was a graduate. Unfortunately he was not well-off in life. (*A Voice*: 'Most graduates are not.') He had been taught the moral laws; he knew that theft was immoral and illegal; but his stomach was empty. He passed by a baker's shop and saw a big slice of bread exposed. Three times he resisted the temptation, but, re-passing again, his starvation was so great he thought he would do it and he took the slice of bread. I am afraid that that is the position occupied by my Honourable friend, Mr. Innes, to-day in justifying the imposition of this tax. When acting in the position of Dewan to the Honourable Member in charge, the Honourable Mr. Innes was told: 'Here is yarn. By putting on a duty you can make about 50 or 60 lakhs of revenue.' Then my Honourable friend's reply was:

'This is an attractive proposition. In these days so attractive that, when I was talking to a friend of mine from Bombay, he said to me: 'What is the reason why the Government of India have not made this proposal already'

My compliments to the Honourable Mr. Spence.

'Is it not a fact that there is some secret treaty with Japan?'

Well, Sir, there is nothing so mysterious, nor so exciting as that—this proposal was considered, and the short note which I have already read put on record.

'Yarn is not on the free list now. For five and twenty years it has been on the free list. It is part of our traditional policy to keep yarn on the free list. The reason why in

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1896 it was transferred to the free list was to assist the hand-loom industry. The reason why we do not think fit to do so now is simply and solely in the interests of the hand-loom industry.'

And, Sir, quite unusually, I am not referring to any words of mine in supporting the position we take up to-day. My Honourable friend has experience of Madras as Director of Industries. I know from my personal knowledge that he was a great helper of the hand-loom industry, and it was in his time that great assistance was given by encouraging the co-operative movement among the weavers. In other ways too, I know, from personal knowledge, that my Honourable friend took a great deal of interest for he knew the condition of the weavers. I read again :

'Now, Sir, I think the House will realise that an industry of that magnitude requires some consideration from us. Moreover, from my experience as Director of Industries in Madras, I know what a hard time this hand-loom industry has to keep its head above water'

'Head above water,' I commend those words, Sir :

'At one time I tried to assist some of them by supplying them with yarn and buying their cloth. I ascertained that a family of 2 or 3 working say, anything from 12 to 14 hours a day, could at the most make from Rs. 15 to 20 a month'

Has the Honourable Member forgotten that? Is that the pitiable position which Honourable Members occupy when once they become Executive Councillors?

'The hand-loom industry has the greatest difficulty in maintaining itself against the mills, and I do not think this House, not at any rate until the Fiscal Commission has had time to inquire into it, should accept this proposal and should tax the imports of yarn.'

I do not think, Sir, that any words of mine can fall with greater effect on this Assembly.

Mr. Jamnadas Dwarkadas : Sir, I am very sorry I have to rise to oppose the amendment moved by my Honourable friend, Mr. Seshagiri Ayyar. I know that his motive in moving this amendment is, if I may say so, a very noble one. He is under the impression, I think under a misapprehension, that the six millions of hand-loom weavers will be thrown out of work the moment the news reaches them that a five per cent. duty is imposed on imported yarn. I admire his solicitude for the six millions of hand-loom weavers, but I am afraid I cannot agree with him in his view that these six million people will be thrown out of employment immediately the news reaches them of the imposition of this five per cent. duty. I am afraid the one person who has encouraged him in coming to that conclusion is my Honourable friend, Mr. Innes. Last year my Honourable friend, Mr. Innes, opposed me vehemently when I moved that a duty of 11 per cent. on yarn should be imposed.

I am glad that, although Government take their own time in coming to the right conclusion, at least in this case they have come if not

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to the right conclusion, at least to the half right conclusion.

They still stop at 5 per cent. They have not accepted the suggestion to have the whole 15 per cent. or, as the case was, to have the 11 per cent. duty on yarn. Sir, I honestly think that if there was any force in this argument that 6 million people will be thrown out of employment, I should have been the last man here to stand up and to support the proposal for a duty. As a matter of fact, I am inclined to support the proposal made by my Honourable friend, Mr. Spence, rather Mr. Shahani, that 15 per cent. duty should be imposed on

imported yarn, but under any circumstances I hope the Assembly will not consider the proposal made out of best motives I admit, by my Honourable friend, Mr. Seshagiri Ayyar, that even the 5 per cent. which the Government now proposes should be abolished. Sir, let us come to facts. As the Honourable Mr. Innes pointed out last year, this country has produced in a year 700 million pounds of yarn. The largest quantity that has been imported is 50 million pounds. In one year it fell to 15 million pounds. Well, let us take it that the largest quantity that is imported is 50 million pounds, and out of that the quantity of yarn that is above 40's and against the duty on which my friend, Mr. Seshagiri Ayyar, complains, has hardly ever been more than 12 millions. I think I am right. I am quoting from the Honourable Mr. Innes' speech. The imports of yarn from the United Kingdom were 12 million pounds. Now, I put it to the House. Your country can produce 700 million pounds. Would it be right for any one to get up and say that you must reduce your productive capacity because we want to import some Japanese yarn. That will be the effect of it under any circumstances. If you can produce 700 million pounds, so far as the lower counts are concerned, there is not the slightest doubt that Indian mills are capable of producing any quantity that is required for consumption by the hand-loom weavers and by others. To argue that due to the comparatively small quantity that comes from Japan, the price of yarn, for which we have the capacity to produce 700 million pounds, will go up is a thing which I do not think any business man can understand. My Honourable and esteemed friend, Mr. Seshagiri Ayyar, will, I hope, pardon me. If 700 million pounds are produced in this country and a comparatively small quantity comes from outside, so far as the lower counts are concerned, do you think the price of the 700 million pounds can ever be regulated by a fraction of the quantity coming from Japan? At the same time, I do not wish to use any arguments in favour of protection. But to me it does not seem to be quite a patriotic thing. My Honourable friend, Mr. Seshagiri Ayyar, will pardon me for saying so. Even though your countrymen have the capacity to produce, you are allowing a country like Japan, which takes away cotton from here and manufactures it into yarn, to dump the yarn into this country. Japan is using this country as a dumping ground only to hurt your industry. I think it would not be quite a patriotic thing to allow this duty to be abolished in order to help Japan to hurt our industry and to promote its own industry.

Mr. Manmohandas Ramji: May I know whether Mr. Jamnadas is supporting the 15 per cent. duty now?

Mr. Jamnadas Dwarkadas: I am only trying to put my argument in favour of 5 per cent. duty. I said I would have been inclined to support the 15 per cent. Honestly, I feel that I am very moderate in my suggestion. I would have certainly suggested that we should support the 15 per cent. duty, but I am not going to do so. I will say that for revenue purposes the 5 per cent. duty will mean no hardship either to the hand-loom industry nor will it mean the imaginary hardship which my Honourable friend thinks will be entailed upon 6 million people who will be thrown out of employment. Now, that is with regard to the lower counts.

Taking the finer counts, as I said, the finer counts are imported in a very small quantity. What will be the result of the 5 per cent. duty on finer counts? My Honourable friend says that Madras will be the province which

[Mr. Jamnadas Dwarkadas.]

will suffer most. In the first place it is a small quantity, at the most 12 million pounds. I know Bombay millowners take the finer counts and the Ahmedabad millowners take large quantities of counts above 40, which they certainly cannot produce here. These mills do take up a large quantity. The remaining quantity is probably taken up by Madras.

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

If a fraction of 12 million pounds is taken up by Madras, I cannot understand that a 5 per cent. duty will throw 6 million people out of employment. Now, surely you want certain facts in favour of the argument to convince you that such a large number of the population will be thrown out of employment. Now, take another argument. We have heard for the last two days that finer cloth is not being used in this country by the poorer classes. It is the richer classes who consume the finer cloth. Now, the very fine turbans and the very fine chaddars that my Honourable friends from Madras wear (*Rao Bahadur T. Rangachariar* : 'You also wear') are the work of the hand-loom weavers made out of the finer counts that they import from foreign countries, England mostly. But I want to tell these Honourable friends that if a 5 per cent. duty is imposed on foreign yarn, it might be that they may have to pay a little more for their turbans. (*A Voice* : 'What about the 4 per cent. excise duty?') But I do not think that it will throw 6 million people out of employment under any circumstances, because I know that the sympathy of my Honourable friends towards hand-loom workers is so great that they forget that those who can afford to spend Rs. 17 for a turban will easily afford to spend Rs. 18 on a turban. Now, if the burden is to be borne by the richer classes and if it does not in any way affect the 6 million people, to whom my Honourable friend refers, I ask this House whether in a year of stringency a 5 per cent. duty should or should not be legitimately imposed on an article like yarn. I think it is a very strong case, it is a case against which there could be no argument, unless imaginary arguments are brought forward. I therefore appeal to this House, that, taking into consideration all these facts, it will not have the slightest hesitation in imposing this 5 per cent. duty.

Mr. Harchandrai Vishindas : Sir, I think it becomes necessary for me at this stage to speak, although I had no intention of making a speech, in order to counteract the effect which probably Mr. Jamnadas' pathetic and characteristically eloquent appeal might create in the House and so that the House might not be misled into thinking that he is right. I will simply trouble the House by quoting from that very speech of Mr. Innes delivered last time, from which quotation has been made by Mr. Rangachariar, to contradict everything that Mr. Jamnadas has said (Hear, hear), and I shall after quoting that* simply sit down. I do not want to trouble the House with any other arguments :

'Now, Sir, I will take first Mr. Jamnadas' argument based upon protection. He tried to make our flesh creep by pointing out how dangerous the competition with Japan in the matter of yarn was. Well, Sir, all I can say is that figures do not support that contention, at any rate, not to any extent. The production of yarn in India since 1912-13 has never been less than 615 million pounds in a year, and in one year it rose to 722 million pounds. Now, in the same period the imports of yarn have never exceeded 50 million pounds and in 1919-20 they were only 15 million pounds. There you have the figures. On the one side, you have a production which has never been less than 600 million pounds and, on the other side, you have an import which has never been greater than 50 million pounds. Now, that does not look as if the Indian mills have very much to fear from foreign

competition. But, Sir, Mr. Jamnadas Dwarkadas went on to say that whereas before the war Japan had a very small share of our trade in yarn, since the war her share in the yarn trade has risen to 72 per cent. It is perfectly true that in 1918-19 the imports of yarn from Japan, for some reason with which I am not acquainted, rose enormously. In 1917-18, the imports of yarn from the United Kingdom were 15 million pounds and from Japan 4 million pounds. In 1918-19, the imports of yarn from the United Kingdom were 9 million pounds while those from Japan rose to 27 million pounds, but let us take the figures,—and this is the point which I wish the House to realise,—let us take the figures for the following year 1919-20. What happened then? The imports of yarn from the United Kingdom were 12 million pounds and how much was the import from Japan? 1,900,000 pounds (one million, nine hundred thousand); therefore, there is a drop from 27 million pounds in 1918-19 to 1,900,000 pounds in 1919-20.

It is perfectly true that in the current year, 1920-21, the imports of yarn from Japan and from the United Kingdom have both increased. They have increased for reasons with which we are all aware. In the early part of 1920-21, the exchange value of the rupee was very high; consequently large orders were placed everywhere, and we have been getting large quantities of yarn in response to these orders. But the large increase in imports of yarn in 1920-21 is due to temporary causes: I doubt very much whether it is a permanent phase, and I doubt very much whether the cotton industry in Bombay has much to fear from anybody, from Japan, the United Kingdom or anybody else.

As regards the lower and higher counts, I shall read a quotation from the same page :

'Now, Sir, I turn to another aspect of the question, namely, the hand-loom industry. We know, Sir, that most of the yarn, the high count yarn, which comes into this country, is used almost entirely by the hand-loom industry; it is hardly used in the mills at all. Now, Mr. Jamnadas Dwarkadas has tried to stymie this argument by suggesting that he is quite willing to confine his proposal to tax yarns to yarns of 40 counts and below. I will assume, therefore, since the House knows that high count yarns are not spun in this country and since the hand-loom industry is dependent upon imports from foreign countries for the high count yarns that it requires, that the House will accept that suggestion of Mr. Jamnadas Dwarkadas and will not accept the proposal of tax at any rate yarns above 40's.

But I now come to the proposal to tax yarns below 40's. I have got some figures here showing the production of yarn below 40's in this country and the import of those yarns. We will take yarns from 1's to 10's and from 11's to 20's. In 1919-20, there were 431 million pounds of yarn of these counts made in this country and 458,000 pounds were imported from abroad. Now, is there any necessity to tax the small amount of yarn that comes in? Of 21's to 30's 183 million pounds were made in the country, 1 million pounds were imported. Of 31's to 40's 17 million pounds were made in the country, 6 million pounds were imported.'

Now, Sir, what does this all mean? That Mr. Jamnadas Dwarkadas is not only wrong in his figures but in his arguments. From Mr. Innes' own mouth I give my answer to Mr. Jamnadas Dwarkadas.

The Honourable Mr. C. A. Innes: I am sure the House is tired of hearing my speech of last year read out in full. I suppose, Sir, that I ought to be covered with confusion and shame; but I am not in the very least. I hold to all I said last year. I regret very much that we have been compelled to propose this tax, but the House will observe that we have not gone as far as Mr. Jamnadas and others would have had us go last year. Thus, we asked for a duty of 11 per cent., but we have not felt justified in going further than 5 per cent. My justification for going that far, and my changed attitude, surely must be evident to every single person in the House. What is the good of raking up these old speeches, when we are working on entirely different conditions (*A Voice*: 'Your speech is only 12 months old'.) But what has happened during those 12 months? Is it not up to us to bridge that deficit, even if it means going back on our traditions and our policy. I hold by all I said last year. I do not agree with Mr. Jamnadas. I still hold

[Mr. C. A. Innes.]

that these small imports of foreign yarn do give very great help to the hand-loom industry, in that they regulate the price. To that extent we are putting a slight burden on the hand-loom industry. But what Mr. Rangachariar has not noticed is that it is not going to be nearly such a blow as he thinks, because prices of yarn have dropped since last year. What were declared values last year? Rs. 2-14-6, 1921-22 Rs. 2-13-10 and January this year, Rs. 2-1. Thus, in spite of our 5 per cent., hand-loom weavers are not going to pay nearly so much as they did.

The whole justification for this small tax is simply the necessities of the moment. We are already ten crores down and I hope that the House will, therefore, reject this amendment.

Mr. N. M. Samarth : The House will remember that last year I brought up a proposal, at least I advocated the view, that our import duties be raised from 11 to 12½ per cent. and the gentlemen who have to-day supported the amendment were my opponents (*A Voice* : 'Who are they?') Their names are given in the Division List. They are writ large and cannot be erased so easily as my friend fancies. Well, Sir, Government opposed it because they thought that 11 per cent. would give them enough revenue, and that was the ground on which they opposed it. I was of opinion that the Government's calculations were going to be upset; 'The best-laid schemes of mice and men gang aft agley'; and such schemes of the Honourable Finance Member, based on 1s. 8d. as the average rate of exchange, were going to be upset. I pleaded to this House, therefore, to raise the import duty from 11 to 12½ per cent. There was also a proposal to impose a duty on yarn. At the time Government opposed the proposed duty, as they did not want more money. Last year, the deficit of 18½ crores was provided for by taxation which Government had proposed, and that deficit has been increased to 34 crores, and we have in view a deficit of 31 crores which we have to provide for, at least in part, by taxation. That being so and also because on the last occasion the Honourable Mr. Innes and for the matter of that the Finance Member also adopted an attitude of opposition, it does not follow that that opposition is tenable having regard to our financial conditions to-day. Now what is this five per cent. of duty on yarn going to be? As everybody knows, the hand-loom weavers of Madras, for whom there is so much genuine sympathy on the part of Mr. Seshagiri Ayyar and Mr. Rangachariar, are no doubt on their brains because their products are at any rate on their heads. And I can quite see that because a little over five per cent. will increase the cost very slightly of what is on their heads or round their necks, they are anxious to see that five per cent. duty is not realised or raised by Government. Well, I do say that in human nature there is such a thing as self-interest. Perhaps according to a certain school of economists, the dismal science is itself based upon that basis. But, Sir, Mr. Seshagiri Ayyar interjected that I am not a millowner. I am not and I am glad that I am not, and I am therefore in a position to take a detached view of this question and therefore the opinion that I beg to submit to this House will, I hope, carry greater weight than the opinions expressed by those whose pockets are touched as also of those who are millowners. Sir, when their pockets are touched, then they become mealy-mouthed philanthropists and all that excellent doctrine of sympathy for the hand-loom weavers is poured out. I trust the House will see through all this and will rise to the occasion and support this Government proposal.

Mr. Darcy Lindsay : I move that the question be now put.

Mr. Deputy President : Amendment to the amendment moved :

‘That $\frac{1}{2}$ per cent. be substituted for 15 per cent.’

The question is that that amendment be made.

The Assembly then divided as follows :

AYES—31.

Abdul Majid, Shaikh.
Agarwala, Lala G. L.
Ayyangar, Mr. M. G. M.
Ayyar, Mr. T. V. Seshagiri.
Bagde, Mr. K. G.
Bajpai, Mr. S. P.
Bhargava, Pandit J. L.
Bishambhar Nath, Mr.
Das, Babu B. S.
Ginwala, Mr. P. P.
Gulab Singh, Sardar.
Hussanally, Mr. W. M.
Lakshmi Narayan Lal, Mr.
Latthe, Mr. A. B.
Manmohandas Ramji, Mr.
Man Singh, Bhair.

Misra, Mr. P. L.
Nag, Mr. G. C.
Nand Lal, Dr.
Neogy, Mr. K. C.
Rangachariar, Mr. T.
Reddi, Mr. M. K.
Shahani, Mr. S. C.
Singh, Babu B. P.
Sinha, Babu Ambika Prasad.
Sinha, Beohar Raghubir.
Sohan Lal, Bakshi.
Srinivasa Rao, Mr. P. V.
Subrahmanayam, Mr. C. S.
Subzposh, Mr. S. M. Z. A.
Vishindas, Mr. H.

NOES—47.

Abdul Quadir, Maulvi.
Abdul Rahman, Munshi.
Aiyar, Mr. A. V. V.
Aiyer, Sir P. S. Sivaswamy.
Akram Hussain, Prince A. M. M.
Amjad Ali, Maulvi.
Barodawala, Mr. S. K.
Bradley-Birt, Mr. F. B.
Bray, Mr. Denys.
Bryant, Mr. J. F.
Chatterjee, Mr. A. C.
Clarke, Mr. G. R.
Crookshank, Sir Sydney.
Dentith, Mr. A. W.
Faridoonji, Mr. R.
Fell, Sir Godfrey.
Gajjan Singh, Sardar Bahadur.
Habibullah, Mr. Muhammad.
Hailey, the Honourable Sir Malcolm.
Hullah, Mr. J.
Innes, the Honourable Mr. C. A.
Jamnadas Dwarkadas, Mr.
Kabiraji, Mr. J. K. N.
Kamat, Mr. B. S.

Keith, Mr. W. J.
Lindsay, Mr. Darcy.
Mahadeo Prasad, Munshi.
Misra, Mr. B. N.
Muhammad Hussain, Mr. T.
Mukherjee, Mr. J. N.
Percival, Mr. P. E.
Ramayya Pantulu, Mr. J.
Rao, Mr. C. Krishnaswami.
Renouf, Mr. W. C.
Samarth, Mr. N. M.
Sapru, the Honourable Dr. T. B.
Sarvadhikary, Sir Deva Prasad.
Schamnad, Mr. Mahmood.
Sharp, Mr. H.
Spence, Mr. R. A.
Thackersey, Sir Vithaldas D.
Tulshan, Mr. Sheopershad.
Vincent, the Honourable Sir William.
Waghorn, Colonel W. D.
Way, Mr. T. A. H.
Webb, Sir M. dePomeroy.
Zahiruddin Ahmed, Mr.

The motion was negatived.

Mr. S. C. Shahani : Sir, I beg to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

Lala Girdharilal Agarwala : Sir, the amendment which I beg to move before this Honourable House relates to the reduction of the duty on matches :

‘In Schedule I, Part II, in Item 45 (Matches), in column 4, substitute 0-12-0 and 0-3-0, respectively, for 1-8-0 and 0-6-0.’

[Lala Girdharilal Agarwala.]

The duty this year has been doubled. Sir, matches are a necessity for the poor, and, as such, the principle which was laid down in this Honourable House at the time when it was proposed to reduce the duty on imports from 15 per cent. to 11 per cent. applies equally to this amendment of mine. Matches are not manufactured in India at present to such a large extent as to meet the necessities of the poor, and, as such, it is necessary that we should have a free or nearly free import of matches to meet the consumption of the country.

On these grounds, Sir, I move that the duty on matches be reduced.

(At this stage, Mr. President resumed the Chair.)

The Honourable Mr. C. A. Innes : I hope that the House will not accept this amendment.

‘It is perfectly true that last year we put a heavy duty upon matches and that, this year, we propose to double a duty which was severely enhanced last year. As a matter of fact, the effect of our enhancement of last year upon the matches trade was not very great. It is a fact that we did reduce the import of matches, but we did not reduce them as much as might have been expected. Our imports in 1921 were on the same level as our imports in 1919.

As the House knows, we must have revenue this year, and we must have it by additional taxation. This enhanced import duty on matches will, we think, bring in an extra revenue of 95 lakhs of rupees. I deny altogether that it will hit the poor man to any great extent. I have worked out the figures here and I find that the average consumption of matches in India is only six boxes per head per annum, and that means that our increased duty will put an additional burden of six pies per annum upon the poor man. I am sure that the House will agree that that is not a very serious matter, and I hope that, in view of the fact that there are 95 lakhs now at stake, and that our deficit at the present moment stands at over ten crores of rupees, the House will not deprive us of the additional revenue which we expect to get from this tax. I hope the House will reject this amendment.

Haji Wajih-ud-din : Sir, it seems quite unnecessary to proceed by proving that matches are one of the ordinary household necessities. No one considers them a luxury, and the burden of taxation will certainly fall upon the poor, so much so, that I am afraid they will not in any way be able to bear it. The average price of ordinary matches is something about Rs. 1-8 per gross, and to tax them at Rs. 1-8 is nothing less than cent. per cent, a rate at which even the greatest luxuries are not proposed to be taxed. I am confident that the House will act wisely not to assent to the high rate proposed.

Mr. N. M. Joshi : Sir, I rise to support this amendment, because matches is one of the articles which are absolutely necessary for every one. Already, there is a very heavy tax on matches, and I do not know why that tax should be increased now.

Sir, I do not know whether the Government really wants a revenue of nearly a crore of rupees from increased tax on matches, when they sacrificed more than a crore so very willingly this morning. (Cries of ‘Hear, hear.’)

The Honourable Sir Malcolm Hailey: 'No, no'. I do not wish to go into the reasons why they sacrificed that revenue; if I do it, I shall provoke an angry ejaculation from my Honourable friend, the Finance Member. (Hear, hear.) My reason for supporting the amendment, Sir, is that matches are heavily taxed even now, and there is no reason why the tax should be increased, especially when it falls upon the poorest classes of people. It has been said that in India people have been getting more wages now and that the tax will not be very heavily felt by them. But, when people talk about increase of wages, they do not really go into the matter very deeply. Do they mean to say that the average income of people has gone up? I do not think they mean that. In support of my statement I will give one instance, namely, the wages on the plantations in Assam, about which I spoke very recently. It was said by the Honourable Member for Commerce that these people working on the plantations were rolling in wealth and in comfort. And what is the wage there? Rs. 5 per month for an adult male, Rs. 4 for a woman and Rs. 2 for a child. The average comes to less than Rs. 4 a month. Sir, one of my Honourable friends here, Mr. Rhodes, said that people leave their villages and go to these plantations, because the wages in their villages are smaller. I admit the correctness of that statement. So if the average wage on the plantations is Rs. 4 a month, the wage in the rural areas must be Rs. 2 or Rs. 3 a month at the most. That gives you an average income of Rs. 30 per annum in the villages. Therefore, when the average wage is so small it is not right that the tax, which falls upon the poorest of the poor, should be increased in any manner.

Sir, I do not wish to go into this matter at great length, but if Government thinks that the average people of this country have become richer, it is better for them to make an inquiry into the rural conditions of this country. I know men from old times, men like Sir William Wedderburn and Dadabhai Naoraji, have been urging the necessity of an investigation into the condition of the rural classes. It is the Government that has been opposing this suggestion. If Government is so sure that the condition of the people has improved, let Government at least begin an inquiry into the economic condition of the rural people. I am quite sure if they do that, their real condition will be exposed to the gaze of the whole world. Not only has Government not made a special investigation, but Government has got a Statistical Department maintained to collect statistics of the condition of the people.

Mr. President: Order, order. A tax on matches is not the right peg on which to hang the question of an inquiry into the economic condition of the people. The Honourable Member is perfectly entitled to refer to this in general terms but he is going too far.

Mr. N. M. Joshi: I do not wish to press this argument any further, but I feel that this tax is already heavy and should not be increased.

The motion was negatived.

Haji Wajih-ud-din: I move, Sir:

'That in Schedule I, Part III, Item 47 (Vinegar) be omitted and added to Item 68, Part V, to be taxed at 15 per cent.'

I find no difference between the two items separately entered in No. 47 and No. 68, as both have been classed under the heading 'Provisions and

[Haji Wajih-ud-din.]

Oilman's Stores'. I see no reason why one should be taken at 2½ per cent. while the other provisions are to be taken at 15 per cent. *ad valorem*. May I ask, Sir, whether vinegar is more necessary than salt, or whether it is consumed by the poor? On the other hand, there live in India millions of people who have in their whole lives never tasted the imported vinegar. It is generally used as a medicine or is served at the tables of the rich in different shapes. So there is ample reason to tax the vinegar at 15 per cent. as its consumers can easily bear it.

The Honourable Mr. C. A. Innes: Sir, the explanation of the fact that we have retained the duty on vinegar at 2½ per cent. is that we are bound to keep it at 2½ per cent. in consequence of a commercial treaty made with France in the year 1903. By that treaty we get favoured-nation treatment in respect of certain of our products and in return we have this arrangement with France regarding the import duty on vinegar and green copperas. The House will, therefore, see that it is not within our power to enhance this duty without denouncing this treaty.

Mr. K. B. L. Agnihotri (Central Provinces Hindi Divisions: Non-Muhammadan): In respect of what commodities do we receive favoured-nation treatment from France?

The Honourable Mr. C. A. Innes: Coffee, Cocoa, spice, and tea, I understand. In any case, we cannot raise this duty without denouncing the treaty, and I would also point out there is no money in it.

Haji Wajih-ud-din: After hearing my Honourable friend I wish to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

Haji Wajih-ud-din: I move, Sir:

'That Item No. 51 (Aeroplanes) be omitted from the Schedule I, Part III and that the same be included in Item No. 126, Part VI, to be taxed at 30 per cent.'

It is really astonishing to see aeroplanes ranked among the necessities of life. Comparing it with the motor car, it should be considered as a far greater luxury. It cannot serve the purpose of public conveyance and only persons of great wealth can afford to use it for private purposes. Moreover, there seems no justification for exempting Aeroplanes from being taxed, with Motor cars, at 30 per cent. So, I hope the House will agree with me to consider it a suitable item for raising taxation.

The Honourable Mr. C. A. Innes: Sir, we reduced the duty on Aeroplanes about two years ago in order to encourage Civil Aviation in India. I am afraid we have not encouraged Civil Aviation but I do not think there is any reason why we should enhance the duty at any rate at present, because there are no aeroplanes coming in even at 2½ per cent., and therefore we are not likely to get any revenue if we enhance the duty. The matter is entirely unimportant, and I suggest that the tariff be left where it is.

The motion was negatived.

Mr. B. S. Kamat: Sir I move:

'In Schedule I, Part IV, omit Item 58 Machinery, and make consequential changes in the numbers of the remaining Items.'

This amendment proposes to exempt Machinery, from the duty of 10 per cent. *ad valorem* as proposed this year.

Sir, when I read the taxation proposals this year by the Honourable the Finance Member, I confess, I rubbed my eyes in wonder whether really the Finance Member was in right earnest in his proposal to raise the tax upon machinery to 10 per cent. Indeed, I remembered his statement last year on this proposal of raising the duty on machinery to 10 per cent and I thought the only explanation of his proposal, this year, contrary to his statement last year, was that he must have found himself in an extremely hopeless predicament with regard to the financial muddle so far as the taxation proposals are concerned. Sir, the proposal to tax machinery is so unsound and uneconomic that I think I need hardly labour the point. I am sure both the Honourable the Finance Member and his colleagues are very sincere indeed in their desire to develop the industries of this country, and yet a proposal of this kind could only be accounted for as an attempt to meet the deplorable debacle which we have this year. The Honourable the Finance Member during the earlier part of the debate in referring to the silver duty talked about his instinct in taxation. He said it was rather against his instinct, so far as a silver duty was concerned, to tax silver. I think if that instinct is to be maintained, machinery is really the article in which his conscience and his instinct of taxation ought to come in. Sir, let me assure him that so far as taxation instinct goes, our instinct is as much against a duty on machinery as against the duty on Silver or Salt and the natural desire of people is to do away with this enhanced duty on Machinery. We have been told in the Budget speech of the Honourable the Finance Member that the total additional revenue from the taxation of Machinery, Iron Metal, railway material, etc., would be about 4 crores; but I do not think we have been given the exact figure of what would be the additional revenue from the tax on Machinery alone. If that figure were to be furnished to the House we should be in a better position to know how much additional revenue would be derived from the taxation of Machinery alone.

The Honourable Sir Malcolm Hailey: 185 lakhs.

Mr. B. S. Kamat: Thank you. If the total additional revenue is going to be 185 lakhs, I do not think that this additional revenue would justify the sacrifice of that sound principle, namely, not to tax imports of Machinery into our country an article which is essential to develop the industries of the country.

Sir, there are at present various proposals in the minds of various people in the country to start a number of industries requiring Machinery and to establish factories, both big and small. If this proposal of taxing Machinery is carried into effect, it will throttle practically all the projected factories which people have in their minds. I am sure that in many cases the additional cost of Machinery will be so prohibitive that all estimates for establishing factories would have to be thrown out and given up entirely. I do not think at this late hour I need labour the point any more. I move that proposed taxation on Machinery should be thrown out by this House, by the Democratic Party, the National Party and also by the Independent Party, that is, by members of Central Party of the House.

Rao Bahadur T. Rangachariar: My Honourable friend's proposal tries to cut the resources of Government very much and therefore we of the

[Rao Bahadur T. Rangachariar.]

Democratic Party are not willing to go to that length which the Honourable Member is prepared to go. I do not know what my Honourable friend, Mr. Spence, means by his hearty laughter but I will proceed with the subject. I move as an amendment :

‘Omit Item 58 and re-insert it in Part III as Item 50 and re-number the remaining Items.’

The effect of this amendment is to restore the position that existed last year and it will not be right in a year of stringency like this to remove this duty altogether. I quite appreciate all the arguments put forward by Mr. Kamat and if the time comes, and I think it will come soon, when the military expenditure is cut down, the duty on Machinery will also be removed. But that happy day is still far far away and therefore I move my amendment.

Mr. C. W. Rhodes : Whilst I must congratulate the Honourable the Finance Member for having done his best to avoid creating conditions which would embarrass the Fiscal Commission, I cannot think that in this particular instance he has been successful. A general rise in the rate of duty from 11 to 15 per cent. is not followed by raising the duty on Machinery from $2\frac{1}{2}$ to 10 per cent. I certainly see no reason for abolishing the $2\frac{1}{2}$ per cent. duty and therefore I have great pleasure in supporting Mr. Rangachariar's amendment. I consider this, and I do not think I am saying anything which will affect my position on the Fiscal Commission, distinctly a tax on industry at a very unfortunate time. We know well there are large orders for Machinery placed at home. I personally am not interested in them. Companies have been floated. Capital has been asked for on the cost of the Machinery and if the duty is to be increased by $7\frac{1}{2}$ per cent. these new companies will start under very great disadvantages just at a time when we are all anxious to develop the industries of the country and to start industries at the lowest possible overhead cost. I therefore join with Mr. Rangachariar and hope he will prevail upon Government to let this tax remain as it was before.

Mr. President : The original amendment was to omit Item 58 (Machinery); since which a further amendment has been moved to add the words ‘re-insert it in part III’.

The Honourable Sir Malcolm Hailey : Sir, speaking recently, Mr. Joshi said that had he entered into the real reason why we were willing this morning to give up a certain item of taxation I should perhaps have interrupted him with an angry interjection. Long before I could have interrupted him, I am sure that you (Mr. President) would have stopped him from entering on a discussion that was not pertinent to motion on which he was speaking, but that I should have interrupted him with an angry interjection was, as the House knows, quite contrary to my habits. Occasionally, Sir, I may roar, but it is like the sucking dove. Now Mr. Kamat tells me that our proposal is uneconomic and made him rub his eyes. But the simple reason why we put this proposal forward was that in view of the fact that the price of Machinery had greatly fallen we hoped that it might be able to bear the additional burden of $7\frac{1}{2}$ per cent. that we proposed to put upon it. We recognised at the same time, and I think we admitted it, that this constituted was a burden on the capital charges and industry and we regretted it. We should not have put it forward save under the stress of our necessities. Since then it has been pointed out to us with great force that this would bear very hardly on those numerous new

enterprises which had ordered new machinery actually at the old prices. What has been borne upon us still more forcibly is this, that even if we persist now in asking the House to pass this demand for Machinery we should be engaging in a waste of effort. I think it is perfectly certain from what we heard during the Budget debate both here and in the other place and from the universal opposition that has reached us from commercial bodies throughout the country that it would be of little use for us to persist in making this demand. Under the circumstances, Sir, the only thing that we can do is, I am afraid, to cease from making it. I hope at the same time that the House will support the Honourable Mr. Rangachariar's amendment. Machinery has for many years been accustomed to pay a tax of $2\frac{1}{2}$ per cent. and there is, as he very justly said, in the circumstances no reason why it should not continue to pay that duty.

Dr. Nand Lal : I recognise that the Government have been doing their best to promote industries in this country and, therefore, I felt surprised when I found this Item 58 incorporated in this Schedule. First of all, I thought that this was a mistake made, through an oversight, by the Honourable the Finance Member, but subsequently, I thought that perhaps he may have changed his mind and he would have put this item purposely on account of some peculiar circumstances. Considering that this Item has been put down purposely and not due to a mistake, I stand to oppose some part of it. I have an identical motion on the agenda, I mean identical to the motion which has been moved by Mr. Kamat ; but I stand fettered. I cannot do justice to my amendment, because I must obey the opinion of the majority of the Democratic Party and, therefore, I stand to support only the amendment which has been so ably moved by my learned friend, Mr. Rangachariar. I have already submitted that I recognise that the Government have been doing their best for the promotion of industry in this country. In addition to that I may submit that the proposed taxation will be suicidal to that promotion and it will frustrate the hope of the Government and, therefore, it seems to be advisable that the whole House should unanimously support the amendment which has been put forward by Mr. Rangachariar and I do the same.

Sir Montagu Webb : May I ask what difference this will make to the Budget ?

The Honourable Sir Malcolm Hailey : The difference is 185 lakhs. When I gave that figure to the Honourable Mr. Kamat, I was assuming that we should get the $2\frac{1}{2}$ per cent. in any case.

Mr. N. M. Samarth : May I inquire how much of this Machinery is imported for Railways, and whether in that case so much is a mere matter of book entry or not ? I mean the Machinery (not Railway Plant and Rolling I Stock) imported by Railways for their workshops. By this import duty much revenue is not to be expected. Of course, this is the revenue anticipated, but it is practically and largely for Machinery imported for Railways. Then it means that you put the revenue into one pocket and pay it out of the other pocket, *i.e.*, it is merely a book entry.

Mr. President : Amendment moved :

' In Schedule I, Part IV, omit Item 58, Machinery, and re-insert it in Part III, as Item 50 and re-number the remaining Items '.

The question is that that amendment be made.

The motion was adopted.

Rai Sahib Lakshmi Narayan Lal (Bihar and Orissa : Nominated Non-Official) : Sir, the amendment that stands in my name runs as follows :

‘ That in Schedule I to the Bill, in the Schedule to be substituted in the Indian Tariff Act, 1894, the following Items be deleted :

‘ Nos. 59, 60 and 61 (Metals—Iron and Steel) ’.

The increase in the tariff duty on these heads will very prejudicially affect the agricultural and industrial development of India ; what I have said regarding the increase in salt duty yesterday mostly applies to this duty also ; the former affects the poor people and the latter the poor industry of the country, upon which every hope for the building of the nation and the success of the reforms is based.

Sir, this increase of duty seems to be due to nothing short of a short-sighted policy, for ultimately it will prejudicially affect the Government revenue also ; one of the greatest sources of the revenue of the Central Government is income-tax which will go on automatically increasing with the development of the resources of the country by the agricultural and industrial improvements ; every attempt should be made to facilitate this development, and nothing whatever, which is likely to stand in its way should ever be attempted to be done ; a very small obstacle can hinder the growth of a small plant. A good many lives can be sustained with the fruits or even with the leaves of a grown-up tree if it is not damaged. In order to get some revenue, no attempt should be made to hamper the growth of a permanent source of revenue. The present financial crisis can never be sufficiently removed unless and until the sources of the permanent revenue—the industry and agriculture of the country—are sufficiently fostered. The most deplorable state of things is that very little care is being taken for the due development of these sources of permanent revenue. Instead of nourishing them by sufficient investment for their growth, recourse is being had to such an increase in the tariff which is sure to stand in the way of its due development ; the Government can never financially prosper unless and until they annually invest a sufficient amount for the agricultural and industrial growth of the country and do nothing whatever which is calculated to affect it prejudicially.

Sir, it seems to me entirely inconsistent that, while on the one hand the Agricultural, Industrial and Co-operative Departments are preaching for the introduction of machinery and improved implements and devising various means for facilitating their introduction, on the other hand steps are being taken for the increase of tariff in the machinery (implements even of iron and steel, of which these implements can be manufactured in the country) which is sure to render their introduction less successful.

Any increase of that under these heads is likely to nip in the bud the growing plant of Indian Industry which, if properly fostered, is sure to grow in the near future into the much coveted *Kalpataṛu* which will surely supply everything according to the wishes not only of the growers but also of its greatest protector, the Government. It is this *Kalpataṛu* alone which can successfully overcome the present financial difficulty of the Government as well as prove a perfect panacea for the poverty of the people and which may once more turn India into that Paradise which it really was before, as has been described by the great poet in his beautiful lines :

‘ Agar Firdosh Bar Roe Zamin Aet
Hamin Asto Hamin Asto Hamin Ast.’

'If there is any Paradise on the face of this earth, it is this, it is this, it is this (India).'

The Honourable Mr. C. A. Innes: Sir, these three items are 'iron, iron or steel, and steel.' Now the reasons why we thought that we were justified in raising the duty upon these materials are that there has been recently a very great drop in the price of these materials, very largely owing to the depreciated exchanges of Germany and Belgium. We know precisely what the drop has been, owing to the fact that most of these materials are assessed to customs duty upon a tariff valuation,—a tariff valuation which is settled once a year in consultation with the Chambers of Commerce. Now, Sir, I have here the tariff valuations of last year and the tariff valuations now in force, and in almost every case the prices have dropped; our tariff valuations have dropped, sometimes by 50 per cent. and sometimes by more. Angle iron, for instance, dropped from Rs. 450 a ton to Rs. 300 a ton; other kinds, from Rs. 350 to Rs. 300. Yorkshire bar from Rs. 450 to Rs. 300; Swedish from Rs. 400 to Rs. 250. Hoops from Rs. 475 to Rs. 370. Nails from Rs. 28 to Rs. 14. In every case, as the House will see, there has been a very great drop in the tariff valuations of these articles. For this year, therefore, they can stand an enhanced duty without any difficulty at all; and I have no doubt that this is one of the cases which will be dealt with carefully by the Fiscal Commission. But I think that the House will see that this year at any rate they need have no apprehension in raising the duty upon these materials to the extent which we have proposed. I oppose the amendment.

Rai Bahadur Pandit Jawahar Lal Bhargava (Ambala Division: Non-Muhammadan): Sir, I beg to move as an amendment:

'That Items 59, 60 and 61 be transferred from Part IV of the Schedule to Part III,'

that is to say, they should not be made liable to duty at 10 per cent. *ad valorem* but should remain liable to duty at the rate of 2½ per cent.

The reasons which apply to increased rates in the case of machinery would apply to these items also. An increase of duty on these items will injuriously affect the development of industries, upon the growth of which the future prosperity of India depends. This additional charge will handicap trade and will be a great obstacle in the starting of new ventures or the extension of old ones. The industrialization of India is as much needed as the Indianization of the services, and any step which retards the progress of industry will be the cause of great resentment. It is with this idea that I move the amendment.

Mr. President: Amendment moved:

'That Items 59, 60 and 61 be omitted from Part IV and inserted in Part III.'

The question is that that amendment be made.

The motion was negatived.

Mr. President: The question is:

'That Items 59, 60 and 61 be omitted.'

The motion was negatived.

Sir Vithaldas D. Thackersey : Sir, I move :

‘After Item 63 insert the following new Item in Part IV :

‘64. Dyes and sizing ingredients imported by a cotton weaving mill and proved to the satisfaction of the Collector of Customs to be intended for use in a weaving mill.’

Sir, I ask your permission to add the word ‘finishing’ after the word ‘sizing’. The first line of the new Item would then read :

‘Dyes, sizing and *finishing* ingredient.’

Up till now these two Items have gone together in the Schedule.

The object of my amendment is to maintain the *status quo* between the Lancashire and the Indian mills. Before the proposal to raise the import duty and the excise duty by 4 per cent was made, the sizing ingredients imported paid a duty of 11 per cent. Now, however, we have decided to maintain the old position, that is, the excise at 3½ per cent. and the import duty at 11 per cent. while at the same time it is proposed by Government to increase the duty on sizing materials, which are used for weaving cloth, from 11 to 15 per cent., an increase of 4 per cent. I have shown in my Budget speech that as it is, although we only pay an excise duty of 3½ per cent., with the cost of the freight on sizing materials and the duty on stores, income tax, supertax, etc., we really pay about 10 or 10½ per cent. If you add a duty of 4 per cent. on our sizing materials, you put the Indian mills at a disadvantage. I do not think it is the intention of Government to put the mills at a disadvantage when the country is fighting for protection. I have said, Sir, that we do not want protection, but we do expect, under the altered circumstances, that the *status quo* will be maintained, and that the duty on sizing materials will remain at 11 per cent. I hope therefore that Government will accept this amendment and will allow the *status quo* to remain.

The Honourable Mr. C. A. Innes : Sir, I hope that the House will not accept this amendment. Last year the principle underlying this amendment was fully discussed. We increased the duty on imported cotton goods from 7½ to 11 per cent. We did not make a corresponding increase in the cotton excise duty. Consequently we took the opportunity of removing from our free list an entry which had always given us a great deal of trouble administratively, and of depriving the cotton mills of Bombay of the benefit of free entry of mill stores. The concession meant that we had to have a complicated system of certificates which put a very severe burden upon our customs staff. Consequently, last year, with the full approval of this House, we took the opportunity of removing this troublesome little concession. Now, Sir, we have left the position between the cotton mills in India and in Lancashire precisely as it was before. The cotton excise duty is 3½ per cent., the import duty on piece-goods is 11 per cent. All what we have done is to raise the general *ad valorem* rate on which these dyes and other things come in from 11 to 15 per cent. Therefore Sir Vithaldas comes to the House and says : ‘This is unfair to the cotton mills. We must restore this troublesome procedure. You must let us, the cotton mills, have our dyes and our sizing and finishing materials in at a favoured rate.’ I am quite sure that the House will not accept that argument. Surely, there is no particular reason now why we should show the cotton mills of Bombay any special concessions in our tariff. They are flourishing like green bay trees. I do want to go over the old story

or to read out the dividends. Everybody knows that this cotton mill industry is flourishing, as rarely an industry has flourished in India. We are glad of it. But is that any reason why now the representatives of the cotton mill industry in this House should come to us and say: 'Oh, yes, we are flourishing, but you are making us pay 4 per cent. more on our mill stores. That is not fair. You must reduce that duty to 10 per cent. You must introduce a complicated procedure for dealing with dyes, etc. When those dyes come in, if one of the millowners comes and gives a certificate to the effect that those dyes are for him, then you must give a refund of 4 per cent. on those dyes.'

I put it to the House, you cut down my Customs Budget by about 5 crores of rupees, you are reducing my staff and now you are adding to the work of my Customs officers by imposing upon them a procedure which will give them the greatest trouble. I suggest there is no reason at all why we should give this concession. I think Sir Vithaldas Thackersey ought to withdraw his amendment and if he does not, I think the House ought sternly to set its face against it.

Rao Bahadur T. Rangachariar : Sir, I much regret I have to oppose my Honourable colleague, Sir Vithaldas Thackersey. I think the mill industry of Bombay is having it all their own way to-day (Laughter) and yesterday they had the excise duty taken off and they had the Customs import duty reduced. Not content with that, the rich man always wants more and more (Hear, hear), and my Honourable friend, Sir Vithaldas, is never contented; and may I make a present of him to my friend, Mr. Samarth. (*Mr. N. M. Samarth:* 'I shall be glad to have him.') Business men are always having an eye to business. Unfortunately, lawyers have no eye to business. Sir, this proposal, I am afraid, will give an undue advantage to the cotton mills and injure the hand-loom industry of Madras (Laughter), and therefore I oppose the amendment.

Mr. Manmohandas Ramji : Sir, Sir Vithaldas Thackersey has made out the case on behalf of the mills very ably and Mr. Innes with his usual eloquence tried to oppose it on the ground that it is going to give him a lot of trouble and that last year when we increased the duties, we had discussed this question and therefore it does not deserve any further consideration. Sir, I do not want any protection or any favour from the hands of either the Government or from this Assembly. What I say is this, that because this industry fortunately makes profits, you level these criticisms against it and try to say anything against it you like, but I say, Sir, that this concession is due and properly due to this industry. This industry pays an excise duty of 3½ per cent. and before we get the article finished, that is made into cloth, we have to buy stores and pay a duty in Customs to the extent of 15 per cent. It is proposed to increase it from 11 to 15 per cent. Are you going to accept the principle that a local industry should pay twice over and a foreign industry should pay once? This is the proposition that we have to argue to-day. We are taxed twice over. That is our argument, Sir. Of course it may not be very hard in the present state of the industry, but we object to it on principle, and on principle alone. Mr. Rangachariar was very charitable to say that it will come in the way of hand-loom industry and so on and he also thought that it might injure the revenues of the Government. But, I think, the attitude that he took up this morning about the revenues of Government was quite a different one.

The Honourable Sir Malcolm Hailey : Sir, we have just heard two statements, first that the mill industry asks for no favour and secondly that Mr. Ramji objects to this motion on principle alone. Now, Sir, I ask the House to realise what the Mover is asking for. What are the dyes paying to-day? 11 per cent. What does Sir Vithaldas Thackersey ask for? That it should be reduced to 10 per cent. (*Sir Vithaldas Thackersey :* 'No'.) Look at your amendment, Sir. You are asking for a reduction on what you are paying at present. Is the House going to grant that?

Mr. S. K. Barodawala (Bombay City : Muhammadan Urban) : Sir, it is an anomaly to me to see my friend, Sir Vithaldas Thackersey's amendment. What does he say in his amendment? He says : 'We do not object to the levy of the tax, but give us rebate.' For what purpose do dyes come here? It is for dyeing. For what purpose do sizing materials come? It is for sizing. His amendment indirectly says : 'You better put the tax on poor dealers only who sell in retail, but not to the millowners and particularly my friend, Mr. Manmohandas Ramji, who whole heartedly supported the amendment, comes from the same place as I do, but I must say that these mill-owners are getting very greedy. (Laughter.)

The motion was negatived.

Mr. Darcy Lindsay : Sir, I move

'In Item 84 (Apparel), omit the words and figures 'and articles made of silk (see No. 133).'

The object of this amendment is to exclude from clause 6 of the Bill articles of wearing apparel that may be wholly or partly made of silk and thereby allow import of such goods at a duty of 15 per cent. instead of 30 per cent. This chiefly concerns lady's apparel, and the total value cannot amount to very much. As one of the Honourable Mian Sir Muhammad Shafi's happy bachelors, I have no inside knowledge of the subject. (Laughter.) But my married friends on the Government Benches will, I think, bear me out when I say that the increase of duty last year from 7½ to 20 per cent. has had a serious effect on the spending power in many instances of an already attenuated dress allowance, and now to increase the duty by a further 10 per cent. will only result in a heavy fall in imports as in these days of increased cost of living there is a limit to expenditure. Some married men may of course regard with satisfaction the absence of temptation to spend hard earned money on silk costumes. But what about the other side of the question? When owing to these exorbitant and ever-increasing duties, ladies have to dress in *khaddar* or some equally unbecoming locally made material. (*A Voice* 'Why?') : As I said before, I am not an expert in lady's apparel, but I believe I am correct in stating that with many imported costumes silk material represents only a very small percentage of the whole, and yet a duty is levied as if the entire dress was of silk, and this, I maintain, is wrong in principle. It is a never ending source of difficulty to the Customs officials to differentiate between what is silk and what is not, and they would certainly welcome one scale of duty for all apparel. I have referred to the probable loss to Government from enhanced duties. Here I speak with some knowledge, that it is a fact that the 20 per cent. duty has caused a serious loss to a great number of small establishments owing to the heavy fall in sales and the shutters will be closed next season if the duty is increased.

These people have not a large capital and it takes much money to finance 30 per cent. duty on goods costing anything from between Rs. 200 to Rs. 600 wholesale.

I put it to the Finance Member that this is one of the instances where a heavy fall in imports may show actual loss of revenue, unless my amendment is carried, and I hope he will accept same. I also appeal to the gallantry of the Democratic and National Party, especially to Mr. Ginwala, to support the cause of the ladies, which, as my Honourable friend, Munshi Iswar Saran, would say, I put forward 'with all humility.' To include dresses in the luxury tax is surely a grave error. They are necessities, not luxuries. With these words I place my amendment in the hands of the House.

Rao Bahadur T. Rangachariar : In the interests of the protection of local industries, I would appeal to my Honourable friend, Mr. Darcy Lindsay, to drop this amendment. I can present him with beautiful cloths made of silk, if he has lady friends, made in Benares and made at Conjeeveram. I am glad to say that the English ladies living in Madras are taking to *Swadeshi* habits. I have seen them dressed in Conjeeveram cloths and they look much more beautiful. (Laughter.)

Sir, we have got variegated colours in our cloths. Those of you who have travelled in Madras and seen our ladies dress will appreciate the value of the comments I am making. It is a real change and a change for the better, and I am glad that Government are opposed to this duty on articles made of silk, for we are enlisting workers in the cause of *Swadeshi* in the shape of English ladies who I know will gladly go in for country silk.

The Honourable Mr. C. A. Innes : I need hardly say that my personal sympathies are entirely with Mr. Darcy Lindsay ; but as a member of the Government, and as an official, I am afraid I must not only oppose the amendment but ask the House to oppose it also. I admit that ladies should have dresses, but see no reason why they should have silk dresses. If they want silk dresses, they are wanting luxuries and must pay extra. I think the House will unanimously reject this amendment.

The motion was negatived.

Haji Wajih-ud-din : Sir, I move :

'In Item 36 after the word 'Carts' insert the words 'Bicycles and Tricycles' and omit from the last line the words 'Bicycles or Tricycles.'

The import of the costly and high-grade machines suitable for joy-riding is not more than a few per cent., and the rest is not used as luxuries, but like necessities. They are generally used by peons of Government offices, Telegraph and Post offices, commercial offices, and military soldiers. Poor people who live in the suburban villages of a large town, where they have daily business, and who can not afford to maintain any other means of conveyance, keep cycles, the cheapest of all conveyances, to avoid unnecessary hardship, and to save time and money. As cycles are more necessary than bath chairs and perambulators, which are nothing but luxuries, and as cycles are as useful as tram-cars, motor lorries and the like, so I am quite justified in suggesting on the same principle that cycles should be taxed at 15 per cent. as motor lorries, tram-cars and others are proposed by the Government.

The motion was negatived.

The Honourable Mr. C. A. Innes : Sir, I beg to move :

‘That in Schedule I to the Bill in the Schedule to be substituted for the Second Schedule to the Indian Tariff Act, 1894, in Item 86, the words ‘not otherwise specified’ be omitted and be re-inserted after the word ‘conveyances’.’

This, Sir, is a purely drafting amendment which does not need any explanation.

The motion was adopted.

Mr. K. B. L. Agnihotri : I beg to move :

‘In Schedule I, Part V, omit Item 95.’

Sir, there is no reason why, when Item 58 in Part IV of the same Schedule is subject to a duty of 10 per cent only, Item 95 should be subjected to a duty of 15 per cent. In the case of machinery worked by animal labour, it would be very hard for poor people to pay a duty of 15 per cent. In the case of power-driven machines, the duty affects the big companies only who could afford to pay but in case of machines worked by manual labour it will be the poor men alone that will be affected and he can not afford to purchase power-driven machines. I do not think it is necessary for me to waste the time of the House by giving in details at this late hour.

Rao Bahadur T. Rangachariar : May I ask for some information from the Honourable Mr. Innes, namely, whether the machinery contemplated in Item No. 95 is produced in the country, or if there are any industries in that direction.

The Honourable Mr. C. A. Innes : I am afraid that I am not in a position to give this information. These items in the Tariff have always been in the Tariff, and I don't really know what machinery is referred to. It is machinery or parts of machinery to be worked by manual or animal labour.

I think the House will be well advised to oppose the amendment, because if the amendment is passed in the present form, there would be no effect at all. The proposal is merely to omit this item. If the Item is omitted, then these articles would come in at 15 per cent. as 122. ‘All other articles not otherwise specified.’ This machinery has always come in the General *ad valorem* rate.

Mr. J. Chaudhuri : I suggest an amendment :

‘That machinery worked by hand or animals should be placed in Part III.’

and would inform the Honourable Mr. Innes that some of these machineries are very important, as, for instance, knitting machines, with which hosiery is made, and sewing machines, which give employment to many widows and other people who make their living by it. When enhancement of duty on machinery driven by power from $2\frac{1}{2}$ per cent. to 15 per cent. has been disallowed by the House, it is much more important that no higher duty should be imposed on hand-driven machinery. I would say that such machinery should be duty-free because there is a good deal of scope for introducing such machinery in this country, for instance, lace-making machinery, ribbon-making machinery, and many others that I may name. By introducing small machineries of this kind the industrial resources of the country may be developed, cottage industry helped and promoted and also employment may be given to the poorer classes as also the middle class people and to the

women in this country. So I beg to move as an amendment to Mr. Agnihotri's motion that such machineries be also removed from Schedule I, Part V, and that the same be put down in Schedule I, Part III, the result of which will be that they would be liable to a duty of $2\frac{1}{2}$ per cent. and not 15 per cent. as proposed.

Mr. K. B. L. Agnihotri: I accept the amendment suggested by Mr. Chaudhuri

Mr. President: The question is :

'In Schedule I, Part V, omit Item 95 and insert it in Part III'.

The Assembly then divided as follows :

AYES—23.

Agarwala, Lala G. L.
Agnihotri, Mr. K. B. L.
Asjad-ul-lah, Maulvi Miyan.
Ayyangar, Mr. M. G. M.
Ayyar, Mr. T. V. Seshagiri.
Bagde, Mr. K. G.
Bhargava, Pandit J. L.
Bishambhar Nath, Mr.
Chaudhuri, Mr. J.
Das, Babu B. S.
Ginwala, Mr. P. P.
Hussanally, Mr. W. M.

Joshi, Mr. N. M.
Lakshmi Narayan Lal, Mr.
Latthe, Mr. A. B.
Man Singh, Bhai.
Nand Lal, Dr.
Neogy, Mr. K. C.
Reddi, Mr. M. K.
Shahani, Mr. S. C.
Singh, Babu B. P.
Sohan Lal, Bakshi.
Subrahmanayam, Mr. C. S.

NOES—44.

Abdul Rahim Khan, Mr.
Aiyar, Mr. A. V. V.
Aiyer, Sir P. S. Sivaswamy.
Akram Hussain, Prince A. M. M.
Barodawala, Mr. S. K.
Bray, Mr. Denys.
Bryant, Mr. J. F.
Chatterjee, Mr. A. C.
Clarke, Mr. G. R.
Crookshank, Sir Sydney.
Dentith, Mr. A. W.
Faridoonji, Mr. R.
Fell, Sir Godfrey.
Hailey, the Honourable Sir Malcolm.
Hullah, Mr. J.
Innes, the Honourable Mr. C. A.
Iswar Saran, Munshi.
Jamnadas Dwarkadas, Mr.
Jejeebhoy, Sir Jamsetjee.
Kabraji, Mr. J. K. N.
Keith, Mr. W. J.
Lindsay, Mr. Darcy.

Manmohandas Ramji, Mr.
Misra, Mr. B. N.
Mitter, Mr. K. N.
Mukherjee, Mr. J. N.
Percival, Mr. P. E.
Ramayya Pantulu, Mr. J.
Rangachariar, Mr. T.
Rao, Mr. C. Krishnaswami.
Renouf, Mr. W. C.
Rhodes, Mr. C. W.
Samarth, Mr. N. M.
Sapru, the Honourable Dr. T. B.
Sharp, Mr. H.
Spence, Mr. R. A.
Thackersey, Sir Vithaldas D.
Tulshan, Mr. Sheopershad.
Vincent, the Honourable Sir William.
Vishindas, Mr. H.
Waghorn, Colonel W. D.
Webb, Sir M. dePomeroy.
Way, Mr. T. A. H.
Zahiruddin Ahmed, Mr.

The motion was negatived.

Rai Sahib Lakshmi Narayan Lal: I beg to move :

'That in Schedule I to the Bill, in the Schedule to be substituted in the Indian Tariff Act, 1894, the following Items be deleted :

'(i) No. 96, Metals—Iron and Steel.

'(ii) No. 97, Metals other than Iron and Steel.'

[Rai Sahib Lakshmi Narayan Lal.]

Sir, I do not want to detain this House long at this late hour of the day. For reasons that I have already stated in my amendment regarding Items Nos. 60 and 61, I move this amendment.

The motion was negatived.

Lala Girdharilal Agarwala : Sir, I beg to move :

'In Schedule I, Part V, delete Item 124 (umbrellas) and insert it in Part III with a rate of duty at 2½ per cent. and re-number the entries accordingly.'

Sir, umbrellas are a necessity in India and not a luxury, and, therefore, I beg to move this amendment.

The Honourable Mr. C. A. Innes : Sir, this question of umbrellas was discussed last year. It was decided that umbrellas were not a luxury and they were taken out of the luxury Schedule and put back in the general *ad valorem* Schedule. They are still in the general *ad valorem* and Mr. Agarwala proposes to take them out of that Schedule and put them down at the specially favoured rate of 2½ per cent. I ask the House, are we in a position to give a financial concession of this kind?

I hope the House will reject the amendment.

Sir Jamsetjee Jejeebhoy (Bombay City : Non-Muhammadan Urban) : What would be the loss of revenue?

The motion was negatived.

Mr. Darcy Lindsay : Sir, I move :

'Omit Items 126, 127 and 138 and include the articles referred to therein in a new Part of the Schedule as liable to a duty of 20 per cent.'

which, in practice, would be to leave the import duty at what it was fixed at last year. These Items cover motor cars, bicycles, tricycles, accessories, pneumatic tyres, clocks and watches.

There is no doubt, Sir, that an increase of 10 per cent. to the already heavy duty of 20 per cent. is likely to result in an actual loss of revenue both from import duties and the diminished consumption of tyres, motor accessories, oil and petrol, on which latter, as the House is aware, there is a special duty of six annas per gallon. The increased duty will mean a fall in imports, fewer motors purchased, and, consequently, less consumption of the above. The Honourable the Finance Member stated, when he placed the Budget before us, that the revenue in connection with this luxury tax during the current year had been very disappointing. He said matters were somewhat improving and he hoped to gain a revenue of 75 lakhs. Now, Sir, on an examination of the figures of the principal items of this tax, I do not find that they are very promising. Silk piece-goods and mixed silks are included. I find the January imports for silk piece-goods amounted to 14 lakhs as against 38 lakhs the year before.

Mr. President : Where does the Honourable Member get silk piece-goods in his amendment? I thought the Honourable Member had already disposed of silk piece-goods.

Mr. Darcy Lindsay : Very well, Sir. I will give the figures as regards the import of motor cars. Motor cars in the month of January were imported

to the value of Rs. 18,58,000 as against Rs. 86,00,000 in the previous year and Rs. 33,00,000 in 1920. The total for the ten months was Rs. 1,45,00,000 as against Rs. 6,93,00,000 of the previous year. That, Sir, I maintain does not show very great promise of an increase in the imports. In further support of this view, I quote the opinion of the members of the Motor Trades Association (Western India Branch) in a circular letter which, I think, has been received by many of the Members of the House. They state :

‘It is believed that the heavily increased duty will result in a considerably reduced import of motor cars and that the tendency will be for cheaper cars to be imported. The consequence will be a decrease, not an increase, in revenue. Smaller imports of automobiles necessarily imply smaller consumption of petrol, tyres and other dutiable articles, again to the detriment of Government and India’s revenue.’

It is estimated the import duty on tyres, etc., and the tax on petrol gives the Government an average of not less than Rs. 5 per hundred miles covered by a motor car. It follows, therefore, that to handicap the import of cars will mean not only a loss of revenue from import duty but also Rs. 5 per hundred running miles, as fewer cars will be in use. The opinion of the motor trade is that, with a duty of 20 per cent. the maximum has been reached and they suggest that, for revenue purposes, a more equitable means of taxation may be devised.

In the evidence before the Fiscal Committee the representatives of the Motor Trades Association (East Indian section) stated :

‘The Association fully appreciates the present financial position of the Government and therefore begs to suggest the following as a source of revenue in the event of a reduction of the import duty on cars from 20 per cent. to 10 per cent.’

They did not anticipate then an increase.) They suggest an additional surtax of one anna to the cost of petrol, and they state that that would give the Government as much revenue as they were obtaining from the increased duty.

It was further pointed out that the high duty restricts the sale of the English car to the advantage of the lower-priced American.

I take it that the Government of India have no real desire to handicap British labour and enterprise in the motor trade ; but this is what they are doing, and with a heavy hand. This is not the friendly act of a partner in our great Empire. If it were to foster a local industry, there might be some excuse, but we have no motor or tyre factories in India at present. As I said before, the high duty is really a protective tax in favour of American manufactures and a death blow to British industry, so far as the motor trade for India is concerned.

Having dealt with the possible effect on the revenue of the increased duty, I turn to the question of the usage of motor cars and bicycles. I do not know who the genius was who classified these necessities as luxuries, but he had possibly studied the protective tariffs of other countries and, finding the rate of duty on these articles to be high, in they went to swell the items included in the luxury tax. I dealt with this question of luxury last week and will not weary the House with repetition, except to say that, with a large majority of people, motor cars and bicycles are necessary means of transport and should not be placed out of the reach of the general public. I admit that a few wealthy men can indulge in the comfort of expensive cars as a means of pleasure, but, to the ordinary man, the use of a car is a business proposition to save valuable time, and the bicycle is the poor man’s friend to take him to his work. I put it to the House that this heavy tax

[Mr. Darcy Lindsay.]

of 30 per cent. means an extra Rs. 45 added to the cost of a bicycle, and what I am asking for is that Rs. 15 of this may be reduced. An extra charge of Rs. 15 may appear paltry to the Honourable the Finance Member dealing as he does in crores; but to the poor clerk and artisan it is a very serious consideration. I have included clocks and watches in my amendment, as here again I regard them as a necessity and far removed from a luxury. When India makes her own clocks and watches, it will be time enough to think of a protective tariff.

In conclusion, I would ask the Honourable the Finance Member to take to heart what Robert Lowe, afterwards Lord Sherbrooke (an
7 P.M. unlucky Chancellor), once said :

‘It is the business of a Chancellor of the Exchequer to distribute a certain amount of human misery, and the man who distributes it most equally is the best Chancellor.’

Sir, in my remarks in the course of the general discussion on the Budget, I made a suggestion to the effect that our basis of taxation in India needs examination and that an expert in these matters might be put to work to make suggestions for widening that basis. The Honourable the Finance Member and his staff have no time for this work. They are more than fully occupied with the details of administration. Thus when difficult times come as at present new sources of taxation are not forthcoming, for the officers in charge have not the time to think out the problems involved, and nothing better can be suggested than the piling on the rates of import duties, income-tax, and so on, till the danger point is reached, and even, I suggest, past it. That is the point at which increased taxation produces no increase of revenue. I do urge on the Government that the pressing need of a continuous and expert inquiry into our taxation should receive their earliest possible attention. With these words, I commend my amendment to this House.

Mr. President : The question is :

‘That Items 126, 127 and 138 be omitted and re-inserted in a new part of the Schedule as liable to a duty of 20 per cent.’

I think it will be easier if Items 126 and 138 stand together than to take 126 alone. I will therefore put the question in this form :

‘That Items 126 and 138 be omitted and re-inserted hereafter in a new part of the Schedule as liable to a duty of 20 per cent.’

Rao Bahadur T. Rangachariar : I should like to have the loan of the barometer my Honourable friend, Sir Montagu Webb, had in his hand now to see whether my reading and his reading correspond.

Mr. R. A. Spence : It is 11·83 crores.

Rao Bahadur T. Rangachariar : That is even larger than I thought, and may I make a present of it to Mr. Lindsay as my Honourable friend, Sir Montagu Webb, made a present of it to me.

Mr. R. A. Spence : With reference to this barometer, may I point out to Mr. Rangachariar that one of the main reasons Mr. Lindsay moved this amendment was that he thought it would help Government. His argument is that you will get less revenue by this high tax. Therefore if the Democratic Party are now wishing to stop this terrible drain of 11·83 crores, I hope they will vote for Mr. Lindsay’s amendment.

The Honourable Mr. C. A. Innes: I am afraid, Sir, that I must oppose this amendment. I am quite prepared to admit that we increased the duty on motor cars last year from $7\frac{1}{2}$ per cent. to 20 per cent. and, as the House knows, we proposed a further increase this year to 30 per cent. Our financial necessities have compelled us to propose a higher scale of taxation on what are generally known as luxuries, and I think nobody in this House will deny that motor cars may reasonably be called a luxury. Now, Sir, in spite of the fact that we raised our duty from $7\frac{1}{2}$ per cent. last year to 20 per cent., I do not admit that the effect on the trade was as bad as has been made out. It is perfectly true that our imports show a very great drop, but it is a notorious fact that at the beginning of 1921, owing to the high exchange of the previous year, there were enormous stocks of motor cars at every port in India, and our imports in the calendar year 1921 were at just the same level as in the calendar year 1919. Now, Sir, I have no doubt that the effect of these heavy stocks has now been worked off and that the trade in motor cars will now begin to revive; I personally do not believe that the raising of the duty from 20 to 30 per cent. will make as much difference as people think. If a man can afford a motor car and desires to buy a motor car he will buy that motor car even if it costs him Rs. 200 or Rs. 300 more. I think the House on the whole would be wise to reject this amendment.

Mr. K. B. L. Agnihotri: Sir, I rise to support Mr. Lindsay. The Honourable Mr. Innes has said that motor cars are luxuries. I admit to a certain extent they are. But for people who come from backward and undeveloped places, like the Central Provinces, where there are no proper roads, where the railways have not yet been extended sufficiently, where the forest people even now have to remove their produce and other forest materials in their antiquated contrivances of locomotion and carry their produce to railway stations and other markets,—such motor lorries and such motor cars are not luxuries but necessities of life. I therefore support Mr. Lindsay and add that heavy motor lorries at least should be liable to a duty of 20 per cent. only and not 30 per cent.,—specially when the Government can not give us railways for want of funds for some time more to come.

The Honourable Mr. C. A. Innes: May I rise to point out to the last speaker that motor lorries are already treated as coming under articles which are liable to a duty of 15 per cent. *ad valorem*—vide Item 86?

Mr. President: The question is :

'That Items 126 and 138 (Motor Cars) be omitted from Schedule I, Part VI, and re-inserted in a new Part of the Schedule as liable to a duty of 20 per cent.'

The motion was negatived.

Mr. President: The question is :

'That Item 127 be omitted and re-inserted in a new Part of the Schedule as liable to a duty of 20 per cent.'

The motion was negatived.

Mr. President: It seems a little late to embark upon the Schedule of the Postal Rates. I think we might perhaps dispose of clause 6—the entries in the tariff Schedule relating to kerosene.

[Mr. President.]

The question is :

‘ That clause 6, as amended, stand part of the Bill.’

Honourable Members will remember that clause 6 was amended by the insertion of the words, on the motion of the Honourable Mr. Innes, ‘ in liquid form ’ after the word ‘ used ’ in sub-section (b) of the explanation.

Rao Bahadur T. Rangachariar : Sir, after listening to the facts and figures given by the Honourable Mr. Innes and also having regard to the fall in the price of Kerosene Oil, it has become a matter of indifference to this Party. The Members of this Party are at liberty to vote as they like in this matter, but having regard to the advantage we hope to gain in the Postal Departments in some form or other. Speaking for myself, I will not oppose this Item.

Mr. N. M. Samarth : Speaking on behalf of my Party, I may say that I asked for certain information yesterday and I got it from the Honourable Mr. Innes. It has satisfied me that this duty proposed by Government may stand. I therefore support it.

Mr. Harchandrai Vishindas : Sir, speaking on behalf of the Independent Party, who belong neither to the Democratic Party nor to the Autocratic Party or any other ‘ Party ’, I wish to say that the members of that Party do not wish to oppose this taxation.

Mr. S. C. Shahani : I beg to point out that the reasons that have been advanced by my Honourable friend, Mr. Innes, are not at all convincing. He says that the price has gone down, and on that account the extra duty of one anna per gallon should be sanctioned by the House. Is he prepared to give an assurance to the Members here that the prices would be permanently low? No such assurance could rightly be given. I think it is only reasonable then that the increased tax should not be levied. Kerosene is an article of general consumption. It is highly undesirable that the import duty on it should be increased, or that an excise duty should be imposed upon its manufacture in India.

Mr. W. M. Hussanally : I beg to support my friend, Mr. Shahani, and I also recommend that this tax should not be levied. As I said yesterday kerosene and crude oil are not only used for lighting purposes but also for agricultural machinery, which is more important than lighting. It will press heavily on the poor agriculturists and I therefore hope that the House will reject the proposal to tax kerosene.

Maulvi Mian Asjad-ul-Lah (Bhagalpore Division : Muhammadan) : (The Honourable Member spoke in the vernacular*.)

The Honourable Mr. C. A. Innes : Sir, I wish to correct a mistake made by Mr. Hussanally. I think Mr. Hussanally said that this excise duty would apply to fuel oil. That is not so. The only change that we are making in the Motor Spirit Act is to make that Act cover kerosene and if Mr. Hussanally would look at the explanation to clause 6 of the Bill, he will see that this kerosene must be intended to be used for the purpose of illumination. So this new taxation covers kerosene only. Now, Sir, my position in regard to this

* The original speech, together with a translation, will be published in a later issue of these Debates.

proposed taxation is this. In spite of the excise duty which we propose to put on Burma kerosene and in spite of the corresponding one anna increase on import duty I have informed the House that the price of Victoria oil which is the common poor man's oil in India has gone down by more than one anna a gallon already. I am quite prepared to admit that had it not been for these new duties the price would have gone down by two annas a gallon, but the fact is that it has gone down by one anna a gallon. These duties are going to give us 95 lakhs of rupees. Sir Montagu Webb has told us that our deficit is now over 11 crores of rupees and I ask this House whether they are going to refuse us this 95 lakhs. I am perfectly sure that the answer is in the negative.

Mr. W. M. Hussanally : Kerosene itself is used for agricultural purposes for driving agricultural machinery, leaving aside its other uses. I oppose the tax most strongly on that ground alone.

Mr. K. B. L. Agnihotri : I am not surprised to find that this tax has been proposed by the members of the Government of India who are living in palatial houses fitted with innumerable electric lights and have probably given up the use of kerosene oil. They seem to have no idea of the conditions of the poor men and their cottages. That is why they did not take at all the feelings of the poor man into consideration and have brought forward a proposal for this undesirable tax. Sir, during the war, the prices of kerosene oil had gone up and many municipalities in the poor province of the Central Provinces had to curtail their expenditure on lighting and had actually to reduce the lights in the towns. They could not afford even to light their streets sufficiently. I believe that was also the case in other provinces. Mr. Innes comes forward and says that the price of kerosene oil has gone down by one anna and that the present tax would not affect the poor, but may I remind him that this tax will take away the benefit by at least half an anna per bottle of oil. Sir, in the villages I have come across people who have to take their meals in the dark. Many people cannot afford to purchase kerosene and to have lights in their houses. Therefore, I support the amendment and appeal to Government that taking into consideration the state of the poor man in the country they would not insist on this taxation.

Mr. President : The question is :

‘That clause 6, as amended, do stand part of the Bill.’

The motion was adopted.

Clause 6 was added to the Bill.

Mr. President : The question is :

‘That Schedule I, as amended, do stand part of the Bill.’

The motion was adopted.

Schedule I was added to the Bill.

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 22nd March, 1922.